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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM N-Q**

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**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS  
OF REGISTERED MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number: 811-21866

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**HIGHLAND FUNDS I**

(Exact name of registrant as specified in charter)

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200 Crescent Court  
Suite 700  
Dallas, Texas 75201  
(Address of principal executive offices)(Zip code)

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Highland Capital Management Fund Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, Texas 75201  
(Name and Address of Agent for Service)

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Registrant's telephone number, including area code: (877) 665-1287

Date of fiscal year end: June 30  
Date of reporting period: September 30, 2016

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**Item 1: Schedule of Investments**

The Schedule of Investments are attached herewith.

**INVESTMENT PORTFOLIO (unaudited)**

As of September 30, 2016

Highland Long/Short Equity Fund

<u>Shares</u>	<u>Value (\$)</u>
<b>COMMON STOCKS - 84.1%</b>	
<b>CONSUMER DISCRETIONARY - 11.9%</b>	
25,517 Amazon.com, Inc.(a)	21,365,639
558,231 LKQ Corp.(a)	19,794,871
201,084 Lowe's Cos., Inc.	14,520,276
300,000 MGM Resorts International(a)	7,809,000
161,800 Restoration Hardware Holdings, Inc.(a)(b)	5,595,044
	<u>69,084,830</u>
<b>CONSUMER STAPLES - 3.4%</b>	
133,401 Kellogg Co.	10,334,575
192,999 Pinnacle Foods, Inc.	9,682,760
	<u>20,017,335</u>
<b>ENERGY - 7.3%</b>	
65,100 Concho Resources, Inc.(a)	8,941,485
125,231 Pioneer Natural Resources Co.	23,249,135
255,595 RSP Permian, Inc.(a)	9,911,974
	<u>42,102,594</u>
<b>FINANCIAL - 11.4%</b>	
905,373 American Capital, Ltd.(a)(b)	15,309,857
457,369 CIT Group, Inc.	16,602,495
543,541 E*TRADE Financial Corp.(a)	15,827,914
1,049,355 Huntington Bancshares, Inc.	10,346,640
183,200 MetLife, Inc.	8,139,576
	<u>66,226,482</u>
<b>HEALTHCARE - 11.3%</b>	
40,800 Becton Dickinson and Co.	7,332,984
1,238,805 Boston Scientific Corp.(a)	29,483,559
66,400 Perrigo Co. PLC	6,130,712
326,509 VCA, Inc.(a)	22,849,100
	<u>65,796,355</u>
<b>INDUSTRIALS - 6.8%</b>	
242,454 Beacon Roofing Supply, Inc.(a)	10,200,040
273,000 CSX Corp.	8,326,500
91,800 Kansas City Southern	8,566,776
333,199 Pendrell Corp.(a)	228,274
326,549 XPO Logistics, Inc.(a)(b)	11,974,552
	<u>39,296,142</u>
<b>INFORMATION TECHNOLOGY - 27.9%</b>	
43,750 Broadcom, Ltd.	7,547,750
101,500 Cavium, Inc.(a)(b)	5,907,300
574,480 CDK Global, Inc.	32,952,173
261,032 Facebook, Inc., Class A(a)	33,482,575
490,000 Hewlett Packard Enterprise Co.	11,147,500
272,000 Microsoft Corp.	15,667,200
85,000 NXP Semiconductor NV(a)	8,670,850
60,000 ServiceNow, Inc.(a)	4,749,000
465,000 Twitter, Inc.(a)	10,718,250
377,030 Visa, Inc., Class A(b)	31,180,381
	<u>162,022,979</u>
<b>REAL ESTATE - 1.3%</b>	
349,091 Independence Realty Trust, Inc., REIT	3,141,819
87,171 Ryman Hospitality Properties, REIT	4,198,156
	<u>7,339,975</u>
<b>TELECOMMUNICATION SERVICES - 2.8%</b>	
146,109 SBA Communications Corp., Class A(a)	16,387,586
Total Common Stocks (Cost \$467,711,737)	<u>488,274,278</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Long/Short Equity Fund

**Contracts****PURCHASED CALL OPTIONS (c) - 0.1%**

6,500 SPDR S&P 500 ETF Trust Strike price \$220.00, expires 10/28/2016	650,000
Total Purchased Call Options (Cost \$795,916)	650,000

**PURCHASED PUT OPTIONS (c) - 0.2%**

4,500 SPDR S&P 500 ETF Trust Strike price \$210.00, expires 11/18/2016	1,057,500
Total Purchased Put Options (Cost \$1,228,491)	1,057,500

**Shares****REGISTERED INVESTMENT COMPANIES (d) - 1.4%**

7,942,370 State Street Navigator Prime Securities Lending Portfolio	7,942,370
Total Registered Investment Companies (Cost \$7,942,370)	7,942,370

**CASH EQUIVALENTS - 13.1%**

76,346,051 State Street Institutional U.S. Government Money Market Fund, Premier Class	76,346,051
Total Cash Equivalents (Cost \$76,346,051)	76,346,051

**Total Investments - 98.9%**

(Cost \$554,024,565)	<b>574,270,199</b>
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**SECURITIES SOLD SHORT (e) - (33.5)%****EXCHANGE-TRADED FUNDS - (6.4)%**

(45,450) Energy Select Sector SPDR Fund, ETF	(3,209,225)
(78,000) Health Care Select Sector SPDR Fund, ETF	(5,624,580)
(39,800) iShares Transportation Average ETF	(5,780,552)
(87,300) Market Vectors Semiconductor, ETF(f)	(6,064,731)
(47,900) Powershares QQQ Trust Series 1, ETF	(5,686,688)
(1,000,040) United States Oil Fund LP ETF(f)	(10,930,437)
Total Exchange-Traded Funds (Proceeds \$36,187,089)	<u>(37,296,213)</u>

