NexPoint Merger Arbitrage Fund

First Quarter Commentary

The NexPoint Merger Arbitrage Fund returned 1.85% in the first quarter of 2021. Deal flow has gotten off to a strong start in 2021, with over $300bn in new announced deals in our investable universe during the first quarter. This follows a strong fourth quarter in 2020, and we think that the pent-up demand for acquisitions that was built up throughout the middle quarters of 2020 during the global pandemic is now being released. The SPAC market started the year off extremely hot, as new SPAC issuance in the first quarter of 2021 has already exceeded the record year of new issuance that we had in 2020. While SPACs traditionally trade at a discount to the cash in trust that they are backed by, many began trading above that level in the fourth quarter of 2020. Owing to the strong opportunity set of traditional merger arbitrage deals, as well as a less favorable SPAC market backdrop, the Fund had reduced its SPAC exposure to ~5% as of 12/31/20, down from ~16% as of 9/30/20, which positioned us well for a sharp pullback in SPAC prices that occurred in March. We continue to see attractive spreads in our traditional merger arbitrage strategy which may be driven in part by the strong deal flow, as well as the number of new SPACs being issued. There were several notable contributors to returns in the first quarter. Our position in HMS Holdings (HMSY), which was acquired in early April by Gainwell Technologies (a portfolio company of Veritas Capital), contributed over ~0.15% to returns in the quarter. Additionally, we held mergers in the aerospace & defense and hospitality industries that each contributed over ~0.10% to performance. We did have one notable detractor during the quarter which was an acquisition in the chemicals industry that reduced net returns by ~-0.25%. At the end of the quarter, geographic exposure was ~82% domestic and ~18% international. We did take advantage of select SPACs with attractive yields and increased SPAC exposure to ~8% by end of the quarter. The macro drivers of merger arbitrage returns have been healthy so far this year. While we are mindful that the most important driver of returns is ultimately deal selection, we are encouraged that we are currently finding a number of deals that meet our investment criteria.

RETURNS (AS OF 3/31/21)				
SHARE CLASS/ INDEX	1-YR	3-YR	5-YR	Since Incept.
Class A	10.98%	8.18%	6.63%	6.90%
Class A (w/load)	4.89%	6.16%	5.44%	5.93%
Class C	10.26%	7.45%	5.90%	6.31%
Class C (w/load)	9.26%	7.45%	5.90%	6.31%
Class Z	11.39%	8.55%	6.93%	7.14%

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.

FEES AND EXPENSES
Gross: Class A: 3.70%, Class C: 4.35%, Class Z: 3.35%; Net: Class A: 2.77%, Class C: 3.42%, Class Z: 2.42%
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, 2021 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.

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.

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.

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

The advisor to the Fund is Highland Capital Management Fund Advisors, L.P.

HFM US Performance Awards 2020 are award annually and to be eligible for an award, funds entering any of the categories must apply and meet certain requirements. For funds entering any of the categories except the newcomer categories must submit a 3-year track record of monthly performance data through June 2020. Funds entering the long-term performance (5 years) categories must submit a 5-year track record of monthly performance data through June 2020. There were 3 funds shortlisted in the Merger Arbitrage category, 8 funds shortlisted in the US Equity Long-term performance (5 years) under $1bn category, and 6 funds shortlisted in the Event Driven under $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.

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