Highland Capital Management

Highland Energy MLP Fund

Semi-Annual Report
March 31, 2018

Highland Energy MLP Fund

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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.

Objective

Highland Energy MLP Fund seeks to provide investors with current income and capital appreciation.

Net Assets as of March 31, 2018

$22.3 million

Portfolio Data as of March 31, 2018

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

Top 10 Holdings as of 03/31/2018 (%)[1]	
Energy Transfer Equity LP (Master Limited Partnerships)	21.2
Enterprise Products Partners LP (Master Limited Partnerships)	12.1
Targa Resources Corp. (Common Stocks)	11.9
Williams Partners LP (Master Limited Partnerships)	8.5
SemGroup Corp. (Common Stocks)	8.2
MPLX LP (Master Limited Partnerships)	8.1
Andeavor Logistics LP (Master Limited Partnerships)	7.7
Western Gas Equity Partners LP (Master Limited Partnerships)	7.5
Williams Cos., Inc. (The) (Common Stocks)	7.2
EnLink Midstream Partners LP (Master Limited Partnerships)	7.2

[1] Holdings are calculated as a percentage of total net assets.

A guide to understanding the Fund's financial statements

Investment Portfolio	The Investment Portfolio details of the Fund's holdings and its 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.
Statement of Assets and Liabilities	This statement details the 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 the Fund's liabilities (including any unpaid expenses) from the total of the Fund's investment and non-investment 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.
Statement of Operations	This statement reports income earned by the Fund and the expenses incurred by the Fund during the reporting period. The Statement of Operations also shows any net gain or loss the 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 the Fund's net increase or decrease in net assets from operations.
Statement of Changes in Net Assets	This statement details how the 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 Statement of Changes in Net Assets also details changes in the number of shares outstanding.
Financial Highlights	The Financial Highlights demonstrate how the 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 Fund, certain of its 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 - 38.8%		
ENERGY (a) - 38.8%		
42,226	EnLink Midstream LLC	618,611
58,877	Kinder Morgan, Inc.	886,688
47,553	Plains GP Holdings LP, Class A	1,034,278
85,929	SemGroup Corp., Class A	1,838,880
60,407	Targa Resources Corp.	2,657,908
64,734	Williams Cos., Inc. (The)	1,609,287
		8,645,652
	Total Common Stocks (Cost $13,221,248)	8,645,652
Master Limited Partnerships - 102.5%		
ENERGY (a) - 102.5%		
38,329	Andeavor Logistics LP	1,717,523
48,949	Boardwalk Pipeline Partners LP	496,832
30,182	Crestwood Equity Partners LP	772,659
333,411	Energy Transfer Equity LP	4,737,770
117,135	EnLink Midstream Partners LP	1,600,064
110,266	Enterprise Products Partners LP	2,699,312
24,986	EQT Midstream Partners LP	1,474,924
6,653	Magellan Midstream Partners LP	388,203
54,963	MPLX LP	1,815,978
111,974	NGL Energy Partners LP	1,231,714
21,144	Plains All American Pipeline LP	465,802
27,347	Shell Midstream Partners LP	575,654
28,222	Suburban Propane Partners LP	621,166
27,164	Sunoco LP	692,954
50,660	Western Gas Equity Partners LP	1,677,859
55,047	Williams Partners LP	1,895,268
		22,863,682
	Total Master Limited Partnerships (Cost $29,540,135)	22,863,682
Total Investments - 141.3% (Cost $42,761,383)		**31,509,334**
Other Assets & Liabilities, Net - (41.3)%		**(9,211,827)**
Net Assets - 100.0%		**22,297,507**

(a) All or part of this security is pledged as collateral for the credit facility with Bank of New York Mellon. The market value of the securities pledged as collateral was $31,509,334.

STATEMENTS OF ASSETS AND LIABILITIES

As of March 31, 2018 (unaudited) | **Highland Energy MLP Fund**

	Highland Energy MLP Fund ($)
Assets	
Investments, at value	31,509,334
Total Investments, at value	31,509,334
Cash	206,081
Receivable for:	
Interest	88
Investment advisory and administration fees (Note 6)	3,457
Fund shares sold	25,201
Net deferred tax asset (Note 4)	1,079,164
Prepaid expenses and other assets	23,552
Total assets	32,846,877
Liabilities	
Notes payable (Note 5)	10,400,000
Due to Custodian	22
Payable for:	
Fund shares redeemed	4,029
Trustees' fees	191
Distribution and shareholder service fees (Note 6)	516
Transfer agent fees	1,623
Interest expense and commitment fee payable (Note 5)	43,389
Accrued expenses and other liabilities	99,600
Total liabilities	10,549,370
Commitments and Contingencies (Note 6)	
Net Assets	**22,297,507**
Net Assets Consist of:	
Par value (Note 1)	7,004
Paid-in capital	61,973,239
Accumulated net investment income (loss), net of income taxes	(2,921,632)
Accumulated net realized loss from investments, net of income taxes	(27,134,940)
Net unrealized appreciation (depreciation) on investments, net of income taxes	(9,626,164)
Net Assets	**22,297,507**
Investments, at cost	42,761,383

As of March 31, 2018 (unaudited) | Highland Energy MLP Fund

	Highland Energy MLP Fund ($)
Class A:	
Net assets	1,802,747
Shares outstanding ($0.001 par value; unlimited shares authorized)	563,842
Net asset value per share[(a)(b)]	3.20
Maximum offering price per share[(c)]	3.40
Class C:	
Net assets	2,714,503
Shares outstanding ($0.001 par value; unlimited shares authorized)	852,555
Net asset value and offering price per share[(a)]	3.18
Class Y:	
Net assets	17,780,257
Shares outstanding ($0.001 par value; unlimited shares authorized)	5,587,895
Net asset value, offering and redemption price per share	3.18

(a) Redemption price per share is equal to net asset value per share less any applicable contingent deferred sales charge (“CDSC”).
(b) Purchases without an initial sales charge of $1,000,000 or more are subject to a 0.50% CDSC if redeemed within one year of purchase.
(c) The sales charge is 5.75%. On sales of $1,000,000 or more, there is no sales charge and therefore the offering will be lower.