**COMMON STOCKS - (27.1)%****CONSUMER DISCRETIONARY - (6.0)%**

(30,300) Advance Auto Parts, Inc.	(4,518,336)
(60,700) Dollar Tree, Inc.(f)	(4,791,051)
(50,000) DR Horton, Inc.	(1,510,000)
(49,347) L Brands, Inc.	(3,492,287)
(42,400) McDonald's Corp.	(4,891,264)
(48,000) Pandora AS	(5,802,640)
(43,100) Target Corp.	(2,960,108)
(33,800) Walt Disney Co. (The)	(3,138,668)
(21,800) Whirlpool Corp.	<u>(3,535,088)</u>
	<u>(34,639,442)</u>

**CONSUMER STAPLES - (0.2)%**

(62,000) Blue Buffalo Pet Products, Inc.(f)	<u>(1,473,120)</u>
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**FINANCIAL - (4.2)%**

(437,295) Ares Capital Corp.	(6,778,072)
(16,300) BlackRock, Inc.	(5,908,098)
(47,435) FactSet Research Systems, Inc.	(7,689,214)
(92,000) Wells Fargo & Co.	<u>(4,073,760)</u>
	<u>(24,449,144)</u>

**HEALTHCARE - (4.7)%**

(113,886) Abbott Laboratories	(4,816,239)
(40,000) Acadia Healthcare Co., Inc.(f)	(1,982,000)
(89,272) Amsurg Corp.(f)	(5,985,687)
(32,500) Cerner Corp.(f)	(2,006,875)
(74,700) DENTSPLY SIRONA, Inc.	(4,439,421)
(33,200) Express Scripts Holding Co.(f)	<u>(2,341,596)</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Long/Short Equity Fund

(67,200) Medtronic PLC	(5,806,080)
	<u>(27,377,898)</u>
<b>INDUSTRIALS - (3.4)%</b>	
(60,000) AerCap Holdings NV(f)	(2,309,400)
(45,650) Expeditors International of Washington, Inc.	(2,351,888)
(53,500) JB Hunt Transport Services, Inc.	(4,340,990)
(42,000) Old Dominion Freight Line, Inc.(f)	(2,881,620)
(34,000) WW Grainger, Inc.	(7,644,560)
	<u>(19,528,458)</u>
<b>INFORMATION TECHNOLOGY - (7.1)%</b>	
(29,025) Analog Devices, Inc.	(1,870,661)
(131,632) Computer Sciences Corp.	(6,872,507)
(231,895) Micro Focus International PLC	(6,621,070)
(119,700) Sabre Corp.	(3,373,146)
(51,732) TE Connectivity, Ltd.	(3,330,506)
(259,265) VMware, Inc., Class A(f)	(19,017,088)
	<u>(41,084,978)</u>
<b>TELECOMMUNICATION SERVICES - (0.8)%</b>	
(102,324) BCE, Inc.	(4,717,376)
<b>UTILITIES - (0.7)%</b>	
(126,800) Fortis, Inc.	(4,070,528)
Total Common Stocks (Proceeds \$156,593,508)	<u>(157,340,944)</u>
Total Securities Sold Short (Proceeds \$192,780,597)	<u>(194,637,157)</u>
<b>Other Assets &amp; Liabilities, Net - 34.6%</b>	<b><u>201,088,038</u></b>
<b>Net Assets - 100.0%</b>	<b><u>580,721,080</u></b>

- (a) Non-income producing security.
- (b) Securities (or a portion of securities) on loan. As of September 30, 2016, the market value of securities loaned was \$12,214,443. The loaned securities were secured with cash and securities collateral of \$12,152,662. Collateral is calculated based on prior day's prices.
- (c) Options are shown at market value.
- (d) Represents investments of cash collateral received in connection with securities lending.
- (e) As of September 30, 2016, \$131,793,094 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net."
- (f) No dividend payable on security sold short.

## Glossary:

ETF	Exchange-Traded Fund
PLC	Public Limited Company
REIT	Real Estate Investment Trust
SPDR	Standard & Poor's Depository Receipt

The Fund had the following futures contracts, brokered by Merrill Lynch, for which \$76,850 was pledged as collateral, open at September 30, 2016:

Description	Expiration Date	Number of Contracts	Notional Value	Unrealized Appreciation (Depreciation)
<b>Long Future:</b>				
Canadian Dollar Future	December 2016	53	\$4,043,105	<u>\$ 22,318</u>



**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Long/Short Equity Fund

Glossary:

CDOR	Canadian Dollar Offered Rate
DVMT.N	Dell Technologies Inc.
EVHC.N	Envision Healthcare Holdings Inc.
GSI	Goldman Sachs International
GSS2DPOS	Data Processing Outsourcing Services Basket
GSSIAMGT	Asset Management & Custody Basket
HPE.N	Hewlett Packard Enterprise Co.
ITC.N	ITC Holdings Corp.
LIBOR	London Interbank Offered Rate
LLTC.OQ	Linear Technology Corp.
MBT.TO	Manitoba Telecom Services Inc.
PLCM.OQ	Polycom Inc.
RAX.N	Rackspace Hosting Inc.
STJ.N	St. Jude Medical Inc.
TLN.N	Talen Energy Corp.
VAL.N	Valspar Corp.

**CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS**

Remaining Contractual Maturity of the Agreements

	<u>Overnight and Continuous</u>	<u>Total</u>
<b>Securities Lending Transactions<sup>1</sup></b>		
Common Stocks	\$ 7,942,370	\$7,942,370
<b>Total Borrowings</b>	<b>\$ 7,942,370</b>	<b>\$7,942,370</b>
<b>Gross amount of recognized liabilities for securities lending transactions</b>		<b>\$7,942,370</b>

<sup>1</sup> Amounts represent the payable for cash collateral received on securities on loan. This will generally be in "Overnight and Continuous" column as the securities are typically callable on demand.

**INVESTMENT PORTFOLIO (unaudited)**

As of September 30, 2016

Highland Long/Short Healthcare Fund

<u>Principal Amount (\$)</u>	<u>Value (\$)</u>
<b>CORPORATE BONDS &amp; NOTES (a) - 3.3%</b>	
<b>HEALTHCARE - 3.3%</b>	
<b>Healthcare Services - 3.3%</b>	
9,858,000	8,724,330
Crimson Merger Sub, Inc. 6.63%, 05/15/2022	
Total Corporate Bonds & Notes (Cost \$8,684,473)	
	<u>8,724,330</u>
<b>FOREIGN CORPORATE BONDS &amp; NOTES (a) - 1.0%</b>	
<b>HEALTHCARE - 1.0%</b>	
<b>Pharmaceuticals - 1.0%</b>	
3,000,000	2,591,250
Valeant Pharmaceuticals International, Inc. 6.13%, 04/15/2025	
Total Foreign Corporate Bonds & Notes (Cost \$2,528,360)	
	<u>2,591,250</u>
<b>Shares</b>	
<b>COMMON STOCKS - 75.5%</b>	
<b>HEALTHCARE - 74.3%</b>	
<b>Biotechnology - 17.1%</b>	
80,000	1,317,600
149,772	4,908,029
1,700,000	5,423,000
68,420	461,835
18,244	751,835
978,077	3,472,173
91,238	3,289,130
130,000	3,481,400
192,271	2,713,905
57,580	2,915,851
275,682	2,536,426
94,732	4,369,987
198,006	3,601,729
193,198	1,288,631
30,000	3,007,200
228,147	1,847,991
	<u>45,386,722</u>
<b>Healthcare Distributors - 4.4%</b>	
40,000	6,670,000
174,299	4,892,573
	<u>11,562,573</u>
<b>Healthcare Equipment - 7.7%</b>	
100,000	4,229,000
72,977	2,833,697
211,699	1,244,790
228,286	4,058,925
121,053	8,069,393
	<u>20,435,805</u>
<b>Healthcare Facilities - 9.9%</b>	
50,690	881,499
96,801	6,490,507
63,855	4,829,354
151,390	3,064,134
153,006	7,460,572
155,440	3,522,270
	<u>26,248,336</u>



**Healthcare Services - 4.1%**

143,589 Amedisys, Inc.(b)(c)	6,811,862
110,000 LHC Group, Inc.(b)(c)	<u>4,056,800</u>
	<u>10,868,662</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Long/Short Healthcare Fund

<b>Healthcare Supplies - 4.8%</b>	
100,000 Alere, Inc.(b)(c)	4,324,000
110,000 Penumbra, Inc.(b)(c)	8,358,900
	<u>12,682,900</u>
<b>Healthcare Technology - 0.4%</b>	
13,240 MYnd Analytics, Inc.(b)	79,440
471,459 Streamline Health Solutions, Inc.(b)(c)	867,485
	<u>946,925</u>
<b>Life Sciences Tools &amp; Services - 9.9%</b>	
57,493 Bio-Rad Laboratories, Inc., Class A(b)(c)	9,417,929
60,000 Bio-Techne Corp.(c)	6,570,000
65,949 ICON PLC(b)(c)	5,102,474
175,535 Patheon NV(b)(c)	5,201,102
	<u>26,291,505</u>
<b>Pharmaceuticals - 16.0%</b>	
22,048 Agile Therapeutics, Inc.(b)	153,895
324,906 Cempra, Inc.(b)(c)(d)	7,862,725
297,500 Collegium Pharmaceutical, Inc.(b)(c)(d)	5,729,850
86,154 Depomed, Inc.(b)(c)(d)	2,152,988
236,565 Endocyte, Inc.(b)(c)	730,986
825,000 HLS Therapeutics Inc.(b)(e)	5,379,000
291,209 Horizon Pharma PLC(b)	5,279,619
22,810 Jazz Pharmaceuticals PLC(b)(c)	2,770,959
133,073 Merck & Co., Inc.(c)	8,305,086
60,000 Pacira Pharmaceuticals, Inc.(b)(c)	2,053,200
474,770 SCYNEXIS, Inc.(b)(c)(d)	1,837,360
	<u>42,255,668</u>
	<u>196,679,096</u>
<b>REAL ESTATE - 1.2%</b>	
349,091 Independence Realty Trust, Inc., REIT	3,141,819
Total Common Stocks (Cost \$198,403,922)	<u>199,820,915</u>
<b>MASTER LIMITED PARTNERSHIPS (e) - 0.0%</b>	
<b>HEALTHCARE - 0.0%</b>	
1,068,076 Genesys Ventures IA, LP	74,872
Total Master Limited Partnerships (Cost \$—)	<u>74,872</u>
<b>Units</b>	
<b>RIGHTS (b)(c) - 0.0%</b>	
<b>HEALTHCARE - 0.0%</b>	
69,326 Wright Medical Group NV, expires 03/01/2019	90,124
Total Rights (Cost \$188,242)	<u>90,124</u>
<b>WARRANTS (b) - 4.4%</b>	
<b>HEALTHCARE - 4.4%</b>	
<b>Biotechnology - 3.9%</b>	
94,204 Discovery Laboratories, Inc., expires 02/16/2016	—
1,717,910 Galena Biopharma Inc., expires 03/18/2020(e)	159,937
1,155,015 Minerva Neurosciences, Inc., expires 03/18/2017(e)	10,101,646
271,081 Threshold Pharmaceuticals, Inc., expires 03/11/2016	—
	<u>10,261,583</u>
<b>Life Sciences Tools &amp; Services - 0.3%</b>	
313,281 CareDx, Inc., expires 07/14/2017(e)	694,513
40,000 Pluristem Therapeutics, Inc. expires 01/27/2016	—
30,000 pSivida Corp., expires 01/19/2016	—
	<u>694,513</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Long/Short Healthcare Fund

