

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name Highland Fixed Income Fund		2 Issuer's employer identification number (EIN) 06-1357782	
3 Name of contact for additional information Highland Funds	4 Telephone No. of contact 1-877-665-1287	5 Email address of contact Info@HighlandFunds.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 200 Crescent Court, Suite 700		7 City, town, or post office, state, and Zip code of contact Dallas, TX 75201	
8 Date of action 09/30/2016		9 Classification and description Non-Dividend Distributions Paid in 2016	
10 CUSIP number See Attachment	11 Serial number(s) N/A	12 Ticker symbol See Attachment	13 Account number(s) N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► Highland Fixed Income Fund paid non-taxable Return of Capital distributions to its shareholders per the attached schedule.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► The amount of non-taxable Return of Capital, on the attached schedule, represents an adjustment in the shareholders' tax basis in their shares held.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► The tax basis of the shareholders' shares is decreased by the per share amount of non-taxable Return of Capital, on the attached schedule, multiplied by the number of shares the shareholder owns.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Pursuant to IRC Sec. 301(c)(1), the portion of a distribution, which is a dividend (as defined in IRC Sec. 316), is includible in gross income. Pursuant to IRC Sec. 301(c)(2), the portion of a distribution, which is not a dividend, shall be applied against and reduce the adjusted tax basis of the stock.

18 Can any resulting loss be recognized? ▶ No loss will be recognized as a result of any non-taxable Return of Capital. A loss may be realized upon the disposition of shares.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Pursuant to IRC SEC. 6045, brokers are required to reflect these adjustments in cost basis reporting for covered securities. If a broker is not required to provide cost basis to a particular shareholder, the cost basis of the shareholder's shares should be adjusted as of the distribution date to reflect the Return of Capital described above. The final amount of taxable dividends and non-taxable Return of Capital (I.E. non-dividend distributions) will be reported to shareholders on their 2016 Form 1099-DIV.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶

Date ▶ 2/2/2017

Print your name ▶ BRIAN MITTS

Title ▶ TREASURER

Paid Preparer Use Only

Print/Type preparer's name

Peter Garrity

Preparer's signature

Date

2/2/17

Check ☐ if self-employed

PTIN

P01063407

Firm's name ▶ State Street Corporation

Firm's EIN ▶ 04-1867445

Firm's address ▶ One Iron Street, Boston, MA 02210

Phone no. 617-662-3975

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

Highland Fixed Income Fund
Form 8937 Appendix A
FYE: September 30, 2016
EIN: 06-1357782

2016 Distributions - Class A

Share Class	Part 1, Box 10	Part 1, Box 12	Part II, Boxes 14, 15, 16					
	CUSIP Number	Ticker Symbol	Record Date	Ex Date	Payable Date	Per Share Distribution	Per Share Return of Capital	Per share Taxable Dividend
Class A	43090E647	HFBAX	1/31/2016	1/31/2016	1/31/2016	0.026090429	0.002959972	0.023130457
Class A	43090E647	HFBAX	2/29/2016	2/29/2016	2/29/2016	0.025974345	0.002946802	0.023027543
Class A	43090E647	HFBAX	3/31/2016	3/31/2016	3/31/2016	0.032410185	0.003676951	0.028733234
Class A	43090E647	HFBAX	4/30/2016	4/30/2016	4/30/2016	0.029150490	0.003307137	0.025843353
Class A	43090E647	HFBAX	5/31/2016	5/31/2016	5/31/2016	0.026149008	0.002966617	0.023182391
Class A	43090E647	HFBAX	6/30/2016	6/30/2016	6/30/2016	0.032471706	0.003683931	0.028787775
Class A	43090E647	HFBAX	7/31/2016	7/31/2016	7/31/2016	0.027075273	0.003071703	0.024003570
Class A	43090E647	HFBAX	8/31/2016	8/31/2016	8/31/2016	0.029242975	0.003317629	0.025925346
Class A	43090E647	HFBAX	9/30/2016	9/30/2016	9/30/2016	0.033283296	0.003776006	0.029507290

