

### NexPoint Capital BDC

*The Company's Primary Offering Was Terminated On February 14, 2018.*

NexPoint Capital, Inc. is a non-traded business development company (“BDC” or “the Company”) that seeks to provide investors access to the unique opportunities offered by the historic changes to our nation’s healthcare economy as a result of significant demographic and governmental changes.

#### Performance Review

The Company generated positive total return in the second quarter of 2021, with the NAV per share increasing to \$6.49 as of 6/30/21 from \$6.25 as of 3/31/21.

#### Market Outlook

The S&P continued to push upwards, rising 8.6% from the end of the first quarter to the end of second quarter. The 10-yr US Treasury (“UST”) declined 15.7%, from a peak of 1.7% at quarter end in 1Q21 to a near-bottom of 1.5% at quarter end of 2Q21. Additionally, aggressive curve flattening occurred as the spread between the 2-yr and 10-yr UST fell 22.8% from 158 bps at quarter end in 1Q21 to 122 bps at quarter end of 2Q21. Leveraged loans saw a +1.5% gain in 2Q21. Fed monetary policy continues to be a key driver in stock market performance, rate suppression, and support for the investment grade and high yield markets in addition to the economic re-opening underpinned by the US reaching over 40% of its population being vaccinated. Despite the continued strength of the credit markets and stronger performance of the equity markets, inflation remains a key concern with the increases in the price of food, construction materials, personal health products, gasoline, and other key consumer goods (and the potential corresponding fed rate hike).

Healthcare equities (as reflected by the Healthcare Select Sector SPDR ETF, “XLV”) saw a progressive climb, returning +8.3% in 2Q21. Large-cap pharma, biotech, and life sciences & tools companies drove much of the rally based on valuation discount catch up and stronger base revenues. Life sciences tools in particular are expected to benefit from the \$30 Billion in government funding programs associated with the Biden administration. In the judicial front, the Supreme Court as predicted upheld the ACA in a 7-2 ruling preserving insurance

#### Fund Facts

Net Asset Value Per Share	\$6.49
Quarterly Distribution Rate*	5.25%

#### Fund Characteristics

Number of Investments	41
Loan Price (Wtd. Avg.)	\$90.5
Weighted Avg Credit Rating	Caa1

#### Credit Rating Breakdown

B	45.7%
CCC	48.9%
NR	5.4%

#### Industry Breakdown

Healthcare	57.0%
Real Estate	23.6%
Telemedia	9.9%
Consumer Products	5.0%
Financials	2.6%
Other	1.9%

#### Portfolio Allocation

1st Lien Loans	43.7%
Equity	39.5%
Corporate Bonds	11.1%
2nd Lien Loans	5.0%
Asset Backed	0.7%

\*Distributions are not guaranteed and may be suspended, modified or terminated at the discretion of the board of trustees. Distributions may be paid from offering proceeds and may include a return of capital or borrowed funds, which may lower overall returns to the investor and may not be sustainable. The Company had a return of capital in 2020 of 100%.

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coverage to 20 million lives covered as patient, doctor, hospital, and insurance advocates warned of chaos if the law were to be invalidated.

Looking forward, we remain vigilant in analyzing and managing the risk around potential lockdowns and economic slowdowns associated with the increasing prevalence of the delta and delta plus Covid19 variant and the rollover impact to the markets. While certain healthcare positions have some exposure to concerns around re-opening, the portfolio is more weighted towards defensive services and facilities as well as healthcare services geared around the secular multi-year tailwinds of the regulatory push towards value-based care as well as outpatient care. Additionally, we continue to monitor the Biden administration, legislative body, and judiciary around key decisions regarding important healthcare topics, from further expansions to ACA coverage to potential drug pricing legislation, among many other things. We have stayed away from pharmaceuticals and other subsectors exposed to bi-partisan drug pricing reform and other potential adverse healthcare legislation. We carefully monitor and evaluate select higher yielding healthcare credits underpinned by strong fundamentals and substantiated growth outlooks as potential swap opportunities.

## Top 5 Healthcare Holdings (As of 6/30/21)

Envision Healthcare	8.1%
BW NHHC Holdco	6.7%
RX Benefits	6.4%
Surgery Center	6.0%
Air Medical Group Holdings	5.5%

## Top Contributors

Position	Asset	Industry
US Gaming LLC	Equity	Financial
NexPoint Real Estate Finance	Equity	Real Estate
SFR WLIF II, LLC	1st Lien	Real Estate

## Top Detractors

Position	Asset	Industry
Amryt Pharma	Equity	Healthcare
BW NHHC Holdco	1st Lien	Healthcare
Envision Healthcare	1st Lien	Healthcare

## Disclosures

NexPoint Capital, Inc. concluded the company's public offering on February 14, 2018. For more information, please see the 8-K on the Fund website, [www.nexpoint.com](http://www.nexpoint.com).