STATEMENTS OF OPERATIONS

For the six months ended March 31, 2018 (unaudited) — **Highland Energy MLP Fund**

	($)
Investment Income	
Income:	
Dividends and distributions	1,308,915
Interest	484
Return of capital (Note 2)	(1,181,591)
Total Income	127,808
Expenses:	
Investment advisory (Note 6)	187,874
Administration fees (Note 6)	37,575
Distribution and shareholder service fees: (Note 6)	
Class A	3,181
Class C	16,349
Transfer agent fees	11,519
Trustees fees (Note 6)	2,712
Accounting services fees	12,189
Audit and tax preparation fees	53,303
Legal fees	8,855
Registration fees	23,005
Insurance	1,838
Reports to shareholders	13,882
Interest expense and credit agreement (Note 5)	177,323
Tax expense	669
Other	1,534
Total operating expenses before waiver and reimbursement (Note 6)	551,808
Less: Expenses waived or borne by the adviser and administrator	(210,122)
Net operating expenses	341,686
Net investment loss	(213,878)
Net Realized and Unrealized Gain (Loss) on Investments	
Realized gain (loss) on:	
Investments	(1,271,619)
Change in unrealized appreciation (depreciation) on:	
Investments	(2,817,165)
Deferred tax expense (Note 4)	(187,827)
Net realized and unrealized gain (loss) on investments	(4,276,611)
Total decrease in net assets resulting from operations	(4,490,489)

STATEMENTS OF CHANGES IN NET ASSETS

Highland Energy MLP Fund

	Six Months Ended March 31, 2018 (unaudited) ($)	Year Ended September 30, 2017 ($)
Increase (Decrease) in Net Assets		
Operations:		
Net investment loss	(213,878)	(1,381,449)
Net realized gain (loss) on investments, net of income taxes	(1,271,619)	(7,607,519)
Net increase (decrease) in unrealized appreciation (depreciation) on investments, net of income taxes	(3,004,992)	5,479,244
Net decrease from operations	(4,490,489)	(3,509,724)
Distributions to shareholders from:		
Return of Capital		
Class A	(117,977)	(408,274)
Class C	(141,491)	(344,737)
Class Y	(1,036,870)	(2,425,133)
Total distributions	(1,296,338)	(3,178,144)
Decrease in net assets from operations and distributions	(5,786,827)	(6,687,868)
Share transactions:		
Proceeds from sale of shares		
Class A	189,744	2,294,254
Class C	367,176	1,734,106
Class Y	4,909,648	4,511,471
Value of distributions reinvested		
Class A	108,989	385,749
Class C	140,499	331,432
Class Y	1,035,469	2,416,508
Cost of shares redeemed		
Class A	(1,155,407)	(4,593,043)
Class C	(735,742)	(1,463,716)
Class Y	(4,232,607)	(7,005,478)
Net increase (decrease) from shares transactions	627,769	(1,388,717)
Total decrease in net assets	(5,159,058)	(8,076,585)
Net Assets		
Beginning of period	27,456,565	35,533,150
End of period	22,297,507	27,456,565
Accumulated net investment loss	(2,921,632)	(2,707,754)

Highland Energy MLP Fund

	Six Months Ended March 31, 2018 (unaudited)	Year Ended September 30, 2017
CAPITAL STOCK ACTIVITY - SHARES		
Class A:		
Shares sold	49,828	482,596
Issued for distribution reinvested	27,962	84,950
Shares redeemed	(286,995)	(983,069)
Net decrease in fund shares	(209,205)	(415,523)
Class C:		
Shares sold	96,758	375,312
Issued for distribution reinvested	36,120	73,612
Shares redeemed	(188,295)	(309,152)
Net increase (decrease) in fund shares	(55,417)	139,772
Class Y:		
Shares sold	1,239,185	1,055,255
Issued for distribution reinvested	266,485	542,420
Shares redeemed	(1,111,005)	(1,656,057)
Net increase (decrease) in fund shares	394,665	(58,382)

STATEMENT OF CASH FLOWS

For the Six Months Ended March 31, 2018 (unaudited) | **Highland Energy MLP Fund**

	($)
Cash Flows Used for Operating Activities:	
Net decrease in net assets resulting from operations	$(4,490,489)
Adjustments to Reconcile Net Investment Income to Net Cash Provided by Operating Activities	
Operating Activities:	
Purchases of investment securities from unaffiliated issuers	(4,123,706)
Proceeds from disposition investment securities from unaffiliated issuers	4,103,180
Proceeds from return of capital distributions	1,181,591
Net realized loss on investments	1,271,619
Net change in unrealized appreciation on investments	2,817,165
Decrease in receivable for net deferred tax asset	187,827
Increase in investment advisory and administration fees receivable	(3,457)
Decrease in prepaid and other assets	1,767
Increase in payable to trustees' fees	191
Decrease in payables for investment advisory and administration fees	(2,830)
Decrease in payable for distribution and shareholder service fees	(177)
Decrease in payable to transfer agent fees	(1,156)
Increase in payable for interest expense and commitment fees	7,718
Increase in accrued expenses and other liabilities	43,112
Net cash flow provided by operating activities	992,355
Cash Flows Used In Financing Activities:	
Decrease in notes payable	(1,090,000)
Distributions paid in cash	(11,380)
Payments on shares redeemed	(6,120,994)
Proceeds from shares sold	5,513,160
Net cash flow used in financing activities	(1,709,214)
Net increase in Cash	(716,859)
Cash:	
Beginning of period	922,940
End of period	$ 206,081
Supplemental disclosure of cash flow information:	
Reinvestment of distributions	$ 1,284,957
Cash paid during the period for interest and commitment fees	$ 169,605

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

	For the Six Months Ended March 31, 2018 (unaudited)	For the Years Ended September 30, 2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	$ 4.01	$ 4.94	$ 6.58	$ 12.17	$10.32	$10.98
Income from Investment Operations:						
Net investment loss[(a)]	(0.03)	(0.21)	(0.11)	(0.12)	(0.13)	(0.08)
Net realized and unrealized gain/(loss)	(0.60)	(0.27)	(1.03)	(4.94)	2.52	1.06
Total from investment operations	(0.63)	(0.48)	(1.14)	(5.06)	2.39	0.98
Less Distributions Declared to Shareholders:						
From net investment income	—	—	—	—	(0.09)	(1.32)
From return of capital	(0.18)	(0.45)	(0.50)	(0.53)	(0.45)	(0.32)
Total distributions declared to shareholders	(0.18)	(0.45)	(0.50)	(0.53)	(0.54)	(1.64)
Net Asset Value, End of Period[(b)]	$ 3.20	$ 4.01	$ 4.94	$ 6.58	$12.17	$10.32
Total Return[(b)(c)]	(16.50)%[(d)]	(10.35)%	(15.98)%	(43.12)%	23.83%	10.07%
Ratios to Average Net Assets[(e)]:						
Net assets, end of period (in 000's)	$ 1,803	$ 3,100	$ 5,875	$ 9,575	$2,758	$ 38
Gross operating expenses[(f)(g)]	5.76%	6.31%	10.23%	(7.83)%	10.60%	26.30%
Net investment income/(loss), net of income taxes[(g)]	(3.17)%	(3.89)%	(7.18)%	8.76%	(8.65)%	(0.74)%
Portfolio turnover rate	12%[(d)]	8%	49%	33%	40%	177%

