HIGHLAND CAPITAL MANAGEMENT
FUND ADVISORS

Highland Funds I

NexPoint Event Driven Fund
(formerly Highland Healthcare Opportunities Fund)
NexPoint Merger Arbitrage Fund

Semi-Annual Report
December 31, 2021

Highland Funds I

NexPoint Event Driven Fund
NexPoint Merger Arbitrage Fund

TABLE OF CONTENTS

Economic and market conditions change frequently.
There is no assurance that the trends described in this report will continue or commence.

A prospectus must precede or accompany this report. Please read the prospectus carefully before you invest.

FUND PROFILE (unaudited)

NexPoint Event Driven Fund

Objective

NexPoint Event Driven Fund seeks long-term capital appreciation.

Net Assets as of December 31, 2021

$28.0 million

Portfolio Data as of December 31, 2021

The information below provides a snapshot of NexPoint Event Driven Fund at the end of the reporting period. NexPoint Event Driven Fund is actively managed and the composition of its portfolio will change over time. Current and future holdings are subject to risk.

Sectors as of 12/31/2021(%)[1]	Long Exposure	Short Exposure	Net Exposure
Consumer Discretionary	0.5	—	0.5
Energy	0.8	—	0.8
Financials	7.2	(8.8)	(1.6)
Healthcare:			
Biotechnology	4.3	—	4.3
Healthcare Equipment & Supplies	26.8	—	26.8
Healthcare Providers & Services	21.0	—	21.0
Healthcare Technology	5.5	—	5.5
Life Sciences Tools & Services	23.1	—	23.1
Pharmaceuticals	0.4	—	0.4
Industrials	1.0	—	1.0
Information Technology	2.5	(0.2)	2.3
Materials	0.7	—	0.7
Real Estate	2.5	—	2.5
Exchange-Traded Fund	9.1	—	9.1
Special Purpose Acquisition Companies	1.0	—	1.0
Repurchase Agreement	0.9	—	0.9
Other Investments and Assets & Liabilities, net[2]	1.7	—	1.7

Top 5 Holdings as of 12/31/2021(%)[1][3] Long Securities	
iShares U.S. Healthcare	9.1
Anthem, Inc.	5.5
IQVIA Holdings, Inc.	5.4
Cigna Corp.	5.2
Boston Scientific Corp.	5.1

Short Securities	
S&P Global	(4.7)
PennantPark Investment	(1.1)
QCR Holdings	(1.1)
HUB24	(0.9)
OceanFirst Financial	(0.5)

[1] Sectors and holdings are calculated as a percentage of total net assets.

[2] Includes the Fund's investment in cash equivalent investments.

[3] Excludes the Fund's investment in cash equivalent investments.

Amounts designated as "—" are 0.0% or have been rounded to 0.0%.

Objective

NexPoint Merger Arbitrage Fund seeks to generate positive absolute returns.

Net Assets as of December 31, 2021

$520.0 million

Portfolio Data as of December 31, 2021

The information below provides a snapshot of NexPoint Merger Arbitrage Fund at the end of the reporting period. NexPoint Merger Arbitrage Fund is actively managed and the composition of its portfolio will change over time. Current and future holdings are subject to risk.

Sectors as of 12/31/2021(%)(1)	Long Exposure	Short Exposure	Net Exposure
Consumer Discretionary	0.6	—	0.6
Energy	6.0	(4.2)	1.8
Financials	21.6	(23.0)	(1.4)
Healthcare	14.8	—	14.8
Industrials	8.8	—	8.8
Information Technology	1.9	—	1.9
Materials	0.4	—	0.4
Real Estate	15.0	—	15.0
Special Purpose Acquisition Companies	18.5	—	18.5
Warrants	0.1	—	0.1
Repurchase Agreements	0.3	—	0.3
Other Investments and Assets & Liabilities, net(2)	39.3	—	39.3

Top 5 Holdings as of 12/31/2021(%)(1)(3) Long Securities	
Magellan Health	12.1
CyrusOne	8.7
CIT Group, Inc.	6.3
IHS Markit	6.0
State Auto Financial	4.4

Short Securities	
First Citizens BancShares	(6.4)
S&P Global	(6.0)
Phillips 66	(3.2)
Apollo Global Management	(2.7)
First Interstate BancSystem	(1.8)

(1) Sectors and holdings are calculated as a percentage of total net assets.

(2) Includes the Fund’s investment in cash equivalent investments.

(3) Excludes the Fund’s investment in cash equivalent investments.

Amounts designated as “—” are 0.0% or have been rounded to 0.0%.

December 31, 2021

A guide to understanding each Fund's financial statements

Investment Portfolio	The Investment Portfolio details each of the Fund's holdings and their market value as of the last day of the reporting period. Portfolio holdings are organized by type of asset and industry to demonstrate areas of concentration and diversification.
Statements of Assets and Liabilities	This statement details each Fund's assets, liabilities, net assets and share price for each share class as of the last day of the reporting period. Net assets are calculated by subtracting all of a Fund's liabilities (including any unpaid expenses) from the total of the Fund's investment and noninvestment assets. The net asset value per share for each class is calculated by dividing net assets allocated to that share class by the number of shares outstanding in that class as of the last day of the reporting period.
Statements of Operations	This statement reports income earned by each Fund and the expenses incurred by each Fund during the reporting period. The Statement of Operations also shows any net gain or loss a Fund realized on the sales of its holdings during the period as well as any unrealized gains or losses recognized over the period. The total of these results represents a Fund's net increase or decrease in net assets from operations.
Statements of Changes in Net Assets	This statement details how each Fund's net assets were affected by its operating results, distributions to shareholders and shareholder transactions (e.g., subscriptions, redemptions and distribution reinvestments) during the reporting period. The Statements of Changes in Net Assets also details changes in the number of shares outstanding.
Statement of Cash Flows	This statement reports net cash and foreign currency provided or used by operating, investing and financing activities and the net effect of those flows on cash and foreign currency during the period.
Financial Highlights	The Financial Highlights demonstrate how each Fund's net asset value per share was affected by the Fund's operating results. The Financial Highlights also disclose the classes' performance and certain key ratios (e.g., net expenses and net investment income as a percentage of average net assets).
Notes to Financial Statements	These notes disclose the organizational background of the Funds, certain of their significant accounting policies (including those surrounding security valuation, income recognition and distributions to shareholders), federal tax information, fees and compensation paid to affiliates and significant risks and contingencies.

Shares		Value ($)
Common Stocks - 96.3%		
CONSUMER DISCRETIONARY - 0.5%		
9,695	Casper Sleep (a)	64,763
972	Signet Jewelers	84,593
		149,356
ENERGY - 0.8%		
8,244	FTS International, Class A (a)	216,405
972	Teekay LNG Partners	16,456
		232,861
FINANCIALS - 7.2%		
5,000	AMERISAFE	269,150
1,800	Bank of Marin Bancorp	67,014
12,096	Capital Southwest	305,787
15,655	Elmira Savings Bank	357,873
350	Erie Indemnity, Class A	67,431
11,517	Guaranty Federal Bancshares	367,853
1,625	Independent Bank	132,486
22,055	Partners Bancorp	215,698
4,500	Premier Financial	139,095
2,600	Reliant Bancorp	92,300
		2,014,687
HEALTHCARE - 81.1%		
Biotechnology - 4.3%		
1,950	Amgen, Inc. (b)	438,691
6,200	Horizon Therapeutics (a)	668,112
75,000	OncoSec Medical (a)	71,970
		1,178,773
Healthcare Equipment & Supplies - 26.8%		
2,300	Abbott Laboratories (b)	323,702
3,350	ABIOMED (a)(b)	1,203,219
1,708	Align Technology (a)(b)	1,122,463
33,500	Boston Scientific Corp. (a)	1,423,080
800	Cooper	335,152
2,000	Edwards Lifesciences Corp. (a)	259,100
19,150	Globus Medical, Class A (a)	1,382,630
4,200	Merit Medical Systems (a)	261,660
2,300	Mesa Laboratories (c)	754,607
1,300	STERIS	316,433
400	Teleflex	131,392
		7,513,438
Healthcare Providers & Services - 21.0%		
4,500	AmerisourceBergen, Class A (b)	598,005
3,300	Anthem, Inc. (b)	1,529,682
6,000	Cardinal Health	308,940
600	Chemed (b)	317,424
6,325	Cigna Corp.	1,452,410
5,300	CVS Health Corp.	546,748
8,400	HealthEquity (a)	371,616
600	Humana, Inc. (b)	278,316
805	Triple-S Management, Class B (a)	28,722
4,650	US Physical Therapy	444,308
		5,876,171
Healthcare Technology - 5.5%		
15,000	Cerner Corp.	1,393,050
500	Veeva Systems, Class A (a)	127,740
		1,520,790
Life Sciences Tools & Services - 23.1%		
2,000	Agilent Technologies	319,300
15,000	Avantor (a)	632,100
4,260	Danaher	1,401,583
5,400	IQVIA Holdings, Inc. (a)	1,523,556
632	Mettler-Toledo International (a)(b)	1,072,637
3,300	NeoGenomics (a)	112,596
1,000	PerkinElmer	201,060
1,850	Thermo Fisher Scientific (b)	1,234,394
		6,497,226
Pharmaceuticals - 0.4%		
500	Zoetis, Class A	122,015
		22,708,413
INDUSTRIALS - 1.0%		
650	AerCap Holdings (a)	42,523
1,800	CoStar Group (a)	142,254
1,200	Delta Air Lines (a)	46,896
260	Honeywell International	54,213
		285,886
INFORMATION TECHNOLOGY - 2.5%		
133,100	Class	261,280
1,250	Fidelity National Information Services	136,438
1,500	Jack Henry & Associates	250,485
1,800	NortonLifeLock	46,764
		694,967
MATERIALS - 0.7%		
7,320	Atotech	186,806
3,831	Corvus Gold (a)	12,374
		199,180
REAL ESTATE - 2.5%		
21,000	Healthcare Trust of America, Class A , REIT	701,190
	Total Common Stocks (Cost $26,383,114)	26,986,540
Exchange-Traded Fund - 9.1%		
8,500	iShares U.S. Healthcare (c)	2,553,145
	Total Exchange-Traded Fund (Cost $2,402,532)	2,553,145
Special Purpose Acquisition Companies - 1.0%		
760	Benessere Capital Acquisition, Class A (a)	7,707
5,000	Better World Acquisition Corp (a)	50,850
7,000	Burgundy Technology Acquisition, Class A (a)	70,070
10,000	E.Merge Technology Acquisition, Class A (a)	98,400
2,487	Horizon Acquisition II, Class A (a)	24,447
2,500	Liberty Media Acquisition, Class A (a)	25,700
300	Pine Island Acquisition Corp, Class A (a)	2,958

As of December 31, 2021 | NexPoint Event Driven Fund

Shares		Value ($)
	Special Purpose Acquisition Companies (continued)	
333	Social Capital Hedosophia Holdings IV, Class A (a)	3,403
	Total Special Purpose Acquisition Companies (Cost $284,854)	283,535
Contracts		
	Purchased Call Options (a) - 0.1%	
	Total Purchased Call Options (Cost $25,021)	21,870
	Purchased Put Option (a) - 0.0%	
	Total Purchased Put Option (Cost $20,485)	9,045
Shares		
	Preferred Stock - 0.0%	
	HEALTHCARE - 0.0%	
	Healthcare Technology - 0.0%	
608,695	AMINO, Inc., Series C (a)(d)(e)(f)(g)	—
	Total Preferred Stock (Cost $3,499,996)	—
Units		
	Warrants - 0.0%	
	HEALTHCARE - 0.0%	
	Biotechnology - 0.0%	
4,751	Gemphire Therapeutics, Inc., Expires 03/15/2022 (a)(d)(f)	—
	Total Warrants (Cost $–)	—
Principal Amount ($)		
	Repurchase Agreement (h)(i) - 0.9%	
246,468	RBC Dominion Securities 0.050%, dated 12/31/2021 to be repurchased on 01/03/2022, repurchase price $246,469 (collateralized by U.S. Government obligations, ranging in par value $0 - $44,781, 0.000% - 6.500%, 05/15/2022 - 12/01/2051; with total market value $251,397)	246,468
	Total Repurchase Agreement (Cost $246,468)	246,468

Shares		Value ($)
	Cash Equivalent - 13.9%	
	MONEY MARKET FUND (j) - 13.9%	
3,879,871	Dreyfus Treasury Obligations Cash Management, Institutional Class 0.010%	3,879,871
	Total Cash Equivalent (Cost $3,879,871)	3,879,871
	Total Investments - 121.3% (Cost $36,742,341)	**33,980,474**
	Securities Sold Short - (9.0)%	
	Special Purpose Acquisition Company - 0.0%	
(300)	Social Capital Hedosophia Holdings IV, Class A (k)	(3,066)
	Total Special Purpose Acquisition Company (Proceeds $3,117)	(3,066)
	Exchange-Traded Fund - 0.0%	
(168)	Invesco CurrencyShares Australian Dollar Trust (k)	(12,111)
	Total Exchange-Traded Funds (Proceeds $11,882)	(12,111)
	Common Stocks - (9.0)%	
	FINANCIALS - (8.8)%	
(12,100)	HUB24	(248,964)
(644)	Manulife Financial	(12,292)
(6,330)	OceanFirst Financial	(140,526)
(46,360)	PennantPark Investment	(321,275)
(5,413)	QCR Holdings	(303,128)
(2,804)	S&P Global	(1,323,291)
(2,553)	United Community Banks	(91,755)
		(2,441,231)
	INFORMATION TECHNOLOGY - (0.2)%	
(404)	MKS Instruments	(70,365)
	Total Common Stocks (Proceeds $2,451,770)	(2,511,596)
	Total Securities Sold Short - (9.0)% (Proceeds $2,466,768)	(2,526,773)
	Other Assets & Liabilities, Net - (12.3)% (l)	**(3,436,573)**
	Net Assets - 100.0%	**28,017,128**

(a) Non-income producing security.

(b) All or part of this security is pledged as collateral for short sales. The fair value of the securities pledged as collateral was $8,249,969.

(c) Securities (or a portion of securities) on loan. As of December 31, 2021, the fair value of securities loaned was $1,004,391. The loaned securities were secured with cash and/or securities collateral of $1,025,476. Collateral is calculated based on prior day's prices.

(d) Securities with a total aggregate value of $0, or 0.0% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Financial Statements for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.

(e) There is currently no rate available.

(f) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of $0, or 0.0% of net assets, were fair valued under the Fund's valuation procedures as of December 31, 2021. Please see Notes to Financial Statements.

(g) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the policies and procedures established by the Board. Additional Information regarding such securities follows:

Restricted Security	Security Type	Acquisition Date	Cost of Security	Fair Value at Period End	Percent of Net Assets
AMINO, Inc.	Preferred Stock	11/18/2016	$3,499,996	$0	0.0%

(h) Tri-Party Repurchase Agreement.

(i) This security was purchased with cash collateral held from securities on loan. The total value of such securities as of December 31, 2021 was $246,468.

(j) Rate shown is 7 day effective yield.

(k) No dividend payable on security sold short.

(l) As of December 31, 2021, $2,456,922 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net".

Purchased options contracts outstanding as of December 31, 2021 were as follows:

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium	Value
PURCHASED CALL OPTIONS:							
United Nat Foods	$50.00		January 2022	28	$137,424	$ 5,489	$ 5,040
Intel	52.50		February 2022	90	463,500	19,532	16,830
						$25,021	$21,870

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium	Value
PURCHASED PUT OPTION:							
Signet Jewelers	$75.00		January 2022	54	$469,962	$20,485	$9,045

Written options contracts outstanding as of December 31, 2021 were as follows:

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium	Value
WRITTEN CALL OPTIONS:							
E.Merge Technology Acquisition	$10.00	Pershing	March 2022	(100)	$ 98,400	$ (1,495)	$ (750)
Benessere Capital Acquisition	10.00	Pershing	February 2022	(8)	8,112	(381)	(160)
Liberty Media Acquisition	10.00	Pershing	March 2022	(25)	25,700	(1,899)	(2,125)
Horizon Acquisition	10.00	Pershing	January 2022	(25)	24,575	(349)	(50)
Bergundy Technology Acquisition	10.00	Pershing	January 2022	(70)	70,070	(1,244)	(350)
Better World Acquisition Corp	10.00	Pershing	March 2022	(50)	50,850	(1,880)	(500)
Intel	52.50	Pershing	January 2022	(90)	463,500	(7,959)	(5,850)
						$(15,207)	$(9,785)

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium	Value
WRITTEN PUT OPTION:							
Signet Jewelers	$75.00	Pershing	January 2022	(54)	$469,962	$(7,681)	$(270)

The Fund had the following swaps contracts, which did not require pledged collateral, open at December 31, 2021:

Underlying Instrument	Financing Rate	Payment Frequency	Counterparty	Expiration Date	Currency	Notional Amount ($)	Fair Value ($)	Upfront Premiums Paid (Received) ($)	Mark to Market ($)	Unrealized Appreciation/ (Depreciation) ($)
LONG EQUITY TRS										
Adobe Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 23, 2022	USD	54,625	56,698	100	2,173	2,073
Apollo Healthcare Corp	1 Month CAD-CDOR plus 0.50%	Upon Maturity	Goldman Sachs	November 10, 2022	CAD	176,231	182,070	51,737	57,576	5,839
CyrusOne Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 23, 2022	USD	402,806	406,021	4,500	7,715	3,215
SalesForce.com Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 23, 2022	USD	131,004	133,399	525	2,920	2,395
Fidelity National	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	November 29, 2022	USD	270,234	272,722	2,500	4,988	2,488
Huntington Bancshares Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 23, 2022	USD	84,211	86,340	5,600	7,729	2,129
IHS Markit Ltd	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	November 2, 2022	USD	1,270,536	1,312,759	9,881	52,104	42,223
Manulife Financial Corp	1 Month CAD-CDOR plus 0.50%	Upon Maturity	Goldman Sachs	December 15, 2022	CAD	11,969	12,178	644	853	209
Nobina AB	1 Month SEK STIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 28, 2022	SEK	12,856	12,939	1,095	1,178	83
Nuance Communications Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	November 28, 2022	USD	713,365	716,425	12,956	16,016	3,060
PAE Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 23, 2022	USD	258,859	259,105	26,097	26,343	246
Transdigm Group Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 23, 2022	USD	242,430	254,477	400	12,447	12,047
Taylor Wimpey PLC	1 Month GBP LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 8, 2022	GBP	71,913	75,782	32,000	35,869	3,869
Visa Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 23, 2022	USD	749,853	758,375	3,500	12,022	8,522
Total Long Equity TRS							4,539,290	151,535	239,933	88,398

