NEXPOINT

Q3 2022 COMMENTARY

NexPoint Merger Arbitrage Fund

Third Quarter Commentary 2022

The NexPoint Merger Arbitrage Fund (the “Fund”) (Class Z shares) returned 0.46% in the third quarter of 2022. In comparison, the S&P Merger Arbitrage Index returned -0.80%, the S&P 500 returned -4.89%, and the Bloomberg Barclays Aggregate Bond Index returned -4.75%. Year to date, the Fund returned 1.04%. In comparison, the S&P Merger Arbitrage Index returned -4.49%, the S&P 500 returned -23.88%, and the Bloomberg Barclays Aggregate Bond Index returned -14.61%.

The biggest contributor to the Fund’s performance in the third quarter is the First Horizon acquisition by Toronto-Dominion Bank, which contributed approximately 0.10%. The largest detractor to performance is the Tenneco, Inc. acquisition by Apollo Global Management, which detracted approximately -0.25%. Tenneco’s deal spread widened toward the end of September in sympathy with the selloff in the high-yield market, which declined to levels not seen since the Covid selloff in 2020, and Apollo’s delay in filing for European approval. Apollo has committed financing from a consortium of financial institutions and filed for European approval in October, the deal is expected to close in Q4 2022.

Geopolitical and macroeconomic factors continued to plague the markets in the third quarter. Despite the volatility, NexPoint’s merger arbitrage strategy was relatively insulated due to our proprietary deal risk scoring model and aversion to speculative deals. In addition, the Fund continues to benefit from rising short-term rates, which historically benefits merger arbitrage spreads. Higher short-term rates lead to wider deal spreads, as spreads are set at a premium to the front end of the yield curve. During the third quarter, the three-month treasury yield increased from 1.63% to 3.25%. We expect spreads to continue to increase as the Federal Reserve raises the target range for the federal funds rate in November.

The Fund’s gross exposure increased in the third quarter back to historical levels. We decided to increase our exposure because deals announced today, as opposed to deals announced in early 2022, account for greater economic risk factors. Specifically, the target’s and acquiror’s Boards as well as debt underwriters have structured deals that take into consideration higher interest rates and a potential recession in Europe and the US in 2023. We are opportunistically adding positions to replace closed deals and are taking advantage of market downdrafts to increase our exposure in attractive deals with appropriate risk adjusted returns. We are favoring deals with attractive spreads despite having cleared regulatory hurdles and are near closing. We are always mindful of the downside risk in the markets and will not hesitate to reduce exposure to mitigate risk if warranted.

We would like to thank our shareholders for their continued support of the fund. We take our fiduciary responsibilities very seriously and continuously strive to provide our shareholders with high-quality performance

RETURNS (AS OF 9/30/22)

SHARE CLASS/ INDEX	YTD	1-YR	3-YR	5-YR	Since Incept.[2]
Class A	0.71%	1.74%	5.18%	5.32%	6.05%
Class A (w/load)	-4.83%	-3.87%	3.21%	4.13%	5.28%
Class C	0.25%	1.04%	4.47%	4.63%	5.44%
Class C (w/load)	-0.72%	0.08%	4.47%	4.63%	5.44%
Class Z	1.04%	2.11%	5.55%	5.70%	6.32%

*Inception Date: 1/20/2015

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.

TOP 10 DEALS (TARGET / ACQUIRER)
American Campus (ACC) / Blackstone Inc (BX) 10.1% Cornerstone Buil (CNR) / Clayton Dubilier & Rice LLC 8.1% CDK Global Inc. (CDK) / Brookfield Asset Management Inc. 7.0% Turning Point TH (TPTX) / Bristol-Myers Squibb Co. (BMY) 5.8% PS Business Parks Inc. (PSB) /MD / Blackstone Inc. (BX) 5.7% Switch Inc. - A (SWCH) / DigitalBridge Group Inc. (DBRG) 4.6% South Jersey Industries (SJI) / JP Morgan Investment Management Inc. 4.0% Alleghany Corp. (Y) / Berkshire Hathaway Inc. (BRK/A) 3.9% First Horizon Corp.(FHN) / Toronto-Dominion Bank (TD) 3.7% Biohaven Pharmac (BHVN) / Pfizer Inc. (PFE) 3.3%. As of 6/30/2022.

FEES AND EXPENSES
Gross: Class A: 2.70%, Class C: 3.35%, Class Z: 2.35%; Net: Class A: 2.33%, Class C: 2.98%, Class Z: 1.98%
Class A Max Sales Charge: 5.50%. Class C Contingent Deferred Sales Charge ("CDSC") is 1% within the first year from each purchase. Performance results reflect the contractual waivers and/or reimbursements of fund expenses by the Advisor. Absent this limitation, performance results would have been lower. The Expense Cap will continue through at least October 31, 2022 and may not be terminated prior to this date without the action or consent of the Fund's Board of Trustees.

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 or call 1-833-697-7253. Please read the fund prospectus carefully before investing.