(a) Per share was calculated using average shares outstanding during the period.
(b) The Net Asset Value 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 net asset value 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 reduced.
(d) Not annualized.
(e) All ratios for the period have been annualized, unless otherwise indicated.
(f) Supplemental expense ratios are shown below:

	For the Six Months Ended March 31, 2018 (unaudited)	For the Years Ended September 30, 2017	2016	2015	2014	2013
Gross operating expenses excluding income tax expense/(benefit)	4.32%	3.82%	4.01%	2.05%	3.02%	20.12%
Net operating expenses (net of waiver/reimbursement and excluding income tax expense/(benefit), if applicable, but gross of all other operating expenses)	2.72%	2.35%	2.18%	1.65%	1.45%	1.24%
Interest expense and commitment fees	1.36%	0.99%	0.79%	0.29%	—	—
Dividends and fees on securities sold short	—	—	—	—	—	—

(g) Calculation includes the impact of deferred tax expense/(benefit).

Highland Energy MLP Fund, Class C

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

	For the Six Months Ended March 31, 2018 (unaudited)	For the Years Ended September 30, 2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	$ 3.99	$ 4.93	$ 6.56	$ 12.16	$10.34	$10.96
Income from Investment Operations:						
Net investment loss[a]	(0.05)	(0.24)	(0.14)	(0.19)	(0.20)	(0.18)
Net realized and unrealized gain/(loss)	(0.59)	(0.28)	(1.02)	(4.94)	2.52	1.10
Total from investment operations	(0.64)	(0.52)	(1.16)	(5.13)	2.32	0.92
Less Distributions Declared to Shareholders:						
From net investment income	—	—	—	—	(0.08)	(1.22)
From return of capital	(0.17)	(0.42)	(0.47)	(0.47)	(0.42)	(0.32)
Total distributions declared to shareholders	(0.17)	(0.42)	(0.47)	(0.47)	(0.50)	(1.54)
Net Asset Value, End of Period[b]	$ 3.18	$ 3.99	$ 4.93	$ 6.56	$12.16	$10.34
Total Return[b][c]	(16.89)%[d]	(11.26)%	(16.49)%	(43.55)%	23.02%	9.42%
Ratios to Average Net Assets[e]:						
Net assets, end of period (in 000's)	$ 2,715	$ 3,627	$ 3,788	$ 2,523	$ 491	$ 20
Gross operating expenses[f][g]	6.51%	7.06%	10.98%	(7.08)%	11.27%	26.79%
Net investment income/(loss), net of income taxes[g]	(3.93)%	(4.60)%	(7.93)%	8.02%	(9.24)%	(1.68)%
Portfolio turnover rate	12%[d]	8%	49%	33%	40%	177%

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

(b) The Net Asset Value 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 net asset value 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 reduced.

(d) Not annualized.

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

(f) Supplemental expense ratios are shown below:

	For the Six Months Ended March 31, 2018 (unaudited)	For the Years Ended September 30, 2017	2016	2015	2014	2013
Gross operating expenses excluding income tax expense/(benefit)	5.07%	4.57%	4.76%	2.80%	3.69%	20.61%
Net operating expenses (net of waiver/reimbursement and excluding income tax expense/(benefit), if applicable, but gross of all other operating expenses)	3.47%	3.10%	2.93%	2.40%	2.10%	2.17%
Interest expense and commitment fees	1.36%	0.99%	0.79%	0.29%	—	—
Dividends and fees on securities sold short	—	—	—	—	—	—

(g) Calculation includes the impact of deferred tax expense/(benefit).

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

	For the Six Months Ended March 31, 2018 (unaudited)	For the Years Ended September 30, 2017	2016	2015	2014	2013
Net Asset Value, Beginning of Period	$ 3.99	$ 4.93	$ 6.60	$ 12.21	$ 10.34	$10.99
Income from Investment Operations:						
Net investment loss[a]	(0.03)	(0.19)	(0.10)	(0.09)	(0.08)	(0.07)
Net realized and unrealized gain/(loss)	(0.60)	(0.28)	(1.06)	(4.97)	2.52	1.11
Total from investment operations	(0.63)	(0.47)	(1.16)	(5.06)	2.44	1.04
Less Distributions Declared to Shareholders:						
From net investment income	—	—	—	—	(0.09)	(1.37)
From return of capital	(0.18)	(0.47)	(0.51)	(0.55)	(0.48)	(0.32)
Total distributions declared to shareholders	(0.18)	(0.47)	(0.51)	(0.55)	(0.57)	(1.69)
Net Asset Value, End of Period[b]	$ 3.18	$ 3.99	$ 4.93	$ 6.60	$ 12.21	$10.34
Total Return[b][c]	(16.47)%[d]	(10.32)%	(16.14)%	(43.01)%	24.25%	10.62%
Ratios to Average Net Assets[e]:						
Net assets, end of period (in 000's)	$17,780	$20,729	$25,870	$28,707	$29,741	$3,392
Gross operating expenses[f][g]	5.51%	6.06%	9.98%	(8.08)%	10.26%	17.43%
Net investment income/(loss), net of income taxes[g]	(2.93)%	(3.61)%	(6.93)%	9.01%	(8.68)%	(0.71)%
Portfolio turnover rate	12%[d]	8%	49%	33%	40%	177%

(a) Per share was calculated using average shares outstanding during the period.
(b) The Net Asset Value 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 net asset value 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 reduced.
(d) Not annualized.
(e) All ratios for the period have been annualized, unless otherwise indicated.
(f) Supplemental expense ratios are shown below:

	For the Six Months Ended March 31, 2018 (unaudited)	For the Years Ended September 30, 2017	2016	2015	2014	2013
Gross operating expenses excluding income tax expense/(benefit)	4.07%	3.57%	3.76%	1.80%	2.68%	11.25%
Net operating expenses (net of waiver/reimbursement and excluding income tax expense/(benefit), if applicable, but gross of all other operating expenses)	2.47%	2.10%	1.93%	1.40%	1.10%	1.20%
Interest expense and commitment fees	1.36%	0.99%	0.79%	0.29%	—	—
Dividends and fees on securities sold short	—	—	—	—	—	—

(g) Calculation includes the impact of deferred tax expense/(benefit).