Shares		Value ($)
	Common Stock - 69.1%	
	CONSUMER DISCRETIONARY - 0.6%	
8,170	Casper Sleep (a)	54,576
245,718	Del Taco Restaurants	3,059,189
		3,113,765
	ENERGY - 6.0%	
321,018	BP Midstream Partners	4,911,575
123,255	FTS International, Class A (a)	3,235,444
461,012	Phillips 66 Partners (b)	16,628,703
370,727	Teekay LNG Partners	6,276,408
		31,052,130
	FINANCIALS - 21.6%	
148,638	1st Constitution Bancorp	3,818,510
39,598	American National Group	7,477,686
168,581	Athene Holding, Class A (a)	14,047,855
147,632	Atlantic Capital Bancshares (a)(b)	4,247,373
4,169	Bryn Mawr Bank	187,647
109,211	CBTX	3,167,119
642,692	CIT Group, Inc.	32,995,807
27,979	Columbia Banking System	915,473
122,286	FVCBankcorp (a)	2,422,486
276,057	Great Western Bancorp	9,374,896
892	Howard Bancorp (a)	19,437
8,869	Independence Holding	502,695
37,721	Level One Bancorp	1,487,716
2,150	MDH Acquisition, Class A (a)	21,070
19,118	Nicolet Bankshares (a)	1,639,334
94	Old National Bancorp	1,703
52,530	Partners Bancorp	513,743
172,208	Reliant Bancorp	6,113,384
447,024	State Auto Financial (b)	23,106,670
4,800	Sterling Bancorp	123,792
		112,184,396
	HEALTHCARE - 14.8%	
149,508	Cerner Corp.	13,884,808
663,468	Magellan Health (a)(b)	63,022,825
9,600	Triple-S Management, Class B (a)	342,528
		77,250,161
	INDUSTRIALS - 8.8%	
8,730	Akka Technologies	479,512
232,904	IHS Markit	30,957,600
1,418,564	PAE (a)	14,086,340
1,100	SPX Flow	95,128
		45,618,580
	INFORMATION TECHNOLOGY - 1.9%	
17,454	Bottomline Technologies DE (a)	985,627
55,330	Class	108,615
476,214	GreenSky, Class A (a)	5,409,791
299	Marvell Technology	26,160
36,775	McAfee, Class A	948,427
28,806	Mimecast (a)	2,292,094
		9,770,714
	MATERIALS - 0.4%	
2,863	Atotech	73,064
560,469	Corvus Gold (a)	1,810,326
		1,883,390
	REAL ESTATE - 15.0%	
883,039	CorePoint Lodging, REIT (a)	13,863,712
503,846	CyrusOne, REIT (b)	45,205,063
3,801	Deutsche Industrie, REIT	97,689
904,434	Monmouth Real Estate Investment, REIT	19,002,159
		78,168,623
	Total Common Stock (Cost $355,608,578)	359,041,759
	Special Purpose Acquisition Companies - 18.5%	
50,000	7 Acquisition (a)	507,000
10,146	7GC & Holdings, Class A (a)	98,822
26,000	ACE Convergence Acquisition, Class A (a)	258,960
25,000	AltEnergy Acquisition (a)	252,250
285,000	Altimeter Growth 2, Class A (a)	2,810,100
600	Apollo Strategic Growth Capital II, Class A (a)	5,868
25,000	Arbor Rapha Capital Bioholdings I (a)	253,250
99,900	Argus Capital, Class A (a)	991,008
10,000	Ascendant Digital Acquisition III (a)	101,500
250,153	Athena Consumer Acquisition, Class A (a)	2,494,025
1	Athena Consumer Acquisition (a)	10
52,078	Banner Acquisition (a)	508,281
3,440	Benessere Capital Acquisition, Class A (a)	34,882
50,000	Better World Acquisition Corp (a)	508,500
34,781	Biotech Acquisition Co, Class A	342,245
10,000	Blockchain Coinvestors Acquisition I (a)(c)	101,100
100	Blue Safari Group Acquisition, Class A (a)	996
14,000	Burgundy Technology Acquisition, Class A (a)	140,140
72,109	Carney Technology Acquisition II, Class A (a)	704,505
166,900	CC Neuberger Principal Holdings II, Class A (a)	1,652,310
1,000	CC Neuberger Principal Holdings III (a)	10,000
72,800	Churchill Capital, Class A (a)	716,352
81,594	Class Acceleration, Class A (a)	792,278
320,620	Cohn Robbins Holdings, Class A (a)	3,151,695
1,000	Compute Health Acquisition (a)	9,940
183,700	Compute Health Acquisition, Class A (a)	1,787,401
213,700	Conx Corp, Class A (a)	2,098,534
103,335	Corner Growth Acquisition, Class A	1,012,683
3,130	Corner Growth Acquisition (a)	31,144
219,996	Corner Growth Acquisition 2, Class A (a)	2,175,760
11,400	Crucible Acquisition, Class A (a)	111,036
100,000	Crypto 1 Acquisition (a)	1,010,000
69,220	Data Knights Acquisition, Class A (a)	699,122
148	Deep Lake Capital Acquisition	1,447
12,100	DPCM Capital (a)	118,822
49,512	DTRT Health Acquisition, Class A (a)	494,130
120,000	E.Merge Technology Acquisition, Class A (a)	1,180,800
47,514	ECP Environmental Growth Opportunities, Class A (a)(c)	468,488
225,000	Energem (a)	2,283,750

Shares		Value ($)
	Special Purpose Acquisition Companies(continued)	
	Environmental Impact Acquisition,	
54,979	Class A (a)(c)	545,392
26,162	Epiphany Technology Acquisition, Class A	255,341
60,927	Everest Consolidator Acquisition (a)	619,323
150,000	Fat Projects Acquisition (a)	1,465,500
2,944	First Light Acquisition Group, Class A (a)	28,881
157,400	FirstMark Horizon Acquisition, Class A (a)	1,556,686
1,000	Focus Impact Acquisition (a)	10,050
9,896	Fortress Value Acquisition IV, Class A (a)	96,486
150,026	Forum Merger IV, Class A (a)(b)	1,461,253
134,063	GigCapital5 (a)	1,325,883
24,680	Global Synergy Acquisition, Class A	242,111
369,808	GoGreen Investments (a)	3,664,797
16,000	Gores Guggenheim, Class A (a)	187,200
9,096	Gores Holdings VII, Class A (a)	88,959
27,878	Gores Metropoulos II, Class A (a)(c)	277,944
1,000	Gores Technology Partners (a)	10,060
4,000	Gores Technology Partners II (a)	40,320
7	Gores Technology Partners II, Class A (a)	69
	Green Visor Financial Technology	
145,507	Acquisition I (a)	1,473,258
	Hamilton Lane Alliance Holdings I,	
6,758	Class A (a)	66,026
39,736	Haymaker Acquisition III, Class A (a)	390,605
	Health Assurance Acquisition,	
288,800	Class A (a)(b)	2,821,576
918	Healthcare Capital, Class A	9,061
500	Hennessy Capital Investment V, Class A (a)	4,870
9,213	Horizon Acquisition II, Class A (a)	90,564
1,000	Hudson Executive Investment III (a)	9,810
20,000	Iconic Sports Acquisition (a)	202,200
34,900	IG Acquisition Corp, Class A	342,369
	Integrated Rail and Resources	
294,324	Acquisition (a)	2,957,956
	Intelligent Medicine Acquisition,	
260,000	Class A (a)	2,574,000
	InterPrivate III Financial Partners,	
15,068	Class A (a)	149,324
12,792	Jack Creek Investment, Class A (a)	124,850
2,164	Jaws Mustang Acquisition (a)	21,705
46,414	Jupiter Wellness Acquisition Corp (a)	467,853
1,486	KludeIn I Acquisition, Class A (a)	14,622
252,000	Lefteris Acquisition Corp, Class A	2,469,600
8,700	Liberty Media Acquisition, Class A (a)	89,436
244,909	Lionheart III, Class A (a)	2,412,354
106,700	Lux Health Tech Acquisition, Class A (a)	1,045,660
71,084	Maxpro Capital Acquisition, Class A (a)	705,153
184,295	McLaren Technology Acquisition (a)	1,854,008
	Mercury Ecommerce Acquisition,	
100,172	Class A (a)	981,686
10,194	Monument Circle Acquisition, Class A	99,493
81,400	Mudrick Capital Acquisition II, Class A	809,116
5,287	North Mountain Merger, Class A (a)	52,130
10,000	Northern Star Investment II, Class A	97,000
43,496	OceanTech Acquisitions I, Class A (a)	434,960
507	Orion Biotech Opportunities (a)	5,004
301,552	Parabellum Acquisition, Class A (a)	2,940,132
99,589	Parsec Capital Acquisitions (a)	1,026,763
450,000	Perception Capital II, Class A (a)	4,446,000
20,428	Periphas Capital Partnering, Class A (a)	497,830
	Pershing Square Tontine Holdings,	
15,000	Class A (a)	295,800
217,482	Phoenix Biotech Acquisition, Class A (a)	2,155,247
142,600	Pine Island Acquisition Corp, Class A (a)	1,406,036
5,887	Pioneer Merger, Class A (a)(c)	58,105
14,302	Pivotal Investment III, Class A (a)	139,301
1,000	Pivotal Investment III (a)	9,900
39,792	Priveterra Acquisition, Class A (a)	387,176
88,144	PropTech Investment II, Class A (a)	859,404
19,800	Prospector Capital, Class A (a)	192,852
	Queen's Gambit Growth Capital,	
25,000	Class A (a)(c)	247,500
85,000	RedBall Acquisition (a)	843,200
	Revolution Healthcare Acquisition,	
3,002	Class A (a)	29,149
100,100	Ribbit LEAP (a)	1,002,001
100	Rocket Lab USA, Class A (a)	1,228
30,000	Ross Acquisition II, Class A (a)	292,800
	Science Strategic Acquisition Alpha,	
3,286	Class A (a)	32,038
55,100	Seaport Global Acquisition II, Class A (a)	544,388
250,000	Semper Paratus Acquisition (a)	2,530,000
60,000	Sierra Lake Acquisition, Class A (a)	586,800
1,000	Slam (a)	9,880
	Social Capital Hedosophia Holdings IV,	
244,600	Class A (a)	2,499,812
	Social Capital Hedosophia Holdings VI,	
76,500	Class A (a)	779,535
42,600	Social Leverage Acquisition I, Class A (a)	417,906
859	Sustainable Development Acquisition I (a)	8,581
40,200	SVF Investment Corp, Class A (a)	403,608
38,968	Talon 1 Acquisition (a)	393,772
30,000	Tastemaker Acquisition, Class A (a)	296,700
325,000	Thrive Acquisition (a)	3,263,000
	Thunder Bridge Capital Partners III,	
5,000	Class A (a)	48,850
3,645	TLG Acquisition One, Class A (a)	35,466
65,420	Trebia Acquisition Corp, Class A (a)(c)	651,583
2,800	VectoIQ Acquisition II, Class A (a)	27,272
242,400	VY Global Growth, Class A (a)	2,377,944
		96,309,197
	Total Special Purpose Acquisition Companies (Cost $96,062,758)	96,309,197

Units		Value ($)
	Warrants - 0.1%	
3,094	7GC & Holdings, Expires 01/03/2027 (a)	1,888
	Athena Consumer Acquisition,	
125,076	Expires 07/23/2023 (a)	60,036
24,297	Banner Acquisition, Expires 01/18/2023 (a)	12,583
	Biotech Acquisition Co,	
500	Expires 12/03/2027 (a)	325
	Carney Technology Acquisition II,	
3,333	Expires 12/03/2027 (a)	2,300
	DTRT Health Acquisition,	
25,000	Expires 11/15/2022 (a)	11,950
	ECP Environmental Growth Opportunities,	
700	Expires 02/14/2028 (a)	469

Units		Value ($)
Warrants (continued)		
150,000	Fat Projects Acquisition, Expires 12/19/2022 (a)	55,515
7,980	GigCapital5, Expires 01/03/2029 (a)	4,169
181,950	GoGreen Investments, Expires 06/07/2023 (a)	83,733
715	Hamilton Lane Alliance Holdings I, Expires 01/11/2026 (a)	422
9,769	Haymaker Acquisition III, Expires 02/15/2027 (a)	7,034
125,000	Intelligent Medicine Acquisition, Expires 01/16/2023 (a)	61,250
13,605	Jatt Acquisition, Expires 06/18/2023 (a)	6,253
122,455	Lionheart III, Expires 03/22/2023 (a)	53,880
71,084	Maxpro Capital Acquisition, Expires 01/25/2023 (a)	27,335
50,086	Mercury Ecommerce Acquisition, Expires 03/28/2023 (a)	24,542
550	OceanTech Acquisitions I, Expires 05/13/2026 (a)	253
223,160	Parabellum Acquisition, Expires 03/29/2023 (a)	100,422
225,000	Perception Capital II, Expires 01/03/2029 (a)	99,000
108,741	Phoenix Biotech Acquisition, Expires 09/04/2026 (a)	46,976
13,333	Priveterra Acquisition, Expires 01/03/2028 (a)	6,800
12,612	PropTech Investment II, Expires 01/03/2028 (a)	7,565
27,550	Seaport Global Acquisition II, Expires 11/04/2023 (a)	13,830
30,000	Sierra Lake Acquisition, Expires 04/03/2028 (a)	14,391
1,215	TLG Acquisition One, Expires 01/28/2028 (a)	632
	Total Warrants (Cost $760,018)	703,553

Contracts		
Purchased Call Options (a) - 0.0%		
	Total Purchased Call Options (Cost $258,395)	180,716

Shares		
Preferred Stock - 0.0%		
HEALTHCARE - 0.0%		
434,783	AMINO, Inc., Series C (a)(d)(e)(f)(g)	—
	Total Preferred Stock (Cost $2,500,002)	—

Units		Value ($)
Rights - 0.0%		
INFORMATION TECHNOLOGY - 0.0%		
22,787	Zagg Inc (a)(d)(f)	2,051
	Total Rights (Cost $–)	2,051

Principal Amount ($)		
Repurchase Agreements(h)(i) - 0.3%		
325,428	BofA Securities 0.050%, dated 12/31/2021 to be repurchased on 01/03/2022, repurchase price $325,429 (collateralized by U.S. Government obligations, ranging in par value $1,369 - $16,689, 1.000% - 5.000%, 09/01/2028 - 01/01/2061; with total market value $331,937)	325,428
325,428	Citigroup 0.060%, dated 12/31/2021 to be repurchased on 01/03/2022, repurchase price $325,430 (collateralized by U.S. Government obligations, ranging in par value $3,540 - $28,560, 0.000% - 3.500%, 02/15/2022 - 12/20/2051; with total market value $331,937)	325,428
325,428	Daiwa Capital Markets 0.040%, dated 12/31/2021 to be repurchased on 01/03/2022, repurchase price $325,429 (collateralized by U.S. Government obligations, ranging in par value $0 - $100,041, 0.000% - 6.500%, 02/10/2022 - 01/01/2052; with total market value $331,937)	325,428
325,428	RBC Dominion Securities 0.050%, dated 12/31/2021 to be repurchased on 01/03/2022, repurchase price $325,429 (collateralized by U.S. Government obligations, ranging in par value $0 - $59,128, 0.000% - 6.500%, 05/15/2022 - 12/01/2051; with total market value $331,937)	325,428
96,471	Nomura 0.050%, dated 12/31/2021 to be repurchased on 01/03/2022, repurchase price $96,471 (collateralized by U.S. Government obligations, ranging in par value $0 - $22,052, 0.000% - 5.000%, 09/06/2024 - 09/20/2069; with total market value $98,400)	96,471
	Total Repurchase Agreements (Cost $1,398,183)	1,398,183

Shares		Value ($)
Cash Equivalent - 9.7%		
MONEY MARKET FUND (j) - 9.7%		
50,651,963	Dreyfus Treasury Obligations Cash Management, Institutional Class 0.010%	50,651,963
	Total Cash Equivalent (Cost $50,651,963)	50,651,963
Total Investments - 97.7%		**508,287,422**
(Cost $507,239,897)		
Securities Sold Short - (27.3)%		
Special Purpose Acquisition Companies - 0.0%		
(100)	Rocket Lab USA (k)	(1,228)
(3,800)	Social Capital Hedosophia Holdings IV, Class A (k)	(38,836)
(5,000)	Social Capital Hedosophia Holdings VI, Class A (k)	(50,950)
	Total Special Purpose Acquisition Companies (Proceeds $92,288)	(91,014)
Exchange-Traded Funds - (0.1)%		
(56)	Invesco CurrencyShares Australian Dollar Trust (k)	(4,037)
(4,552)	Invesco CurrencyShares Euro Currency Trust (k)	(481,420)
	Total Exchange-Traded Funds (Proceeds $492,166)	(485,457)
Common Stock - (27.2)%		
ENERGY - (4.2)%		
(184,568)	BP ADR	(4,915,046)
(230,506)	Phillips 66	(16,702,465)
		(21,617,511)
FINANCIALS - (23.0)%		
(77,011)	Allegiance Bancshares	(3,250,634)
(193,508)	Apollo Global Management, Class A	(14,015,784)
(140,546)	Blue Ridge Bankshares	(2,515,773)
(12)	Citizens Financial Group	(567)
(39,847)	First Citizens BancShares, Class A	(33,066,635)
(232,578)	First Interstate BancSystem, Class A	(9,458,947)
(27,036)	First Merchants Corp.	(1,132,538)
(22)	First Midwest Bancorp	(451)
(1,606)	FNB	(19,481)
(14,287)	Goldman Sachs Group	(5,465,492)
(5,030)	HUB24	(103,495)
(201,804)	Lakeland Bancorp	(3,832,258)
(97,246)	Manulife Financial	(1,856,154)
(19,117)	Nicolet Bankshares (k)	(1,639,283)
(15,409)	OceanFirst Financial	(342,080)
(69)	Old National Bancorp	(1,250)
(66,098)	S&P Global	(31,193,629)
(53,148)	SouthState	(4,257,686)
(232)	SVB Financial Group (k)	(157,352)
(46,960)	Umpqua Holdings	(903,510)
(169,478)	United Community Banks	(6,091,039)
(2,222)	Webster Financial	(124,077)
(3,752)	WSFS Financial	(188,050)
		(119,616,165)
INFORMATION TECHNOLOGY - 0.0%		
(299)	Marvell Technology	(26,159)
(158)	MKS Instruments	(27,519)
		(53,678)
REAL ESTATE - 0.0%		
(4,751)	CTP	(101,033)
	Total Common Stock (Proceeds $140,367,366)	(141,388,387)
	Total Securities Sold Short - (27.3)% (Proceeds $140,951,820)	(141,964,858)
Other Assets & Liabilities, Net - 29.6% (l)		**153,669,298**
Net Assets - 100.0%		**519,991,862**

(a) Non-income producing security.

(b) All or part of this security is pledged as collateral for short sales. The fair value of the securities pledged as collateral was $144,110,617.

(c) Securities (or a portion of securities) on loan. As of December 31, 2021, the fair value of securities loaned was $1,354,873. The loaned securities were secured with cash and/or securities collateral of $1,398,183. Collateral is calculated based on prior day's prices.

(d) Securities with a total aggregate value of $2,051, or 0.0% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Financial Statements for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.

(e) There is currently no rate available.

(f) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of $2,051, or 0.0% of net assets, were fair valued under the Fund's valuation procedures as of December 31, 2021. Please see Notes to Financial Statements.

(g) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the policies and procedures established by the Board. Additional Information regarding such securities follows:

Restricted Security	Security Type	Acquisition Date	Cost of Security	Fair Value at Period End	Percent of Net Assets
AMINO, Inc.	Preferred Stock	11/18/2016	$2,500,002	$0	0.0%

(h) Tri-Party Repurchase Agreement.

(i) This security was purchased with cash collateral held from securities on loan. The total value of such securities as of December 31, 2021 was $1,398,183.

(j) Rate shown is 7 day effective yield.

(k) No dividend payable on security sold short.

(l) As of December 31, 2021, $133,044,374 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net".

Purchased options contracts outstanding as of December 31, 2021 were as follows:

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium	Value
PURCHASED CALL OPTIONS:							
Discovery	$47.50	Jefferies	January 2022	$ 50	$117,700	$ 37,578	$ 50
Carnival	32.50	Jefferies	January 2022	100	201,200	59,170	100
Marvell Technology	55.00	Jefferies	January 2023	36	314,964	40,677	126,450
Carnival	30.00	Jefferies	January 2023	75	150,900	37,734	12,000
Carnival	27.50	Pershing	June 2022	67	134,804	15,667	5,427
Carnival	27.50	Pershing	September 2022	54	108,648	15,817	7,074
BP	30.00	Jefferies	January 2022	125	332,875	29,139	375
Digital Turbine	60.00	Pershing	January 2022	68	414,732	22,613	29,240
						$258,395	$180,716

Written options contracts outstanding as of December 31, 2021 were as follows:

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium	Value
WRITTEN CALL OPTIONS:							
CyrusOne	$95.00	Pershing	March 2022	(2)	$ 17,944	$ (63)	$ (20)
Mimecast	80.00	Pershing	May 2022	(92)	732,044	(6,504)	(9,752)
Conx Corp	10.00	Pershing	March 2022	(360)	353,520	(6,857)	(4,500)
Conx Corp	10.00	Pershing	April 2022	(661)	649,102	(11,764)	(11,898)
Cohn Robbins Holdings	10.00	Pershing	March 2022	(1,750)	1,720,250	(30,557)	(17,500)
DPCM Capital	10.00	Pershing	April 2022	(8)	7,856	(72)	(60)
VY Global Growth	10.00	Pershing	March 2022	(1,500)	1,471,500	(29,270)	(7,500)
VY Global Growth	10.00	Pershing	February 2022	(924)	906,444	(3,650)	(4,620)
Compute Health Acquisition	10.00	Pershing	February 2022	(1,687)	1,641,451	(26,549)	(8,435)
Compute Health Acquisition	10.00	Pershing	January 2022	(150)	145,950	(593)	(750)
Gores Guggenheim Inc	10.00	Pershing	January 2022	(160)	187,200	(5,480)	(28,000)
SVF Investment Corp	10.00	Pershing	February 2022	(402)	403,608	(10,598)	(6,030)
Hennessy Capital Investments	10.00	Pershing	March 2022	(5)	4,870	(45)	(50)
Pershing Square Tontine Holdings	20.00	Pershing	January 2022	(41)	80,852	(162)	(164)
IG Acquisition Corp	10.00	Pershing	January 2022	(150)	147,150	(5,793)	(750)
IG Acquisition Corp	10.00	Pershing	April 2022	(165)	161,865	(1,477)	(1,238)
E.Merge Technology Acquisition	10.00	Pershing	March 2022	(1,200)	1,180,800	(17,770)	(9,000)
Benessere Capital Acquisition	10.00	Pershing	February 2022	(30)	30,420	(1,429)	(600)
Benessere Capital Acquisition	10.00	Pershing	January 2022	(4)	4,056	(388)	(76)
Discovery	57.50	Pershing	January 2022	(50)	117,700	(24,228)	(250)
Cohn Robbins Holdings	10.00	Pershing	February 2022	(1,136)	1,116,688	(17,443)	(5,680)
Liberty Media Acquisition	10.00	Pershing	March 2022	(87)	89,436	(5,944)	(7,395)
ACE Convergence Acquisition	10.00	Pershing	February 2022	(200)	199,200	(5,295)	(3,000)
Ribbit LEAP	10.00	Pershing	March 2022	(1,000)	1,001,000	(21,933)	(35,000)
Ribbit LEAP	10.00	Pershing	April 2022	(1)	1,001	(29)	—
Lefteris Acquisition Corp	10.00	Pershing	January 2022	(2,520)	2,469,600	(31,397)	(12,600)
Lux Health Tech Acquisition	10.00	Pershing	January 2022	(567)	555,660	(2,240)	(1,701)
Lux Health Tech Acquisition	10.00	Pershing	March 2022	(500)	490,000	(9,355)	(22,500)
Mudrick Capital Acquisition	10.00	Pershing	January 2022	(404)	401,576	(4,204)	(808)
Churchill Capital	10.00	Pershing	January 2022	(112)	110,208	(1,082)	(560)
Churchill Capital	10.00	Pershing	March 2022	(472)	464,448	(4,224)	(4,720)
Churchill Capital	10.00	Pershing	February 2022	(144)	141,696	(1,341)	(720)
Altimeter Growth Corp	10.00	Pershing	January 2022	(950)	936,700	(21,013)	(4,750)
Altimeter Growth Corp	10.00	Pershing	March 2022	(1,300)	1,281,800	(38,934)	(18,200)
Altimeter Growth Corp	10.00	Pershing	April 2022	(600)	591,600	(8,370)	(9,000)
Health Assurance Acquisition	10.00	Pershing	January 2022	(1,229)	1,200,733	(12,765)	(6,145)
Health Assurance Acquisition	10.00	Pershing	April 2022	(50)	48,850	(448)	—
Horizon Acquisition	10.00	Pershing	January 2022	(92)	90,436	(1,283)	(184)
Carnival	37.50	Pershing	January 2022	(100)	201,200	(44,428)	(100)
Bergundy Technology Acquisition	10.00	Pershing	January 2022	(140)	140,140	(2,487)	(700)
Pine Island Acquisition Corp	10.00	Pershing	January 2022	(949)	935,714	(26,249)	(2,847)
Pine Island Acquisition Corp	10.00	Pershing	April 2022	(477)	470,322	(8,686)	(9,540)
CyrusOne	95.00	Pershing	January 2022	(39)	349,908	(154)	(78)

