January 2024 SNAPSHOT

NEXPOINT

NexPoint Merger Arbitrage Fund

Bottom Line: NexPoint Merger Arbitrage Fund (HMEZX) returned +0.10% in January. 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% for January.

Fund Performance:
Monthly Return: +0.10%

Top Contributor[1]: Textainer Group Holdings (TGH) / Stonepeak Partners LP (Private Equity): In October 2023, Textainer – one of the largest lessors of intermodal containers in the world – agreed to be acquired by a Stonepeak for $7.4 billion. The position added approximately 0.05% to the Fund's monthly performance.

Top Detractor[1]: Olink Holding AB (OLK) / Thermo Fisher Scientific Inc (TMO): In October 2023, Olink – a proteomics technology platform company that enables protein analysis capabilities for the biopharmaceutical industry – agreed to be acquired by Thermo for $3.2 billion. The position detracted approximately -0.12% from the Fund's monthly performance.

Market Comments: Following a remarkable surge since October, the S&P 500 Index finds itself navigating a more challenging landscape as February brings the onset of earnings season. After a robust rally approaching 20% since October, the S&P 500 is at all-time highs. However, the recent reality check in big-tech earnings has tempered the fervor surrounding artificial intelligence, while speculation of Federal Reserve easing in March has cooled off. Furthermore, elevated valuations compared to historical standards have prompted comparisons to the dot-com bubble among some analysts.

Amidst this backdrop, signals from the Fed have sparked unease among the more cautious investors. Federal Reserve Chair Jerome Powell's remarks during his January press conference indicated a reluctance to lower rates in the near future. This stance has raised red flags for potential dip-buyers, particularly in light of recent data from Deutsche Bank AG revealing that aggregate equity positioning among both rules-based and discretionary funds is among the highest observed since 2010. This bullish skew prompts inquiries into the sustainability of equity markets, given the rapid accumulation by fund managers throughout November, December, and January. To sustain the upward momentum in equity markets, it's essential for the breadth of stock participation to extend beyond the confines of the so-called "Magnificent 7."

M&A Update: In the past two years, the FTC and DOJ have sought to block several high-profile public mergers, albeit with limited success outside of deals deemed blatantly anti-competitive. One such deal was blocked in January. Judge Young rightfully blocked JetBlue Airway's attempted merger with Spirit Airlines Inc., citing multiple compelling reasons for his decision. Firstly, he noted that the merger would result in an 11% decrease in airline seats, primarily due to JetBlue's aircraft configuration featuring fewer seats per plane than Spirit's. This reduction in capacity would inevitably lead to decreased competition and potentially higher prices for consumers. Secondly, the merger would significantly increase market concentration, with JetBlue and Spirit overlapping between 30% and 40% of their nonstop routes. This heightened concentration would further limit consumer choice and market competitiveness. Lastly, Judge Young highlighted JetBlue's precarious financial position, particularly its high debt-to-cap ratio. If the merger were to proceed, JetBlue would assume an additional $7.5 billion in debt. Such a substantial increase in debt could force JetBlue to raise prices to offset the financial strain, further exacerbating concerns about price hikes for consumers. In light of these challenges and the apparent anti-competitive nature of the proposed merger, the question arises as to why JetBlue's board pursued a transaction with such slim chances of approval.