Note 1. Organization

Highland Funds II (the "Trust") is a Massachusetts business trust organized on August 10, 1992. The Trust is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. It comprises seven portfolios that are currently being offered as of March 31, 2018 including the Highland Energy MLP Fund ("the Fund"). The other portfolios are reported separately from the Fund.

Fund Shares

The Fund is authorized to issue an unlimited number of shares of beneficial interest with a par value of $0.001 per share (each a "Share" and collectively, the "Shares"). The Fund currently offers the following three share classes to investors, Class A, Class C, and Class Y Shares.

Class A Shares are sold with a front-end sales charge. Maximum sales load imposed on purchases of Class A Shares (as a percentage of offering price) is 5.75%.

There is no front-end sales charge imposed on individual purchases of Class A Shares of $1 million or more. The front-end sales charge is also waived in other instances as described in the Fund's prospectus. Purchases of $1 million or more of Class A Shares at net asset value ("NAV") pursuant to a sales charge waiver are subject to a 0.50% contingent deferred sales charge ("CDSC") if redeemed within one year 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 Y Shares of the Fund.

Note 2. Significant Accounting Policies

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

Use of Estimates

The Fund is an investment company that applies the accounting and reporting guidance of Accounting Standards Codification Topic 946 applicable to investment companies. The Fund's 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. (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 revenue and expenses 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

The 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 the 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

In computing the Fund's 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 Fund's Board of Trustees (the "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 Fund's 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 which provide appropriate pricing services and which have been approved by the Board.

Securities for which market quotations are not readily available, or for which the Fund has 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 Fund's NAV) will be valued by the Fund 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 Fund's 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 Fund's 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 Fund. The NAV shown in the Fund's financial statements may vary from the NAV published by the 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 Fund has 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 Fund's 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 March 31, 2018, the Fund's investments consisted of common stocks and master limited partnerships. If applicable, the fair values of the Fund's common stocks and master limited partnerships 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 Fund's 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 Fund may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise 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. Transfers in and out of the levels are recognized at the value at the end of the period. During the six months ended March 31, 2018, there were no transfers between levels. A summary of the inputs used to value the Fund's assets as of March 31, 2018 is as follows:

	Total value at March 31, 2018	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Energy MLP Fund				
Assets				
Common Stocks[1]	$ 8,645,652	$ 8,645,652	$ —	$ —
Master Limited Partnerships[1]	22,863,682	22,863,682	—	—
Total	$31,509,334	$31,509,334	$ —	$ —

[1] See Investment Portfolio detail for industry breakout.

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.

Partnership Accounting Policy

The Fund records its pro rata share of the income (loss) and capital gains (losses) allocated from the underlying partnerships, determines the amount of distributions received from underlying partnerships and accordingly adjusts the cost basis of the underlying partnerships for return of capital. These amounts are included in the Fund's Statement of Operations as "Dividends and distributions" and "Return of capital."

U.S. Federal Income Tax Status

The Fund will be taxable as a regular corporation, or a "C" corporation, for U.S. federal income tax purposes, and thus will pay entity-level taxes as described below. Prior to the Fund's taxable year ending September 30, 2013, the Fund elected to be treated and qualified annually as a regulated investment company ("RIC") accorded special tax treatment under the Internal Revenue Code of 1986, as amended (the "Code").

Master Limited Partnerships

Master Limited Partnerships, commonly referred to as "MLPs," are generally organized under state law as limited partnerships or limited liability companies. The Fund intends to primarily invest in MLPs treated as partnerships under the Code, and whose interests or "units" are traded on securities exchanges like shares of corporate stock. To be treated as a partnership for U.S. federal income tax purposes, an MLP whose units are traded on a securities exchange must receive at least 90% of its income from qualifying sources such as interest, dividends, real estate rents, gain from the sale or disposition of real property, income and gain from mineral or natural resources activities, income and gain from the transportation or storage of certain fuels, and, in certain circumstances, income and gain from commodities or futures, forwards and options with respect to commodities. Mineral or natural resources activities include exploration, development, production, processing, mining, refining, marketing and transportation (including pipelines), of oil and gas, minerals, geothermal energy, fertilizer, timber or industrial source carbon dioxide. An MLP consists of a general partner and limited partners (or in the case of MLPs organized as limited liability companies, a managing member and members). The general partner or managing member typically controls the operations and management of the MLP and has an ownership stake in the partnership. The limited partners or members, through their ownership of limited partner or member interests, provide capital to the entity, are intended to have no role in the operation and management of the entity and receive cash distributions. The MLPs themselves generally do not pay U.S. federal income taxes. Thus, unlike investors in corporate securities, direct MLP investors are generally not subject to double taxation (i.e., corporate level tax and tax on corporate dividends). Currently, most MLPs operate in the energy and/or natural resources sector.

Income Taxes

Since implementing the Fund's revised strategy to concentrate in MLP investments, the Fund is no longer eligible for treatment as a regulated investment company under the Code. Accordingly, the Fund is treated as a regular corporation, or "C" corporation, for U.S. federal income tax purposes. As a result, the Fund is subject to U.S. federal income tax on its taxable income at the graduated rates applicable to corporations as well as state and local income taxes. The Fund's MLP investments operate in various state and local jurisdictions.

The Fund invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Fund includes its allocable share of the MLP's taxable income in computing its own taxable income. Deferred income taxes reflect (i) taxes on unrealized gains (losses), which are attributable to the temporary difference between fair market value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating and capital losses.

