

Highland Capital Management Files Definitive Proxy Statement for Global Allocation Fund Conversion Proposal

Final record and meeting dates set for Fund shareholders to vote on proposal

DALLAS – October 11, 2018 – The Highland Global Allocation Fund, a series of Highland Funds II (the “Registrant” or the “Fund”) advised by Highland Capital Management Fund Advisors, L.P. (“Highland”), filed a definitive proxy statement today for its proposal to convert from an open-end mutual fund to a closed-end fund.

Included in the definitive proxy statement are the final record and meeting dates. Shareholders of record of the Fund on October 12, 2018 (the “Record Date”) will be eligible to vote on the conversion proposal at the shareholder meeting, which will take place on November 8, 2018.

The Fund is asking shareholders to vote in support of authorizing the Board of Trustees of Highland Funds II to amend the Fund’s Agreement and Declaration of Trust to convert the Fund into a closed-end fund. To facilitate the conversion, the Fund is also seeking authorization from its shareholders to redomicile the Fund from a series of a Massachusetts business trust into a stand-alone Massachusetts business trust.

If shareholders approve the proposals and the Fund converts to a closed-end fund, the Fund would list its shares for trading on the New York Stock Exchange (“NYSE”) or another national securities exchange. Highland anticipates a listing date of November 12, 2018, pending shareholder approval.

Information for Shareholders

Highland urges shareholders to read the definitive proxy statement and any other relevant documents filed by the Registrant with the SEC because such documents will contain important information. Shareholders will be able to obtain the proxy statement and other documents filed with the SEC free of charge at the website maintained by the SEC at sec.gov. In addition, documents filed with the SEC by the Fund are available free of charge on the investor relations portion of the Highland website at highlandfunds.com. The Registrant, and certain of its directors and executive officers, may be deemed to be participants in the solicitation of proxies from its shareholders in connection with the transaction. The names of Highland’s directors and executive officers and a description of their interests in Highland are set forth in Highland’s Annual Report on Form N-CSR for the fiscal year ended September 30, 2017, which was filed with the SEC on December 6, 2017. Shareholders can obtain more detailed information regarding the direct and indirect interests of Highland’s directors and executive officers in the transaction by reading the definitive proxy statement when it becomes available.

About Highland Capital Management Fund Advisors, L.P.

Highland Capital Management Fund Advisors, L.P. is the retail arm of Highland Capital Management, L.P., a multibillion-dollar global alternative investment manager founded in 1993 by Jim Dondero and Mark Okada. A pioneer in the leveraged loan market, the firm has evolved over 25 years, building on its credit expertise and value-based approach to expand into other asset classes. Today, Highland operates a diverse investment platform, serving both institutional and retail investors worldwide. In addition to high yield credit, Highland’s investment capabilities include public equities, real estate, private equity and special situations, structured credit, and sector- and region-specific verticals built

around specialized teams. Highland is headquartered in Dallas, Texas and maintains offices in New York, Buenos Aires, Rio de Janeiro, Singapore, and Seoul. For more information visit highlandfunds.com.

Before investing, you should carefully consider the Fund's investment objectives, risks, charges and expenses. For a copy of a prospectus or summary prospectus, which contains this and other information, please visit our website at highlandfunds.com or call 1-877-665-1287. Please read the fund prospectus carefully before investing.

The Highland Global Allocation Fund | HCOAX = Highland Global Allocation Fund – Class A | HCOCX = Highland Global Allocation Fund – Class C | HCOYX = Highland Global Allocation Fund – Class Y

RISK CONSIDERATIONS

Credit Risk. The risk that the Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty of a derivatives contract or repurchase agreement, is unable or unwilling (or is perceived to be unable or unwilling) to make a timely payment of principal and/or interest, or to otherwise honor its obligations.

Currency Risk. The risk that the values of foreign investments may be affected by changes in the currency rates or exchange control regulations.

Derivatives Risk. Derivatives, such as futures and options, are subject to the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. Derivatives also expose the Fund to the credit risk of the derivative counterparty. Derivative contracts may expire worthless and the use of derivatives may result in losses to the Fund.

Foreign and Emerging Markets Risk. The Fund may invest in foreign and emerging market securities which involves certain risks such as currency volatility, political and social instability and reduced market liquidity.

Growth Investing Risk. The risk of investing in growth stocks that may be more volatile than other stocks because they are more sensitive to investor perceptions of the issuing companies growth potential.

Value Investing Risk. The risk of investing in undervalued stocks that may not realize their perceived value for extended periods of time or may never realize their perceived value.

Focused Investment Risk. The risk that although the Fund is a diversified fund, it may invest in securities of a limited number of issuers in an effort to achieve a potentially greater investment return than a fund that invests in a larger number of issuers. As a result, price movements of a single issuer's securities will have a greater impact on the Fund's net asset value, causing it to fluctuate more than that of a more widely diversified fund.

Illiquid and Restricted Securities Risk. Certain 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 Fund's expense, the Fund's expenses would be increased. A high percentage of illiquid securities in a Fund creates risk that such a Fund may not be able to redeem its shares without causing significant dilution to remaining shareholders.

Leverage Risk. 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

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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. 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 currently holds and may in the future hold a significant investment 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. Additionally: A sustained reduced demand for crude oil, natural gas and refined petroleum products could adversely affect MLP revenues and cash flows; Changes in the regulatory environment could adversely affect the profitability of MLPs. Investments in MLP units also present special tax risks. See "MLP Tax Risk" in the prospectus.

Redemption and/or Dilution Risk. To the extent the Fund continues to experience significant net redemptions, liquid assets of the Fund will likely need to continue to be sold to satisfy such redemptions, which would result in the Fund becoming increasingly illiquid. This creates additional dilution risk for shareholders, because illiquid assets may not be able to be sold quickly at fair market value which can reduce proceeds available to pay redemptions.

Valuation Risk. The risk that the portfolio securities that have been valued using techniques other than market quotations, may have valuations that are different from those produced using other methodologies, and that the security may be sold at a discount to the value established by the Fund.

Morningstar World-allocation Category consists of portfolios seeking to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. While these portfolios do explore the whole world, most of them focus on the U.S., Canada, Japan, and the larger markets in Europe. It is rare for such portfolios to invest more than 10% of their assets in emerging markets. These portfolios typically have at least 10% of assets in bonds, less than 70% of assets in stocks, and at least 40% of assets in non- U.S. stocks or bonds.

Prepared by Highland Capital Funds Distributor, Inc. ("HCFD"), Member FINRA/SIPC. | HCFD is an affiliate of Highland Capital Management Fund Advisors, L.P.

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