As of December 31, 2021 **NexPoint Merger Arbitrage Fund**

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium	Value
Marvell Technology	65.00	Pershing	January 2023	(36)	$ 314,964	$ (30,387)	$ (98,909)
Social Capital Hedosophia Holdings	10.00	Pershing	March 2022	(1,057)	1,080,254	(60,421)	(44,923)
Social Capital Hedosophia Holdings	10.00	Pershing	April 2022	(1,351)	1,380,722	(67,929)	(72,954)
Pershing Square Tontine Holdings	20.00	Pershing	January 2022	(109)	214,948	(4,358)	(654)
Crucible Acquisition	10.00	Pershing	February 2022	(114)	111,036	(1,180)	(855)
SPX Flow	85.00	Pershing	January 2022	(11)	95,128	(1,781)	(1,320)
Better World Acquisition Corp	10.00	Pershing	March 2022	(200)	203,400	(7,520)	(2,000)
Better World Acquisition Corp	10.00	Pershing	April 2022	(300)	305,100	(11,920)	—
Carnival	40.00	Pershing	January 2023	(75)	150,900	(25,540)	(4,800)
Mimecast	80.00	Pershing	February 2022	(24)	190,968	(1,487)	(840)
Epiphany Technology Acquisition	10.00	Pershing	February 2022	(261)	254,736	(1,066)	(1,305)
CC Neuberger Principal Holdings II	10.00	Pershing	February 2022	(750)	742,500	(6,410)	(7,500)
CC Neuberger Principal Holdings II	10.00	Pershing	January 2022	(919)	909,810	(3,670)	(4,595)
BP	35.00	Pershing	January 2022	(125)	332,875	(14,473)	(125)
Social Capital Hedosophia Holdings	10.00	Pershing	January 2022	(276)	281,244	(9,051)	(6,624)
Social Capital Hedosophia Holdings	10.00	Pershing	March 2022	(439)	447,341	(29,210)	(18,438)
Prospector Capital	10.00	Pershing	March 2022	(198)	192,852	(1,892)	(2,970)
Conx Corp	10.00	Pershing	January 2022	(1,116)	1,095,912	(18,347)	(4,464)
Del Taco Restaurants	12.50	Pershing	January 2022	(1,582)	1,969,590	(19,817)	(1,582)
Del Taco Restaurants	12.50	Pershing	March 2022	(75)	93,375	(696)	(750)
Del Taco Restaurants	12.50	Pershing	June 2022	(800)	996,000	(4,928)	(6,000)
DPCM Capital	10.00	Pershing	January 2022	(39)	38,298	(544)	(195)
						$(775,180)	$(539,224)

The Fund had the following swaps contracts, which did not require pledged collateral, open at December 31, 2021:

Underlying Instrument	Financing Rate	Payment Frequency	Counterparty	Expiration Date	Currency	Notional Amount ($)	Fair Value ($)	Upfront Premiums Paid (Received) ($)	Mark to Market ($)	Unrealized Appreciation/ (Depreciation) ($)
LONG EQUITY TRS										
Apollo Healthcare Corp	1 Month CAD-CDOR plus 0.50%	Upon Maturity	Goldman Sachs	November 10, 2022	CAD	352,459	364,137	103,473	115,151	11,678
Biotech Acquisition Co	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	June 28, 2022	USD	8,697	8,828	900	1,031	131
Charles Stanley Group PLC	1 Month GBP LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	August 12, 2022	GBP	467,265	471,322	67,775	71,832	4,057
CyrusOne Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	November 18, 2022	USD	14,237,135	14,363,980	159,277	286,122	126,845
Daily Mail & General	1 Month GBP LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 29, 2022	GBP	57,145	57,241	15,709	15,805	96
Elmira Savings Bank	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	October 26, 2022	USD	10,945	10,983	481	519	38
Falck Renewables SPA	1 Month EUR EURIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 9, 2022	EUR	7,492,182	7,481,494	763,137	752,449	(10,688)
Manulife Financial Corp	1 Month CAD-CDOR plus 0.50%	Upon Maturity	Goldman Sachs	November 1, 2022	CAD	1,824,247	1,838,028	97,246	111,027	13,781
Magellan Health Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	October 4, 2022	USD	850,123	851,310	8,987	10,174	1,187
Monmouth Real Estate	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 21, 2022	USD	6,334	6,365	303	334	31
Nobina AB	1 Month SEK STIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 16, 2022	SEK	2,915,235	2,902,564	245,641	232,970	(12,671)
PAE Inc	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 2, 2022	USD	4,635,413	4,648,014	468,300	480,901	12,601
Suez	1 Month EUR EURIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 29, 2022	EUR	1,364,883	1,361,737	60,722	57,576	(3,146)
Sanne Group PLC	1 Month GBP LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	September 12, 2022	GBP	5,627,976	5,635,352	459,082	466,458	7,376

As of December 31, 2021 **NexPoint Merger Arbitrage Fund**

Underlying Instrument	Financing Rate	Payment Frequency	Counterparty	Expiration Date	Currency	Notional Amount ($)	Fair Value ($)	Upfront Premiums Paid (Received) ($)	Mark to Market ($)	Unrealized Appreciation/ (Depreciation) ($)
State Auto Financial Corp	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	October 6, 2022	USD	192,310	194,591	3,770	6,051	2,281
Sumo Group PLC	1 Month GBP LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 22, 2022	GBP	57,404	57,714	8,337	8,647	310
Senex Energy Ltd	1 Month AUD- BBR-BBSW plus 0.50%	Upon Maturity	Goldman Sachs	December 28, 2022	AUD	45,802	46,277	13,816	14,291	475
Vonage Holdings Corp	1 Month USD LIBOR plus 0.50%	Upon Maturity	Goldman Sachs	December 21, 2022	USD	738,282	745,311	35,856	42,885	7,029
Total Long Equity TRS							41,045,248	2,512,812	2,674,223	161,411

GLOSSARY: (abbreviations that may be used in the preceding statements)

Currency Abbreviations:

AUD	Australian Dollar
CAD	Canadian Dollar
EUR	Euro
GBP	British Pound
SEK	Swedish Krona
USD	United States Dollar

Other Abbreviations:

ADR	American Depositary Receipt
BBSW	Bank Bill Swap Rate
CDOR	Canadian Dollar Offered Rate
EURIBOR	Euro Interbank Offered Rate
LIBOR	London Interbank Offered Rate
PLC	Public Limited Company
REIT	Real Estate Investment Trust
STIBOR	Stockholm Interbank Offered Rate
TRS	Total Return Swap

STATEMENTS OF ASSETS AND LIABILITIES

As of December 31, 2021 (unaudited) **Highland Funds I**

	NexPoint Event Driven Fund ($)	NexPoint Merger Arbitrage Fund ($)
Assets		
Investments, at value (Cost $32,616,002, and $455,189,751, respectively)†	29,854,135	456,237,276
Cash equivalents (Note 2)	3,879,871	50,651,963
Cash	—	223
Restricted Cash — Securities Sold Short (Note 2)	2,456,922	133,044,374
Unrealized gains on swap contracts	88,398	161,411
Repurchase Agreements, at value	246,468	1,398,183
Foreign tax reclaim receivable	3,190	2,768
Receivable for:		
Investments sold	14,179	29,251,830
Dividends and interest	17,364	1,240,656
Investment advisory and administration fees (Note 6)	10,855	—
Miscellaneous	—	53,995
Fund shares sold	—	6,842,437
Due from broker	297,553	10,705,067
Prepaid expenses and other assets	30,531	341,788
Total assets	36,899,466	689,931,971
Liabilities:		
Due to custodian	18,400	—
Securities sold short, at value (Proceeds $2,466,768, and $140,951,820, respectively) (Note 2)	2,526,773	141,964,858
Due to broker	—	329,995
Written options contracts, at value (Note 3)	10,055	539,224
Payable for:		
Investments purchased	5,981,800	24,808,785
Upon return of securities loaned (Note 4)	246,468	1,398,183
Fund shares redeemed	20,792	293,668
Transfer agent fees	20,250	—
Audit fees	17,552	21,534
Reports to shareholders fees	11,066	—
Accounting services fees	10,763	31,277
Legal fees	7,264	—
Distribution and shareholder servicing fees (Note 6)	5,268	34,398
Trustees fees	620	—
Investment advisory and administration fees (Note 6)	—	436,564
Accrued dividends on securities sold short	—	77,395
Miscellaneous	—	4,228
Accrued expenses and other liabilities	5,267	—
Total liabilities	8,882,338	169,940,109
Net Assets	**28,017,128**	**519,991,862**

Amounts designated as "—" are $0.

STATEMENT OF ASSETS AND LIABILITIES (concluded)

As of December 31, 2021 (unaudited) **Highland Funds I**

	NexPoint Event Driven Fund ($)	NexPoint Merger Arbitrage Fund ($)
Net Assets Consist of:		
Paid-in capital	211,105,634	526,003,840
Total accumulated loss	(183,088,506)	(6,011,978)
Net Assets	**28,017,128**	**519,991,862**
Investments, at cost	32,616,002	455,189,751
Repurchase Agreements, at cost	246,468	1,398,183
Cash equivalents, at cost (Note 2)	3,879,871	50,651,963
Proceeds from securities sold short	2,466,768	140,951,820
Written options contracts, premiums received	22,888	775,180
Class A:		
Net assets	8,380,152	70,173,196
Shares outstanding ($0.001 par value; unlimited shares authorized)	553,748	3,521,583
Net asset value per share[(a)]	15.13	19.93
Maximum offering price per share[(b)(c)]	16.01	21.09
Class C:		
Net assets	3,375,938	16,545,407
Shares outstanding ($0.001 par value; unlimited shares authorized)	242,524	851,002
Net asset value and offering price per share[(a)]	13.92	19.44
Class Z:		
Net assets	16,261,038	433,273,259
Shares outstanding ($0.001 par value; unlimited shares authorized)	1,025,305	21,360,303
Net asset value, offering and redemption price per share	15.86	20.28
† Includes fair value of securities on loan	1,004,391	1,354,873

(a) Redemption price per share is equal to net asset value per share less any applicable contingent deferred sales charge (“CDSC”).

(b) Purchases of $500,000 or more are subject to a 1.00% CDSC if redeemed within eighteen months of purchase.

(c) The sales charge is 5.50% for the NexPoint Event Driven Fund and NexPoint Merger Arbitrage Fund. On sales of $1,000,000 or more, there is no sales charge and therefore the offering will be lower.

For the six months ended December 31, 2021 (unaudited)

Highland Funds I

	NexPoint Event Driven Fund ($)	NexPoint Merger Arbitrage Fund ($)
Investment Income:		
Income:		
Dividends from unaffiliated issuers	64,931	5,051,897
Less: Foreign taxes withheld	—	(1,199)
Securities lending income (Note 4)	6,323	16,970
Interest from unaffiliated issuers	—	1,535
Total income	71,254	5,069,203
Expenses:		
Investment advisory (Note 6)	115,006	1,968,741
Administration fees (Note 6)	25,578	—
Distribution and shareholder servicing fees: (Note 6)		
Class A	15,795	118,480
Class C	21,134	66,651
Accounting services fees (Note 6)	7,475	109,692
Transfer agent fees	35,463	334,801
Legal fees	4,770	41,020
Registration fees	28,344	50,496
Audit fees	19,772	30,384
Interest expense and commitment fees	—	183,760
Insurance	2,131	7,719
Trustees fees (Note 6)	2,904	20,985
Reports to shareholders	(1,081)	51,454
Custodian/wire agent fees	9,459	47,354
Pricing fees	10,087	29,283
Dividends and fees on securities sold short (Note 2)	7,074	652,148
Other	(9,286)	10,082
Total operating expenses before waiver and reimbursement (Note 6)	294,625	3,723,050
Less: Expenses waived or borne by the adviser and administrator	(38,710)	(241,085)
Net operating expenses	255,915	3,481,965
Net investment income (loss)	(184,661)	1,587,238
Net Realized and Unrealized Gain (loss) on Investments		
Realized gain (loss) on:		
Investments from unaffiliated issuers	(6,624,989)	8,497,237
Securities sold short (Note 2)	16,274	(7,301,282)
Swap contracts (Note 3)	7,603	1,257,032
Written options contracts (Note 3)	9,889	662,593
Foreign currency transactions	8,329	(17,009)
Net Change in Unrealized Appreciation (Depreciation) on:		
Investments in unaffiliated issuers	2,733,011	2,498,302
Securities sold short (Note 2)	(60,005)	(337,065)
Swap contracts (Note 3)	88,398	(88,575)
Written options contracts (Note 3)	12,833	80,857
Foreign currency translation	(222)	5,772
Net realized and unrealized gain (loss) on investments	(3,808,879)	5,257,862
Total increase (decrease) in net assets resulting from operations	(3,993,540)	6,845,100

Amounts designated as "—" are $0.

STATEMENTS OF CHANGES IN NET ASSETS

	NexPoint Event Driven Fund	
	Six Months Ended December 31, 2021 (unaudited) ($)	Year Ended June 30, 2021 ($)
Increase (Decrease) in Net Assets		
Operations:		
Net investment loss	(184,661)	(545,344)
Net realized gain (loss) on investments, securities sold short, swap contracts and written options	(6,582,894)	8,657,694
Net increase (decrease) in unrealized appreciation (depreciation) on investments, securities sold short, swap contracts, written options, and foreign currency translation	2,774,015	(3,789,173)
Net increase (decrease) from operations	(3,993,540)	4,323,177
Share transactions:		
Proceeds from sale of shares		
Class A	811,119	2,090,850
Class C	8,950	4,314
Class Z	11,386,659	1,165,301
Cost of shares redeemed		
Class A	(1,495,411)	(2,265,446)
Class C	(1,434,017)	(3,113,341)
Class Z	(1,641,854)	(2,230,334)
Net increase (decrease) from shares transactions	7,635,446	(4,348,656)
Total increase (decrease) in net assets	3,641,906	(25,479)
Net Assets		
Beginning of period/year	24,375,222	24,400,701
End of period/year	28,017,128	24,375,222

Highland Funds I

	NexPoint Event Driven Fund	
	Six Months Ended December 31, 2021 (unaudited)	Year Ended June 30, 2021
Class A:		
Shares Sold	51,482	117,762
Shares Redeemed	(96,481)	(126,926)
Net decrease in fund shares	(44,999)	(9,164)
Class C:		
Shares Sold	624	263
Shares Redeemed	(101,084)	(190,068)
Net decrease in fund shares	(100,460)	(189,805)
Class Z:		
Shares Sold	728,810	64,056
Shares Redeemed	(104,164)	(119,165)
Net increase (decrease) in fund shares	624,646	(55,109)

	NexPoint Merger Arbitrage Fund	
	Six Months Ended December 31, 2021 (unaudited) ($)	Year Ended June 30, 2021 ($)
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	1,587,238	280,972
Net realized gain on investments, securities sold short, written options, and foreign currency transactions	3,098,571	6,168,056
Net increase in unrealized appreciation on investments, securities sold short, swap contracts, written options, and foreign currency translation	2,159,291	255,138
Net increase from operations	6,845,100	6,704,166
Distributions:		
Class A	(2,413,753)	(622,599)
Class C	(530,526)	(288,276)
Class Z	(11,609,780)	(2,654,364)
Total distributions	(14,554,059)	(3,565,239)
Increase (decrease) in net assets from operations	(7,708,959)	3,138,927
Share transactions:		
Proceeds from sale of shares		
Class A	15,004,925	10,591,679
Class C	7,567,642	3,540,271
Class Z	339,736,175	101,696,452
Value of distributions reinvested		
Class A	2,264,694	547,112
Class C	526,243	271,136
Class Z	10,859,792	2,371,085
Cost of shares redeemed		
Class A	(11,007,232)	(12,501,026)
Class C	(2,119,404)	(4,059,910)
Class Z	(44,827,042)	(27,879,040)
Merger		
Class A	—	54,107,273
Class C	—	4,511,554
Class Z	—	7,946,219
Net increase from shares transactions	318,005,793	141,142,805
Total increase in net assets	310,296,834	144,281,732
Net Assets		
Beginning of period/year	209,695,028	65,413,296
End of period/year	519,991,862	209,695,028

Amounts designated as "—" are $0.

STATEMENTS OF CHANGES IN NET ASSETS (concluded)

Highland Funds I

	NexPoint Merger Arbitrage Fund	
	Six Months Ended December 31, 2021 (unaudited)	Year Ended June 30, 2021
Class A:		
Shares Sold	739,880	527,964
Issued for distribution reinvested	113,401	27,942
Shares Redeemed	(542,410)	(623,593)
Shares contributed in merger	—	2,714,261
Net increase in fund shares	310,871	2,646,574
Class C:		
Shares Sold	381,731	179,484
Issued for distribution reinvested	27,011	14,100
Shares Redeemed	(106,974)	(205,583)
Shares contributed in merger	—	230,758
Net increase in fund shares	301,767	218,759
Class Z:		
Shares Sold	16,499,800	4,984,172
Issued for distribution reinvested	535,406	119,390
Shares Redeemed	(2,176,224)	(1,371,123)
Shares contributed in merger	—	392,723
Net increase in fund shares	14,858,982	4,125,162

Amounts designated as "—" are $0.

STATEMENT OF CASH FLOWS

For the Six Months Ended December 31, 2021 (unaudited) **NexPoint Merger Arbitrage Fund**

	($)
Cash Flows Used in Operating Activities:	
Net increase in net assets resulting from operations	6,845,100
Adjustments to Reconcile Increase in Net Assets to Net Cash Flows Used in Operating Activities:	
Purchases of investment securities	(617,857,697)
Proceeds from disposition of investment securities	394,134,641
Purchases of securities sold short	426,017,496
Proceeds from securities sold short	(364,775,741)
Net proceeds received from written options contracts	966,325
Net realized (gain) loss on investments	(8,497,237)
Net realized (gain) loss on securities sold short, written options contracts, and foreign currency related transactions	6,655,698
Net change in unrealized (appreciation) depreciation on investments, securities sold short, written options contracts, swap contracts, and translation on assets and liabilities denominated in foreign currency	(2,159,291)
(Increase) decrease in receivable for investments sold	(19,762,782)
(Increase) decrease in dividends and interest receivable	(1,064,524)
(Increase) decrease in foreign tax reclaim receivable	495
(Increase) decrease in miscellaneous receivable	(39,860)
(Increase) decrease in prepaid expenses and other assets	(248,851)
Increase (decrease) in payable upon return of securities loaned	546,198
Increase (decrease) in miscellaneous payable	4,228
Increase (decrease) in payable for investments purchased	4,164,023
Increase (decrease) in payables to related parties	316,861
Increase (decrease) in payable for distribution and shareholder servicing fees	6,947
Increase (decrease) in payable to transfer agent fees	(22,623)
Increase (decrease) in accrued dividends on securities sold short	(41,773)
Increase (decrease) in accrued expenses and other liabilities	(124,614)
Net cash flow used in operating activities	(174,936,981)
Cash Flows Provided by Financing Activities:	
Distributions paid in cash, net of receivable	(903,330)
Payments of shares redeemed	(58,062,186)
Proceeds from shares sold	356,462,196
Net cash flow provided by financing activities	297,496,680
Effect of exchange rate changes on cash	(11,237)
Net increase in cash	122,548,462
Cash, Restricted Cash, Foreign Currency, Cash Equivalent, Due to Custodian and Due from/to Broker:	
Beginning of period	71,523,170
End of period	194,071,632
End of Period Cash Balances:	
Cash	223
Restricted Cash	133,044,374
Due from broker	10,705,067
Cash equivalent	50,651,963
Due to broker	(329,995)
End of period	194,071,632
Supplemental Disclosure of Cash Flow Information:	
Reinvestment of distributions	13,650,729
Cash paid during the period for interest expense and commitment fees	183,760

NexPoint Event Driven Fund, Class A

Selected data for a share outstanding throughout each period is as follows:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30, 2021	2020	2019	2018	2017
Net Asset Value, Beginning of Period/Year	$ 18.27	$ 15.46	$14.11	$ 12.96	$ 11.61	$ 11.50
Income from Investment Operations:						
Net investment loss[a]	(0.14)	(0.36)	(0.29)	(0.16)	(0.21)	(0.21)
Net realized and unrealized gain (loss)	(3.00)	3.17	1.64	1.31	1.62	0.32
Total from Investment Operations	(3.14)	2.81	1.35	1.15	1.41	0.11
Less Distributions Declared to shareholders:						
From net investment income	—	—	—	—	(0.06)	—
Total distributions declared to shareholders	—	—	—	—	(0.06)	—
Net Asset Value, End of Period/Year[b]	$ 15.13	$ 18.27	$15.46	$ 14.11	$ 12.96	$ 11.61
Total Return[b][c]	(17.19)%[d]	18.18%	9.57%	8.71%	12.23%	0.96%
Ratios to Average Net Assets / Supplemental Data[e][f]						
Net Assets, End of Period/Year (000's)	$ 8,380	$10,937	$9,401	$11,788	$16,573	$30,967
Gross operating expenses[g]	2.59%	2.62%	2.72%	2.24%	2.62%	2.72%
Net investment income (loss)	(1.76)%	(2.03)%	(2.03)%	(1.11)%	(1.79)%	(1.82)%
Portfolio turnover rate	335%[d]	168%	51%	191%	489%	964%

(a) Per share data was calculated using average shares outstanding during the period.

