NEXPOINT

Q2 2022 COMMENTARY

NexPoint Event Driven Fund

The Fund Conversion Overview

On September 14, 2021, the Board of Trustees of Highland Funds I (the "Board"), on behalf of the Fund, approved certain changes related to the repositioning of the Fund's investment strategy such that it will seek to invest primarily in securities that the Fund's investment adviser expects to benefit from an event catalyst. These changes included changing the Fund's name and removing the former policy to invest at least 80% of the value of its total assets in securities of healthcare companies. The fund was renamed to NexPoint Event Driven Fund as was formerly known as Highland Healthcare Opportunities Fund. Prior to January 20, 2022, the Fund was managed pursuant to a different investment strategy – namely healthcare; and post January 20, 2022, the Fund's investment strategy effectively transitioned to event driven catalysts.

Performance Review

Post January 20, 2022, during the time in which the fund's investment strategy was focused on event driven catalysts, we outperformed our benchmarks by a considerable margin. The Fund's Class Z shares returned -0.75%. During such time, the S&P 500 returned -14.96%, and the Bloomberg Barclays Aggregate Bond Index returned -8.45%. Note this was during the time when immense geopolitical and macroeconomic factors negatively affected capital markets. Post January 20, 2022, markets were under pressure stemming from concerns around rising inflation, stretched equity valuations, and the prospect of rising interest rates. The pressure continued into February as Russia invaded Ukraine, resulting in a backlash of economic sanctions that drove crude oil prices above $100 a barrel for the first time since 2014. This oil supply shock added to the fears that already existed in the market around rising inflation. To counter against inflation, the Fed increased the Fed Funds Rate three times: 0.25%, 0.50%, 0.75% in March, May, and June respectively. The Fed Funds Rate at the end of Q2 was 1.75%. Regardless of the geopolitical and macroeconomic environment – we were able to employ our event driven experience derived from our long-standing Nexpoint Merger Arbitrage Fund and adapt accordingly to outperform our benchmark by a considerable margin. We are opportunistically employing our event driven strategy post fund conversion and are seeking attractive catalysts with appropriate risk adjusted returns.

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.

Annualized Returns (%) as of 06/30/2022

Share Class/Index	Incept.*	YTD	1-Year	3-Year	5-Year	10-Year	Since Incept.
Class A	5.5.08	-8.39	-24.14	-0.57	3.75	3.44	4.22
Class A (w/load)	5.5.08	-13.43	-28.30	-2.43	2.59	2.85	3.81
Class C	5.5.08	-8.69	-24.61	-1.20	3.08	2.80	3.60
Class C (w/load)	5.5.08	-9.61	-25.37	-1.20	3.08	2.80	3.60
Class Z	5.5.08	-8.26	-23.86	-0.21	4.12	3.82	4.60
S&P 500		-19.96	-10.62	10.60	11.31	12.96	9.53

*Prior to January 20, 2022, the Fund was managed pursuant to a different investment strategy. As a result of the difference in investment strategy, the performance information presented for periods prior to January 20, 2022 reflects management of the Fund consistent with investment strategies in effect during those periods and might have differed materially if the Fund's investments had been managed under its current investment strategies.

Fees & Expenses

	Gross	Net
Class A	2.93	2.16
Class C	3.58	2.81
Class Z	2.58	1.81

The Net Expense Ratio excluding Investment Related Expenses is 1.50%. Investment Related expenses include acquired fund fees of 0.03% and dividend expense on short sales and other excluded expenses of 0.28%. 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 January 31, 2023, and may not be terminated prior to this date without the action or consent of the Fund's Board of Trustees. The net expense ratio would be applicable to investors.

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.
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.

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 highlandfunds.com or call 1-877-665-1287.Please read the fund prospectus carefully before investing.

**On October 15, 2021, the Board of Trustees of HFI (the "Board"), on behalf of the Fund, approved certain changes related to the repositioning of the Fund's investment strategy such that it will seek to invest primarily in securities that the Fund's investment adviser expects to benefit from an event catalyst. These changes included changing the Fund's name and removing the former policy to invest at least 80% of the value of its total assets in securities of healthcare companies. The shareholders of the Fund at a special meeting of shareholders held on January 14, 2022 approved an amendment to the Fund's fundamental investment policy regarding industry concentration to remove the requirement to invest at least 25% of the Fund's total assets in securities of issuers in the industry group consisting of healthcare companies.

RISK CONSIDERATIONS
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. **Industry Concentration Risk.** Because the Fund normally invests at least 80% of the value of its assets in healthcare companies, the Fund's performance largely depends on the overall condition of the healthcare industry and the Fund is susceptible to economic, political and regulatory risks or other occurrences associated with the healthcare industry. **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-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). **Portfolio Turnover Risk.** High portfolio turnover will increase the Fund's transaction costs and may result in increased realization of net short-term capital gains, higher taxable distributions and lower after-tax performance. **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.** Hedging is a strategy for reducing exposure to investment risk. An investor can hedge the risk of one investment by taking an offsetting position in another investment. The values of the offsetting investments should be inversely correlated. There is no assurance that hedging strategies will be successful. **Merger Arbitrage and Event-Driven Risk** is the risk that the Adviser's evaluation of the outcome of a proposed event, whether it be a merger, reorganization, regulatory issue or other event, will prove incorrect and that the Fund's return on the investment will be negative. Even if the Adviser's judgment regarding the likelihood of a specific outcome proves correct, the expected event may be delayed or completed on terms other than those originally proposed, which may cause the Fund to lose money. The Fund's expected gain on an individual arbitrage investment is normally considerably smaller than the possible loss should the transaction be unexpectedly terminated. **Special Purpose Acquisition Companies Risk** is the risk that the Fund may invest in stock of, warrants to purchase stock of, and other interests in special purpose acquisition companies or similar special purpose entities that pool funds to seek potential acquisition opportunities (collectively, "SPACs"). Because SPACs and similar entities have no operating history or ongoing business other than seeking acquisitions, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. **S&P 500 Total Return Index** is an index of a basket of 500 stocks designed to provide a broad snapshot of the overall U.S. equity market. The total return index series reflects both ordinary and special dividends. Investors cannot invest directly into an index.

1 Only eligible investors may purchase Class Z Shares. Please refer to the prospectus for information and conditions.
2 A hard catalyst is an event that has a defined outcome. A soft catalyst is an anticipated event.

Source: SEI

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

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