

# NEXPOINT

## NexPoint Merger Arbitrage Fund Q4 2022 Fact Sheet



### INVESTMENT OBJECTIVE

Seeks to achieve positive absolute returns

### INVESTMENT STRATEGY

Invest in publicly announced mergers to capture the spread between the current price of a target company and the announced offer price for that company

### INVESTMENT RATIONALE

- Alternative investment that seeks to reduce overall portfolio volatility and correlation
- Potential alternative or complement to fixed income given similar levels of risk & volatility

### GENERAL INFORMATION

|                          |  |
|--------------------------|--|
| Symbol                   | Class A: HMEAX Class C: HMECX<br>Class Z: HMEZX <sup>1</sup>   |
| Inception Date (Class Z) | January 20, 2015   |
| Fund Size                | \$1.4 Billion  |
| Fund Manager             | Jim Dondero, CFA, Co-Founder<br>Scott Johnson, Portfolio Manager<br>Brad Heiss, CFA, Portfolio Manager |

### INVESTMENT STRATEGY (% OF LONGS)<sup>2</sup>

|                  |     |
|------------------|-----|
| Merger Arb Deals | 98% |
| SPACs            | 2%  |

### NUMBER OF POSITIONS

|                  |    |
|------------------|----|
| Merger Arb Deals | 40 |
| SPACs            | 19 |

### GEOGRAPHIC EXPOSURE (% OF LONGS)

|                |    |
|----------------|----|
| United States  | 81 |
| United Kingdom | 18 |
| Europe         | 1  |

### TOP 10 DEALS (TARGET / ACQUIRER)

|  |      |
|--|------|
| KnowBe4 Inc (KNBE) / Vista Equity Partners                               | 8.6% |
| STORE Capital Corp (STOR) / GIC Pte Ltd / Oak Street Real Estate Capital | 8.6% |
| HomeServe PLC (HSV LN) / Brookfield Corp (BN)                            | 7.2% |
| AVEVA Group PLC (AVV LN) / Schneider Electric SE (SU FP)                 | 6.9% |
| Evo Payments Inc (EVOP) / Global Payments Inc (GPN)                      | 6.2% |
| Atlas Air Worldwide (AAWW) / Apollo / J.F. Lehman / Hill City Capital    | 6.2% |
| Meridian Bioscience Inc (VIVO) / SD Biosensor Inc / SJL Partners PEF     | 5.5% |
| Horizon Therapeutics Plc (HZNP) / Amgen Inc (AMGN)                       | 5.0% |
| Cowen Inc (COWN) / Toronto-Dominion Bank (TD)                            | 4.5% |
| MoneyGram International Inc (MGI) / Madison Dearborn Partners            | 4.3% |

