NexPoint Merger Arbitrage Fund

Bottom Line: NexPoint Merger Arbitrage Fund (HMEZX) returned +0.51% in Feburary. The S&P Merger Arbitrage Index returned 0.30%, the S&P 500 returned 5.34%, and the Bloomberg Aggregate Bond Index returned -1.41% for Feburary. YTD, the NexPoint Merger Arbitrage Fund returned 0.61%, the S&P Merger Arbitrage Index returned -0.45%, the S&P 500 returned 1.59%, and the Bloomberg Aggregate Bond Index returned -0.27%.

Fund Performance:

Monthly Return: +0.51%

Top Contributor[1]:
ImmunoGen, Inc. (IMGN) / AbbVie Inc (ABBV): In November 2023, ImmunoGen – developer of targeted anticancer therapeutics using Targeted Antibody Payload technology with its expertise in monoclonal antibodies and tumor biology – agreed to be acquired by AbbVie for ~$9.0 billion. The deal closed in February, and this position added approximately 0.10% to the Fund's monthly performance.

Top Detractor[1]:
United States Steel Corporation (X) / Nippon Steel Corporation (5401 JP): In December 2023, United States Steel – a US manufacturer of flat-rolled and tubular steel products – agreed to be acquired by Nippon Steel for ~$13.4 billion. This position was sold and detracted approximately -0.05% from the Fund's monthly performance.

Market Comments:

The S&P 500 index maintained its upward trajectory, closing February with a total return of 5.34%, further solidifying its impressive year-to-date performance of 1.59%. However, the high-yield and investment-grade markets did not fare as well in February. The HYG Index showed a modest increase of only 0.30%, while the investment-grade index experienced a decline of 1.94%.

The equity market's robust performance in February was bolstered mainly by better-than-expected 4Q 2023 earnings reports from the S&P 500 companies. As the fourth-quarter earnings season draws to a close, it is evident that overall results surpassed initial forecasts, with growth reaching 9.8%—twice the initial projections at the beginning of the quarter. Moreover, revenue growth proved resilient, concluding the quarter at 3.7%, surpassing earlier expectations. However, the energy sector stood out as a notable weakness, facing challenges in both revenue and earnings due to declining crude prices. Despite this setback, annual EPS estimates for 2024 and 2025 continue to trend upwards for the S&P 500. Presently, the 2024 street estimate is approximately $243, while the 2025 estimate sits at approximately $276. Those projections indicate a significant acceleration in earnings growth compared to the past two years, with an anticipated growth rate of 10.8% in 2024 and an even more robust growth of 13.4% in 2025. For context, 2023 EPS growth concluded with a mere 0.5% increase, while 2022 saw growth of approximately 5%. As long as EPS estimates continue to rise and the Fed signals summer rate cuts, risk assets should continue to outperform.

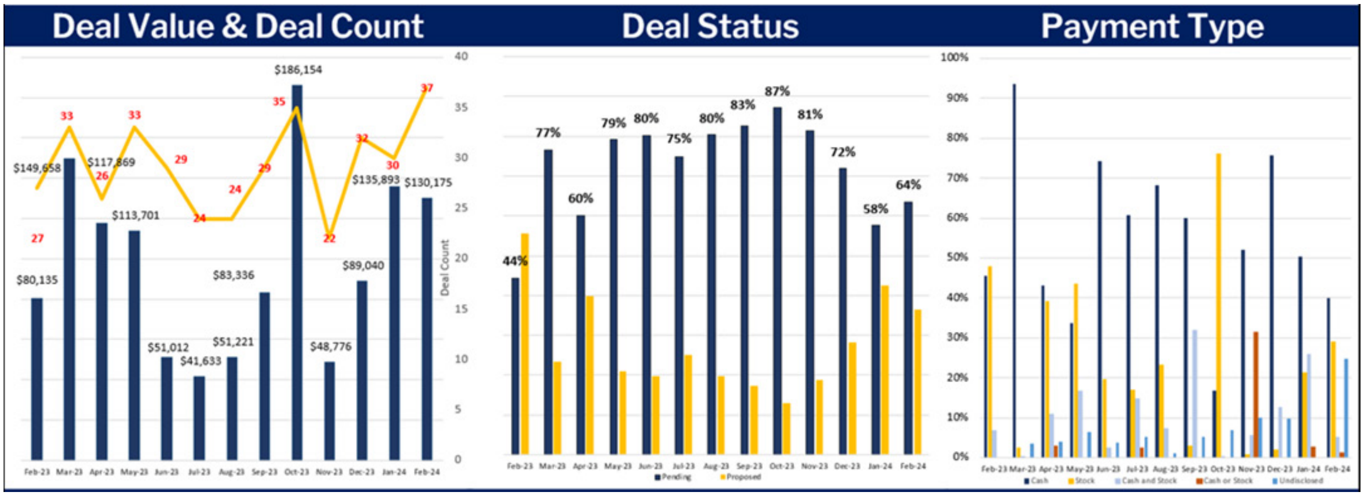
M&A Update:

February was a quiet month on the regulatory front with no second requests from the Federal Trade Commission, but Karuna, being purchased by Bristol-Myers Squibb, and Southwestern Energy, being purchased by Chesapeake Energy, did a "pull and refile" on their HSR filings. However, there was a lot of noise surrounding Nippon Steel's acquisition of United States Steel Corporation. Former President Donald Trump on January 31st said he would block U.S. Steel's planned sale to a Japanese company, the first time the GOP presidential candidate has weighed in on the controversial acquisition announced late last year. "I would block it instantaneously. Absolutely," Trump said after a meeting with the president of the Teamsters labor union, which represents workers in the transportation industry. "We saved the steel industry. Now, U.S. Steel is being bought by Japan. So terrible." The stock reacted negatively to the comments and declined approximately 5% the following days, and it has not recovered. We are very disappointed that politicians on both sides of the aisle allow political posturing to impede a rather straightforward deal.

We continue to favor deals with attractive spreads, 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.

[1] As of 02/29/2024 IMGN was 0% of the Fund. As of 02/29/2024 United States Steel Corporation (X) was 0% of the Fund.

Merger Arbitrage Environment: M&A deal volume that met our investment criteria in February 2024 was ~$130.2 billion spread across 37 deals. Deal volume has increased materially since 3Q 2023 and is on pace to exceed 2022 levels.



Source: Bloomberg

Investment Criteria Note: Regions: North America, Western Europe, Australia, Japan, New Zealand, Israel. Deal Size: >$250m. Deal. Status: Pending & Proposed.
*Inception Date: 1/20/2015

RETURNS (AS OF 12/31/2023)					
SHARE CLASS/ INDEX	YTD	1-YR	3-YR	5-YR	Since Incept.*
Class A	3.74	3.73	3.68	5.25	5.80
Class A (w/load)	-1.97	-1.97	1.75	4.07	5.14
Class C	3.09	3.09	2.99	4.56	5.18
Class C (w/load)	2.10	2.10	2.99	4.56	5.18
Class Z[2]	4.10	4.10	4.03	5.62	6.08

RETURNS (AS OF 02/29/2024)					
SHARE CLASS/ INDEX	YTD	1-YR	3-YR	5-YR	Since Incept.*
Class A	0.52	4.28	3.40	5.07	5.75
Class A (w/load)	-5.02	-1.47	1.47	3.89	5.10
Class C	0.43	3.58	2.75	4.38	5.13
Class C (w/load)	-0.57	2.59	2.75	4.38	5.13
Class Z[2]	0.61	4.63	3.79	5.45	6.03

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: 2.39%, Class C: 3.04%, Class Z: 2.04%; Net: Class A: 2.25%, Class C: 2.90%, Class Z: 1.90%
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, 2024 and may not be terminated prior to this date without the action or consent of the Fund's Board of Trustees.

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

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.

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. **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. **NexPoint Merger Arbitrage Fund** seeks to achieve positive absolute returns. 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. **Bloomberg US Aggregate Index.** The Bloomberg US Agg Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). **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. **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.

This information was prepared by the Advisor based on its experience in the industry and on assumptions of fact and opinion as to future events which the Advisor believed to be reasonable when made. There can be no assurance that the Advisor 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 Advisor of the Fund. This information was prepared by the Advisor based on its experience in the industry and on assumptions of fact and opinion as to future events which the Advisor believed to be reasonable when made. There can be no assurance that the Advisor 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.

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

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.