<b>Pharmaceuticals - 0.2%</b>	
255,000 SCYNEXIS, Inc., expires 06/21/2021(e)	628,703
	<u>11,584,799</u>
Total Warrants (Cost \$144,377)	<u>11,584,799</u>

**Contracts****PURCHASED CALL OPTIONS(f) - 3.4%****HEALTHCARE - 3.4%**

21,000 Abbott Laboratories, Strike price \$44.00, expires 11/18/2016	1,176,000
4,000 AstraZeneca PLC, Strike price \$32.50, expires 04/21/2017	964,000
1,442 Biogen Inc, Strike price \$350.00, expires 01/20/2017	1,442,000
4,000 Eli Lilly & Co., Strike price \$82.50, expires 01/20/2017	1,940,000
13,263 Merck & Co. Inc, Strike price \$63.00, expires 10/14/2016	1,432,404
7,000 Tenet Healthcare Corp, Strike price \$21.00, expires 11/18/2016	1,925,000
	<u>8,879,404</u>
Total Purchased Call Options (Cost \$9,328,794)	<u>8,879,404</u>

**PURCHASED PUT OPTIONS(f) - 1.0%****FINANCIAL - 0.6%**

1,300 iShares NASDAQ Biotechnology ETF, Strike price \$295.00, expires 10/14/2016	1,066,000
4,500 iShares Russell 2000 Index Fund, ETF, Strike price \$125.00, expires 10/14/2016	679,500
	<u>1,745,500</u>

**HEALTHCARE - 0.4%**

2,700 SPDR S&P BioTech ETF, Strike price \$67.00, expires 11/18/2016	1,005,750
Total Purchased Put Options (Cost \$2,812,186)	<u>2,751,250</u>

**Shares****REGISTERED INVESTMENT COMPANIES(g) - 5.7%**

15,085,498 State Street Navigator Prime Securities Lending Portfolio	15,085,498
Total Registered Investment Companies (Cost \$15,085,498)	<u>15,085,498</u>

**CASH EQUIVALENTS - 22.4%**

59,130,201 State Street Institutional U.S. Government Money Market Fund, Premier Class	59,130,201
Total Cash Equivalents (Cost \$59,130,201)	<u>59,130,201</u>

**Total Investments - 116.7%**

(Cost \$296,306,053)	<b><u>308,732,643</u></b>
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**SECURITIES SOLD SHORT(h) - (43.9)%****COMMON STOCKS - (43.9)%****HEALTHCARE - (43.9)%****Biotechnology - (18.8)%**

(21,897) Alexion Pharmaceuticals, Inc.(i)	(2,683,258)
(28,318) Amgen, Inc.	(4,723,725)
(36,636) BioMarin Pharmaceutical, Inc.(i)	(3,389,563)
(69,341) Bluebird Bio, Inc.(i)	(4,699,933)
(158,500) Dicerna Pharmaceuticals, Inc.(i)	(931,980)
(80,000) Gilead Sciences, Inc.	(6,329,600)
(40,000) Incyte Corp.(i)	(3,771,600)
(164,204) Intrexon Corp.(i)	(4,600,996)
(137,906) Ionis Pharmaceuticals, Inc.(i)	(5,052,876)
(634,824) MediciNova, Inc.(i)	(4,754,832)
(170,000) Minerva Neurosciences, Inc.(i)	(2,399,550)
(74,500) Pfenex, Inc.(i)	(666,775)