### MARKET CAP EXPOSURE (% OF LONG)

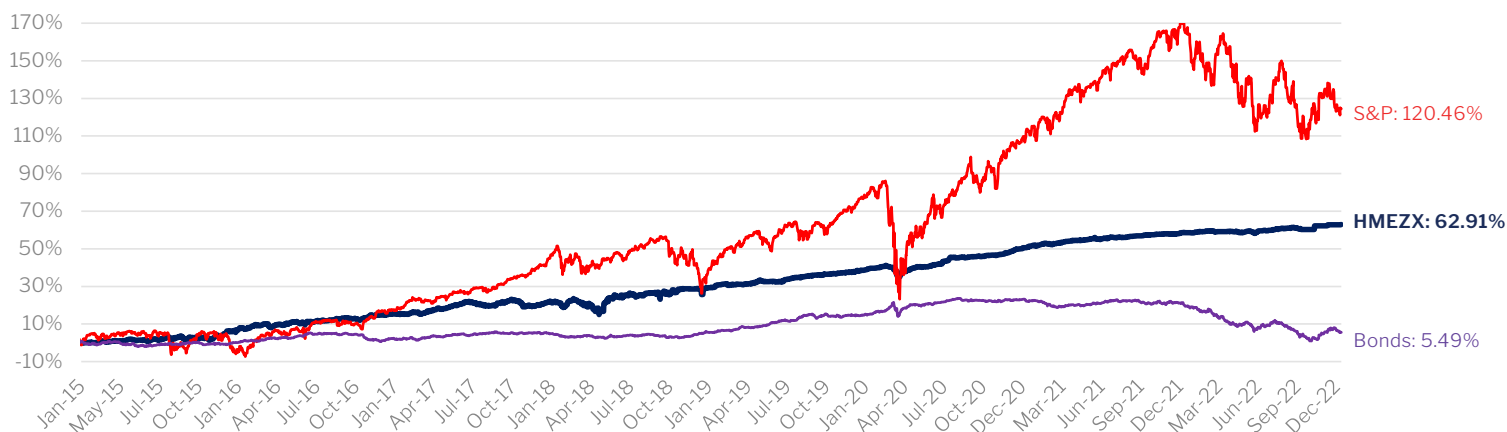
|            |    |
|------------|----|
| Over 10B   | 20 |
| 2B - 10B   | 45 |
| 500M - 2B  | 31 |
| Under 500M | 4  |

### AS OF 12/31/2022\*

|                            | Annualized Return | Standard Deviation | Sharpe Ratio <sup>3</sup> | Maximum Drawdown | Correl. to S&P | Correl. to Bonds |
|----------------------------|-------------------|--------------------|---------------------------|------------------|----------------|------------------|
| <b>NexPoint Merger Arb</b> | <b>6.33%</b>      | <b>3.39%</b>       | <b>1.53</b>               | <b>-3.41%</b>    | <b>0.24</b>    | <b>0.13</b>      |
| Bloomberg Agg Bond Index   | 0.68%             | 4.33%              | -0.08                     | -17.18%          | 0.30           | 1.00             |

\*Since inception on 1/20/2015

### Cumulative Returns Since Inception



## ANNUALIZED RETURNS (%) AS OF 12/31/2022

| Share Class              | YTD    | 1-Year | 3-Year | 5-Year | Since Incept. | Fees and Expenses* |         |         |         |
|--------------------------|--------|--------|--------|--------|---------------|--------------------|---------|---------|---------|
| Class A                  | 2.30   | 2.30   | 5.20   | 5.73   | 6.06          |                    |         |         |         |
| Class A (w/load)         | -3.32  | -3.32  | 3.23   | 4.54   | 5.31          | Gross              | Class A | Class C | Class Z |
| Class C                  | 1.66   | 1.66   | 4.50   | 5.04   | 5.45          | Net                | 2.41%   | 3.06%   | 2.06%   |
| Class C (w/load)         | 0.69   | 0.69   | 4.50   | 5.04   | 5.45          |                    | 2.22%   | 2.87%   | 1.87%   |
| Class Z                  | 2.70   | 2.70   | 5.55   | 6.10   | 6.33          |                    |         |         |         |
| Bloomberg Agg Bond Index | -13.01 | -13.01 | -2.71  | 0.02   | 0.68          |                    |         |         |         |

\*The Net Expense Ratio excluding Investment Related Expenses is 1.54%. Investment Related expenses include acquired fund fees of 0.01%, interest expense (cost of borrowing securities to seek to enhance return or reduce risk) of 0.05% and dividend expense on short sales and other excluded expenses of 0.27%. Expenses stated as of the fund's most recent prospectus. The difference between gross and net expense ratios are due to contractual and/or voluntary waivers, if applicable. The Expense Cap will continue through at least October 31, 2023, and may not be terminated prior to this date without the action or consent of the Fund's Board of Trustees.