In calculating the Fund's daily NAV, the Fund will account for its deferred tax liability and/or asset balances. The Fund will accrue, in accordance with GAAP, a deferred income tax liability balance, at the currently effective statutory U.S. federal income tax rate plus an estimated state and local income tax rate, for its future tax liability associated with the capital appreciation of its investments and the distributions received by the Fund on equity securities of MLPs considered to be return of capital and for any net operating gains. Any deferred tax liability balance will reduce the Fund's NAV. Upon the Fund's sale of a portfolio security, the Fund may be liable for previously deferred taxes. If the Fund is required to sell portfolio securities to meet redemption requests, the Fund may recognize income and gains for U.S. federal, state and local income tax purposes, which will result in corporate income taxes imposed on the Fund.

The Fund also will accrue, in accordance with GAAP, a deferred tax asset balance, which reflects an estimate of the Fund's future tax benefit associated with net operating losses, capital loss carryforwards and unrealized losses. To the extent the Fund has a net deferred tax asset balance, the Fund may record a valuation allowance, which would offset the value of some or all of the Fund's deferred tax asset balance. The Fund intends to assess whether a valuation allowance is required to offset some or all of any deferred tax asset balance in connection with the calculation of the Fund's daily NAV; however, to the extent the final valuation allowance differs from the estimates of the Fund used in calculating the Fund's daily NAV, the application of such final valuation allowance could have a material impact on the Fund's NAV. In the assessment for a valuation allowance, consideration is given to all positive and negative evidence related to the realization of the deferred tax asset. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability (which are highly dependent on future cash distributions from the Fund's MLP holdings), the duration of statutory carryforward periods and the associated risk that operating and capital loss carryforwards may expire unused. From time to time, the Fund may modify its estimates or assumptions regarding its deferred tax liability and/or asset balance as new information becomes available. Such modifications, changes in generally accepted accounting principles or related guidance or interpretations thereof, limitations imposed on net operating and capital losses (if any) and changes in applicable tax law could result in increases or decreases in the Fund's NAV per share, which could be material. As of March 31, 2018, the valuation allowance amounted to $7,962,879. For all open tax years and for all major jurisdictions, management of the Fund has concluded that there are no other significant uncertain tax positions that would require recognition in the financial statements. Furthermore, management of the Fund 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 twelve months.

The Fund may rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in the portfolio and to estimate the associated deferred tax assets or liabilities. Such estimates are made in good faith. From time to time, as new information becomes available, the Fund modifies its estimates or assumptions regarding the deferred tax assets or liabilities. The Fund's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. The Fund files tax returns in U.S. federal and state jurisdictions. As of September 30, 2017, the Fund is generally no longer subject to income tax examinations by U.S. federal, state, or local tax authorities for calendar years prior to September 30, 2014.

Return of Capital Estimates

Distributions received from the Fund's investments in MLPs generally are comprised of income and return of capital. The Fund records investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on historical information available from each MLP and other industry sources. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded. For the period ended March 31, 2018, the Fund estimated that approximately 90% of the MLP distributions received would be treated as a return of capital. The Fund recorded as return of capital the amount of $1,181,591 of dividends and distributions received from its investments.

Distributions to Shareholders

The Fund intends to make quarterly cash distributions of all or substantially all cash distributions the Fund receives from MLP investments, after allowance for any fund-level taxes to its shareholders. Due to the tax treatment of the Fund's allocations and distributions from MLPs, the Investment Adviser expects that a significant portion of the Fund's distributions to shareholders will typically be treated as a return of capital in the hands of shareholders for U.S. federal income tax purposes (i.e., as distributions in excess of the Fund's current and accumulated earnings and profits as described below). However, no assurance can be given in this regard; just as the Fund's corporate income tax liability can fluctuate materially from year to year, the extent to which the Fund is able to make return of capital distributions also can vary materially from year to year depending on a number of different factors, including the composition of the Fund's portfolio (i.e., as between MLP equity securities and other investments, the level of allocations of net income and other tax items to the Fund from its underlying MLP investments during a particular taxable year, the length of time the Fund has owned the MLP equity securities in its portfolio, and the extent to which the Fund disposes of MLP equity securities during a particular year, including, if necessary, to meet Fund shareholder redemption requests.

In general, a distribution will constitute a return of capital to a shareholder, rather than a dividend, to the extent such distribution exceeds the Fund's current and accumulated earnings and profits. The portion of any distribution treated as a return of capital will constitute a tax-free return of capital to the extent of the shareholder's basis in the Fund shares and thereafter generally will be taxable to the shareholder as capital gain. Any such distribution, in turn, will result in a reduction in a shareholder's basis in the Fund's shares (but not below zero) to the extent of the return of capital and in the shareholder's recognizing more gain or less loss (that is, will result in an increase of a shareholder's tax liability) when the shareholder later sells shares of the Fund. To permit the Fund to maintain a more stable distribution rate, the Fund may distribute less or more than the entire amount of cash it receives from its investments in a particular period. Any undistributed cash would be available to supplement future distributions, and until distributed would add to the Fund's NAV. Correspondingly, such amounts, once distributed, reduce the Fund's NAV. In addition, in the discretion of the Fund, the Fund may determine not to make distributions at one or more times during the year, including by reason of potential adverse tax consequences to shareholders.

Cash & Cash Equivalents

The Fund considers liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of 3 months or less 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 market value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of the Statement of Assets and Liabilities.

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 non-recurring 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. Securities Lending

The Fund may make secured loans of its portfolio securities amounting to not more than 30% of the value of its total assets, thereby realizing additional income. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delays in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially and possible investment losses in the investment of collateral. Pursuant to the Fund's securities lending policy, securities loans are made to borrowers pursuant to agreements requiring that loans be continuously secured by collateral in 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. Collateral must be valued daily by the Custodian and the borrower will be required to provide additional collateral should the market value of the loaned securities increase. If the collateral consists of non-cash collateral, the borrower will pay the Fund a loan premium fee. If the collateral consists of cash, State Street Bank and Trust Company ("State Street") will reinvest the cash. Although voting rights, or rights to consent, with respect to the loaned securities pass to the borrower, the Fund will recall the loaned securities upon reasonable notice in order that the securities may 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 may call such loans in order to sell the securities involved.

Securities lending transactions are entered into pursuant to Securities Loan Agreements ("SLA"), which 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 defaults, the Fund, as lender, 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 a SLA counterparty's bankruptcy or insolvency. Under the SLA, the Fund 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, the Fund benefits from a borrower default indemnity provided by State Street. State Street's indemnity generally provides for replacement of securities lent or the approximate value thereof. During the six months ended March 31, 2018, the Fund did not participate in securities lending.

