OCTOBER 2023 SNAPSHOT

NEXPOINT

NexPoint Event Driven Fund

Bottom Line: NexPoint Event Driven Fund (HHCZX) returned -0.70% in October and is up +4.40% for the year-to-date period. In comparison, the S&P Merger Arbitrage Index returned +2.29%, the S&P 500 returned -2.10%, and the Bloomberg Aggregate Bond Index returned -1.58% for October. YTD, the S&P Merger Arbitrage Index returned +2.56%, the S&P 500 returned +10.68%, and the Bloomberg Aggregate Bond Index returned -2.77%.

Fund Performance

Monthly Return: -0.70%

Top Contributor[1]: QuarterNorth Energy Holdings (QNE): QNE is one of the largest independent offshore exploration and production operators in the United States with a diverse footprint spanning the Gulf of Mexico. The position added approximately 0.16% to the Fund's monthly performance.

Top Detractor[1]: Kenvue Inc. (KVUE): KVUE operates as a consumer health company with a portfolio of branded products such as Tylenol and Zyrtec. The company was spun-off from Johnson & Johnson in May 2023. The position detracted approximately -0.27% from the Fund's monthly performance.

Market Comments: In October, both the S&P 500 and the High Yield Bond ETF (HYG) experienced declines of -2.10% and -1.04%, respectively. This downturn was attributed to the adverse reaction of debt and equity markets to the increase in US Government 10-year bond yield, which momentarily surpassed a 5% yield. The prevailing sentiment continues to lean towards risk aversion, with a myriad of concerns dominating the landscape. Factors contributing to this cautious outlook include persistent upward pressure on interest rates, apprehensions regarding the delayed consequences of tightening measures, headwinds for Q4 GDP growth, less-than-impressive earnings outcomes, breakdown in leadership among the Magnificent Seven, cyclical underperformance, technical deterioration, and heightened geopolitical tensions, among others. Notably, the intense focus on rate volatility has disrupted any potential positive feedback loop for risk assets and macro surprise momentum. Despite these challenges, it's crucial to acknowledge the potential shift in momentum, posing a risk to a bearish stance as investors may be enticed to chase performance. Compounding this risk is the fact that numerous funds have lagged behind major market indices throughout the year, creating a scenario where the equity markets could see a traditional Santa Claus rally as the year concludes.

The M&A market experienced a significant surge in deal volume, boasting 39 proposed and pending deals amounting to over $188 billion in October. The most substantial transaction during this period was Exxon's acquisition of Pioneer Natural Resources, totaling $68 billion, inclusive of debt. Anticipating a sustained momentum, we project a continuous uptrend in deal activity throughout subsequent quarters. This optimistic outlook is fueled by the growing confidence of CEOs and Boards, underpinned by a favorable economic forecast for 2024. Notably, the consensus among most economists points toward a soft landing, while some, exemplified by Goldman Sachs, even entertain the possibility of a scenario without any landing. This positive sentiment sets the stage for an ongoing and potentially robust M&A landscape in the coming quarters.

On the regulatory front, our recent conversation with a former FTC deputy assistant director revealed a heightened focus on four specific deal types within the agency. These include: i.) Large-cap tech transactions, ii.) Mega deals, exemplified by the Exxon/Pioneer acquisition, iii.) Significant pharmaceutical and healthcare deals such as Seagen/Pfizer, and iv.) Private equity transactions, particularly roll-ups. Insights gathered from former FTC officials, U.S. antitrust lawyers, and the recently proposed FTC Merger Guidelines suggest a continuation of the FTC's assertive approach to deal reviews. This trend, however, is poised to create opportunities within the Merger Arb space in the upcoming quarters. While our expectation is that most deals will ultimately close, it is anticipated that certain transactions may experience extended timelines. This, in turn, is likely to result in wider merger arbitrage spreads compared to previous years, providing investors with more compensation for the associated risks.