(b) The Net Asset Value ("NAV") per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(c) Total return is at NAV assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(d) Not annualized.

(e) All ratios for the period have been annualized, unless otherwise indicated.

(f) Includes dividends and fees on securities sold short.

(g) Supplemental expense ratios are shown below:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30, 2021	2020	2019	2018	2017
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.25%	2.62%	2.72%	2.24%	2.62%	2.72%
Interest expense and commitment fees	—	—	—	0.04%	0.32%	0.01%
Dividends and fees on securities sold short	0.06%	—	—	0.05%	0.19%	0.70%

NexPoint Event Driven Fund, Class C

Selected data for a share outstanding throughout each period is as follows:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30, 2021	2020	2019	2018	2017
Net Asset Value, Beginning of Period/Year	$ 16.86	$14.36	$13.19	$ 12.19	$ 10.94	$ 10.90
Income from Investment Operations:						
Net investment loss[a]	(0.18)	(0.44)	(0.35)	(0.23)	(0.27)	(0.27)
Net realized and unrealized gain (loss)	(2.76)	2.94	1.52	1.23	1.52	0.31
Total from Investment Operations	(2.94)	2.50	1.17	1.00	1.25	0.04
Less Distributions Declared to shareholders:						
Total distributions declared to shareholders	—	—	—	—	—	—
Net Asset Value, End of Period/Year[b]	$ 13.92	$16.86	$14.36	$ 13.19	$ 12.19	$ 10.94
Total Return[b][c]	(17.44)%[d]	17.41%	8.87%	8.03%	11.43%	0.37%
Ratios to Average Net Assets / Supplemental Data:[e][f]						
Net Assets, End of Period/Year (000's)	$ 3,376	$5,781	$7,653	$11,157	$13,300	$22,805
Gross operating expenses[g]	3.24%	3.27%	3.37%	2.89%	3.28%	3.37%
Net investment income (loss)	(2.45)%	(2.69)%	(2.65)%	(1.74)%	(2.45)%	(2.47)%
Portfolio turnover rate	335%[d]	168%	51%	191%	489%	964%

(a) Per share data was calculated using average shares outstanding during the period.

(b) The Net Asset Value ("NAV") per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(c) Total return is at NAV assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(d) Not annualized.

(e) All ratios for the period have been annualized, unless otherwise indicated.

(f) Includes dividends and fees on securities sold short.

(g) Supplemental expense ratios are shown below:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30, 2021	2020	2019	2018	2017
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.90%	3.27%	3.37%	2.89%	3.28%	3.37%
Interest expense and commitment fees	—	—	—	0.04%	0.32%	0.01%
Dividends and fees on securities sold short	0.06%	—	—	0.05%	0.20%	0.70%

Selected data for a share outstanding throughout each period is as follows:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30, 2021	2020	2019	2018	2017
Net Asset Value, Beginning of Period	$ 19.11	$16.12	$14.65	$ 13.41	$ 12.04	$ 11.87
Income from Investment Operations:						
Net investment loss[(a)]	(0.09)	(0.31)	(0.23)	(0.10)	(0.19)	(0.18)
Net realized and unrealized gain (loss)	(3.16)	3.30	1.70	1.34	1.69	0.35
Total from Investment Operations	(3.25)	2.99	1.47	1.24	1.50	0.17
Less Distributions Declared to shareholders:						
From net investment income	—	—	—	—	(0.13)	—
Total distributions declared to shareholders	—	—	—	—	(0.13)	—
Net Asset Value, End of Period[(b)]	$ 15.86	$19.11	$16.12	$ 14.65	$ 13.41	$ 12.04
Total Return[(b)(c)]	(17.01)%[(d)]	18.55%	10.03%	9.09%	12.58%	1.43%
Ratios to Average Net Assets / Supplemental Data:[(e)(f)]						
Net Assets, End of Period (000's)	$16,261	$7,657	$7,348	$21,244	$26,677	$53,839
Gross operating expenses[(g)]	2.24%	2.27%	2.37%	1.89%	2.34%	2.38%
Net investment income (loss)	(1.10)%	(1.68)%	(1.54)%	(0.69)%	(1.52)%	(1.49)%
Portfolio turnover rate	335%[(d)]	168%	51%	191%	489%	964%

(a) Per share data was calculated using average shares outstanding during the period.
(b) The Net Asset Value ("NAV") per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end
(c) Total return is at NAV assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.
(d) Not annualized.
(e) All ratios for the period have been annualized, unless otherwise indicated.
(f) Includes dividends and fees on securities sold short.
(g) Supplemental expense ratios are shown below:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30, 2021	2020	2019	2018	2017
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	1.90%	2.27%	2.37%	1.89%	2.34%	2.38%
Interest expense and commitment fees	—	—	—	0.04%	0.32%	0.01%
Dividends and fees on securities sold short	0.06%	—	—	0.05%	0.26%	0.70%

NexPoint Merger Arbitrage Fund, Class A

Selected data for a share outstanding throughout each period is as follows:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30, 2021	2020	2019	2018[(a)]	For the Six Months Ended June 30, 2017	For the Period Ended December 31, 2016*
Net Asset Value, Beginning of Period	$ 20.25	$ 19.86	$ 18.49	$20.75	$21.65	$20.53	$20.00
Income from Investment Operations:							
Net investment income (loss)[(b)]	0.04	0.02	(0.29)	0.62	(0.20)	0.24	(0.22)
Net realized and unrealized gain	0.36	1.53	1.72	0.47	0.70	0.88	0.75
Total from Investment Operations	0.40	1.55	1.43	1.09	0.50	1.12	0.53
Less Distributions Declared to shareholders:							
From net investment income	(0.25)	—	—	(1.63)	(1.07)	—	—
From net realized gains	(0.47)	(1.16)	(0.06)	(0.71)	(0.33)	—	—[(h)]
From return of capital	—	—	—	(1.01)	—	—	—
Total distributions declared to shareholders	(0.72)	(1.16)	(0.06)	(3.35)	(1.40)	—	—[(h)]
Net Asset Value, End of period[(c)]	$ 19.93	$ 20.25	$ 19.86	$18.49	$20.75	$21.65	$20.53
Total Return[(c)(d)]	2.00%[(e)]	8.02%	7.76%	5.72%	2.53%	5.46%[(e)]	2.66%[(e)]
Ratios to Average Net Assets / Supplemental Data:[(f)(g)]							
Net Assets, End of Period (000's)	$70,173	$65,019	$11,201	$1,141	$1,019	$1,661	$ 121
Gross operating expenses[(i)]	2.51%	2.69%	3.69%	5.31%	4.77%	6.40%	7.16%
Net investment income (loss)	0.42%	0.12%	(1.50)%	3.20%	(0.98)%	2.30%	(3.00)%
Portfolio turnover rate	369%[(e)]	893%	958%	712%	401%	233%[(e)]	718%[(e)]

* Commenced operations on August 19, 2016.

(a) For the year ended December 31, 2017, the NexPoint Merger Arbitrage Fund had a fiscal year end change from December 31 to June 30.

(b) Per share data was calculated using average shares outstanding during the period.

(c) The Net Asset Value ("NAV") per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end

(d) Total return is at NAV assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(e) Not annualized.

(f) All ratios for the period have been annualized, unless otherwise indicated.

(g) Includes dividends and fees on securities sold short.

(h) Represents less than $0.005 per share.

(i) Supplemental expense ratios are shown below:

	For the Six Months Ended December 31, 2021 (unaudited)[(f)]	For the Years Ended June 30, 2021	2020	2019	2018[(a)]	For the Six Months Ended June 30, 2017[(f)]	For the Period Ended December 31, 2016*[(f)]
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.36%	2.32%	2.76%	4.45%	3.97%	5.05%	4.62%
Interest expense and commitment fees	0.11%	0.12%	0.18%	0.73%	0.65%	—	1.60%
Dividends and fees on securities sold short	0.40%	0.28%	0.67%	2.01%	1.38%	3.19%	1.14%
Distribution fees and amortized merger costs	0.35%	0.42%	0.41%	0.21%	0.54%	0.36%	0.38%

NexPoint Merger Arbitrage Fund, Class C

Selected data for a share outstanding throughout each period is as follows:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30,				For the Six Months Ended June 30, 2017	For the Period Ended December 31, 2016*
		2021	2020	2019	2018[(a)]		
Net Asset Value, Beginning of Period	$ 19.82	$ 19.58	$18.36	$20.65	$21.52	$20.48	$20.00
Income from Investment Operations:							
Net investment income (loss)[(b)]	(0.01)	(0.09)[(c)]	(0.12)	0.56	(0.39)	0.05	(0.28)
Net realized and unrealized gain	0.32	1.49	1.40	0.39	0.77	0.99	0.76
Total from Investment Operations	0.31	1.40	1.28	0.95	0.38	1.04	0.48
Less Distributions Declared to shareholders:							
From net investment income	(0.22)	—	—	(1.56)	(0.92)	—	—
From net realized gains	(0.47)	(1.16)	(0.06)	(0.71)	(0.33)	—	—[(i)]
From return of capital	—	—	—	(0.97)	—	—	—
Total distributions declared to shareholders	(0.69)	(1.16)	(0.06)	(3.24)	(1.25)	—	—[(i)]
Net Asset Value, End of period[(d)]	$ 19.44	$ 19.82	$19.58	$18.36	$20.65	$21.52	$20.48
Total Return[(d)(e)]	1.62%[(f)]	7.34%	7.00%	5.00%	1.95%	5.08%[(f)]	2.41%[(f)]
Ratios to Average Net Assets / Supplemental Data:[(g)(h)]							
Net Assets, End of Period (000's)	$16,546	$10,886	$6,472	$ 999	$1,321	$1,094	$ 96
Gross operating expenses[(j)]	3.16%	3.34%	4.34%	5.90%	5.51%	7.28%	8.15%
Net investment income (loss)	(0.14)%	(0.44)%	(0.63)%	2.88%	(1.88)%	0.47%	(3.93)%
Portfolio turnover rate	369%[(f)]	893%	958%	712%	401%	233%[(f)]	718%[(f)]

* Commenced operations on August 19, 2016.
(a) For the year ended December 31, 2017, the NexPoint Merger Arbitrage Fund had a fiscal year end change from December 31 to June 30.
(b) Per share data was calculated using average shares outstanding during the period.
(c) The per share amount for net investment income (loss) between classes does not accord the aggregate net investment income for the period due to the size of Class C relative to the other classes.
(d) The Net Asset Value ("NAV") per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.
(e) Total return is at NAV assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.
(f) Not Annualized.
(g) All ratios for the period have been annualized, unless otherwise indicated.
(h) Includes dividends and fees on securities sold short.
(i) Represents less than $0.005 per share.
(j) Supplemental expense ratios are shown below:

	For the Six Months Ended December 31, 2021 (unaudited)[(g)]	For the Years Ended June 30,				For the Six Months Ended June 30, 2017[(g)]	For the Period Ended December 31, 2016*[(g)]
		2021	2020	2019	2018[(a)]		
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	3.01%	2.97%	3.41%	5.13%	4.72%	5.95%	5.62%
Interest expense and commitment fees	0.11%	0.12%	0.18%	0.73%	0.65%	—	1.39%
Dividends and fees on securities sold short	0.40%	0.28%	0.67%	2.01%	1.53%	3.47%	1.69%
Distribution fees and amortized merger costs	1.00%	1.07%	1.06%	0.89%	1.04%	0.98%	1.04%

NexPoint Merger Arbitrage Fund, Class Z

Selected data for a share outstanding throughout each period is as follows:

	For the Six Months Ended December 31, 2021 (unaudited)	For the Years Ended June 30, 2021	2020	2019	2018[(a)]	For the Six Months Ended June 30, 2017	For the Period Ended December 31, 2016*
Net Asset Value, Beginning of Period	$ 20.58	$ 20.09	$ 18.65	$ 20.95	$ 21.76	$ 20.60	$ 20.05
Income from Investment Operations:							
Net investment income (loss)[(b)]	0.12	0.09	(0.26)	0.86	(0.18)	0.19	(0.12)
Net realized and unrealized gain	0.31	1.56	1.76	0.30	0.77	0.97	0.67
Total from Investment Operations	0.43	1.65	1.50	1.16	0.59	1.16	0.55
Less Distributions Declared to shareholders:							
From net investment income	(0.26)	—	—	(1.70)	(1.07)	—	—
From net realized gains	(0.47)	(1.16)	(0.06)	(0.71)	(0.33)	—	—[(h)]
From return of capital	—	—	—	(1.05)	—	—	—
Total distributions declared to shareholders	(0.73)	(1.16)	(0.06)	(3.46)	(1.40)	—	—[(h)]
Net Asset Value, End of period[(c)]	$ 20.28	$ 20.58	$ 20.09	$ 18.65	$ 20.95	$ 21.76	$ 20.60
Total Return[(c)(d)]	2.14%[(e)]	8.43%	8.07%	6.07%	2.93%	5.63%[(e)]	2.76%[(e)]
Ratios to Average Net Assets / Supplemental Data:[(f)(g)]							
Net Assets, End of Period (000's)	$433,273	$133,790	$47,740	$27,187	$36,130	$27,291	$22,393
Gross operating expenses[(i)]	2.16%	2.34%	3.34%	4.99%	4.59%	6.11%	6.04%
Net investment income (loss)	1.18%	0.43%	(1.36)%	4.30%	(0.88)%	1.84%	(1.68)%
Portfolio turnover rate	369%[(e)]	893%	958%	712%	401%	233%[(e)]	718%[(e)]

* Commenced operations on August 19, 2016.

(a) For the year ended December 31, 2017, the NexPoint Merger Arbitrage Fund had a fiscal year end change from December 31 to June 30.

(b) Per share data was calculated using average shares outstanding during the period.

(c) The Net Asset Value ("NAV") per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(d) Total return is at NAV assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(e) Not annualized.

(f) All ratios for the period have been annualized, unless otherwise indicated.

(g) Includes dividends and fees on securities sold short.

(h) Represents less than $0.005 per share.

(i) Supplemental expense ratios are shown below:

	For the Six Months Ended December 31, 2021 (unaudited)[(f)]	For the Years Ended June 30, 2021	2020	2019	2018[(a)]	For the Six Months Ended June 30, 2017[(f)]	For the Period Ended December 31, 2016*[(f)]
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.01%	1.97%	2.41%	4.25%	3.80%	4.75%	3.50%
Interest expense and commitment fees	0.11%	0.12%	0.18%	0.73%	0.65%	—	0.84%
Dividends and fees on securities sold short	0.40%	0.28%	0.67%	2.01%	1.63%	3.22%	1.14%
Amortized merger costs	—	0.07%	0.06%	0.01%	0.02%	0.03%	0.02%

Note 1. Organization

Highland Funds I (the “Trust”) was organized as a Delaware statutory trust on February 28, 2006. The Trust is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company with three portfolios that were offered as of December 31, 2021, each of which is non-diversified. This report includes information for the six months ended December 31, 2021, for NexPoint Event Driven Fund (the “Event Driven Fund”) (formerly Highland Healthcare Opportunities Fund) and NexPoint Merger Arbitrage Fund (the “Merger Arbitrage Fund”) (each a “Fund” and, collectively, the “Funds”). Highland/iBoxx Senior Loan ETF is reported separately.

Fund Shares

Each Fund is authorized to issue an unlimited number of transferable shares of beneficial interest with a par value of $0.001 per share (each a “Share” and collectively, the “Shares”). Each Fund currently offers the following three share classes to investors, Class A, Class C, and Class Z Shares. Class A Shares are sold with a front-end sales charge. Class A and Class C Shares may be subject to a contingent deferred sales charge. Class Z Shares are sold only to certain eligible investors. Certain share classes have their own sales charge and bear class specific expenses, which include distribution fees and service fees.

Maximum sales load imposed on purchases of Class A Shares (as a percentage of offering price) is as follows:

Fund	%
Event Driven Fund	5.50
Merger Arbitrage Fund	5.50

There is no front-end sales charge imposed on individual purchases of Class A Shares of $500,000 or more. The front-end sales charge is also waived in other instances as described in the Funds’ prospectus. Purchases of $500,000 or more of Class A Shares at net asset value (“NAV”) pursuant to a sales charge waiver are subject to a 1.00% contingent deferred sales charge (“CDSC”) if redeemed within eighteen months of purchase. Class C shares may be subject to a CDSC. The maximum CDSC imposed on redemptions of Class C Shares for all Funds is 1.00% within the first year of purchase and 0.00% thereafter.

No front-end or CDSCs are assessed by the Trust with respect to Class Z Shares of all Funds.

Note 2. Significant Accounting Policies

The following summarizes the significant accounting policies consistently followed by the Funds in the preparation of their financial statements.

Use of Estimates

The Funds are investment companies that follow the investment company accounting and reporting guidance of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946 *Financial Services – Investment Companies* applicable to investment companies. The Funds’ financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which require Highland Capital Management Fund Advisors, L.P. (“HCMFA” or the “Investment Adviser”) to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

Determination of Class Net Asset Values

Each Fund’s income, expenses (other than distribution fees and shareholder service fees) and realized and unrealized gains and losses are allocated proportionally each day among each Fund’s respective share classes based upon the relative net assets of each share class. Expenses of the Trust, other than those incurred by a specific Fund are allocated pro rata among the Funds and their share classes. Certain class specific expenses (such as distribution and shareholder service fees) are allocated to the class that incurs such expense.

Valuation of Investments

The Funds’ investments are recorded at fair value. In computing the Funds’ net assets attributable to shares, securities with readily available market quotations on the New York Stock Exchange (NYSE), National Association of Securities Dealers Automated Quotation (NASDAQ) or other nationally recognized exchange, use the closing quotations on the respective exchange for valuation of those securities. Securities for which there are no readily available market quotations will be valued pursuant to policies adopted by the Funds’ Board of Trustees (“Board”). Typically, such securities will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal market makers on the valuation day may be priced by an independent pricing service. Generally, the Funds’ loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that the Investment Adviser has determined to have the capability to provide appropriate pricing services which have been approved by the Board.

Securities for which market quotations are not readily available, or for which the Funds have determined that the price received from a pricing service or broker-dealer is "stale" or otherwise does not represent fair value (such as when events materially affecting the value of securities occur between the time when market price is determined and calculation of the Funds' net asset value, will be valued by the Funds at fair value, as determined by the Board or its designee in good faith in accordance with procedures approved by the Board, taking into account factors reasonably determined to be relevant, including, but not limited to: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Funds' NAV will reflect the affected portfolio securities' fair value as determined in the judgment of the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to value securities may result in a value that is different from a security's most recent sale price and from the prices used by other investment companies to calculate their NAVs. Determination of fair value is uncertain because it involves subjective judgments and estimates.

There can be no assurance that the Funds' valuation of a security will not differ from the amount that it realizes upon the sale of such security. Those differences could have a material impact to the Funds. The NAV shown in the Funds' financial statements may vary from the NAV published by each Fund as of its period end because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for financial statement purposes.