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Long/Short Healthcare Fund

(7,298) Regeneron Pharmaceuticals, Inc.(i)	(2,933,942)
(60,000) Sage Therapeutics, Inc.(i)	(2,763,000)
	<u>(49,701,630)</u>
<b>Healthcare Distributors - (1.7)%</b>	
(27,364) Henry Schein, Inc.(i)	(4,459,785)
<b>Healthcare Equipment - (3.2)%</b>	
(13,683) DexCom, Inc.(i)	(1,199,452)
(70,000) ResMed, Inc.	(4,535,300)
(23,420) Stryker Corp.	(2,726,322)
	<u>(8,461,074)</u>
<b>Healthcare Facilities - (1.6)%</b>	
(40,000) HealthSouth Corp.	(1,622,800)
(183,505) Select Medical Holdings Corp.(i)	(2,477,317)
	<u>(4,100,117)</u>
<b>Healthcare Services - (4.7)%</b>	
(136,833) Adeptus Health, Inc., Class A(i)	(5,890,661)
(45,812) Fresenius Medical Care AG & Co. KGaA, ADR	(2,005,191)
(70,000) MEDNAX, Inc.(i)	(4,637,500)
	<u>(12,533,352)</u>
<b>Healthcare Supplies - (1.8)%</b>	
(81,516) DENTSPLY SIRONA, Inc.	(4,844,496)
<b>Healthcare Technology - (2.1)%</b>	
(91,503) Cerner Corp.(i)	(5,650,310)
<b>Life Sciences Tools &amp; Services - (5.0)%</b>	
(20,700) Illumina, Inc.(i)	(3,760,362)
(156,613) Luminex Corp.(i)	(3,558,248)
(72,974) Quintiles Transnational Holdings, Inc.(i)	(5,915,272)
	<u>(13,233,882)</u>
<b>Managed Healthcare - (1.5)%</b>	
(34,520) Aetna, Inc.	(3,985,334)
<b>Pharmaceuticals - (3.5)%</b>	
(30,000) Aerie Pharmaceuticals, Inc.(i)	(1,132,200)
(202,500) BioDelivery Sciences International, Inc.(i)	(546,750)
(30,000) Johnson & Johnson	(3,543,900)
(10,000) Taro Pharmaceutical Industries, Ltd.(i)	(1,105,100)
(114,011) Valeant Pharmaceuticals International, Inc.(i)	(2,798,970)
	<u>(9,126,920)</u>
	<u>(116,096,900)</u>
Total Common Stocks	
(Proceeds \$114,019,099)	(116,096,900)
Total Securities Sold Short	
(Proceeds \$114,019,099)	(116,096,900)
<b>Other Assets &amp; Liabilities, Net - 27.2%</b>	<b>71,891,488</b>
<b>Net Assets - 100.0%</b>	<b><u>264,527,231</u></b>

- (a) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transaction exempt from registration to qualified institutional buyers. At September 30, 2016, these securities amounted to \$11,315,580 or 4.3% of net assets.
- (b) Non-income producing security.
- (c) All or part of this security is pledged as collateral for short sales and/or written options contracts. The market value of the securities pledged as collateral was \$149,063,646.
- (d) Securities (or a portion of securities) on loan. As of September 30, 2016, the market value of securities loaned was \$15,698,099. The loaned securities were secured with cash and securities collateral of \$16,195,354. Collateral is calculated based on prior day's prices.
- (e) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. Securities with a total aggregate value of \$17,038,671, or 6.4% of net assets, were fair valued under the Fund's valuation procedures as of September 30, 2016.

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Long/Short Healthcare Fund

- (f) Options are shown at market value.
- (g) Represents investments of cash collateral received in connection with securities lending.
- (h) As of September 30, 2016, \$84,630,757 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net."
- (i) No dividend payable on security sold short.

## Glossary:

ADR American Depositary Receipt  
ETF Exchange-Traded Fund  
PLC Public Limited Company  
REIT Real Estate Investment Trust  
SPDR Standard & Poor's Depository Receipt

## CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

## Remaining Contractual Maturity of the Agreements

	<u>Overnight and Continuous</u>	<u>Total</u>
<b>Securities Lending Transactions<sup>1</sup></b>		
Common Stocks	\$ 15,085,498	\$15,085,498
<b>Total Borrowings</b>	<b>\$ 15,085,498</b>	<b>\$15,085,498</b>
<b>Gross amount of recognized liabilities for securities lending transactions</b>		<b>\$15,085,498</b>

<sup>1</sup> Amounts represent the payable for cash collateral received on securities on loan. This will generally be in "Overnight and Continuous" column as the securities are typically callable on demand.

**INVESTMENT PORTFOLIO (unaudited)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

<u>Principal Amount (\$)</u>		<u>Value (\$)</u>
<b>U.S. SENIOR LOANS(a) - 75.0%</b>		
<b>BUSINESS EQUIPMENT &amp; SERVICES - 1.2%</b>		
	Cotiviti Corporation (Cotiviti Domestic Holdings, Inc.)	
312,500	First Lien Initial Term B Loan 3.61%, 09/28/2023(b)	313,869
	DTI Holdco, Inc.	
7,894,737	Term Loan B 6.25%, 09/21/2023(b)	7,838,802
		<u>8,152,671</u>
<b>CHEMICALS - 2.4%</b>		
	Axalta Coating Systems US Holdings, Inc.	
6,812,938	Term Loan 3.75%, 02/01/2020	6,872,551
	MacDermid, Inc.	
781,534	Term Loan B-2 5.50%, 06/07/2020	785,930
1,993,005	Tranche B First Lien Term Loan 5.50%, 06/07/2020	1,999,772
	Minerals Technologies, Inc.	
1,375,000	Term Loan B-2 4.75%, 05/09/2021	1,392,188
	Univar, Inc.	
5,486,875	Term Loan 4.25%, 07/01/2022	5,502,321
		<u>16,552,762</u>
<b>CONSUMER DISCRETIONARY - 2.2%</b>		
	American Builders & Contractors Supply Co., Inc.	
7,090,810	Restatement Effective Date Term Loan 3.50%, 09/23/2023(b)	7,120,946
	Boyd Gaming Corporation	
1,131,842	Term Loan B 4.00%, 08/14/2020	1,141,038
1,794,872	Term Loan B-2 3.52%, 09/15/2023	1,811,026
	Charter Communications Operating, LLC	
2,985,000	Term Loan H 3.25%, 08/24/2021	3,001,044
	Pinnacle Entertainment, Inc.	
1,529,348	Term Loan B 3.75%, 04/28/2023	1,540,818
		<u>14,614,872</u>
<b>CONSUMER PRODUCTS - 0.2%</b>		
	KIK Custom Products, Inc.	
1,584,000	Term Loan B 6.00%, 08/26/2022	1,587,960
<b>ENERGY - 3.1%</b>		
	Azure Midstream Energy LLC	
8,673,507	Term Loan B 7.50%, 11/15/2018	7,264,062
	Chief Exploration & Development LLC	
7,446,657	Second Lien Term Loan 7.75%, 05/16/2021	7,018,475
	Fieldwood Energy LLC	
1,726,689	First Lien Term Loan 8.00%, 08/31/2020	1,443,408
3,402,844	First Lien Last Out Term Loan 8.38%, 09/30/2020	2,424,526
	Seadrill Partners Finco LLC	
5,436,195	Additional Initial Term Loan 4.00%, 02/21/2021(b)	2,729,405
		<u>20,879,876</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