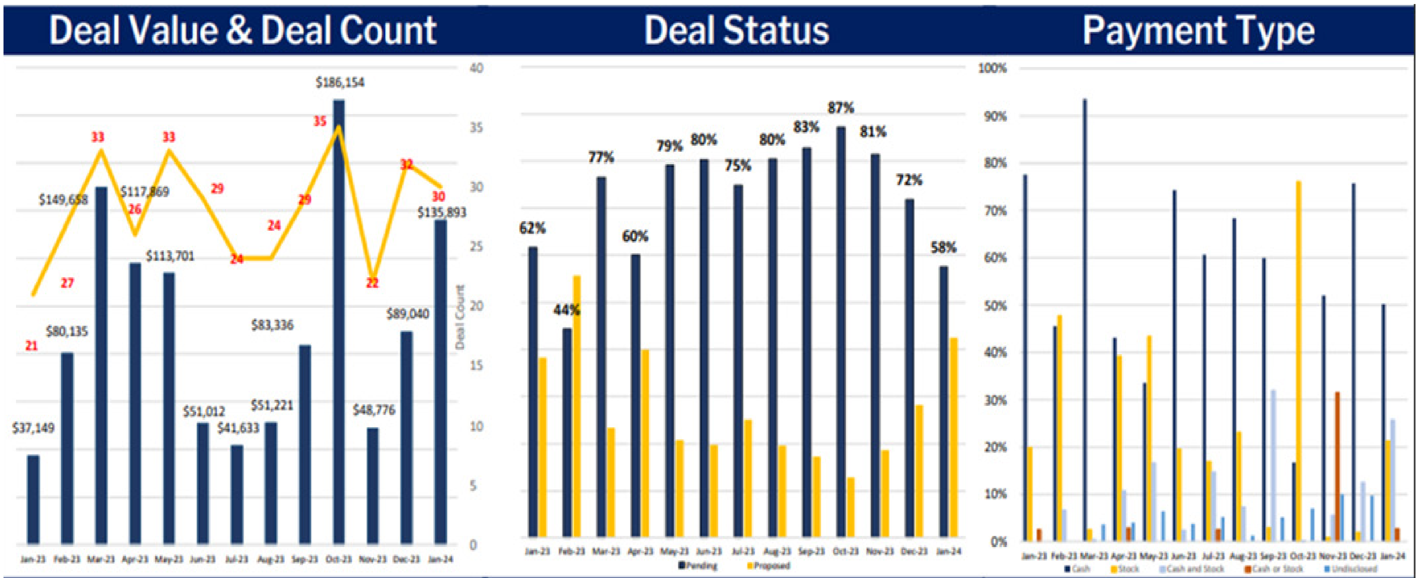
Another anti-competitive deal was also terminated in January. Amazon's ambitious attempt to acquire iRobot, a leading robotic vacuum cleaner company, terminated after eighteen months of wrangling with the FTC and the European Commission. Amazon, already dominating the market as the largest retailer of robotic vacuum cleaners, seemingly underestimated the regulatory scrutiny and market dynamics surrounding the proposed acquisition. The primary antitrust concern likely revolved around a vertical theory of harm rather than horizontal issues. Specifically, regulators scrutinized the potential anti-competitive effects stemming from Amazon's dominant online retail presence and extensive distribution networks, combined with iRobot's leading position in the market for robotic vacuums. Under this vertical theory of harm, the concern centered on the possibility of Amazon leveraging its online retail platform to disadvantage competitors in the robotic vacuum market unfairly. With iRobot under Amazon's ownership, there's a risk that competing brands could face barriers to accessing Amazon's vast customer base. For instance, iRobot products could receive preferential treatment in search results, placement on product pages, or promotional efforts, giving them an unfair advantage over rival brands. In such a scenario, Amazon's acquisition of iRobot could result in reduced competition and consumer choice, as competing brands struggle to compete on a level playing field.

Amazon and iRobot mutually terminated the proposed merger. The notion that Amazon backed down under pressure from regulatory bodies is plausible, considering the inherent risks associated with such a transaction. However, it's equally plausible that iRobot's deteriorating financial performance played a pivotal role in Amazon's decision-making process. iRobot experienced a substantial decline in sales, plummeting from $441 million in 3Q 2021 to $186 million in 3Q 2023, representing a staggering 57% decrease. This decline can be attributed to various factors, including the end of the Covid-era spending boom, which had previously bolstered iRobot's sales. Ultimately, Amazon shareholders may find themselves inadvertently indebted to the regulatory scrutiny surrounding the proposed acquisition. While the regulatory hurdles may have thwarted Amazon's expansion plans, the scrutiny likely prevented the company from making a costly investment in a troubled company.

[1]As of 01/31/2024 TGH was 5.28% of the Fund. As of 01/31/2024 OLK was 3.66% of the Fund.

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 Arbitrage Environment: M&A deal flow dollar volume that met our investment criteria in January 2024 was ~$135.9 billion spread across 30 deals
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	3.74	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 01/31/2024)					
SHARE CLASS/ INDEX	YTD	1-YR	3-YR	5-YR	Since Incept.*
Class A	0.05	3.68	3.42	3.42	3.42
Class A (w/load)	-5.46	-2.01	1.49	3.81	5.09
Class C	0.00	3.03	2.75	4.28	5.13
Class C (w/load)	-1.00	2.04	2.75	4.28	5.13
Class Z[2]	0.10	4.10	3.79	5.35	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.

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

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.

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.