Fair Value Measurements

The Funds have performed an analysis of all existing investments and derivative instruments to determine the significance and character of inputs to their fair value determination. The levels of fair value inputs used to measure the Funds' investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

Level 1 — Quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement;

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active, but are valued based on executed trades; broker quotations that constitute an executable price; and alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 inputs are either directly or indirectly observable for the asset in connection with market data at the measurement date; and

Level 3 — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. In certain cases, investments classified within Level 3 may include securities for which the Fund has obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on, as such quotes can be subject to material management judgment. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

The Investment Adviser has established policies and procedures, as described above and approved by the Board, to ensure that valuation methodologies for investments and financial instruments that are categorized within all levels of the fair value hierarchy are fair and consistent. A Pricing Committee has been established to provide oversight of the valuation policies, processes and procedures, and is comprised of personnel from the Investment Adviser and its affiliates. The Pricing Committee meets monthly to review the proposed valuations for investments and financial instruments and is responsible for evaluating the overall fairness and consistent application of established policies.

As of December 31, 2021, the Funds' investments consisted of common stocks, preferred stocks, repurchase agreements, special purpose acquisition companies, cash equivalents, rights, warrants, securities sold short, equity swaps, and options.

The fair value of the Funds' common stocks, preferred stocks, other registered investment companies, rights, warrants and options that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. Exchange-traded options are valued based on the last trade price on the primary exchange on which they trade. If an option does not trade, the mid-price, which is the mean of the bid and ask price, is utilized to value the option.

At the end of each calendar quarter, the Investment Adviser evaluates the Level 2 and 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, the Investment Adviser evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Funds' investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Funds may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly traded securities.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value each Fund's assets and liabilities as of December 31, 2021 is as follows:

	Total value at December 31, 2021 ($)	Level 1 Quoted Price ($)	Level 2 Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)[1]
Event Driven Fund				
Assets				
Common Stocks[2]	26,986,540	26,986,540	—	—
Exchange-Traded Fund	2,553,145	2,553,145	—	—
Special Purpose Acquisition Companies	283,535	283,535	—	—
Purchased Call Options	21,870	21,870	—	—
Purchased Put Option	9,045	9,045	—	—
Preferred Stock	—	—	—	—[3]
Warrants	—	—	—	—[3]
Repurchase Agreement	246,468	246,468	—	—
Cash Equivalent	3,879,871	3,879,871	—	—
Other Financial Instruments				
Total Return Swaps[4]	88,398	—	88,398	—
Total Assets	34,068,872	33,980,474	88,398	—
Liabilities				
Securities Sold Short				
Special Purpose Acquisition Company	(3,066)	(3,066)	—	—
Exchange-Traded Fund	(12,111)	(12,111)	—	—
Common Stocks[2]	(2,511,596)	(2,511,596)	—	—
Other Financial Instruments				
Written Call Options	(9,785)	(9,785)	—	—
Written Put Option	(270)	(270)	—	—
Total Liabilities	(2,536,828)	(2,536,828)	—	—
Total	31,532,044	31,443,646	88,398	—

(1) A reconciliation of Level 3 instruments is presented when the Fund has a significant amount of Level 3 investments at the beginning and/or end of the period in relation to the net assets. Management has concluded that Level 3 investments are not material in relation to net assets.
(2) See Investment Portfolio detail for industry breakout.
(3) This category includes securities with a value of zero.
(4) Swaps are valued at the unrealized appreciation (depreciation) on the instrument.

	Total value at December 31, 2021 ($)	Level 1 Quoted Price ($)	Level 2 Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)(1)
Merger Arbitrage Fund				
Assets				
Common Stock(2)	359,041,759	359,041,759	—	—
Special Purpose Acquisition Companies	96,309,197	96,309,197	—	—
Warrants	703,553	—	703,553	—
Purchased Call Options	180,716	180,716	—	—
Preferred Stock	—	—	—	—(3)
Rights	2,051	—	—	2,051
Repurchase Agreements	1,398,183	1,398,183	—	—
Cash Equivalent	50,651,963	50,651,963	—	—
Other Financial Instruments				
Total Return Swaps(4)	161,411	—	161,411	—
Total Assets	508,448,833	507,581,818	864,964	2,051
Liabilities				
Securities Sold Short				
Special Purpose Acquisition Companies	(91,014)	(91,014)	—	—
Exchange-Traded Funds	(485,457)	(485,457)	—	—
Common Stocks(2)	(141,388,387)	(141,388,387)	—	—
Other Financial Instruments				
Written Call Options	(539,224)	(539,224)	—	—
Total Liabilities	(142,504,082)	(142,504,082)	—	—
Total	365,944,751	365,077,736	864,964	2,051

(1) A reconciliation of Level 3 instruments is presented when the Fund has a significant amount of Level 3 investments at the beginning and/or end of the period in relation to the net assets. Management has concluded that Level 3 investments are not material in relation to net assets.
(2) See Investment Portfolio detail for industry breakout.
(3) This category includes securities with a value of zero.
(4) Swaps are valued at the unrealized appreciation (depreciation) on the instrument.

For the six months ended December 31, 2021, there were no transfers in or out of level 3. Determination of fair values is uncertain because it involves subjective judgments and estimates that are unobservable.

Certain Illiquid Positions Classified as Level 3

As of December 31, 2021, the Event Driven Fund and Merger Arbitrage Fund held an investment in the preferred stock of AMINO, Inc. (“AMINO”) valued at $0, or 0.0% of net assets. AMINO owns and operates a website that allows users to find doctors, compare experiences, and book an appointment in the United States.

The Funds may hold other illiquid positions that are classified as Level 3 that are not described here. Please see Note 7 for additional disclosure of risks from investments in illiquid securities.

Security Transactions

Security transactions are accounted for on the trade date. Realized gains/(losses) on investments sold are recorded on the basis of the specific identification method for both financial statement and U.S. federal income tax purposes taking into account any foreign taxes withheld.

Income Recognition

Corporate actions (including cash dividends) are recorded on the ex-dividend date, net of applicable withholding taxes, except for certain foreign corporate actions, which are recorded as soon after ex-dividend date as such information becomes available and is verified. Interest income is recorded on the accrual basis.

Accretion of discount on taxable bonds and loans is computed to the call date, while amortization of premium on taxable bonds and loans is computed to the call or maturity date, whichever is shorter, both using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Funds’ understanding of the applicable country’s tax rules and rates.

U.S. Federal Income Tax Status

Each Fund is treated as a separate taxpayer for U.S. federal income tax purposes. The Funds intend to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended, and will distribute substantially all of their taxable income and gains, if any, for the tax year, and as such will not be subject to U.S. federal income taxes. In addition, the Funds intend to distribute, in each calendar year, all of their net investment income, capital gains and certain other amounts, if any, such that the Funds should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax provisions are recorded. The Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statements of Operations.

The Investment Adviser has analyzed the Funds' tax positions taken on U.S. federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for U.S. federal income tax is required in the Funds' financial statements. The Funds' U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. Furthermore, the Investment Adviser of the Funds is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

Distributions to Shareholders

The Event Driven Fund and Merger Arbitrage Fund intend to pay distributions from net investment income, if any, on an annual basis.

Statement of Cash Flows

Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included within each Fund's Statement of Assets and Liabilities and includes cash on hand at its custodian bank and/or sub-custodian bank(s) and restricted cash held at broker(s).

Cash and Cash Equivalents

The Funds consider liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of three months or less to be cash equivalents. The Funds also consider money market instruments that invest in cash equivalents to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay fund expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates fair value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of this financial report. These balances may exceed the federally insured limits under the Federal Deposit Insurance Corporation ("FDIC").

Foreign Currency

Accounting records of the Funds are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates using the current 4:00 PM London Time Spot Rate. Fluctuations in the value of the foreign currencies and other assets and liabilities resulting from changes in exchange rates, between trade and settlement dates on securities transactions and between the accrual and payment dates on dividends, interest income and foreign withholding taxes, are recorded as unrealized foreign currency gains/(losses). Realized gains/(losses) and unrealized appreciation/(depreciation) on investment securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Statements of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

Securities Sold Short

The Funds may sell securities short. A security sold short is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. A Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. In some circumstances, a Fund may be allowed by its prime broker to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Securities and cash held as collateral for securities sold short are shown on the Investments Portfolios for each of the Funds. Cash held as collateral for securities sold short is classified as restricted cash on each Fund's Statement of Assets and Liabilities, as applicable. Restricted cash in the amount of $2,456,922 and $133,044,374 was held with the broker for the Event Driven Fund and Merger Arbitrage Fund, respectively. Additionally, securities valued at $8,249,969 and $144,110,617 were posted in the Event Driven Fund and Merger Arbitrage Fund's segregated accounts as collateral, respectively. A

Fund's loss on a short sale could be unlimited in cases where the Fund is unable, for whatever reason, to close out its short position.

Other Fee Income

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction break-up fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are nonrecurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income and are recognized when incurred.

Note 3. Derivative Transactions

The Funds are subject to equity securities risk, interest rate risk and currency risk in the normal course of pursuing their investment objectives. The Funds enter into derivative transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, to gain market exposure for residual and accumulating cash positions and for managing the duration of fixed income investments.

Futures Contracts

A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date. The Funds may invest in interest rate, financial and stock or bond index futures contracts subject to certain limitations. The Funds invest in futures contracts to manage their exposure to the stock and bond markets and fluctuations in currency values. Buying futures tends to increase a Fund's exposure to the underlying instrument while selling futures tends to decrease a Fund's exposure to the underlying instrument, or economically hedge other Fund investments. With futures contracts, there is minimal counterparty credit risk to the Funds since futures contracts are exchange-traded and the exchange's clearinghouse, as counterparty to all traded futures, guarantees the futures against default. A Fund's risks in using these contracts include changes in the value of the underlying instruments, non-performance of the counterparties under the contracts' terms and changes in the liquidity of the secondary market for the contracts. Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they principally trade.

Upon entering into a financial futures contract, the Funds are required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount, known as initial margin deposit. Subsequent payments, known as variation margins, are made or can be received by the Funds each day, depending on the daily fluctuation in the fair value of the underlying security. The Funds record an unrealized gain/(loss) equal to the daily variation margin. Should market conditions move unexpectedly, the Funds may not achieve the anticipated benefits of the futures contracts and may incur a loss. The Funds recognize a realized gain/(loss) on the expiration or closing of a futures contract.

During the six months ended December 31, 2021, the Event Driven Fund and Merger Arbitrage Fund did not invest in futures contracts.

Options

The Funds may utilize options on securities or indices to varying degrees as part of their principal investment strategy. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. The Funds may hold options, write option contracts, or both.

If an option written by a Fund expires unexercised, a Fund realizes on the expiration date a capital gain equal to the premium received by a Fund at the time the option was written. If an option purchased by a Fund expires unexercised, a Fund realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, underlying security, exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when a Fund desires. A Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if the cost of the closing option is more than the premium received from writing the option, a capital loss. A Fund will realize a capital gain from a closing sale transaction if the premium received from the sale is more than the original premium paid when the option position was opened, or a capital loss, if the premium received from a sale is less than the original premium paid.

During the six months ended December 31, 2021, the Event Driven Fund and the Merger Arbitrage Fund had written options to provide leveraged short exposure, and purchased options to provide leveraged long exposure, to the underlying equity, which is consistent with the investment strategies of these Funds.

Swap Contracts

The Funds may use swaps as part of its investment strategy or to manage their exposure to interest, commodity, and currency rates as well as adverse movements in the debt and equity markets. Swap agreements are privately negotiated in the over-the-counter ("OTC") market or may be executed in a multilateral or other trade facility platform, such as a registered exchange ("centrally cleared swaps").

Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument; for example, the agreement to pay interest in exchange for a market or commodity-linked return based on a notional amount. To the extent the total return of the market or commodity-linked index exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent it is less, the Fund will make a payment to the counterparty. Periodic payments received or made by the Fund are recorded in "Net realized gain (loss) on swap contracts" on the accompanying Statements of Operations and Changes in Net Assets as realized gains or losses, respectively. As of December 31, 2021, the Event Driven Fund and Merger Arbitrage Fund were parties to open swap contracts having a net fair value of $88,398 and $161,411, respectively.

Additional Derivative Information

The Funds are required to disclose; a) how and why an entity uses derivative instruments; b) how derivative instruments and related hedged items are accounted for; c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows; and d) how the netting of derivatives subject to master netting arrangements (if applicable) affects the net exposure of the Funds related to the derivatives.

The fair value of derivative instruments on the Statements of Assets and Liabilities have the following risk exposure at December 31, 2021:

	Fair Value	
Fund	Asset Derivative	Liability Derivative
Event Driven Fund		
Equity Price Risk	$119,313[(1)(2)]	$ 10,055[(3)]
Merger Arbitrage Fund		
Equity Price Risk	$342,127[(1)(2)]	$539,224[(3)]

(1) Statement of Assets and Liabilities location: Investments, at value. Purchased options only.
(2) Statement of Assets and Liabilities location: Unrealized gains on swap contracts.
(3) Statement of Assets and Liabilities location: Written options contracts, at value.

To reduce counterparty credit risk with respect to over-the-counter ("OTC") transactions, the Funds have entered into master netting arrangements, established within the Funds' International Swap and Derivatives Association, Inc. ("ISDA") master agreements, which allows the Funds to make (or to have an entitlement to receive) a single net payment in the event of default (close-out netting) for outstanding payables and receivables with respect to certain OTC derivative positions for each individual counterparty. In addition, the Funds may require that certain counterparties post cash and/or securities in collateral accounts to cover their net payment obligations for those derivative contracts subject to ISDA master agreements. If the counterparty fails to perform under these contracts and agreements, the cash and/or securities will be made available to the Funds.

Certain ISDA master agreements include credit related contingent features which allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event the Funds' net assets decline by a stated percentage or the Funds fail to meet the terms of its ISDA master agreements, which would cause the Funds to accelerate payment of any net liability owed to the counterparty.

For financial reporting purposes, the Funds do not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statements of Assets and Liabilities. Bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral terms are contract specific for OTC derivatives. For derivatives traded under an ISDA master agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that to the value of any collateral currently pledged by the Fund or the Counterparty.

For financial reporting purposes, cash collateral that has been pledged to cover obligations of the Funds, if any, is reported in restricted cash on the Statements of Assets and Liabilities. Generally, the amount of collateral due from or to a party must exceed a minimum transfer amount threshold before a transfer has to be made. To the extent amounts due to the Funds from their counterparties are not fully collateralized, contractually or otherwise, the Funds bear the risk of loss from counterparty non-performance.

The following tables present derivative instruments that are subject to enforceable netting arrangements as of December 31, 2021:

	Gross Amounts Not Offset in the Statement of Assets and Liabilities					
Fund	Gross Amounts of Recognized Assets & Liabilities	Gross Amounts of Offset in the Statement of Assets & Liabilities	Net Amounts of Assets Presented in the Statement of Assets & Liabilities	Financial Instrument	Cash Collateral Received[(1)]	Net Amount
Event Driven Fund						
Swaps - Assets	$88,398	$ —	$88,398	$ —	$ —	$88,398

	Gross Amounts Not Offset in the Statement of Assets and Liabilities					
Fund	Gross Amounts of Recognized Assets & Liabilities	Gross Amounts of Offset in the Statement of Assets & Liabilities	Net Amounts of Assets Presented in the Statement of Assets & Liabilities	Financial Instrument	Cash Collateral Received[(1)]	Net Amount
Merger Arbitrage Fund						
Swaps - Assets	$161,411	$ —	$161,411	$ —	$ —	$161,411

(1) For some counterparties, collateral exceeds the amounts presented in the Statement of Assets and Liabilities adjusted for counterparty netting. Where this is the case, collateral reported is limited to the amounts presented in the Statement of Assets and Liabilities adjusted for counterparty netting. As a result, the net amount presented above may not represent counterparty exposure.

The effect of derivative instruments on the Statements of Operations for the six months ended December 31, 2021, is as follows:

Fund	Net Realized Gain/(Loss) on Derivatives	Net Change in Unrealized Appreciation/ (Depreciation) on Derivatives
Event Driven Fund		
Equity Price Risk	$ 14,390[(1)(2)(3)]	$ 86,640[(4)(5)(6)]
Merger Arbitrage Fund		
Equity Price Risk	$1,972,963[(1)(2)(3)]	$(17,169)[(4)(5)(6)]

(1) Statement of Operations location: Realized gain (loss) on investments. Purchased options only.
(2) Statement of Operations location: Realized gain (loss) on written options contracts.
(3) Statement of Operations location: Realized gain (loss) on swap contracts.
(4) Statement of Operations location: Net increase (decrease) in unrealized appreciation (depreciation) on investments. Purchased options only.
(5) Statement of Operations location: Net increase (decrease) in unrealized appreciation (depreciation) on written options contracts.
(6) Statement of Operations location: Net increase (decrease) in unrealized appreciation (depreciation) on swap contracts.

The average monthly volume of derivative activity for the six months ended December 31, 2021 is as follows:

Fund	Units/ Contracts	Appreciation/ (Depreciation)
Event Driven Fund		
Purchased Options Contracts	171	$ (907)
Swap Contracts[(1)]	—	12,540)
Written Options Contracts	(279)	(7,119)
Merger Arbitrage Fund		
Purchased Options Contracts	674	$ 152,170
Swap Contracts[(1)]	—	79,814
Written Options Contracts	(19,641)	(369,420)

(1) Swap Contracts average monthly volume is calculated using Appreciation/(Depreciation).

Amounts designated as “—” are $0.

Note 4. Securities Lending

Effective January, 7, 2020, the Investment Adviser entered into a securities lending agreement with The Bank of New York Mellon (“BNY” or the “Lending Agent”).

Securities lending transactions are entered into by the Funds under the Securities Lending Agreement (“SLA”), which permits a Fund, under certain circumstances such as an event of default, to offset amounts payable by the Fund to the same counterparty against amounts receivable from the counterparty to create a net payment due to or from the Fund.

The following is a summary of securities lending agreements held by the Funds, with cash collateral of overnight maturities and non-cash collateral, which would be subject to offset as of December 31, 2021:

	Gross Amount of Recognized Assets (Value of Securities on Loan)	Value of Cash Collateral Received(1)	Value of Non-Cash Collateral Received(1)	Net Amount
Event Driven Fund	$1,004,391	$ 246,468	$757,923	$ —
Merger Arbitrage Fund	1,354,873	1,398,183	—	—

(1) Collateral received in excess of fair value of securities on loan in not presented in this table. The total collateral received by the Funds is disclosed in the Statements of Assets and Liabilities.

The value of loaned securities and related collateral outstanding at December 31, 2021 are shown in the Investment Portfolio. The value of the collateral held may be temporarily less than that required under the lending contract. As of December 31, 2021, the cash collateral was invested in repurchase agreements and the non-cash collateral consisted of U.S. Treasury Bills, Notes, Bonds and U.S. Treasury Inflation Indexed Bonds with the following maturities:

Remaining Contractual Maturity of the Agreements, as of December 31, 2021

	Overnight and Continuous	<30 Days	Between 30 & 90 Days	>90 Days	Total
Event Driven Fund					
Repurchase Agreements	$ 246,468	$ —	$ —	$ —	$ 246,468
U.S. Government Securities	—	—	40,855	738,153	779,008
Total	$ 246,468	$ —	$40,855	$738,153	$1,025,476
Merger Arbitrage Fund					
Repurchase Agreements	$1,398,183	$ —	$ —	$ —	$1,398,183
U.S. Government Securities	—	—	—	—	—
Total	$1,398,183	$ —	$ —	$ —	$1,398,183

Amounts designated as "—" are $0.

Each Fund could seek additional income by making secured loans of its portfolio securities through its custodian. Such loans would be in an amount not greater than one-third of the value of the Fund's total assets. BNY would charge a fund fees based on a percentage of the securities lending income. The market value of the loaned securities is determined at the close of each business day of the Fund and any additional required collateral is delivered to the Fund, or excess collateral is returned by the Fund, on the next business day. The Funds would receive collateral consisting of cash (U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, sovereign debt, convertible bonds, irrevocable bank letters of credit or such other collateral as may be agreed on by the parties to a securities lending arrangement, initially with a value of 102% or 105% of the market value of the loaned securities and thereafter maintained at a value of 100% of the market value of the loaned securities. If the collateral consists of non-cash collateral, the borrower would pay the Fund a loan premium fee. If the collateral consists of cash, BNY would reinvest the cash in repurchase agreements and money market accounts. Although voting rights, or rights to consent, with respect to the loaned securities pass to the borrower, the Fund would recall the loaned securities upon reasonable notice in order that the securities could be voted by the Fund if the holders of such securities are asked to vote upon or consent to matters materially affecting the investment. The Fund also could call such loans in order to sell the securities involved.

Securities lending transactions were entered into pursuant to SLA, which would provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaulted, the Funds, as lenders, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an SLA counterparty's bankruptcy or insolvency. Under the SLA, the Funds can reinvest cash collateral, or, upon an event of default, resell or repledge the collateral, and the borrower can resell or repledge the loaned securities. The risks of securities lending also include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate this risk, each Fund benefits from a borrower default indemnity provided by BNY. BNY's indemnity generally provides for replacement of securities lent or the approximate value thereof.

Note 5. U.S. Federal Income Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. These differences include (but are not limited to) investments organized as partnerships for tax purposes, losses deferred to off-setting positions, tax treatment of organizational start-up costs, losses deferred due to wash sale transactions, deferred losses from unsettled short transactions, capitalized dividend, passive foreign investment company, swap income, constructive sale gain, defaulted bonds, tax treatment of net operating loss and different treatment for gains and losses on paydowns for tax purposes. Reclassifications are made to the Funds' capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. These reclassifications have no impact on NAV of the Funds. The calculation of net investment income per share in the Financial Highlights table excludes these adjustments.