2016 Distributions - Class C

Share Class	Part 1, Box 10	Part 1, Box 12	Part II, Boxes 14, 15, 16					
	CUSIP Number	Ticker Symbol	Record Date	Ex Date	Payable Date	Per Share Distribution	Per Share Return of Capital	Per share Taxable Dividend
Class C	43090E621	HFBCX	01/31/2016	01/31/2016	01/31/2016	0.018238836	0.002069205	0.016169631
Class C	43090E621	HFBCX	02/29/2016	02/29/2016	02/29/2016	0.018645774	0.002115372	0.016530402
Class C	43090E621	HFBCX	03/31/2016	03/31/2016	03/31/2016	0.024697033	0.002801890	0.021895143
Class C	43090E621	HFBCX	04/30/2016	04/30/2016	04/30/2016	0.021418976	0.002429993	0.018988983
Class C	43090E621	HFBCX	05/31/2016	05/31/2016	05/31/2016	0.018077509	0.002050902	0.016026607
Class C	43090E621	HFBCX	06/30/2016	06/30/2016	06/30/2016	0.024634326	0.002794776	0.021839550
Class C	43090E621	HFBCX	07/31/2016	07/31/2016	07/31/2016	0.018855649	0.002139182	0.016716467
Class C	43090E621	HFBCX	08/31/2016	08/31/2016	08/31/2016	0.020985768	0.002380845	0.018604923
Class C	43090E621	HFBCX	09/30/2016	09/30/2016	09/30/2016	0.025524471	0.002895763	0.022628708

2016 Distributions - Class R

Share Class	Part 1, Box 10	Part 1, Box 12	Part II, Boxes 14, 15, 16					
	CUSIP Number	Ticker Symbol	Record Date	Ex Date	Payable Date	Per Share Distribution	Per Share Return of Capital	Per share Taxable Dividend
Class R	43090E613	HFBRX	01/31/2016	01/31/2016	01/31/2016	0.023472361	0.002662951	0.020809410
Class R	43090E613	HFBRX	02/29/2016	02/29/2016	02/29/2016	0.022991438	0.002608390	0.020383048
Class R	43090E613	HFBRX	03/15/2016	03/15/2016	03/15/2016	0.013437267	0.001524464	0.011912803

2016 Distributions - Class Y

Share Class	Part 1, Box 10	Part 1, Box 12	Part II, Boxes 14, 15, 16					
	CUSIP Number	Ticker Symbol	Record Date	Ex Date	Payable Date	Per Share Distribution	Per Share Return of Capital	Per share Taxable Dividend
Class Y	43090E597	HFBYX	01/31/2016	01/31/2016	01/31/2016	0.028711083	0.003257286	0.025453797
Class Y	43090E597	HFBYX	02/29/2016	02/29/2016	02/29/2016	0.028422536	0.003224550	0.025197986
Class Y	43090E597	HFBYX	03/31/2016	03/31/2016	03/31/2016	0.035026444	0.003973767	0.031052677
Class Y	43090E597	HFBYX	04/30/2016	04/30/2016	04/30/2016	0.031734134	0.003600253	0.028133881
Class Y	43090E597	HFBYX	05/31/2016	05/31/2016	05/31/2016	0.028836441	0.003271508	0.025564933
Class Y	43090E597	HFBYX	06/30/2016	06/30/2016	06/30/2016	0.035084406	0.003980343	0.031104063
Class Y	43090E597	HFBYX	07/31/2016	07/31/2016	07/31/2016	0.029810569	0.003382023	0.026428546
Class Y	43090E597	HFBYX	08/31/2016	08/31/2016	08/31/2016	0.031989145	0.003629184	0.028359961
Class Y	43090E597	HFBYX	09/30/2016	09/30/2016	09/30/2016	0.036576661	0.004149640	0.032427021