<b>FINANCIAL - 4.3%</b>		
	AssuredPartners, Inc. First Lien Term Loan	
1,047,368	5.75%, 10/21/2022	1,054,894
	ESH Hospitality, Inc. Initial Term Loan B	
4,347,826	3.75%, 08/30/2023	4,385,478
	LPL Holdings, Inc. Incremental Term Loan B	
3,502,941	4.75%, 11/20/2022	3,532,874
	National Financial Partners Corp. Term Loan B	
10,096,066	4.50%, 07/01/2020	10,132,866
	Russell Investment Group Term Loan B	
10,374,000	6.75%, 06/01/2023	<u>10,315,646</u>
		<u>29,421,758</u>
<b>FOOD &amp; DRUG - 0.4%</b>		
	Pinnacle Foods Finance LLC Term Loan I	
1,488,750	3.28%, 01/13/2023	1,503,079
	Yum! Brands Inc. Term Loan B	
1,209,091	3.28%, 06/16/2023	<u>1,220,807</u>
		<u>2,723,886</u>
<b>FOREST PRODUCTS &amp; CONTAINERS - 1.6%</b>		
	BWay Intermediate Company, Inc. Initial Term Loan B	
8,080,226	5.50%, 08/14/2020(b)	8,137,797
	Signode Industrial Group US, Inc. Initial Term Loan B	
3,074,037	3.75%, 05/01/2021	<u>3,073,084</u>
		<u>11,210,881</u>
<b>GAMING &amp; LEISURE - 3.4%</b>		
	Ginn-LA CS Borrower LLC First Lien Tranche B Term Loan(c)	1
22,925,890	First Lien Tranche A Credit-Linked Deposit(c)	—
7,000,000	Second Lien Term Loan(c)(d)	—
	Hilton Worldwide Finance, LLC Initial Term Loan	
266,706	3.50%, 10/26/2020	268,606
	Term Loan B-2	
2,726,461	3.10%, 10/25/2023	2,746,487
	LLV Holdco LLC Exit Revolving Loan	
11,693,614	5.00%, 02/28/2017(d)(e)	9,885,782
	MGM Growth Properties LLC Term Loan B	
3,165,909	4.00%, 04/25/2023	3,198,565
	Scientific Games International, Inc. Initial Term Loan B-1	
6,657,731	6.00%, 10/18/2020	<u>6,687,358</u>
		<u>22,786,799</u>
<b>HEALTHCARE - 12.1%</b>		
	Acadia Healthcare Company, Inc. Term Loan B	
1,989,873	3.75%, 02/11/2022	2,000,659
	Air Medical Group Holdings, Inc. Term Loan B	
4,669,991	4.25%, 04/28/2022	4,636,437
	Akorn, Inc. Term Loan	
2,000,000	5.25%, 04/16/2021	2,025,000

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

	Alere, Inc. Term Loan B	
9,949,622	4.25%, 06/18/2022	9,893,655
	American Renal Holdings Inc. First Lien Term Loan	
751,139	4.75%, 09/20/2019(b)	752,082
	Auris Luxembourg III S.a.r.l. Term Loan B4	
4,974,811	4.25%, 01/15/2022	5,012,122
	Catalent Pharma Solutions Inc. Term Loan B	
4,158,825	4.25%, 05/20/2021	4,193,281
	CCS Medical, Inc. First Lien Term Loan(c)(d)(e)	
40,397,337		24,319,197
	Community Health Systems, Inc. Term Loan F	
1,841,017	4.08%, 12/31/2018	1,833,543
	DaVita HealthCare Partners, Inc. Tranche B Term Loan	
4,974,555	3.50%, 06/24/2021	5,010,620
	Kindred Healthcare, Inc. New Term Loan	
3,826,597	4.25%, 04/09/2021	3,831,380
	Kinetic Concepts, Inc. Dollar Term Loan F-1	
7,169,893	5.00%, 11/04/2020	7,238,903
	MPH Acquisition Holdings LLC Term Loan B	
3,679,894	5.00%, 06/07/2023	3,731,063
	RadNet, Inc. Term Loan B	
2,000,000	4.77%, 07/01/2023	2,001,250
	U.S. Renal Care, Inc. Term Loan B	
2,984,962	5.25%, 12/31/2022	2,873,026
	Valeant Pharmaceuticals International, Inc. Tranche B Term Loan F-1	
3,187,835	5.50%, 04/01/2022	3,201,447
		<u>82,553,665</u>
<b>HOUSING - 1.8%</b>		
	Builders FirstSource, Inc. Term Loan B	
4,129,727	4.75%, 08/11/2022	4,159,833
	EH/Transeastern LLC/TE TOUSA Term Loan(c)(d)	
8,000,000		4,000,000
	LBREP/L-SunCal Master I LLC First Lien Term Loan B(c)(d)	
6,747,727		—
	Nevada Land Group LLC Second Lien Initial Term Loan(c)(d)(e)	
2,751,954		—
5,860,500	First Lien Initial Term Loan(c)(d)(e)	4,037,885
		<u>12,197,718</u>
<b>INDUSTRIALS - 4.5%</b>		
	American Airlines, Inc. Term Loan B	
3,636,364	3.50%, 04/28/2023	3,650,618
	Dealer Tire, LLC Term Loan B	
2,982,272	5.50%, 12/22/2021	3,012,095