At June 30, 2021, the Funds' most recent tax year end, components of distributable earnings (accumulated losses) on a tax basis is as follows:

	Undistributed Income	Undistributed Long-Term Capital Gain	Other Temporary Differences[(1)]	Accumulated Capital and Other Losses	Net Tax Appreciation/ (Depreciation)
Event Driven Fund	$ —	$ —	$ (14,117)	$(172,883,298)	$(6,197,551)
Merger Arbitrage Fund	4,524,219	—	7,466,100	(7,462,456)	(2,830,882)

(1) Other temporary differences are comprised of organizational expenses and remaining capital loss carryover subject to annual limitation.

At June 30, 2021, the respective Funds had capital loss carryovers as indicated below. The capital loss carryovers are available to offset future realized capital gains. For Merger Arbitrage Fund the capital loss carryover may be subject to annual limitations.

Fund	No Expiration Short-Term	No Expiration Long-Term	Total
Event Driven Fund	$163,495,814	$9,162,477	$172,658,291
Merger Arbitrage Fund	7,462,456	—	7,462,456

For the fiscal year ended June 30, 2021, Event Driven Fund and Merger Arbitrage Fund utilized capital losses carryover from prior years in the amounts of $9,130,020 and $474,307, respectively.

The tax character of distributions paid during the years ended June 30 is as follows:

	Distributions Paid From:		
	Ordinary Income[(1)]	Long-Term Capital Gains	Return of Capital
Event Driven Fund			
2021	$ —	$ —	$ —
2020	—	—	—
Merger Arbitrage Fund			
2021	3,471,777	93,462	—
2020	100,001	—	—

(1) For tax purposes, short-term capital gains distributions, if any, are considered ordinary income distributions.

The Federal tax cost and gross unrealized appreciation and depreciation on investments (including foreign currency and derivatives, if applicable) held by the Fund at December 31, 2021 were as follows:

	Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation)	Federal Tax Cost
Event Driven Fund	$1,360,577	$(4,122,444)	$(2,761,867)	$ 36,742,341
Merger Arbitrage Fund	5,238,373	(4,190,848)	1,047,525	507,239,897

Qualified Late Year Ordinary and Post October Losses

Under current laws, certain capital losses and specified losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. Late year ordinary losses realized on investment transactions from January 1, 2021 through June 30, 2021 and late year specified losses from November 1, 2020 to June 30, 2021. For the fiscal year ended June 30, 2021, the Funds elected to defer the following losses:

	Realized Capital Losses	Ordinary Losses
Event Driven Fund	$ —	$(225,007)
Merger Arbitrage Fund	—	—

Note 6. Advisory, Administration, Service and Distribution, Trustee, and Other Fees

Investment Advisory Fees

For its investment advisory services, each Fund pays the Investment Adviser a monthly fee, computed and accrued daily, based on an annual rate of the Funds' Average Daily Managed Assets. Average Daily Managed Assets of a Fund means the average daily value of the total assets of a Fund less all accrued liabilities of a Fund (other than the aggregate amount of any outstanding borrowings constituting financial leverage).

The table below shows each Fund's contractual advisory fee with the Investment Adviser for the six months ended December 31, 2021:

Fund	Annual Fee Rate to the Investment Adviser
Event Driven Fund	1.00%
Merger Arbitrage Fund	1.20%

Administration Fees

HCMFA provides administration services to the Event Driven Fund for a monthly administration fee. For its services, the Investment Adviser receives a monthly administration fee, computed and accrued daily, at the annual rate of 0.20% of the Fund's Average Daily Managed Assets. Under a separate sub-administration agreement, HCMFA delegates certain administrative functions and pays the sub-administrator a portion of the fees it receives from each Fund. Effective October 1, 2018, HCMFA entered into an administrative services agreement with SEI Investments Global Funds Services ("SEI"), a wholly owned subsidiary of SEI Investments Company. Effective October 1, 2018, SEI also provides administration services to the Merger Arbitrage Fund for a monthly administration fee.

Service and Distribution Fees

NexPoint Securities, Inc. (the "Underwriter"), serves as the principal underwriter and distributor of each Fund's shares. The Underwriter receives the front-end sales charge imposed on the sale of Class A Shares and the contingent deferred sales charge ("CDSC") imposed on certain redemptions of Class A and Class C Shares. For the six months ended December 31, 2021, the Underwriter received $243 and $22,056 of front end sales charges for Class A Shares of the Event Driven Fund and the Merger Arbitrage Fund, respectively. The Underwriter did not receive CDSC fees for Class C Shares of the Event Driven Fund and the Merger Arbitrage Fund.

The Funds have adopted a plan pursuant to Rule 12b-1 under the 1940 Act (the "12b-1 Plan") for Class A Shares and Class C Shares of the Funds, which requires the payment of a monthly fee to the Underwriter at an annual rate of the average daily net assets of each class as follows:

Fund	Class A Shares	Class C Shares
Event Driven Fund	0.35%	1.00%
Merger Arbitrage Fund	0.35%	1.00%

For the six months ended December 31, 2021, the Distribution and Service fees, which are included on the Statements of Operations for each class, were as follows:

Fund	Class A Fees	Class C Fees
Event Driven Fund	$ 15,795	$21,134
Merger Arbitrage Fund	118,480	66,651

Expense Limits and Fee Reimbursements

Effective November 1, 2021 for the Event Driven Fund, the Investment Adviser contractually agreed to limit the total annual operating expenses (exclusive of fees paid by the Fund pursuant to its distribution plan under Rule 12b-1 under the 1940 Act, taxes, dividend expenses on short sales, interest payments, brokerage commissions and other transaction costs, acquired fund fees and expenses, and extraordinary expenses (collectively, the "Excluded Expenses")) to 1.50% of average daily net assets of the Fund (the "Expense Cap"). 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 Board of Trustees. For Merger Arbitrage Fund, the Investment Adviser contractually agreed to limit the total annual operating expenses (exclusive of fees paid by the Fund pursuant to its distribution plan under Rule 12b-1 under the 1940 Act, taxes, dividend expenses on short sales, interest payments, brokerage commissions and other transaction costs, acquired fund fees and expenses, and extraordinary expenses (collectively, the "Excluded Expenses")) to 1.50% of average daily net assets of the Fund (the "Expense Cap"). The Expense Cap will continue through at least October 31, 2022, and may not be terminated prior to this date without the action or consent of the Board of Trustees.

Under the expense limitation agreement, the Investment Adviser may recoup waived and/or reimbursed amounts with respect to the Fund within thirty-six months of the date such amounts were waived or reimbursed, provided the Fund's total annual operating expenses, including such recoupment, do not exceed the Expense Cap in effect at the time of such waiver/ reimbursement.

There can be no assurance that these fee reductions will be sufficient to avoid any loss. On December 31, 2021, the amounts subject to possible future recoupment under the Fund's expense limitations were as follows:

	Six Months Ended December 31, 2021		
	2022	2023	2024
Event Driven Fund	$ —	$ —	$ —
Merger Arbitrage Fund	$241,642	$276,874	$365,859

During the six months ended December 31, 2021, the Investment Adviser did not recoup any amounts previously waived or reimbursed. During the six months ended December 31, 2021, Merger Arbitrage Fund had $282,878 of fees previously waived and or reimbursed by the Investment Adviser that were eligible for recoupment expire.

Fees Paid to Officers and Trustees

Each Trustee receives an annual retainer of $150,000 payable in quarterly installments and allocated among each portfolio in the Highland Fund Complex overseen by such Trustee based on relative net assets. The Chairman of the Audit Committee and the Chairman of the Board each receive an additional $10,000. Trustees are reimbursed for actual out-of-pocket expenses relating to attendance at meetings. The "Highland Fund Complex" consists of all of the registered investment companies advised by the Investment Adviser or its affiliated advisers and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act as of the date of this report.

The Funds pay no compensation to their officers, all of whom are employees of the Investment Adviser or one of its affiliates.

The Trustees do not receive any separate compensation in connection with service on Committees or for attending Board or Committee Meetings. The Trustees do not have any pension or retirement plan.

Indemnification

Under the Funds' organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses. The Funds' maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

Note 7. Disclosure of Significant Risks and Contingencies

The Funds' investments expose the Funds to various risks, certain of which are discussed below. Please refer to each Fund's prospectus and statement of additional information for a full listing of risks associated with each Fund's investments.

Asset-Backed Securities Risk

The risk of investing in asset-backed securities, and includes interest rate risk, prepayment risk and the risk that the Funds could lose money if there are defaults on the loans underlying these securities.

Biotechnology Industry Risk

The risk that the Fund's investments in biotechnology companies is highly dependent on the development, procurement and/or marketing of drugs and may be valued based on the potential or actual performance of a limited number of products. A biotechnology company's valuation could be affected if one of its products proves unsafe, ineffective or unprofitable. Such companies may also be characterized by thin capitalization and limited markets, financial resources or personnel. The stock prices of companies involved in the biotechnology sector have been and will likely continue to be extremely volatile.

Convertible Securities Risk

The risk that the market value of convertible securities may fluctuate due to changes in, among other things, interest rates; other economic conditions; industry fundamentals; market sentiment; the issuer's operating results, financial statements, and credit ratings; and the market value of the underlying common or preferred stock.

Counterparty Risk

A counterparty (the other party to a transaction or an agreement or the party with whom a Fund executes transactions) to a transaction with a Fund may be unable or unwilling to make timely principal, interest or settlement payments, or otherwise honor its obligations.

Covenant-Lite Loans Risk

Loans in which the Fund invests include covenant-lite loans, which carry more risk to the lender than traditional loans as they may contain fewer or less restrictive covenants on the borrower than traditionally included in loan documentation or may contain other borrower-friendly characteristics. The Fund may experience relatively greater difficulty or delays in enforcing its rights on its holdings of certain covenant-lite loans and debt securities than its holdings of loans or securities with the usual covenants.

Credit Risk

The issuers of certain securities or the counterparties of a derivatives contract or repurchase contract might be unable or unwilling (or perceived as being unable or unwilling) to make interest and/or principal payments when due, or to otherwise honor its obligations. Debt securities are subject to the risk of non-payment of scheduled interest and/or principal. Non-payment would result in a reduction of income to the Fund, a reduction in the value of the obligation experiencing non-payment and a potential decrease in the Funds' net asset value and the market price of the Funds' shares.

Currency Risk

A portion of the Funds' assets may be quoted or denominated in non-U.S. currencies. These securities may be adversely affected by fluctuations in relative currency exchange rates and by exchange control regulations. The Funds' investment performance may be negatively affected by a devaluation of a currency in which the Funds' investments are quoted or denominated. Further, the Funds' investment performance may be significantly affected, either positively or negatively, by currency exchange rates because the U.S. dollar value of securities quoted or denominated in another currency will increase or decrease in response to changes in the value of such currency in relation to the U.S. dollar.

Derivatives Risk

Derivatives Risk is a combination of several risks, including the risks that: (1) an investment in a derivative instrument may not correlate well with the performance of the securities or asset class to which the Funds seek exposure, (2) derivative contracts, including options, may expire worthless and the use of derivatives may result in losses to the Fund, (3) a derivative instrument entailing leverage may result in a loss greater than the principal amount invested, (4) derivatives not traded on an exchange may be subject to credit risk, for example, if the counterparty does not meet its obligations (see also "Counterparty Risk"), and (5) derivatives not traded on an exchange may be subject to liquidity risk and the related risk that the instrument is difficult or impossible to value accurately. As a general matter, when a fund establishes certain derivative instrument positions, such as certain futures and options contract positions, it will segregate liquid assets (such as cash, U.S. Treasury bonds or commercial paper) equivalent to the Fund's outstanding obligations under the contract or in connection with the position. In addition, recent legislation has called for a new regulatory framework for the derivatives market. The impact of the new regulations are still unknown, but has the potential to increase the costs of using derivatives, may limit the availability of some forms of derivatives or the Funds' ability to use derivatives, and may adversely affect the performance of some derivative instruments used by the Fund as well as the Funds' ability to pursue its investment objective through the use of such instruments.

Emerging Markets Risk

The risk of investing in securities of issuers tied economically to emerging markets, which entails all of the risks of investing in securities of non-U.S. issuers detailed below under "Non-U.S. Securities Risk" to a heightened degree. These heightened risks include: (i) greater risks of expropriation, confiscatory taxation, nationalization, and less social, political and economic stability; (ii) the smaller size of the markets for such securities and a lower volume of trading, resulting in lack of liquidity and in price volatility; (iii) greater fluctuations in currency exchange rates; and (iv) certain national policies that may restrict the Fund's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests.

Equity Securities Risk

The risk that stock prices will fall over short or long periods of time. In addition, common stocks represent a share of ownership in a company, and rank after bonds and preferred stock in their claim on the company's assets in the event of bankruptcy.

Exchange-Traded Funds ("ETF") Risk

The risk that the price movement of an ETF may not exactly track the underlying index and may result in a loss. In addition, shareholders bear both their proportionate share of the Fund's expenses and similar expenses of the underlying investment company when the Funds invest in shares of another investment company.

Extension Risk

The risk that when interest rates rise, certain obligations will be paid off by the obligor more slowly than anticipated, causing the value of these obligations to fall.

Financial Services Industry Risk

The risk associated with the fact that the Funds' investments in senior loans ("Senior Loans") are arranged through private negotiations between a borrower ("Borrower") and several financial institutions. The financial services industry is subject to extensive government regulation, which can limit both the amounts and types of loans and other financial commitments financial services companies can make and the interest rates and fees they can charge. Profitability is largely dependent on the availability and cost of capital funds, and can fluctuate significantly when interest rates change. Because financial services companies are highly dependent on short-term interest rates, they can be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations. Losses resulting from financial difficulties of Borrowers can negatively affect financial services companies. The financial services industry is currently undergoing relatively rapid change as existing distinctions between financial service segments become less clear. This change may make it more difficult for the Investment Adviser to analyze investments in this industry. Additionally, the recently increased volatility in the financial markets and implementation of the recent financial reform legislation may affect the financial services industry as a whole in ways that may be difficult to predict.

Financial Services Sector Risk

The risk associated with investments in the financial services sector. Such investments may be subject to credit risk, interest rate risk, and regulatory risk, among others. Banks and other financial institutions can be affected by such factors as downturns in the U.S. and foreign economies and general economic cycles, fiscal and monetary policy, adverse developments in the real estate market, the deterioration or failure of other financial institutions, and changes in banking or securities regulations.

Fixed Income Market Risk

The risk that fixed income markets may, in response to governmental intervention, economic or market developments (including potentially a reduction in the number of broker-dealers willing to engage in market-making activity), or other factors, experience periods of increased volatility and reduced liquidity. During those periods, the Funds may experience increased levels of shareholder redemptions, and may have to sell securities at times when it would otherwise not do so, and at unfavorable prices. Fixed income securities may be difficult to value during such periods.

Hedging Risk

Each Fund may engage in "hedging," the practice of attempting to offset a potential loss in one position by establishing an opposite position in another investment. Hedging strategies in general are usually intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit. For example, if a fund has taken a defensive posture by hedging its portfolio, and stock prices advance, the return to investors will be lower than if the portfolio had not been hedged. No assurance can be given that any particular hedging strategy will be successful, or that the Investment Adviser will elect to use a hedging strategy at a time when it is advisable.

Illiquid and Restricted Securities Risk

The investments made by the Funds may be illiquid, and consequently the Funds may not be able to sell such investments at prices that reflect the Investment Adviser's assessment of their value or the amount originally paid for such investments by the Funds. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors. Furthermore, the nature of the Funds' investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

Restricted securities (i.e., securities acquired in private placement transactions) and illiquid securities may offer higher yields than comparable publicly traded securities. The Funds, however, may not be able to sell these securities when the Investment Adviser considers it desirable to do so or, to the extent they are sold privately, may have to sell them at less than the price of otherwise comparable securities. Restricted securities are subject to limitations on resale which can have an adverse effect on the price obtainable for such securities. Also, if in order to permit resale the securities are registered under the Securities Act at a Funds' expense, the Funds' expenses would be increased.

Industry and Sector Focus Risk

The risk that issuers in an industry or sector can react similarly to market, economic, political, regulatory, geopolitical, and other conditions. If the Investment Adviser invests a significant percentage of the Funds' assets in issuers within an industry or sector, the Funds' performance may be affected by conditions in that industry or sector.

Information Technology Sector Risk

The risk that the Fund may be impacted by risks faced by companies in the information technology sector. Information technology companies face intense competition and potentially rapid product obsolescence. They are also heavily dependent on intellectual property rights and may be adversely affected by the loss or impairment of those rights. Companies in the software industry may be adversely affected by, among other things, the decline or fluctuation of subscription renewal rates for their products and services and actual or perceived vulnerabilities in their products or services

Interest Rate Risk

The risk that fixed income securities will decline in value because of changes in interest rates. When interest rates decline, the value of fixed rate securities already held by the Funds can be expected to rise. Conversely, when interest rates rise, the value of existing fixed rate portfolio securities can be expected to decline. A fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration.

On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced that it will stop encouraging banks to provide the quotations needed to sustain LIBOR. The ICE Benchmark Administration Limited, the administrator of LIBOR, ceased publishing most LIBOR maturities, including some US LIBOR maturities, on December 31, 2021, and is expected to cease publishing the remaining and most liquid US LIBOR maturities on June 30, 2023. It is expected that market participants have or will transition to the use of alternative reference or benchmark rates prior to the applicable LIBOR publication date. Additionally, although regulators have encouraged the development and adoption of alternative rates, such as the Secured Overnight Financing Rate ("SOFR"), the future utilization of LIBOR or of any particular replacement rate remains uncertain.

Although the transition process away from LIBOR has become increasingly well-defined in advance of the anticipated discontinuation dates, the impact on certain debt securities, derivatives and other financial instruments remains uncertain. It is expected that market participants will adopt alternative rates such as SOFR or otherwise amend financial instruments referencing LIBOR to include fallback provisions and other measures that contemplate the discontinuation of LIBOR or other similar market disruption events, but neither the effect of the transition process nor the viability of such measures is known. Further, uncertainty and risk remain regarding the willingness and ability of issuers and lenders to include alternative rates and revised provisions in new and existing contracts or instruments. To facilitate the transition of legacy derivatives contracts referencing LIBOR, the International Swaps and Derivatives Association, Inc. launched a protocol to incorporate fallback provisions. While the transition process away from LIBOR has become increasingly well-defined in advance of the expected LIBOR cessation dates, there are obstacles to converting certain longer term securities and transactions to a new benchmark or benchmarks and the effectiveness of one alternative reference rate versus multiple alternative reference rates in new or existing financial instruments and products has not been determined. Furthermore, the risks associated with the cessation of LIBOR and transition to replacement rates may be exacerbated if an orderly transition to alternative reference rates is not completed in a timely manner. Certain proposed replacement rates to LIBOR, such as SOFR, which is a broad measure of secured overnight US Treasury repo rates, are materially different from LIBOR, and changes in the applicable spread for financial instruments transitioning away from LIBOR will need to be made to accommodate the differences. Furthermore, the risks associated with the expected discontinuation of LIBOR and transition to replacement rates may be exacerbated if an orderly transition to an alternative reference rate is not completed in a timely manner. As market participants transition away from LIBOR, LIBOR's usefulness may deteriorate and these effects could be experienced until the permanent cessation of the majority of U.S. LIBOR rates in 2023. The transition process may lead to increased volatility and illiquidity in markets that currently rely on LIBOR to determine interest rates. LIBOR's deterioration may adversely affect the liquidity and/or market value of securities that use LIBOR as a benchmark interest rate.

Leverage Risk

Each Fund may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Funds purchase securities with borrowed funds, their net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Funds' use of leverage would result in a lower rate of return than if the Funds were not leveraged.

Lender Liability Risk

A number of judicial decisions have upheld the right of Borrowers to sue lending institutions on the basis of various evolving legal theories founded upon the premise that an institutional Lender has violated a duty of good faith and fair dealing owed to the Borrower or has assumed a degree of control over the Borrower resulting in a creation of a fiduciary duty owed to the Borrower or its other creditors or shareholders. Because of the nature of certain of the Fund's investments, the Fund or the Investment Adviser could be subject to such liability.

Limited Information Risk

The risk associated with the fact that the types of Senior Loans in which the Funds will invest historically may not have been rated by a NRSRO, have not been registered with the SEC or any state securities commission, and have not been listed on any national securities exchange. Although the Funds will generally have access to financial and other information made available to the Lenders in connection with Senior Loans, the amount of public information available with respect to Senior Loans will generally be less extensive than that available for rated, registered or exchange-listed securities. As a result, the performance of the Funds and its ability to meet its investment objective is more dependent on the analytical ability of the Investment Adviser than would be the case for an investment company that invests primarily in rated, registered or exchange-listed securities.

Liquidity Risk

The risk that low trading volume, lack of a market maker, large position size, or legal restrictions (including daily price fluctuation limits or "circuit breakers") limits or prevents the Funds from selling particular securities or unwinding derivative positions at desirable prices. At times, a major portion of any portfolio security may be held by relatively few institutional purchasers. Even if the Funds consider such securities liquid because of the availability of an institutional market, such securities may become difficult to value or sell in adverse market or economic conditions.

