

# LONG/SHORT EQUITY FUND

## PRELIMINARY MARKET REVIEW

### FUND REVIEW

	HEOZX	S&P 500
3Q Gross Return	3.48%	7.71%
Net Long Exposure		50.0%
<b>Contribution to Fund</b>		
Net Long Exposure		3.86%
Alpha		0.00%
Expenses		-0.38%
Total Return		3.48%

Largest Sector Contributors	Largest Sector Detractors
Industrials	Financials
Technology	
<b>Longs Contribution</b>	<b>Shorts Contribution</b>
790bps	(405bps)
<b>Largest Position Contributors</b>	<b>Largest Position Detractors</b>
XPO	NXPI
V	FB
WP	ETFC
PRSP	

### TOTAL RETURN ANALYSIS (%)\*

AS OF 9/30/2018	Incept.	YTD	1-YR	3-YR	5-YR	10-YR	Since Incept.
Class A	12.5.06	4.24	8.58	5.81	4.35	5.33	4.65
Class A (w/load)	12.5.06	-1.46	2.65	3.83	3.18	4.73	4.15
Class C	12.5.06	3.79	7.98	5.14	3.68	4.69	4.02
Class C (w/load)	12.5.06	2.79	6.98	5.14	3.68	4.69	4.02
Class Z	12.5.06	4.53	9.05	6.20	4.71	5.67	5.00
S&P 500		10.56	17.91	17.31	13.95	11.97	8.60

### FEES AND EXPENSES

Gross: Class A 3.97, Class C 4.62, Class Z 3.62 Net: Class A 2.72, Class C 3.37, Class Z 2.37

Class A Max Sales Charge: 5.50%. Class C Contingent Deferred Sales Charge ("CDSC") is 1% within the first year from each purchase. Performance results reflect the contractual waivers and/or reimbursements of fund expenses by the Advisor. Absent this limitation, performance results would have been lower.

The Advisor has contractually agreed to waive 1.25% of the Fund's management fee. This fee waiver will continue through at least October 31, 2018. Total net operating expenses were applicable to investors. Total net operating expenses include acquired fund fees and expenses of 0.11% and dividend expense on short sales of 0.77%.

**The performance data quoted here represents past performance and is no guarantee of future results. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.**

## RISK CONSIDERATIONS

**Please consider the investment objectives, risks, charges, and expenses of Highland Funds carefully before investing. A prospectus with this and other information about Highland's mutual funds can be found on the Literature tab of [www.highlandfunds.com](http://www.highlandfunds.com). You may also obtain a prospectus for our mutual funds by calling 877-665-1287. Please read the prospectus carefully before investing. For performance data current to the most recent month-end, please visit our website at [www.highlandfunds.com](http://www.highlandfunds.com).**

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The information herein contains forward-looking statements. These forward-looking statements are based on our current expectations and assumptions regarding the fund's portfolio and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances. The fund's actual results may vary materially from those expressed or implied in its forward-looking statements.

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

**Leverage Risk.** Leverage may increase the risk of loss, cause fluctuations in the market value of the Fund's portfolio to have disproportionately large effects or cause the NAV of the Fund generally to decline faster than it would otherwise.

**Micro, Small and Mid-Cap Securities Risk.** Investments in securities of companies with micro, small or medium capitalizations involve certain risks that may differ from, or be greater than, those for larger companies, such as higher volatility, lower trading volume, fewer business lines and lack of public information.

**Non-Diversification Risk.** As a non-diversified fund, the Fund may invest a larger portion of its assets in the securities of one or a few issuers than a diversified fund. A non-diversified fund's investment in fewer issuers may result in the fund's shares being more sensitive to the economic results of those issuers. An investment in the Fund could fluctuate in value more than an investment in a diversified fund.

**Non-U.S. Securities Risk.** Investments in securities of non-U.S. issuers involve certain risks not involved in domestic investments (for example, expropriation or political or economic instability).

**Short Sales Risk.** The risk of short sales theoretically involves unlimited loss potential since the market price of securities sold short may continuously increase.

**Hedging Risk.** Although intended to limit or reduce investment risk, hedging strategies may also limit or reduce the potential for profit. There is no assurance that hedging strategies will be successful.

Information shown does not take into account the notational exposure of any derivative positions. **Gross Exposure** is calculated using the sum of Long Equity Exposure and Short Equity Exposure. **Net Exposure** is calculated using the difference of Long Equity Exposure and Short Equity Exposure. Portfolio composition will change with market conditions. Top 5 holdings exclude fixed income ETFs, mutual funds, and money market funds. Excludes positions less than 25 basis points. Information shown does not take into account the notational exposure of any derivative positions. Source: State Street Bank and Trust Company.

**S&P 500 (Total Return) Index** is an index of a basket of 500 stocks designed to provide a broad snapshot of the overall U.S. equity market. The total return index series reflects both ordinary and special dividends. Indices are unmanaged and unlike a mutual fund do not reflect taxes, fees and charges. It is not possible to invest directly in an index. Morningstar Long/Short Category is an average monthly return of all funds in the Morningstar Long/Short Equity Category, including the Fund. The Long/Short category includes funds that employ portfolio strategies combining long holdings of equities with short sales of equity, equity options, or equity index options. The funds may be either net long or net short, depending on the portfolio manager's view of the market.

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