	HD Supply, Inc.		
3,200,000	Term Loan B-2 3.63%, 09/14/2023(b)		3,210,000
2,984,925	Term Loan B 3.75%, 08/13/2021		2,995,491
	Headwaters, Inc.		
1,662,458	Term Loan B 4.00%, 03/24/2022		1,673,887

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

	TransDigm, Inc.		
	Term Loan E		
3,980,779	3.75%, 05/14/2022		3,990,731
	Extended Term Loan F		
1,995,000	3.75%, 06/09/2023		1,998,272
	Term Loan D		
1,989,822	3.83%, 06/04/2021		1,993,971
	TransUnion, LLC		
	Term Loan B2		
7,959,245	3.59%, 04/09/2021		7,996,295
			<u>30,521,360</u>

**INFORMATION TECHNOLOGY - 4.0%**

	First Data Corp.		
	Term Loan		
3,000,000	4.28%, 07/08/2022		3,020,835
	Global Payments Inc.		
	Term Loan B		
1,024,829	4.02%, 04/22/2023		1,036,871
	Kronos, Inc.		
	First Lien Incremental Term Loan		
8,518,581	4.50%, 10/30/2019		8,557,340
	Second Lien Term Loan		
4,911,967	9.75%, 04/30/2020		5,008,144
	Landslide Holdings, Inc.		
	First Lien Term Loan		
2,461,538	5.50%, 09/27/2022(b)		2,481,539
	RP Crown Parent, LLC		
	Term Loan B		
1,562,500	4.50%, 09/22/2023(b)		1,566,406
	SS&C European Holdings, S.a.r.L		
	Term Loan B-2		
386,160	4.00%, 07/08/2022		389,660
	SS&C Technologies, Inc.		
	Term Loan B-1		
3,107,419	4.00%, 07/08/2022		3,135,588
	Western Digital Corporation		
	Term Loan B-1		
1,729,000	4.50%, 04/29/2023		1,749,359
			<u>26,945,742</u>

**MANUFACTURING - 1.5%**

	Doncasters U.S. Finance LLC		
	Term Loan B		
5,214,540	4.50%, 04/09/2020		5,181,949
	Second Lien Term Loan		
2,703,448	9.50%, 10/09/2020		2,559,828
	Engility Corporation		
	Term Loan B-2		
866,873	5.75%, 08/12/2023		876,625
	WireCo WorldGroup, Inc.		
	Initial Term Loan		
1,379,310	6.50%, 07/13/2023(b)		1,386,496
			<u>10,004,898</u>

**MEDIA & TELECOMMUNICATIONS - 6.6%**

	Cumulus Media Holdings, Inc.		
	Term Loan		
2,282,598	4.25%, 12/23/2020		1,594,966
	Endurance Business Media, Inc.		

2,251,261	Term Loan(c)(d)(e)	—
	iHeartCommunications, Inc.	
	Tranche D Term Loan	
8,571,429	7.27%, 01/30/2019	6,627,257
	Level 3 Financing, Inc.	
	Tranche B-III Term Loan	
2,000,000	4.00%, 08/01/2019	2,012,250
	Tranche B Term Loan	
7,000,000	4.00%, 01/15/2020	7,045,500

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

705,882	Term Loan B-2 3.50%, 05/31/2022	710,799
6,917,647	Mediacom Illinois LLC Tranche G Term Loan 3.50%, 06/30/2021	6,960,882
6,413,929	MGCO, Inc. Term Loan B 4.00%, 07/31/2020	6,425,185
497,026	Mission Broadcasting, Inc. Term Loan B-2 3.00%, 09/26/2023(b)	500,028
5,577,740	Nexstar Broadcasting, Inc. Term Loan B 3.00%, 09/21/2023(b)	5,611,430
2,145,946	T-Mobile USA, Inc. Term Loan B 3.50%, 11/09/2022	2,166,515
315,789	UFC Holdings LLC First Lien Term Loan 5.00%, 08/18/2023(b)	319,047
5,075,366	Univision Communications, Inc. Incremental Term Loan C-3 4.00%, 03/01/2020	5,090,186
		<u>45,064,045</u>
<b>METALS &amp; MINERALS - 1.2%</b>		
10,644,426	Arch Coal, Inc. Term Loan B(c)	8,231,654
<b>RETAIL - 5.1%</b>		
3,000,000	Burlington Coat Factory Warehouse Corporation Term Loan B-4 3.50%, 08/13/2021	3,026,880
3,885,012	Dollar Tree, Inc. Term Loan B-2 4.25%, 07/06/2022	3,936,819
10,244,944	J.C. Penney Corporation, Inc. Term Loan B 5.25%, 06/23/2023	10,308,053
3,652,174	Jo-Ann Stores, Inc. Term Loan 6.26%, 09/27/2023(b)	3,597,391
1,132,075	Leslie's Poolmart, Inc. Tranche B Term Loan 5.25%, 08/16/2023	1,141,273
7,001,502	Men's Wearhouse, Inc. (The) Term Loan 5.00%, 06/18/2021	6,861,472
6,959,545	Toys 'R' Us-Delaware, Inc. Term Loan B-4 9.75%, 04/24/2020	6,065,696
		<u>34,937,584</u>
<b>SERVICE - 12.1%</b>		
4,356,163	ADS Waste Holdings, Inc. Tranche B-2 Initial Term Loan 3.75%, 10/09/2019	4,366,378
	Advantage Sales & Marketing, Inc. First Lien Term Loan	