Management Risk

The risk associated with the fact that the Funds rely on the Investment Adviser's ability to achieve its investment objective. The Investment Adviser may be incorrect in its assessment of the intrinsic value of the companies whose securities the Funds hold, which may result in a decline in the value of fund shares and failure to achieve its investment objective. The Funds' portfolio managers use qualitative analyses and/or models. Any imperfections or limitations in such analyses and models could affect the ability of the portfolio managers to implement strategies.

Merger Arbitrage and Event-Driven Risk

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 Investment 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. The Fund's principal investment strategies are not specifically designed to benefit from general appreciation in the equity markets or general improvement in the economic conditions in the global economy. Accordingly, the Fund may underperform the broad equity markets under certain market conditions, such as during periods when there has been rapid appreciation in the equity markets. The Fund may also underperform the broad equity markets if it holds a significant portion of its assets in cash and money market instruments for an extended period of time due to a lack of merger arbitrage opportunities.

Mid-Cap Company Risk

The risk that investing in securities of mid-cap companies may entail greater risks than investments in larger, more established companies. Mid-cap companies tend to have more narrow product lines, more limited financial resources and a more limited trading market for their stocks, as compared with larger companies. As a result, their stock prices may decline significantly as market conditions change.

Non-Diversification Risk

The risk that an investment in the Funds could fluctuate in value more than an investment in a diversified fund. As a non-diversified fund for purposes of the 1940 Act, the Funds may invest a larger portion of its assets in the securities of fewer issuers than a diversified fund. The Funds' investments in fewer issuers may result in the Funds' shares being more sensitive to the economic results of those issuers. An investment in the Funds could fluctuate in value more than an investment in a diversified fund.

Non-Payment Risk

The risk of non-payment of scheduled interest and/or principal with respect to debt instruments. Non-payment would result in a reduction of income to the Funds, a reduction in the value of the obligation experiencing non-payment and a potential decrease in the NAV of the Funds.

Non-U.S. Securities Risk

Non-U.S. securities risk is the risk associated with investing in non-U.S. issuers. Investments in securities of non-U.S. issuers involve certain risks not involved in domestic investments (for example, fluctuations in foreign exchange rates (for non-U.S. securities not denominated in U.S. dollars); future foreign economic, financial, political and social developments; nationalization; exploration or confiscatory taxation; smaller markets; different trading and settlement practices; less governmental supervision; and different accounting, auditing and financial recordkeeping standards and requirements) that may result in each Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies. These risks are magnified for investments in issuers tied economically to emerging markets, the economies of which tend to be more volatile than the economies of developed markets. In addition, certain investments in non-U.S. securities may be subject to foreign withholding and other taxes on interest, dividends, capital gains or other income or proceeds. Those taxes will reduce each Funds' yield on any such securities.

Ongoing Monitoring Risk

The risk associated with ongoing monitoring of the Agent. On behalf of the several Lenders, the Agent generally will be required to administer and manage the Senior Loans and, with respect to collateralized Senior Loans, to service or monitor the collateral. Financial difficulties of Agents can pose a risk to the Funds. Unless, under the terms of the loan, the Funds have direct recourse against the Borrower, the Funds may have to rely on the Agent or other financial intermediary to apply appropriate credit remedies against a Borrower.

Operational and Technology Risk

The risk that cyberattacks, disruptions, or failures that affect the Funds' service providers, counterparties, market participants, or issuers of securities held by the Funds may adversely affect the Funds and its shareholders, including by causing losses for the Funds or impairing Fund operations.

Options Risk

There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A transaction in options or securities may be unsuccessful to some degree because of market behavior or unexpected events.

When a fund writes a covered call option, the fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation and once an option writer has received an exercise notice, it must deliver the underlying security in exchange for the strike price.

When a fund writes a covered put option, the fund bears the risk of loss if the value of the underlying stock declines below the exercise price minus the put premium. If the option is exercised, the fund could incur a loss if it is required to purchase the stock underlying the put option at a price greater than the market price of the stock at the time of exercise plus the put premium the Fund received when it wrote the option. While the Funds' potential gain in writing a covered put option is limited to distributions earned on the liquid assets securing the put option plus the premium received from the purchaser of the put option, the Funds risk a loss equal to the entire exercise price of the option minus the put premium.

Pandemics and Associated Economic Disruption

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in late 2019 and subsequently spread globally ("COVID-19"). This coronavirus has resulted in and may continue to result in the closing of borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general anxiety and economic uncertainty. The impact of this coronavirus may be short-term or may last for an extended period of time and has resulted in a substantial economic downturn. Health crises caused by outbreaks of disease, such as the coronavirus, may exacerbate other preexisting political, social and economic risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could continue to negatively affect the global economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways. For example, a widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, impact the Fund's ability to complete repurchase requests, and affect Fund performance. Any such impact could adversely affect the Fund's performance, the performance of the securities in which the Fund invests, lines of credit available to the Fund and may lead to losses on your investment in the Fund. In addition, the increasing interconnectedness of markets around the world may result in many markets being affected by events or conditions in a single country or region or events affecting a single or small number of issuers.

The United States responded to the coronavirus pandemic and resulting economic distress with fiscal and monetary stimulus packages, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") passed in late March 2020. The CARES Act provides for over $2.2 trillion in resources to small businesses, state and local governments, and individuals adversely impacted by the COVID-19 pandemic. In mid-March 2020, the U.S. Federal Reserve (the "Fed") cut interest rates to historically low levels and announced a new round of quantitative easing, including purchases of corporate and municipal government bonds. The Fed also enacted various programs to support liquidity operations and funding in the financial markets, including expanding its reverse repurchase agreement operations, which added $1.5 trillion of liquidity to the banking system; establishing swap lines with other major central banks to provide dollar funding; establishing a program to support money market funds; easing various bank capital buffers; providing funding backstops for businesses to provide bridging loans for up to four years; and providing funding to help credit flow in asset-backed securities markets. In addition, the Fed extended credit to small- and medium-sized businesses. As the Fed "tapers" or reduces the amount of securities it purchases pursuant to quantitative easing, and/or if the Fed raises the federal funds rate, there is a risk that interest rates will rise, which could expose fixed-income and related markets to heightened volatility and could cause the value of a fund's investments, and the fund's NAV, to decline, potentially suddenly and significantly. As a result, the fund may experience high redemptions and, as a result, increased portfolio turnover, which could increase the costs that the Fund incurs and may negatively impact the fund's performance. There is no assurance that the U.S. government's support in response to COVID-19 economic distress will offset the adverse impact to securities in which the Fund may invest and future governmental support is not guaranteed.

Payment-in-Kind ("PIK") Securities Risk

The risk that the value of PIK securities held by the Fund may be more sensitive to fluctuations in interest rates than other securities. PIKs pay all or a portion of their interest or dividends in the form of additional securities. Federal tax law requires that the interest on PIK bonds be accrued as income to the Fund regardless of the fact that the Fund will not receive cash until such securities mature. Since the income must be distributed to shareholders, the Fund may be forced to liquidate other securities in order to make the required distribution.

Portfolio Turnover Risk

The risk that the Funds' high portfolio turnover will increase the Funds' transaction costs and may result in increased realization of net short-term capital gains (which are taxable to shareholders as ordinary income when distributed to them), higher taxable distributions and lower after-tax performance.

Prepayment Risk

The risk that during periods of falling interest rates, issuers of debt securities may repay higher rate securities before their maturity dates. This may cause the Funds to lose potential price appreciation and to be forced to reinvest the unanticipated proceeds at lower interest rates. This may adversely affect the NAV of the Funds' shares.

Regulatory Risk

The risk that to the extent that legislation or state or federal regulators impose additional requirements or restrictions with respect to the ability of financial institutions to make loans in connection with highly leveraged transactions, the availability of loan interests for investment by the Funds may be adversely affected.

Risk of Substantial Redemptions

The risk that if substantial numbers of shares in the Funds were to be redeemed at the same time or at approximately the same time, the Funds might be required to liquidate a significant portion of its investment portfolio quickly to meet the redemptions. The Funds might be forced to sell portfolio securities at prices or at times when it would otherwise not have sold them.

Securities Lending Risk

The Funds may make secured loans of its portfolio securities. Any decline in the value of a portfolio security that occurs while the security is out on loan is borne by the Funds, and will adversely affect performance. Also, there may be delays in recovery of securities loaned, losses in the investment of collateral, and loss of rights in the collateral should the borrower of the securities fail financially while holding the security.

Securities Market Risk

The risk that the value of securities owned by the Funds may go up or down, sometimes rapidly or unpredictably, due to factors affecting particular companies or the securities markets generally. A general downturn in the securities market may cause multiple asset classes to decline in value simultaneously. Many factors can affect this value and you may lose money by investing in the Funds.

Shareholder Concentration Risk

The risk that large redemptions by a small number of large shareholders can harm remaining shareholders. Particularly large redemptions may affect asset allocation decisions and could adversely impact remaining Fund shareholders. Due to the ongoing liquidation of the Fund, certain material shareholders hold large amounts of shares of the Fund.

Short Sales Risk
Short sales by the Funds that are not made where there is an offsetting long position in the asset that it is being sold short theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Short selling allows the Funds to profit from declines in market prices to the extent such decline exceeds the transaction costs and costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out the short position can itself cause the price of securities to rise further, thereby exacerbating the loss. The Funds may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, a Fund might have difficulty purchasing securities to meet margin calls on its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

Small-Cap Company Risk
The risk that investing in the securities of small-cap companies either directly or indirectly through investments in ETFs, closed-end funds or mutual funds (“Underlying Funds”) may pose greater market and liquidity risks than larger, more established companies, because of limited product lines and/or operating history, limited financial resources, limited trading markets, and the potential lack of management depth. In addition, the securities of such companies are typically more volatile than securities of larger capitalization companies.

Special Purpose Acquisition Companies Risk
A 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. Some SPACs may pursue acquisitions only within certain industries or regions, which may increase the volatility of their prices. In addition, these securities, which are typically traded in the over-the-counter market, may be considered illiquid and/or may be subject to restrictions on resale. An investment in an SPAC is subject a variety of risks, including that (i) a significant portion of the monies raised by the SPAC for the purpose of identifying and effecting an acquisition or merger may be expended during the search for a target transaction; (ii) an attractive acquisition or merger target may not be identified at all and the SPAC will be required to return any remaining monies to shareholders; (iii) any proposed merger or acquisition may be unable to obtain the requisite approval, if any, of SPAC shareholders; (iv) an acquisition or merger once effected may prove unsuccessful and an investment in the SPAC may lose value; (v) the warrants or other rights with respect to the SPAC held by the Fund may expire worthless or may be repurchased or retired by the SPAC at an unfavorable price; (vi) the Fund will be delayed in receiving any redemption or liquidation proceeds from a SPAC to which it is entitled; (vii) an investment in an SPAC may be diluted by additional later offerings of interests in the SPAC or by other investors exercising existing rights to purchase shares of the SPAC; (viii) no or only a thinly traded market for shares of or interests in an SPAC may develop, leaving the Fund unable to sell its interest in an SPAC or to sell its interest only at a price below what the Fund believes is the SPAC interest’s intrinsic value; and (ix) the values of investments in SPACs may be highly volatile and may depreciate significantly over time.

Swaps Risk
The use of swaps is a highly specialized activity which involves investment techniques, risk analyses and tax planning different from those associated with ordinary portfolio securities transactions. These transactions can result in sizeable realized and unrealized capital gains and losses relative to the gains and losses from a Funds’ direct investments in securities.

Transactions in swaps can involve greater risks than if a Fund had invested in the reference assets directly since, in addition to general market risks, swaps may be leveraged and are also subject to illiquidity risk, counterparty risk, credit risk and pricing risk. However, certain risks may be reduced (but not eliminated) if a Fund invests in cleared swaps. Regulators also may impose limits on an entity’s or group of entities’ positions in certain swaps. Because bilateral swap agreements are two party contracts and because they may have terms of greater than seven days, these swaps may be considered to be illiquid. Moreover, a Fund bears the risk of loss of the amount expected to be received under a swap in the event of the default or bankruptcy of a swap counterparty. Many swaps are complex and valued subjectively. Swaps and other derivatives may also be subject to pricing or “basis” risk, which exists when the price of a particular derivative diverges from the price of corresponding cash market instruments. Under certain market conditions it may not be economically feasible to initiate a transaction or liquidate a position in time to avoid a loss or take advantage of an opportunity. If a swap transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price, which may result in significant losses.

The value of swaps can be very volatile, and a variance in the degree of volatility or in the direction of securities prices from the Investment Adviser's expectations may produce significant losses in a Fund's investments in swaps. In addition, a perfect correlation between a swap and a reference asset may be impossible to achieve. As a result, the Investment Adviser's use of swaps may not be effective in fulfilling the Investment Adviser's investment strategies and may contribute to losses that would not have been incurred otherwise.

Tax Risk

The risk that the U.S. income tax rules may be uncertain when applied to specific arbitrage transactions, including identifying deferred losses from wash sales or realized gains from constructive sales, among other issues. Such uncertainty may cause the Fund to be exposed to unexpected tax liability.

Technology Sector Risk

The risk associated with investments in the technology sector. Technology related companies are subject to significant competitive pressures, such as aggressive pricing of their products or services, new market entrants, competition for market share, short product cycles due to an accelerated rate of technological developments, evolving industry standards, changing customer demands and the potential for limited earnings and/or falling profit margins. The failure of a company to adapt to such changes could have a material adverse effect on the company's business, results of operations, and financial condition. These companies also face the risks that new services, equipment or technologies will not be accepted by consumers and businesses or will become rapidly obsolete. These factors can affect the profitability of these companies and, as a result, the values of their securities. Many technology companies have limited operating histories.

Telecommunications Sector Risk

The risk that the Fund may be impacted by risks faced by companies in the telecommunications services industry, including: a telecommunications market characterized by increasing competition and regulation by the Federal Communications Commission and various state regulatory authorities; the need to commit substantial capital to meet increasing competition, particularly in formulating new products and new services using new technology; and technological innovations that may make various products and services obsolete.

Undervalued Stocks Risk

The risk that an undervalued stock may decrease in price or may not increase in price as anticipated by the Investment Adviser if other investors fail to recognize the company's value or the factors that the Investment Adviser believes will cause the stock price to increase do not occur.

Note 8. Investment Transactions

Purchases & Sales of Securities

The cost of purchases and the proceeds from sales of investments, other than short-term securities and short-term options, for the six months ended December 31, 2021, were as follows:

	U.S Government Securities[1]		Other Securities	
Fund	Purchases	Sales	Purchases	Sales
Event Driven Fund	$ —	$ —	$ 80,400,134	$ 70,320,872
Merger Arbitrage Fund	—	—	1,407,921,366	1,184,726,425

(1) The Funds did not have any purchases or sales of U.S. Government Securities for the six months ended December 31, 2021.

Note 9. Other Matters

HCMFA has entered into a Services Agreement (the "Services Agreement") with Skyview Group ("Skyview"), effective February 25, 2021, pursuant to which HCMFA will receive administrative and operational support services to enable it to provide the required advisory services to the Fund. The Investment Adviser, and not the Funds, will compensate all Investment Adviser and Skyview personnel who provide services to the Fund.

Note 10. Indemnification

Under the Trust's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may rise out of performance of their duties to the Funds. Additionally, in the normal course of business, the Funds may enter into contracts with service providers that contain a variety of indemnification clauses. The Funds' maximum exposure under these arrangements is dependent on future claims that may be made against the Funds and, therefore, cannot be estimated.

Note 11. Subsequent Events

Management has evaluated the impact of all subsequent events on the Funds through the date the financial statements were issued, and has determined that there were no subsequent events to report which have not already been recorded or disclosed in these financial statements and accompanying notes.

Additional Portfolio Information

The Investment Adviser and its affiliates manage other accounts, including registered and private funds and individual accounts. Although investment decisions for the Funds are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Funds, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser for other client accounts. When the Funds and one or more of such other accounts are prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Funds and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Funds and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Funds, in some cases these activities may adversely affect the price paid or received by the Funds or the size of the position obtained or disposed of by the Funds.

Disclosure of Fund Expenses

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchases and redemption fees; and (2) ongoing costs, including management fees; distribution (12b-1) and service fees; and other Fund expenses. This example is intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the six-month period July 1, 2021 through December 31, 2021, unless otherwise indicated. This table illustrates your Fund's costs in two ways:

Actual Expenses: The first part of the table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes: The second part of the table provides information about hypothetical account values and hypothetical expenses based on your Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not your Fund's actual return. The actual expense ratio includes voluntary fee waivers or expense reimbursements by the Fund's investment adviser. The expense ratio would be higher had the fee waivers or expense reimbursements not been in effect. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) or redemption fees. Therefore, the second part of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 7/1/21	Beginning Ending Account Value 12/31/21	Annualized Expense Ratios(1)	Expenses Paid During Period(2)
NexPoint Event Driven Fund				
Actual Fund Return				
Class A	$1,000.00	$ 828.10	2.25%	$10.37
Class C	1,000.00	825.60	2.90	13.34
Class Z	1,000.00	829.90	1.90	8.76
Hypothetical				
Class A	$1,000.00	$1,013.86	2.25%	$11.42
Class C	1,000.00	1,010.59	2.90	14.70
Class Z	1,000.00	1,015.63	1.90	9.65

	Beginning Account Value 7/1/21	Beginning Ending Account Value 12/31/21	Annualized Expense Ratios(1)	Expenses Paid During Period(2)
NexPoint Merger Arbitrage Fund				
Actual Fund Return				
Class A	$1,000.00	$1,020.00	2.36%	$12.02
Class C	1,000.00	1,016.20	3.01	15.30
Class Z	1,000.00	1,021.40	2.01	10.24
Hypothetical				
Class A	$1,000.00	$1,013.31	2.36%	$11.98
Class C	1,000.00	1,010.03	3.01	15.25
Class Z	1,000.00	1,015.07	2.01	10.21

(1) Annualized, based on the Fund's most recent fiscal half-year expenses, including dividends on short positions and interest expenses, if any.

(2) Expenses are equal to the Fund's annualized expense ratio including interest expense and dividends on short positions, if any, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, divided by the number of days in the full fiscal year (184/365).

Approval of Highland Funds I Investment Advisory Agreements

The Trust has retained Highland Capital Management Fund Advisors, L.P. (the "Investment Adviser") to manage the assets of each Fund pursuant to investment advisory agreements between the Investment Adviser and each such Fund (the "Agreements"). The Agreements have been approved by the Funds' Board of Trustees, including a majority of the Independent Trustees. Each Agreement continues in effect from year-to-year, provided that such continuance is specifically approved at least annually by the vote of holders of at least a majority of the outstanding shares of each Fund or by the Board of Trustees and, in either event, by a majority of the Independent Trustees of each Fund casting votes in person at a meeting called for such purpose.

During a telephonic meeting with the Investment Adviser held on August 12, 2021, and separately with independent counsel on September 1, 2021, the Board of Trustees considered information bearing on the continuation of the Agreements for an additional one-year period with respect to the Funds. The Board of Trustees further discussed and considered information with respect to the continuation of the Agreements at a Board meeting held on September 16-17, 2021.

At meetings held on October 25, 2021, the Board of Trustees, including the Independent Trustees, approved the continuance of the Agreements for a one-year period commencing on November 1, 2021. As part of its review process, the Board of Trustees requested, through Fund counsel and independent legal counsel, and received from the Investment Adviser, various information and written materials, including: (1) information regarding the financial soundness of the Investment Adviser and the profitability of each Agreement to the Investment Adviser; (2) information on the advisory, legal and compliance personnel of the Investment Adviser, including ongoing updates regarding the Highland Capital Management L.P. ("HCMLP") bankruptcy, and compensation arrangements; (3) information regarding Skyview's role as a service provider to the Investment Adviser pursuant to the services agreement between Skyview and the Investment Adviser (the "Skyview Services Agreement") to assist the Investment Adviser in providing certain services to the Funds pursuant to the Agreements and Administration Services Agreement between the Investment Adviser and the Funds, as well as information regarding the Investment Adviser's oversight role over Skyview; (4) information on the internal compliance procedures of the Investment Adviser, including policies and procedures for personal securities transactions, conflicts of interest and with respect to cybersecurity, business continuity and disaster recovery; (5) comparative information showing how the Funds' fees and operating expenses compare to those of other accounts of the Investment Adviser, if any, with investment strategies similar to those of the Funds; (6) information on the investment performance of the Funds, including a comparison of each Fund's performance against that of other registered investment companies and comparable funds managed by the Investment Adviser that follow investment strategies similar to those of such Fund; (7) information regarding brokerage and portfolio transactions; and (8) information on any legal proceedings or regulatory audits or investigations affecting the Investment Adviser, including relating to the HCMLP bankruptcy. After the August 2021 meeting and throughout the annual contract renewal process, including at the September 16-17, 2021 Board meeting, the Board of Trustees requested that the Investment Adviser provide additional information and written responses regarding various matters in connection with the Board of Trustees' review and consideration of the Agreements. It was further noted that throughout the process, the Board of Trustees, including separately the Independent Trustees, had also met in executive sessions to further discuss the materials.