Despite facing setbacks in court throughout 2023, the FTC has resumed its regulatory scrutiny by issuing a second request concerning the acquisition of Sovos Brands by Campbell Soup Company. The rationale behind this inquiry is tied to the fact that Campbell (the owner of Prego Sauce), and Sovos (the owner of Rao's Sauce), would together command roughly 30% of the spaghetti sauce market. The anticipation of this second request wasn't surprising to us, given the market dynamics. However, it's crucial to note the distinctive attributes of the brands involved. In 2022, Rao's secured the second spot in pasta and pizza sauce brands, claiming nearly 15% of the dollar share but ranking seventh in terms of unit share at 6%. Rao's consistently stands out in pasta brand rankings, earning praise from critics and reviewers for its restaurant-quality appeal. In stark contrast, Prego often finds itself at the bottom of these lists, criticized for being one of the least appealing options. The differentiation extends to the end market, with Rao's targeting the premium sauce segment and Prego catering to the non-premium market. This is further

[1]As of October 31, 2023 QuarterNorth Energy Holdings (QNE): Kenvue Inc. (KVUE), and SOVO were 0%, 1.7% and 3.08% of the Fund, respectively.

emphasized by Rao's higher cost per jar at $8.99 compared to Prego's $2.38. In essence, the distinct customer bases and market positioning of these products make it evident that they do not directly compete with each other.

Our analysis suggests that the government's scrutiny is likely to center on Campbell's perceived effort to solidify or expand its dominant position in the branded sauce sector through the acquisition of Sovos' Rao's brand. The concern here is that the merger might be seen as an attempt to fortify Campbell's market position, potentially limiting competition in the branded sauce space. Additionally, we assume that the FTC's interest in this proposed deal stems from its renewed emphasis on nascent and emerging competition. The acquisition of a growing competitor like Sovos could be interpreted by the FTC as a strategic move by Campbell's to control a rising challenger whose sales pose a threat to its existing market share and shelf space. In this context, the regulatory scrutiny may be driven by the desire to ensure fair competition and prevent anticompetitive practices that could stifle innovation and market diversity in the branded sauce industry.

The notion that Campbell's acquisition of Sovos could be construed as an attempt to solidify dominance might indeed be considered far-fetched, especially given the diverse array of over a dozen branded sauces in the market and the absence of significant barriers to entry. This landscape, characterized by a multitude of competing products and an accessible market, may serve as a strong argument against any allegations of anticompetitive behavior or attempts to stifle competition. If these conditions hold true, it could strengthen the case for the deal's compliance with competition laws, potentially making it more defensible in court.

In our ongoing assessment of the regulatory review process, we find that the newly projected date of 1H 2024 appears to be a more realistic timeframe than the initial projection. The merger agreement, with an outside date set for February 7, 2025, reflects a deliberate extension to accommodate potential regulatory hurdles. This extended timeline signals management's confidence in the deal's intrinsic merits. Notably, the agreement includes an obligation to litigate, emphasizing Campbell's commitment to contesting any legal challenges. Interestingly, there is no obligation for Campbell's to provide remedies, indicating a firm stance that the transaction as a whole is not illegal. While we do not anticipate the regulatory review to extend for such an extended period, it's prudent to acknowledge the possibility of legal challenges. In the event of a government challenge leading to court proceedings, we foresee a potential delay in the closing date, likely pushing it back several months, potentially into Q4 of 2024. This cautious outlook factors in the uncertainties associated with legal processes and potential negotiations between Campbell's and regulatory authorities.

In response to the identified concerns, the Fund has strategically chosen to focus its investment predominantly in SOVO's senior secured term loans[1]. This decision serves as a deliberate risk mitigation measure, designed to offset potential timing risks and downside volatility associated with any legal proceedings. By investing in SOVO's senior secured term loans, the Fund aims to protect itself from the uncertainties surrounding the lawsuit and the potential delays in deal closure. Notably, this investment strategy provides the Fund with a potential avenue for generating returns. Importantly, this investment should not be affected by the nuances of deal timing or the eventual closing, in the face of regulatory and legal uncertainties.