On May 12, 2016, the Predecessor Fund transferred its assets to the Fund in exchange for the Fund's Class Z shares. The investment policies, objectives, guidelines and restrictions of the Fund are in all material respects equivalent to those of the Predecessor Fund. In addition, the Predecessor Fund's portfolio manager is the current portfolio manager of the Fund. As a mutual fund registered under the 1940 Act, the Fund is subject to certain restrictions under the 1940 Act and the Internal Revenue Code of 1986, as amended (the "Code") to which the Predecessor Fund was not subject. Had the Predecessor Fund been registered under the 1940 Act and been subject to the provisions of the 1940 Act and the Code, its investment performance could have been adversely affected, but these restrictions are not expected to have a material effect on the Fund's investment program.

Derivatives Risk. Derivatives, such as futures and options, are subject to the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. Derivatives also expose the Fund to the credit risk of the derivative counterparty. Derivative contracts may expire worthless and the use of derivatives may result in losses to the Fund. **Leverage Risk.** Leverage may increase the risk of loss, cause fluctuations in the market value of the Fund's portfolio to have disproportionately large effects or cause the NAV of the Fund generally to decline faster than it would otherwise. **Micro, Small and Mid-Cap Securities Risk**. Investments in securities of companies with micro, small or medium capitalizations involve certain risks that may differ from, or be greater than, those for larger companies, such as higher volatility, lower trading volume, fewer business lines and lack of public information. **Non-Diversification Risk.** As a non-diversified fund, the Fund may invest a larger portion of its assets in the securities of one or a few issuers than a diversified fund. A non-diversified fund's investment in fewer issuers may result in the fund's shares being more sensitive to the economic results of those issuers. An investment in the Fund could fluctuate in value more than an investment in a diversified fund. **Non-U.S. Securities Risk.** Investments in securities of non-U.S. issuers involve certain risks not involved in domestic investments (for example, expropriation or political or economic instability). **Short Sales Risk.** The risk of short sales theoretically involves unlimited loss potential since the market price of securities sold short may continuously increase. **Hedging Risk.** Although intended to limit or reduce investment risk, hedging strategies may also limit or reduce the potential for profit. There is no assurance that hedging strategies will be successful.

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.
Barclays US Aggregate Index. Barclays Capital Aggregate Bond Index, which used to be called the "Lehman Aggregate Bond Index," is a broad base index, maintained by Barclays Capital, which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in United States. Index funds and exchange-traded funds are available that track this bond 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.

HFRI Merger Arbitrage Index. The HFRI Merger Arbitrage Index consists of strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction. Merger Arbitrage involves primarily announced transactions, typically with limited or no exposure to situations which pre-, post-date or situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross border, collared and international transactions which incorporate multiple geographic regulatory institutions, with typically involve minimal exposure to corporate credits. Merger arbitrage strategies typically have over 75% of positions in announced transactions over a given market cycle.
S&P Merger Arbitrage Index. The S&P Merger Arbitrage Index seeks to provide a risk arbitrage strategy that exploits commonly observed price changes associated with a global selection of publicly announced mergers, acquisitions and other corporate reorganizations. Historically, the index has exhibited market neutral characteristics, lower volatility compared to the S&P 500, and a low correlation to S&P 500 returns.
Index returns are for illustrative purposes only and do not represent actual Fund performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

This information was prepared by the Adviser based on its experience in the industry and on assumptions of fact and opinion as to future events which the Adviser believed to be reasonable when made. There can be no assurance that the Adviser and/or the Fund will be as successful as these earlier investments. Prior investment returns are not indicative of future results. It should not be assumed that investment recommendations made in the future will be profitable or will equal the performance of the securities included herein.

This market commentary contains information about prior investments made by the Adviser of the Fund. This information was prepared by the Adviser based on its experience in the industry and on assumptions of fact and opinion as to future events which the Adviser believed to be reasonable when made. There can be no assurance that the Adviser and/or the Fund will be as successful as these earlier investments. Prior investment returns are not indicative of future results. It should not be assumed that investment recommendations made in the future will be profitable or will equal the performance of the securities included herein.

Only eligible investors may purchase Class Z Shares. Please refer to the prospectus for information and conditions.

The advisor to the Fund is NexPoint Asset Management, L.P.

HFM US Performance Awards 2022 are awarded annually and to be eligible for an award, funds entering any of the categories must apply and meet certain requirements. Funds entering any of the categories except newcomer, ESG, best digital assets and alternative risk premia must submit a 3-year track record of monthly performance data through May 2022. Funds entering the newcomer categories must have a track record of monthly performance data of at least 12 months and less than 36 months (that is between 12 and 35 months) through June 2022. Funds entering the ESG, best digital assets and alternative risk premia categories must have a track record of monthly performance data of at least 12 months through June 2022. Funds entering the long-term performance (5 years) categories must submit a 5-year track record of monthly performance data through June 2022.There were 7 funds shortlisted in the Merger Arbitrage category and 7 funds shortlisted in the Event Driven over $1bn category. Judges focus on absolute performance as well as standard deviation of returns and outperformance of the relevant HFM benchmark. They also take into consideration the relative AUM, nature of the investment strategy, track-records, other supporting materials and professional knowledge they have about shortlisted funds to come to their decisions.
Source: 1. Novus. Prepared by NexPoint Securities, Inc., Member FINRA/SIPC.
Sharpe Ratio: Sharpe Ratio indicates the reward per unit of risk by using standard deviation and excess return. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

Prepared by NexPoint Securities, Inc., Member FINRA/SIPC.

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