| Monthly Returns | Jan     | Feb   | Mar     | Apr     | May   | Jun     | Jul     | Aug     | Sep     | Oct     | Nov     | Dec   | Year  |
|-----------------|---------|-------|---------|---------|-------|---------|---------|---------|---------|---------|---------|-------|-------|
| 2015            | 0.00%   | 0.00% | 0.39%   | 0.56%   | 0.72% | (0.77%) | 0.88%   | 0.88%   | (0.33%) | 0.49%   | (0.43%) | 3.81% | 6.30% |
| 2016            | 1.63%   | 0.83% | 0.72%   | (0.05%) | 1.37% | (0.25%) | 0.40%   | 0.65%   | 1.19%   | (1.28%) | 2.24%   | 0.41% | 8.11% |
| 2017            | 0.15%   | 0.87% | 0.14%   | 1.92%   | 0.85% | 1.96%   | (1.19%) | (0.38%) | 1.33%   | 0.51%   | (2.38%) | 1.63% | 5.46% |
| 2018            | (0.10%) | 1.18% | (2.14%) | (1.29%) | 4.54% | 1.01%   | 0.10%   | 1.14%   | 0.80%   | 0.70%   | 0.19%   | 0.31% | 6.48% |
| 2019            | 1.38%   | 0.05% | 0.05%   | 1.09%   | 0.21% | (0.11%) | 1.72%   | 0.69%   | 0.42%   | 0.31%   | 0.73%   | 0.59% | 7.34% |
| 2020            | 1.08%   | 0.20% | (1.88%) | 1.86%   | 0.41% | 1.72%   | 1.29%   | 0.39%   | 0.20%   | 0.39%   | 1.12%   | 1.68% | 8.74% |
| 2021            | 0.80%   | 0.50% | 0.49%   | 0.74%   | 0.34% | 0.19%   | 0.44%   | 0.29%   | 0.35%   | 0.44%   | 0.19%   | 0.42% | 5.32% |
| 2022            | 0.10%   | 0.49% | (0.27%) | (0.05%) | 0.20% | 0.11%   | 0.40%   | 0.45%   | (0.39%) | 1.22%   | 0.35%   | 0.06% | 2.70% |

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 877-665-1287.

### SALES CHARGES

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 Advisor has contractually agreed to limit the total annual operating expenses (exclusive of distribution and/or service (12b-1) fees, taxes, such as deferred tax expenses, dividend expenses on short sales, interest payments, brokerage commissions and other transaction costs, acquired fund fees and expenses and extraordinary expenses) of the Fund until at least October 31, 2023. Total net operating expenses above were applicable to investors. Total net operating expenses include dividend expense on short sales and interest payments and commitment fees on borrowed funds of Class A, C and Z shares of 0.32%, 0.32% and 0.32%, respectively.

<sup>1</sup>Only eligible investors may purchase Class Z Shares. Please refer to the prospectus for information and conditions. <sup>2</sup>All exposure and position size calculations based on percent of long market value. Long market value includes the notional value of swaps. <sup>3</sup>Sharpe ratio calculation utilizes the S&P 0-3 Month U.S. Treasury Bill Index return for the risk-free rate.

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

**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.**

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.

### RISK CONSIDERATIONS

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.

**Bloomberg US Aggregate Bond Index.** The Bloomberg US Aggregate Bond Index is a broad-based, unmanaged, market-weighted index that is comprised of investment grade, US dollar-denominated, fixed-rate taxable debt instruments. **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. **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. **Technical Terms: Annualized Return:** The annualized return is the geometric mean of the returns with respect to one year. **Correlation:** A statistical measure of how two securities move in relation to each other. **Maximum Drawdown:** The peak-to-trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough. Drawdowns help determine an investment's financial risk. **Sharpe Ratio:** A measure of risk-adjusted performance. The Sharpe ratio is calculated for by dividing a fund's annualized excess returns over the risk-free rate by its annualized standard deviation. **Standard Deviation:** Standard deviation of returns measures the average a return series deviates from its mean. It is often used as a measure of risk. Higher standard deviation represents higher volatility. **Bonds:** Bonds are represented by The Bloomberg US Aggregate Bond.

Source: SEI