Note 4. U.S. Federal Income Tax Information

The character of income and gains to be distributed is determined in accordance with U.S. federal income tax regulations which may differ from U.S. GAAP. These differences include (but are not limited to) differences with respect to the treatment of investments organized as partnerships for tax purposes, foreign taxes, investments in futures, losses deferred to off-setting positions, tax treatment of organizational start-up costs, losses deferred due to wash sale transactions, dividends deemed paid upon shareholder redemption of Fund shares and tax attributes from Fund reorganizations. The calculation of net investment income per share in the Financial Highlights table excludes these adjustments.

As of March 31, 2018, the Fund's income tax provision consisted of the following:

	Current	Deferred	Total
Federal Tax Expense	$ —	$167,239	$167,239
State Tax Expense	—	20,588	20,588
Total Tax Expense	—	$187,827	$187,827

Deferred income taxes reflect (i) taxes on unrealized gains/ (losses), which are attributable to the difference between fair market value and tax basis; (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes; (iii) the net tax benefit of net operating losses, and (iv) remeasurement of the net deferred tax assets. The applicable tax rate for the fiscal year ended September 30, 2018 of 24.25% represents the weighted average United States Federal statutory tax rate. Total income taxes were different from the amount computed by applying the federal statutory income tax rate of 24.25% to the net investment loss and realized and unrealized gains (losses) on investments before taxes for the period ended March 31, 2018, as follows:

	2018
Tax at U.S. federal statutory income tax rate	24.250%
State income taxes, net of federal benefit	2.479%
Dividends received deduction	1.060%
Change in tax rate	(10.086)%
Change in valuation allowance	(22.068)%
Other	0.0000%
Effective Income Tax Rate	(4.365)%

H.R.1, Tax Cuts and Jobs Act ("Tax Act") was enacted on December 22, 2017. The Tax Act includes significant changes to the Internal Revenue Code of 1986, as amended, that significantly change the taxation of business entities. ASC 740, Accounting for Income Taxes, requires companies to recognize the effect of tax law changes in the period of enactment. The Tax Act reduces the U.S. corporate statutory tax rate from 35 percent to 21 percent for years after 2017. The Fund has remeasured the U.S. deferred tax assets and liabilities as of the enactment date to reflect the reduced rate that will apply in future periods when these deferred taxes will reverse, resulting in a reduction of the net deferred tax assets by $5,107,081, which is offset by the reduction in valuation allowance by $4,673,100, for a total reduction to the deferred tax balance of $433,982. Deferred tax expense of $187,827 is principally related to the remeasurement of our deferred tax assets that are deemed to reverse at the new 21% tax rate partially offset by the deferred tax benefit on the unrealized losses recognized in the current year.

For the period ended March 31, 2018, the Fund's effective tax rate of (4.365)% was less than the combined federal and state tax rate of 26.729% due in large part to the change in valuation allowance.

As of March 31, 2018, significant components of the Fund's net deferred tax assets were as follows:

	Total
Net unrealized losses (gains) on investments	$ 3,290,280
Net operating loss carryforward	2,067,739
Capital loss carryforward	5,248,642
Total deferred tax assets	10,606,661
Valuation allowance	(7,962,879)
Total DTA, net of valuation allowance	2,643,782
Deferred tax liability: unrealized ordinary income	(1,564,618)
Total DTA, net of Deferred Tax Liability	$ 1,079,164

As of March 31, 2018, the Fund has tax attributes that carry forward for varying periods. The Fund's federal net operating loss carryforward of $6,631,557 that originated during 2014 — 2017 can be carried back two years or forward twenty years to reduce the Fund's net income realized during those other years. These federal net operating losses will begin to expire in 2034 if they are not utilized. The Fund's federal operating loss of $2,135,544 created in 2018 can be carried forward indefinitely as a result of the Tax Act. The Fund has state net operating losses of $4,191,787 (net of estimated state apportionment) that can reduce the Fund's state taxable income and will begin to expire in 2024 if they are not utilized. The Fund's capital losses of $22,253,951 originated in 2014 — 2018. The net capital loss generally can be carried back three years and forward five years to offset any capital gains realized during those other years. The Fund has recorded a partial valuation allowance in connection with federal and state net operating loss carryforwards (as discussed below) and a full valuation in connection with the capital loss carryforwards. The Fund Management believes it is more likely than not that the tax benefits will not be recognized for the valuation allowance established. In the event a capital loss carryover or net operating loss carryover cannot be utilized in the carryover periods, the Fund's U.S. federal income tax liability may be higher than expected, which will result in less cash available to distribute to shareholders.

The Fund periodically reviews the recoverability of its deferred tax assets based on the weight of available evidence and the criteria for whether it is more likely than not that the asset would be utilized under ASC 740. In analyzing the potential need for a valuation allowance, the Fund considered the fact that it has incurred a cumulative loss over the three-year period ended March 31, 2018. A significant portion of the Fund's net pre-tax losses related to unrealized depreciation of investments that arose during the 2015 and 2016 fiscal years as a result of decline in the overall financial, commodity and MLP markets.

The balance of the deferred tax asset, net of valuation allowance, is made up of two components. The first is the tax effected unrealized losses on the Fund's investments in C-corporations. When assessing the recoverability of its deferred tax asset, significant weight was given to the Fund's forecast of future taxable income, which is based principally on the expected continuation of MLP cash distributions at or near current levels. Due to the tax treatment of the Fund's partnership investments, Management has been able to forecast future taxable income of the appropriate character from those investments. This expected taxable income is more likely than not sufficient to realize the benefit of a portion of the tax basis in unrealized losses of the investments in C-corporations equal to the book unrealized balance in those investments, which is tracked daily in conjunction with the Fund's NAV. Recovery of this portion of the deferred tax asset is dependent on continued payment of the MLP cash distributions at or near current levels in the future and the resultant generation of taxable income. The second component represents net operating losses which are offset by the unrealized ordinary income under Section 751 of the Code that is measurable for the Fund's open partnership investments. This amount is reflected as a deferred tax liability in the above table. The valuation allowance decreased approximately $4,387,041 from September 30, 2017 primarily as a result of the remeasurement relating to the change in federal tax rates, offset by an increase due to changes in unrealized values of the Fund's assets, realized losses, net and operating losses, tax rate changes, and the Investment Adviser's estimate of measurable Section 751 unrealized ordinary income.