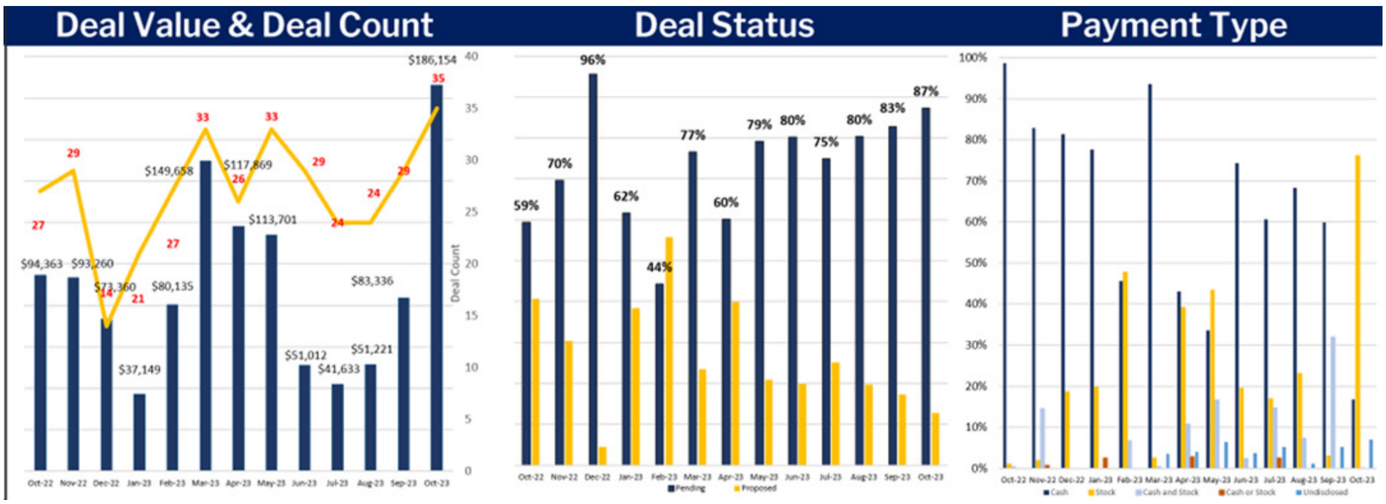
Soft Catalyst Discussion: October was another busy month for soft catalyst events and special situations. Throughout the month, 17 strategic reviews, 16 M&A rumors, 14 activism campaigns, 9 M&A proposals, and 6 asset divestitures were reported with 5 spinoffs announced and 4 spinoffs traded. Spinoff activity was robust with Aramark/Vestis, WK Kellogg/Kellanova, Danaher/Veralto, and NCR Voyix/Atleos all trading regular way at the beginning of the month. Despite initial excitement from market participants heading into when-issued trading, spinco's largely sold off given broader market weakness, concerns around leverage, and margin profiles. We anticipate spinoff activity to slow in 2024 as the M&A market opens and pushes multiples higher.

Strategic reviews have proven to be consistent generators of alpha, with companies often enlisting the expertise of advisors to navigate financial challenges or address the market's perception of their valuation. While these endeavors generally contribute to value accretion for shareholders, it is noteworthy that strategic reviews for distressed or heavily indebted issuers have recently manifested in liability management exercises, sometimes at the detriment of shareholders, or even culminating in outright bankruptcy filings.