**Investing in our shares of common stock may be considered speculative and involves a high degree of risk, including the risk of a substantial loss of investment. See the "Risk Factors" section of our prospectus to read about the risks you should consider before buying our shares including the risk of leverage.**

**The performance data quoted here represents past performance and is no guarantee of future results. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For performance data current to the most recent month-end, please call 833-697-7253.**

### RISK CONSIDERATIONS

**Before investing in the Fund, you should carefully consider the Fund's investment objectives, risks, charges and expense. For a copy of a prospectus or summary prospectus, which contains this and other information, please visit our website at [nexpoint.com](http://nexpoint.com) or call 1-833-697-7253. Please read the fund prospectus carefully before investing.**

- For the year ended December 31, 2016, 1.65% of the fund's total return consists of a voluntary reimbursement by the adviser for unrealized investment losses, and is included in Net realized and unrealized gain (loss). Excluding this item, total return would have been 25.96%. For the year ended December 31, 2015, 6.09% of the fund's total return consists of a voluntary reimbursement by the Adviser for unrealized investment losses, and is included in Net realized and unrealized gain (loss). Excluding this item, total return would have been (9.35)%.
- Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, and assume no sales charge. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's Dividend Reinvestment Plan. Had the Adviser not absorbed a portion of expenses, total returns would have been lower.
- Distributions are not guaranteed and may be suspended, modified or terminated at the discretion of the board of directors. Distributions may include a return of principal or borrowed funds, which may lower overall returns to the investor and may not be sustainable.
- The Expense Limitation Agreement is contractual and will continue through at least April 30, 2021.
- You should not expect to be able to sell your shares of common stock regardless of how we perform.
- If you are able to sell your shares of common stock, you will likely receive less than your purchase price.
- We do not intend to list our shares of common stock on any securities exchange during, or for what may be a significant time after, the offering period, and we do not expect a secondary market in the shares of common stock to develop.
- Because our common stock will not be listed on a securities exchange, you may be unable to sell your shares and, as a result, you may be unable to reduce your exposure on any market downturn.
- We intend to implement a share repurchase program, but we do not expect to repurchase more than 10% of the weighted average number of shares that were outstanding in the prior calendar year. In addition, any such repurchases will be at a 10% discount to the current offering price in effect on the date of repurchase.
- Our distributions may be funded from offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to us for investment. Any capital returned to stockholders through distributions will be distributed after payment of sales load, fees and expenses and such amounts will not be recoverable by our stockholders.
- You should consider that you may not have access to the money you invest for an indefinite period of time. An investment in our shares of common stock is not suitable for you if you need access to the money you invest. See "Share Repurchase Program," "Suitability Standards" and "Liquidity Strategy."
- The lack of experience of our investment adviser operating under the constraints imposed on us as a business development company and RIC may hinder the achievement of our investment objective.
- We intend to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.
- We are subject to risks associated with middle-market healthcare companies, including competition, extensive government regulation and commercial difficulties.
- Our CLO investments may be riskier and less transparent to us and our stockholders than direct investments in the underlying companies. Our investments in equity and mezzanine tranches of CLOs will likely be subordinate to the other debt tranches of such CLOs, and are subject to a higher degree of risk of total loss.
- There are significant potential conflicts of interest that could affect our investment returns.

**Index Definitions:**

Index returns assume reinvestment of all dividends and distributions, if any. Indices are unmanaged, have no fees or costs and are not available for investment. The performance of the indices may be materially different from the Fund's performance. In addition, the Fund's holdings may differ significantly from the securities that comprise the indices. The indices have not been selected to represent an appropriate benchmark to compare a fund's performance, but rather are disclosed to allow for comparison of the Fund's performance to that of certain well-known and widely recognized indices. It is not possible to invest directly in an index. **S&P 500 Index.** S&P 500 Index is an index of a basket of 500 stocks designed to provide a broad snapshot of the overall U.S. equity market. Criteria for inclusion: U.S. Company, market capitalization must be in excess of US\$ 3 billion, public float of at least 50%, financial viability, adequate liquidity and reasonable price, sector balance, and company type. Ordinary cash dividends are applied on the ex-date in calculating the total return series. "Special dividends" are those dividends that are outside of the normal payment pattern established historically by the issuing corporation. The total return index series reflect both ordinary and special dividends. **JPM Leveraged Loan Index/Healthcare Index.** This index is designed to mirror the investable universe of U.S. dollar institutional leveraged loans, including U.S. and international borrowers. The J.P. Morgan U.S. Liquid Index is a market-weighted index that measures the performance of the most liquid issues in the investment grade, dollar-denominated corporate bond market. **Healthcare Select Sector SPDR ETF ("XLV").** The Health Care Select Sector SPDR Fund seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of publicly traded equity securities of companies in the Health Care Select Sector Index (the "Index"). The Index is also sponsored and compiled by S&P DJI. The Index includes companies from the following industries: pharmaceuticals; health care equipment and supplies; health care providers and services; biotechnology; life sciences tools and services; and health care technology.

Sources: SEI, Bloomberg

Prepared by NexPoint Securities, Inc., Member FINRA/SIPC. NexPoint Securities is the dealer manager for the NexPoint Capital, Inc. offering.

NOT FDIC INSURED. MAY LOSE VALUE. NO BANK GUARANTEE.

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[www.nexpoint.com](http://www.nexpoint.com)

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