The Fund will review its financial forecasts in relation to actual results and expected trends on an ongoing basis. Unexpected significant decreases in MLP cash distributions or significant further declines in the fair value of its portfolio of investments may change the Fund's assessment regarding the recoverability of the balance of the deferred tax asset and would likely result in additional valuation allowance. If additional valuation allowance is required to reduce the balance of the deferred tax asset in the future, it could have a material impact on the Fund's net asset value and results of operations in the period it is recorded.

The tax character of distributions paid during the period/year ended March 31,2018 and September 30, 2017 was as follows:

Year	Return of Capital	Ordinary Income
2018	$1,296,338	$ —
2017	3,178,144	—

Unrealized appreciation and depreciation at March 31, 2018, based on cost of investments for U.S. federal income tax purposes was:

Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation) Before Tax	Net Appreciation/ (Depreciation) After Tax	Cost[1]
$151,014	$(13,864,604)	$(13,713,590)	$(10,479,210)	$45,222,924

[1] Cost is reflected net of estimated unrealized Section 751 ordinary income of $6,633,892 within the Fund's partnership positions.

Note 5. Credit Agreement

On March 2, 2016 the Fund entered into a Master Margin Loan Agreement (the "Agreement") with The Bank of New York Mellon that expires on February 27, 2019. Interest is charged to the Fund based on its borrowings at a rate equal to LIBOR plus 1.10%. In addition, the Fund pays a commitment fee of 0.40% on any undrawn amount. Included in the Statement of Operations is $177,323 of interest expense and commitment fees. As of March 31, 2018, the Fund had an outstanding balance of $10,400,000 under the Agreement. The fair value of the outstanding debt under the Agreement was estimated to be $10,501,305, and would be categorized as Level 3 within the fair value hierarchy. The fair value was estimated based on discounting the cash flows owed using a discount rate of 0.50% over the 11 month risk free rate. For the six months ended March 31, 2018, the Fund's average daily note balance was $11,414,670 at a weighted average interest rate of 2.56% for the days outstanding.

Note 6. Transactions with Affiliates & Expenses Incurred by the Fund

Investment Advisory Fees and Administration Fees

For its investment advisory and administrative services, the Fund pays the Investment Adviser a monthly fee, computed and accrued daily, based on an annual rate of the Fund's Average Daily Managed Assets. Average Daily Managed Assets of the Fund means the average daily value of the total assets of the Fund less all accrued liabilities of the Fund (other than the aggregate amount of any outstanding borrowings constituting financial leverage). The Fund's contractual advisory fee with the Investment Adviser for the period ended March 31, 2018, was 1.00%.

The Investment Adviser provides administrative services for a monthly administration fee, computed and accrued daily, at an annual rate of 0.20% of the Fund's Average Daily Managed Assets. During the period ended March 31, 2018, the Investment Adviser waived $35,696 in administrative fees for the Fund. This administration fee waiver is voluntary and is subject to termination at any time by the Investment Adviser without notice.

Expense Limits and Fee Reimbursements

The Investment Adviser has contractually agreed to limit the total annual operating expenses of the Fund (exclusive of fees paid by the Fund pursuant to its distribution plan under Rule 12b-1 under the 1940 Act, taxes, such as deferred tax expenses, dividend expenses on short sales, interest payments, brokerage commissions and other transaction costs, acquired fund fees and expenses, and extraordinary expenses) of the Fund to 1.10% of average daily net assets attributable to any class of the Fund (the "Expense Cap"). The Expense Cap will continue through at least January 31, 2019, and may not be terminated prior to this date without the action or consent of the Board. Under the Expense Cap, the Investment Adviser may recoup waived and/or reimbursed amounts with respect to a 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.

On March 31, 2018, the amount subject to possible future recoupment under the Fund's expense limitation agreement were as follows:

Fund	Expiring during Fiscal Years Ending September 30, 2018	2019	2020	2021
Highland Energy MLP Fund	$9,975	$458,560	$381,492	$174,426

During the six months ended March 31, 2018, the Investment Adviser did not recoup any fees previously waived or reimbursed and $91,966 of fees previously waived and or reimbursed by the Investment Adviser that were eligible for recoupment expired.

Fees Paid to Officers and Trustees

Each Trustee who is not an "interested person" of the Fund as defined in the 1940 Act (the "Independent Trustees") 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 "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. Effective December 4, 2015, Mr. Powell resigned from his position with the Investment Adviser. Prior to December 8, 2017, Mr. Powell was treated as an Interested Trustee of the Trust for all purposes other than compensation and the Trust's code of ethics.

The Fund pays no compensation to its officers, all of whom are employees of the Investment Adviser or one of its affiliates.

Distribution and Shareholder Service Fees

The Fund has a distribution and shareholder service plan (the "Plan") pursuant to Rule12b-1 under the 1940 Act. The Plan requires the payment of a monthly service fee to Highland Capital Funds Distributor, Inc. (the "Underwriter") at an annual rate of 0.25% of the average daily net assets attributable to Class A and Class C shares of the Fund.

In addition, the Plan also requires the payment of a monthly distribution fee to the Underwriter at an annual rate of 0.10% of the average daily net assets attributable to Class A shares. The Fund is not currently authorized by the Board to pay such fees but may at any time without shareholder approval. The Plan also requires the payment of a monthly distribution fee to the Underwriter at an annual rate of 0.75% of the average daily net assets attributable to Class C shares. Currently Class Y shares are not subject to a 12b-1 fee.

The Underwriter received $662 of front end sales charges from the sale of Class A shares and $3,472 in contingent deferred sales charges from the redemption of Class C shares of the Fund during the six months ended March 31, 2018.

Indemnification

Under the Trust's 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 Trust. Additionally, in the normal course of business, the Trust may enter into contracts with service providers that contain a variety of indemnification clauses. The Trust's maximum exposure under these arrangements is dependent on future claims that may be made against the Trust and, therefore, cannot be estimated.

Note 7. Disclosure of Significant Risks and Contingencies

The primary risks of investing in the Fund are described below in alphabetical order:

Counterparty Risk

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

Industry Concentration Risk

Industry Concentration Risk is the risk that the Fund may be particularly susceptible to economic, political or regulatory events affecting those industries in which the Fund focuses its investments. Because the Fund normally invests at least 80% of the value of its assets in MLP investments, the Fund's performance largely depends on the overall condition of these industries and the Fund is susceptible to economic, political and regulatory risks or other occurrences associated with these industries.