Announcements of activism demonstrated robust momentum, particularly with several influential activist investors unveiling campaigns during the 13D Activism conference in New York in the week of October 16th. This surge in activist engagement is expected to pave the way for a greater number of value-accretive investment opportunities, encompassing strategic moves like spinoffs, asset sales, comprehensive business plan revamps, management changes, and an uptick in outright mergers and acquisitions. Consequently, our focus remains steadfast on exploring diverse capital structures to identify businesses with optimal risk-reward profiles within the dynamic landscape of event-driven investments. Reviewing the financing landscape, the past month marked a period of subdued activity as October recorded the third slowest month for Equity Capital Markets (ECM) transactions, with Leveraged Finance issuance dipping below the year-to-date average. In the realm of equity capital markets, the month saw the pricing of 3 Initial Public Offerings (IPOs) generating $1.9 billion in proceeds, accompanied by 12 secondary offerings totaling $2.8 billion and 2 Special Purpose Acquisition Company (SPAC) IPOs amounting to $200 million. However, equity issuance faced challenges, with the 3 IPOs experiencing an average decline of -15.4% one day after pricing, and secondary offerings showing a modest 1.1% increase during the same timeframe. Notably, Biotech companies dominated the October ECM issuance activity. Shifting focus to leveraged finance markets, institutional leveraged loans and high-yield bonds collectively amounted to $21.7 billion and $9.4 billion, respectively, over the month. The majority of issuance volume in both loan and high-yield markets was attributed to refinancing and recapitalizations.

In conclusion, we continue to favor deals with attractive spreads with manageable regulatory hurdles and shorter expected closing dates. We are mindful of downside volatility and will not hesitate to reduce exposure to mitigate risk. We sincerely appreciate your continued interest and confidence in us. As always, we welcome your input and are available should you have questions.

Merger Arb Environment
M&A deal flow dollar volume that met our investment criteria in October and YTD 2023 was ~$186.2 billion and $911.8 billion, respectively. There were 35 deals in October and 281 YTD 2023.



Source: Bloomberg.
Investment Criteria Note: Regions: North America, Western Europe, Australia, Japan, New Zealand, Israel. Deal Size: >$250m. Deal Status: Pending & Proposed

RETURNS (%) AS OF 9/30/2023					
SHARE CLASS/ INDEX	YTD	1-YR	3-YR	5-YR	10-YR
Class A	4.91	6.25	-3.02	-0.94	2.47
Class A (w/load)	-0.86	0.40	-4.82	-2.05	1.89
Class C	4.45	5.59	-3.62	-1.57	1.84
Class C (w/load)	3.45	4.59	-3.62	-0.59	2.85
Class Z[2]	5.14	6.56	-2.68	-0.59	2.85

RETURNS (%) AS OF 10/31/2023					
SHARE CLASS/ INDEX	YTD	1-YR	3-YR	5-YR	10-YR
Class A	4.14	3.41	-3.26	-1.20	2.68
Class A (w/load)	-1.59	-2.30	-5.06	-2.31	2.10
Class C	3.61	2.74	-3.88	-1.84	2.04
Class C (w/load)	2.61	1.74	-3.88	-1.84	2.04
Class Z[2]	4.40	3.71	-2.93	-0.85	3.07

The performance data quoted here represents past performance and is no guarantee of future resultsresults. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original costcost. Current performance may be lower or higher than the performance data quoted. For performance data current to the most recent monthmonth-end, please call 877-665-1287.

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

Sales Charges: 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.

*Prior to January 20, 2022, the Fund was managed pursuant to a different investment strategy. As a result of the difference 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.

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 1-877-665-1287. Please read the fund prospectus carefully before investing.

Expenses: Gross Expenses: Class A Class C Class Z Gross Net Expenses: 3.07% 3.72% 2.72% Net 2.11% 2.76% 1.76%

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 0.20%. 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 con tin ue through at least October 31, 2024, 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.

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. **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. **Non -U.S. Securities Risk.** Investments in securities of nonnon-U.S. issuers involve certain risks not involved in domestic investments (for example, expropriation or political or economic instability). **PortfolioTurnover Risk.** High portfolio turnover will increase the Fund's transaction costs and may result in increased realization of net shortshort-term capital gains, higher taxable distributions and lower afterafter-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 riskrisk. 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 ("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. **NexPoint Event Driven Fund** Seeks to achieve long-term capital appreciation. Invest in event catalysts including mergers, acquisitions, tender offers, restructuring, spin-offs, refinancings, recapitalizations or economic events that can impact specific industries. **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 toprovide 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 incalculating 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.

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. **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 NexPoint Asset Management, L.P. ("Advisor"). Securities offered by NexPoint Securities, Inc., Member FINRA/SIPC, an affiliate of the Advisor.