In addition, the Board of Trustees received an independent report from FUSE Research Network ("FUSE"), an independent third-party provider of investment company data, relating to each Fund's performance and expenses compared to the performance and expenses of a group of funds deemed by FUSE to be comparable to each Fund (the "peer group"), and to a larger group of comparable funds (the "peer universe"). The Board of Trustees also received data relating to each Fund's leverage and distribution rates as compared to its peer group.

The Board of Trustees discussed the materials provided by the Investment Adviser in detail over the course of multiple meetings, including the Investment Adviser's responses to the Board of Trustees' specific written questions, comparative fee and performance information and information concerning the Investment Adviser's business and financial condition. The factors considered and the determinations made by the Board of Trustees in connection with the approval of the renewal of the Agreement with the Investment Adviser are set forth below but are not exhaustive of all matters that were discussed by the Board of Trustees.

The Board of Trustees' evaluation process with respect to the Investment Adviser is an ongoing one. In this regard, the Board of Trustees also took into account discussions with management and information provided to the Board of Trustees at meetings of the Board of Trustees over the course of the year with respect to the services provided by the Investment Adviser to each Fund, including quarterly performance reports prepared by management containing reviews of investment results and prior presentations from the Investment Adviser with respect to each Fund. The information received and considered by the Board of Trustees in connection with the October 25, 2021 meeting and throughout the year was both written and oral.

The Board of Trustees reviewed various factors that were discussed in a legal memorandum provided by independent counsel regarding trustee responsibilities in considering the Agreements, the detailed information provided by the Investment Adviser and other relevant information. The Board of Trustees also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the effect of the COVID-19 pandemic on each Funds and the industry). Some of the factors that figured particularly in the Board of Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. In addition, the Board of Trustees' conclusions may be based in part on its consideration of the advisory arrangements in prior years and on the Board of Trustee' ongoing regular review of fund performance and operations throughout the year. The Board of Trustees' conclusions as to the approval of the Agreements were based on a comprehensive consideration of all information provided to the Board of Trustees without any single factor being dispositive in and of itself.

Throughout the process, the Board of Trustees had the opportunity to ask questions of and request additional information from the Investment Adviser. The Board of Trustees was assisted by legal counsel for the Trust and the Independent Trustees were also separately assisted by independent legal counsel throughout the process. The Board of Trustees also met separately without representatives of the Investment Adviser present. The Independent Trustees were advised by and met in executive sessions with their independent legal counsel at which no representatives of management were present to discuss the proposed continuation of the Agreements.

The nature, extent, and quality of the services to be provided by the Investment Adviser.

The Board of Trustees considered the Investment Adviser's services as investment manager to the Fund.

The Board of Trustees considered the portfolio management services to be provided by the Investment Adviser under the Agreements and the activities related to portfolio management, including use of technology, research capabilities and investment management staff. The Board of Trustees also considered the relevant experience and qualifications of the personnel providing advisory services, including the background and experience of the members of each Fund's portfolio management team. The Board of Trustees reviewed the management structure, assets under management and investment philosophies and processes of the Investment Adviser, including with respect to liquidity management. The Board of Trustees also reviewed and discussed information regarding the Investment Adviser's compliance policies, procedures and personnel, including compensation arrangements and with respect to valuation, cybersecurity, business continuity and disaster recovery. The Board of Trustees also considered the Investment Adviser's risk management and monitoring processes. The Board of Trustees took into account the terms of the Agreements and considered that, the Investment Adviser, subject to the direction of the Board of Trustees, is responsible for providing advice and guidance with respect to each Fund and for managing the investment of the assets of each Fund. The Board of Trustees also took into account that the scope of services provided to the Funds and the undertakings required of the Investment Adviser in connection with those services, including with respect to its own and the Funds' compliance programs, had expanded over time as a result of regulatory, market and other developments. The Board of Trustees also considered operational, staffing and organizational changes with respect to the Investment Adviser over the prior year, including in connection with the transitions of certain shared services arrangements and the steps taken by the Investment Adviser to address such transitions, and the fact that there were no material operational or compliance issues with respect to the Funds or decrease in the level and quality of services provided to the Funds as a result. The Board of Trustees also considered the Investment Adviser's regulatory history. The Board of Trustees also considered the Investment Adviser's current litigation matters related to the HCMLP bankruptcy and took into account the Investment Adviser's representation that such matters would not impact the quality and level of services the Investment Adviser will provide to the Funds under the Agreements.

The Investment Adviser's services in coordinating and overseeing the activities of each Fund's other service providers, as well of the services provided by Skyview to the Investment Adviser under the Skyview Services Agreements, were also considered. The Board of Trustees also evaluated the expertise and performance of the personnel of the Investment Adviser who performed services for each Fund throughout the year. They also considered the quality of the Investment Adviser's compliance oversight program with respect to each Fund's service providers. The Board of Trustees also considered both the investment advisory services and the nature, quality and extent of any administrative and other non-advisory services, including shareholder servicing and distribution support services that are provided to each Fund and its shareholders by the Investment Adviser and its affiliates, as well as considered the services provided by Skyview to the Investment Adviser under the Skyview Services Agreement. The Board of Trustees noted that the level and quality of services to the Funds by the Investment Adviser and its affiliates had not been materially impacted by the HCMLP bankruptcy and took into account the Investment Adviser's representations that the level and quality of the services provided by the Investment Adviser and their affiliates, as well as of those services provided by Skyview to the Investment Adviser under the Skyview Services Agreements, would continue to be provided to the Funds at the same or higher level and quality.

The Board of Trustees also considered the significant risks assumed by the Investment Adviser in connection with the services provided to each Fund, including entrepreneurial risk and ongoing risks including investment, operational, enterprise, litigation, regulatory and compliance risks with respect to the Funds. The Board of Trustees also noted various cost-savings initiatives that had been implemented by the Investment Adviser with respect to each Fund and the other funds in the Highland complex over the years. The Board of Trustees considered the Investment Adviser's financial condition and financial wherewithal. The Board of Trustees also considered the financial condition and operations of the Investment Adviser during the COVID-19 pandemic and noted that there had been no material disruption of the Investment Adviser's services to the Funds and that the Investment Adviser had continued to provide the same level, quality and extent of services to the Funds.

The Board of Trustees also noted that on a regular basis it receives and reviews information from the Funds' Chief Compliance Officer (CCO) regarding the Funds' compliance policies and procedures established pursuant to Rule 38a-1 under the Investment Company Act of 1940. The Board of Trustees also took into account the CCO's ongoing reports concerning the CCO's oversight of the risk assessment processes.

In considering the nature, extent, and quality of the services provided by the Investment Adviser, the Board of Trustees also took into account its knowledge of the Investment Adviser's management and the quality of the performance of its duties, through discussions and reports during the preceding year and in past years.

The Board of Trustees concluded that the Investment Adviser had the quality and depth of personnel and investment methods essential to performing its duties under the Agreements, and that the nature and the quality of such advisory services supported the approval of the Agreements.

The Investment Adviser's historical performance.

In considering each Fund's performance, the Board of Trustees noted that it reviews at its regularly scheduled meetings information about each Fund's performance results. The Board of Trustees considered the performance of the Funds as described in the quarterly and other reports prepared by management over the course of the year. The Board of Trustees noted that the Investment Adviser reviewed with the Board of Trustees on a quarterly basis detailed information about the Funds' performance results, portfolio composition and investment strategies. The Board of Trustees reviewed the historical performance of each Fund over various time periods and reflected on previous discussions regarding matters bearing on the Investment Adviser's performance at its meetings throughout the year. The Board of Trustees discussed the historical performance of each Fund and considered the relative performance of each Fund and its portfolio management team as compared to that of each Fund's peer group as selected by FUSE, as well as comparable indices.

The Board of Trustees also reviewed and considered the FUSE report, which provided a statistical analysis comparing each Fund's investment performance, expenses and fees to those of comparable funds for various periods ended June 30, 2021 and management's discussion of the same, including the effect of current market conditions on each Fund's more-recent performance. The Board of Trustees also received a review of the data contained in the FUSE report from representatives of FUSE. The Board of Trustees noted that while it found the data provided by FUSE, the independent third-party data provider, generally useful, it recognized its limitations, including in particular that the data may vary depending on the end date selected and the results of the performance comparisons may vary depending on the selection of the peer group. The Board of Trustees also took into account management's discussion of the category in which each Fund was placed for comparative purposes, including any differences between a Fund's investment strategy and the strategy of the funds in each Fund's respective category, as well as compared to the peer group selected by FUSE. The Board of Trustees also took into account its discussions with management over the course of the year regarding factors that contributed to the performance of the Fund, including presentations with the Fund's portfolio managers.

Among other data relating specifically to the Merger Arbitrage Fund's performance, the Board of Trustees took note of FUSE's explanatory note that the peer group consists of merger arbitrage funds with similar pricing characteristics and that the universe includes the Merger Arbitrage Fund, its peer group, and other merger arbitrage funds with similar pricing characteristics, excluding outliers. The Board of Trustees considered that the Fund outperformed its benchmark index, the Bloomberg Barclays U.S. Aggregate Bond Index for the one-, three-, and five-year periods ended June 30, 2021. The Board of Trustees also considered that the Fund outperformed its peer group median for the one-, three-, and five-year periods ended June 30, 2021. The Board of Trustees also took into account management's discussion of the Fund's strong performance.

It was noted that, effective November 2019, the Long Short Healthcare Fund was renamed the Highland Healthcare Opportunities Fund, and the Fund no longer pursues a long/short strategy. It was also noted that, effective October 15, 2021, the Highland Healthcare Opportunities Fund was renamed NexPoint Event Driven Fund. Among other data relating specifically to the NexPoint Event Driven Fund's performance, the Board of Trustees took note of FUSE's explanatory note that the peer group and universe consist of other health funds with similar pricing characteristics, and that the universe excludes outliers. The Board of Trustees then considered that the NexPoint Event Driven Fund had underperformed its benchmark, the S&P 500 Index, and the median of its peer group for the one-, three-, five-, and ten-year periods ended June 30, 2021. The Board of Trustees also took into account management's discussion of the Fund's performance, including the differences between the Fund and the category in which it was placed for comparative purposes. The Board of Trustees also noted the proposed changes to the Fund's investment strategy.

The Board of Trustees concluded that each Fund's overall performance and other relevant factors, including the Investment Adviser's actions to address any underperformance, supported the continuation of the Agreements with respect to each Fund for an additional one-year period.

The costs of the services to be provided by the Investment Adviser and the profits to be realized by the Investment Adviser and its affiliates from the relationship with each Fund.

The Board of Trustees also gave consideration to the fees payable under the Agreements, the expenses the Investment Adviser incur in providing advisory services and the profitability to the Investment Adviser from managing the Funds, including: (1) information regarding the financial condition of the Investment Adviser; (2) information regarding the total fees and payments received by the Investment Adviser for its services and, with respect to the Investment Adviser, whether such fees are appropriate given economies of scale and other considerations; (3) comparative information showing (a) the fees payable under the Agreements versus the investment advisory fees of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Funds and (b) the expense ratios of each Fund versus the expense ratios of certain registered investment companies and comparable funds that follow investment strategies similar to those of each Fund; and (4) information regarding the total fees and payments received and the related amounts waived and/or reimbursed by the Investment Adviser for providing administrative services with respect to each Fund under separate agreements and whether such fees are appropriate.

The Board of Trustees considered that the Merger Arbitrage Fund's total net expenses were in line with its peer group median but its advisory fees were lower than that of its peer group median. The Board of Trustees also took into account management's discussion of the Merger Arbitrage Fund's expenses and the amounts waived and/or reimbursed by the Investment Adviser.

The Board considered that the NexPoint Event Driven Fund's total net expenses and advisory fees were higher than those of its peer group median. The Board of Trustees took into account management's discussion of the Fund's expenses, including the Fund's strategy as compared to the other Funds in the peer group. The Board of Trustees also noted the proposed change in its strategy and fees, which would be more aligned with a different category.

The Board of Trustees also considered the so-called "fall-out benefits" to the Investment Adviser with respect to each Fund, such as the reputational value of serving as Investment Adviser to the Fund, potential fees paid to the Investment Adviser's affiliates by the Fund or portfolio companies for services provided, including administrative services provided to the Fund by the Investment Adviser pursuant to separate agreements, the benefits of scale from investment by the Fund in affiliated funds, and the benefits of research made available to the Investment Adviser by reason of brokerage commissions (if any) generated by the Fund's securities transactions. The Board of Trustees concluded that the benefits received by the Investment Adviser and its affiliates were reasonable in the context of the relationship between the Investment Adviser and each Fund.

After such review, the Board of Trustees determined that the profitability to the Investment Adviser and its affiliates from their relationship with each Fund was not excessive.

The extent to which economies of scale would be realized as each Fund grows and whether fee levels reflect these economies of scale for the benefit of shareholders.

The Board of Trustees also considered the effect of the Funds' growth in assets under management on their fees. The Board of Trustees noted that while the Funds do not currently contain breakpoints in their advisory fee schedules, the Merger Arbitrage Fund does benefit from a waiver of a portion of its advisory and administration fees, which the Investment Adviser believes can be more effective than breakpoints at controlling overall costs borne by shareholders and the Board of Trustees took into account management's discussion of the same. Among other data, the Board of Trustees examined the effect of each Fund's growth in assets under management on various fee schedules and reviewed the FUSE report, which compared fees among peers. The Board of Trustees also generally noted that, if a Fund's assets increase over time, the Fund may realize other economies of scale if assets increase proportionally more than certain other fixed expenses. The Board of Trustees concluded that the fee structures are reasonable, and with respect to the Investment Adviser, should result in a sharing of economies of scale in view of the information provided. The Board of Trustees determined to continue to review the ways and extent to which economies of scale might be shared between the Investment Adviser, on the one hand, and shareholders of the Funds, on the other.

Conclusion.

Following a further discussion of the factors above, it was noted that in considering the approval of the Agreements, no single factor was determinative to the decision of the Board of Trustees. Rather, after weighing all factors and considerations, including those discussed above, the Board of Trustees, including separately, the Independent Trustees, unanimously agreed that the Agreements, including the advisory fee to be paid to the Investment Adviser, is fair and reasonable to each Fund in light of the services that the Investment Adviser provides, the expenses that it incurs and the reasonably foreseeable asset levels of the Fund.

Liquidity Risk Management Program

The Funds adopted and implemented a written liquidity risk management program (the "Program") as required by Rule 22e-4 under the 1940 Act, as amended (the "Liquidity Rule"). As required by the Liquidity Rule, the Program is designed to reasonably assess and manage the Funds' liquidity risk, taking into consideration the Funds' investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources.

The Board has appointed the Investment Adviser as the Program's administrator, and the Investment Adviser has delegated oversight of the Program to the cross-functional Liquidity Risk Management Committee (the "Committee"). The Committee includes representatives from compliance, accounting, operations, valuations, trading, and portfolio management departments, as well as employees of the Funds' service provider Skyview, and is responsible for the Program's administration and reporting to the Board on at least an annual basis regarding the Program's operation and effectiveness. The Committee executes the day-to-day investment management and security-level activities of the Funds in accordance with the requirements of the Program, subject to the supervision of the Investment Adviser and the Board.

The Committee: (1) reviews the day-to-day operations of the Program; (2) reviews and approve month-end liquidity classifications; (3) reviews quarterly testing and determinations, as applicable; and (4) review other Program related material. The Committee also conducts daily, monthly, quarterly, and annual quantitative and qualitative assessments of the Funds that is subject to the requirements of the Liquidity Rule and is a part of the Program to monitor investment performance issues, risks and trends. In addition, the Committee may conduct ad-hoc reviews and meetings as issues and trends are identified, including potential liquidity and valuation issues. The Committee also monitors global events, such as the COVID-19 coronavirus, that could impact the markets and liquidity of portfolio investments and their classifications.

In accordance with the Liquidity Rule, the Funds' portfolio investments is classified into one of four liquidity categories described below based on a determination of a reasonable expectation for how long it would take to convert the investment to cash (or sell or dispose of the investment) without significantly changing its market value.

- Highly liquid investments – cash or convertible to cash within three business days or less
- Moderately liquid investments – convertible to cash in three to seven calendar days

- Less liquid investments – can be sold or disposed of, but not settled, within seven calendar days
- Illiquid investments – cannot be sold or disposed of within seven calendar days

Liquidity classification determinations consider a variety of factors including various market, trading and investment specific considerations, as well as market depth, and generally utilize analysis from a third-party liquidity metrics service.

The Liquidity Rule places a 15% limit on a Funds' illiquid investments and requires Funds that do not primarily hold assets that are highly liquid investments to determine and maintain a minimum percentage of the Funds' net assets to be invested in highly liquid investments (highly liquid investment minimum or "HLIM"). The Program includes provisions reasonably designed to comply with the 15% limit on illiquid investments and for determining, periodically reviewing and complying with the HLIM requirement as applicable. The Liquidity Rule and the Program also require reporting to the Board and the U.S. Securities and Exchange Commission (on a non-public basis) if the Funds' holdings of illiquid investments exceed 15% of the Funds' assets.

At a meeting held on June 8, 2021, the Committee presented a report to the Board summarizing the results of its annual assessment of the adequacy and effectiveness of the Program's implementation (the "Report"). The Report covered the period from May 31, 2020 through May 31, 2021 (the "Period").

For the Trust, the Report stated, in relevant part, that during the Period:

- There were no material changes to the Program;
- Each Fund's investment strategy remained appropriate for an open-end fund;
- The Funds were able to meet requests for redemption without significant dilution of remaining investors' interests in the Funds;
- The Funds did not breach the 15% limit on illiquid investments;
- The Funds routinely used the expedited settlement facilities to raise cash during periods of unusual market volatility with no issues;
- The Funds have been designated as a primarily Highly Liquid Funds and
- There were no material liquidity events which occurred or were reported during this period applicable to the Funds, if any, and the Committee's actions to address such matter.

Overall, the Report concluded that the Program, as adopted and implemented, remained reasonably designed to assess and manage the Funds' liquidity risk, and is operating in a manner that is adequate and effective to manage the liquidity risk of The Funds.

CONTROL PERSONS AND PRINCIPAL SHAREHOLDERS

As of December 31, 2021, the Trustees and officers of each Fund as a group owned less than 1% of the then outstanding shares of each class of shares of each Fund.

Control persons are presumed to control a Fund for purposes of voting on matters submitted to a vote of shareholders due to their beneficial ownership of 25% or more of a Fund's outstanding voting securities. As of December 31, 2021, no person known to owned of record or beneficially 25% or more of the outstanding shares of a Fund.

A person who beneficially owns, either directly or indirectly, more than 25% of the voting securities of a Fund or acknowledges the existence of such control may be presumed to control the Fund. A control person could potentially control the outcome of any proposal submitted to the shareholders for approval, including changes to a Fund's fundamental policies or terms of the investment advisory agreement with the Adviser.

IMPORTANT INFORMATION ABOUT THIS REPORT

Investment Adviser
Highland Capital Management Fund Advisors, L.P.
300 Crescent Court, Suite 700
Dallas, TX 75201

Transfer Agent
DST Asset Manager Solutions, Inc.
430 W. 7th Street, Suite 219424
Kansas City, Missouri 64105-1407

Underwriter
NexPoint Securities, Inc.
300 Crescent Court, Suite 700
Dallas, TX 75201

Custodian
Bank of New York Mellon
240 Greenwich Street
New York, NY 10286

Independent Registered Public Accounting Firm
Cohen & Company, Ltd.
1350 Euclid Ave., Suite 800
Cleveland, OH 44115

Fund Counsel
K&L Gates LLP
1 Lincoln Street
Boston, MA 02111

This report has been prepared for shareholders of NexPoint Event Driven Fund and NexPoint Merger Arbitrage Fund (collectively, the “Funds”). As of January 1, 2021, paper copies of the Funds’ shareholder reports will no longer be sent by mail. Instead, the reports will be made available on https://www.highlandfunds.com/literature/, and you will be notified and provided with a link each time a report is posted to the website. You may request to receive paper reports from the Funds or from your financial intermediary free of charge at any time. For additional information regarding how to access the Funds’ shareholder reports, or to request paper copies by mail, please call shareholder services at 1-877-665-1287.

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to their portfolio securities, and the Funds’ proxy voting records for the most recent 12-month period ended June 30, are available (i) without charge, upon request, by calling 1-877-665-1287 and (ii) on the Securities and Exchange Commission’s website at http://www.sec.gov.

The Funds file their complete schedules of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-PORT within sixty days after the end of the period. The Funds’ Forms N-PORT are available on the Commission’s website at http://www.sec.gov and also may be reviewed and copied at the Commission’s Public Reference Room in Washington, DC. Information on the Public Reference Room may be obtained by calling 1-800-SEC-0330. Shareholders may also obtain the Form N-PORT by visiting the Funds’ website at www.highlandfunds.com.

The Statements of Additional Information include additional information about the Funds’ Trustees and are available upon request without charge by calling 1- 877-665-1287.

HIGHLAND CAPITAL MANAGEMENT
FUND ADVISORS

Highland Funds
c/o DST Asset Manager Solutions, Inc. 430
W 7th Street Suite 219424
Kansas City, MO 64105-1407

Highland Funds I

Semi-Annual Report, December 31, 2021

www.highlandfunds.com