Leverage Risk

Leverage risk is the risk associated with the use of leverage for investment purposes to create opportunities for greater total returns. Any investment income or gains earned with respect to the amounts borrowed that are in excess of the interest that is due on the borrowing will augment the Fund's income. Conversely, if the investment performance with respect to the amounts borrowed fails to cover the interest on such borrowings, the value of the Fund's shares may decrease more quickly than would otherwise be the case. Interest payments and fees incurred in connection with such borrowings will reduce the amount of net income available for payment to Fund shareholders.

MLP Risk

MLP Risk is the risk of investing in MLP units, which involves some risks that differ from an investment in the equity securities of a company. The Fund intends to invest substantially in MLP units. Holders of MLP units have limited control and voting rights on matters affecting the partnership. Holders of units issued by an MLP are exposed to a remote possibility of liability for all of the obligations of that MLP in the event that a court determines that the rights of the holders of MLP units to vote to remove or replace the general partner of that MLP, to approve amendments to that MLP's partnership agreement, or to take other action under the partnership agreement of that MLP would constitute "control" of the business of that MLP, or a court or governmental agency determines that the MLP is conducting business in a state without complying with the partnership statute of that state. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. Investments in MLP units also present special tax risks. See "MLP Tax Risk" below.

MLP Tax Risk

MLP Tax risk is the risk that the MLPs in which the Fund invests will fail to be treated as partnerships for U.S. federal income tax purposes. The Fund's ability to meet its investment objective will depend, in large measure, on the level of dividends, distributions or income it receives from the MLPs in which it invests and on the MLPs' continued treatment as partnerships for U.S. federal income tax purposes. If an MLP does not meet current legal requirements to maintain its partnership status, or if it is unable to do so because of tax or other law changes, it would be treated as a corporation for U.S. federal income tax purposes. In that case, the MLP would be obligated to pay U.S. federal income tax (as well as state and local taxes) at the entity level on its taxable income and distributions received by the Fund would be taxable to the Fund as dividend income to the extent of the MLP's current and accumulated earnings and profits for federal tax purposes. The classification of an MLP as a corporation for U.S. federal income tax purposes could have the effect of reducing the amount of cash available for distribution by the MLP and the value of the Fund's investment in any such MLP. As a result, the value of the Fund's shares and the cash available for distribution to Fund shareholders could be materially reduced.

Note 8. Investment Transactions Purchases and 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 March 31, 2018, were as follows:

Other Securities	
Purchases	Sales
$4,123,706	$4,103,180

Note 9. Significant Shareholders

The number of shareholders each owning 5% or more of the Fund is listed below. The total percentage of the Fund held by such external shareholders as well as percentage of the Fund held by certain directly and indirectly wholly owned subsidiaries of the Investment Adviser and their affiliates ("Highland Affiliates") at March 31 2018 were:

Number	% of Fund Held
3	86.45%

Investment activities of these shareholders, including redemptions, could have a material impact on the Fund and remaining shareholders.

Note 10. New Accounting Pronouncements

In November, 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require the statement of cash flows to explain the change during the period in the total of cash, restricted cash and cash equivalents. Amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. For public entities this update will be effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. For all other entities, this update is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Investment Adviser is currently evaluating the impact of this new guidance on the Fund's financial statements.

In December 2016, the FASB issued Accounting Standards Update 2016-19, Technical Corrections and Improvements. The amendments in this update include an amendment to FASB ASC Topic 820, Fair Value Measurement and Disclosures to clarify the difference between a valuation approach and a valuation technique. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. For public entities, this update will be effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. For all other entities, this update is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Investment Adviser is currently evaluating the impact of this new guidance on the Fund's financial statements.

In March 2017, the FASB issued Accounting Standards Update 2017-08, Receivables — Nonrefundable Fees and Other Costs (Subtopic 310-20). The amendments in this update shorten the amortization period for certain callable debt securities held at premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public entities this update will be effective for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years. The Investment Adviser is currently evaluating the impact of this new guidance on the Fund's financial statements.

In February 2018, the FASB issued Accounting Standards Update 2018-03, Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update provide a variety of technical corrections and improvements to how entities should account for financial instruments. For public entities this update will be effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years beginning after June 15, 2018. The Investment Adviser is currently evaluating the impact of this new guidance on the Fund's financial statements.

Note 11. Subsequent Events

Management has evaluated the impact of all subsequent events on the Fund 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 Fund is 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 Fund, 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 Fund 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 Fund and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Fund 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 Fund, in some cases these activities may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund.

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 from October 1, 2017 through March 31, 2018, 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 10/01/17	Ending Account Value 03/31/18	Annualized Expense Ratio(1)	Expenses Paid During the Period(1)
Highland Energy MLP Fund				
Actual Fund				
Class A	$1,000.00	$ 835.00	4.15%	$18.99
Class C	1,000.00	831.10	4.90%	22.37
Class Y	1,000.00	835.30	3.90%	17.85
Hypothetical 5% Return (before expenses)				
Class A	$1,000.00	$1,004.24	4.15%	$20.74
Class C	1,000.00	1,000.50	4.90%	24.44
Class Y	1,000.00	1,005.48	3.90%	19.50

(1) Expenses are equal to the Fund's annualized expense ratio 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 (182/365).

IMPORTANT INFORMATION ABOUT THIS REPORT

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Custodian
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Independent Registered Public Accounting Firm
KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Fund Counsel
Stradley Ronon Stevens & Young, LLP
1250 Connecticut Avenue, N.W.
Washington, DC 20036-2652

This report has been prepared for shareholders of Highland Energy MLP Fund. The Fund mails one shareholder report to each shareholder address. If you would like more than one report, please call shareholder services at 1-877-665-1287 to request that additional reports be sent to you.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities, and the Fund's proxy voting records for the most recent 6-month period ended March 31, 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 Fund files its complete schedules of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q 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-Q by visiting the Fund's website at www.highlandfunds.com.

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

Highland Funds
c/o DST Asset Manager Solutions
30 Dan Road
Canton, MA 02021-2809

Highland Energy MLP Fund

Semi-Annual Report, March 31, 2018

www.highlandfunds.com

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