6,878,615	4.25%, 07/23/2021	6,806,252
	Second Lien Term Loan	
3,840,000	7.50%, 07/25/2022	3,663,610
	AlixPartners LLP	
	Term Loan B	
6,720,774	4.50%, 07/28/2022	6,741,776
	EnergySolutions LLC	
	Term Loan	
2,954,725	6.75%, 05/29/2020(b)	2,951,031

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

	ExamWorks Group, Inc. Term Loan		
1,000,000	4.75%, 07/27/2023		1,009,380
	GCA Merger Sub, Inc. Term Loan		
1,085,455	5.81%, 03/01/2023		1,095,462
	KAR Auction Services, Inc. Term Loan B-3		
4,302,703	4.38%, 03/09/2023		4,365,909
	ServiceMaster Co. (The) Initial Term Loan B		
5,225,237	4.25%, 07/01/2021		5,284,491
	Spin Holdco, Inc. First Lien Initial Term Loan B		
9,641,017	4.25%, 11/14/2019		9,613,299
	Travelpart Finance (Luxembourg) S.a.r.l. Term Loan B		
9,843,296	5.00%, 09/02/2021		9,898,665
	WASH Multifamily Laundry Systems, LLC First Lien Term Loan		
1,307,182	4.25%, 05/14/2022		1,310,450
	First Lien Term Loan		
228,926	4.25%, 05/14/2022		229,499
	Waste Industries USA, Inc. Term Loan B		
2,299,223	3.50%, 02/27/2020		2,312,512
	Weight Watchers International, Inc. Tranche B-2 Initial Term Loan		
25,434,842	4.00%, 04/02/2020		19,338,365
	WEX Inc. Term Loan B		
2,968,750	4.25%, 07/01/2023		3,008,324
			<u>81,995,403</u>
<b>TRANSPORTATION - 0.1%</b>			
	Allison Transmission, Inc. Term Loan B-3		
319,299	3.25%, 09/23/2022		322,130
	XPO Logistics, Inc. Refinanced Term Loan		
226,705	4.25%, 10/30/2021		228,358
			<u>550,488</u>
<b>UTILITY - 7.2%</b>			
	Calpine Corporation Term Loan B		
6,807,971	3.59%, 05/27/2022		6,836,973
	Term Loan B-6		
1,989,975	4.00%, 01/15/2023		2,005,208
	Dayton Power & Light Company (The) Term Loan B		
937,500	4.00%, 08/24/2022		949,809
	Dynegy Inc. Term Loan		
4,545,455	5.00%, 06/27/2023		4,587,796
	EFS Cogen Holdings I LLC Term Loan B		
1,835,482	5.25%, 06/28/2023		1,857,508
	Granite Acquisition, Inc. Second Lien Term Loan B		

2,500,000	8.25%, 12/19/2022	2,370,825
	Texas Competitive Electric Holdings Co. LLC	
13,000,000	Non-Extended Term Loan(c)	3,751,410
	Exit Term Loan B	
10,717,571	5.00%, 08/04/2023	10,812,314
	Exit Term Loan C	
2,444,358	5.00%, 08/04/2023	2,465,966

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

46,127,210	Extended Term Loan(c)	13,414,023
		<u>49,051,832</u>
	Total U.S. Senior Loans (Cost \$653,251,304)	<u>509,985,854</u>

**Principal Amount****FOREIGN DENOMINATED OR DOMICILED SENIOR LOANS(a) - 3.0%****CANADA - 0.3%****USD**

	Valeant Pharmaceuticals International, Inc.	
	Tranche B Term Loan E-1	
2,166,399	5.25%, 08/05/2020	<u>2,173,332</u>

**CAYMAN ISLANDS - 0.3%****USD**

	Avago Technologies Cayman Ltd.	
	Term Loan B-3	
1,997,793	3.52%, 02/01/2023	<u>2,023,734</u>

**GERMANY - 0.0%****EUR**

	Schieder Mobil Holding GmbH	
211,159	Delayed Draw Term Loan(c)(d)	<u>—</u>

**LUXEMBOURG - 1.6%****USD**

	Endo Luxembourg Finance Company I S.a r.l.	
	Term Loan B	
8,706,140	3.75%, 09/26/2022	<u>8,697,652</u>
	Evergreen Skills Lux S.a.r.l.	
	First Lien Initial Term Loan	
2,591,970	5.75%, 04/28/2021	<u>2,302,810</u>
	Samsonite International S.A.	
	Term Loan B	
206,897	4.00%, 05/12/2023	<u>209,224</u>
		<u>11,209,686</u>

**MARSHALL ISLANDS - 0.8%****USD**

	Drillships Financing Holding, Inc.	
	Term Loan B-1	
6,932,543	6.00%, 03/31/2021	<u>3,497,468</u>
	OSG International, Inc.	
	Exit Term Loan B	
1,820,513	5.75%, 08/05/2019	<u>1,822,224</u>
		<u>5,319,692</u>

**UNITED KINGDOM - 0.0%****GBP**

	Henson No. 4, Ltd.	
808,413	Term Loan Facility B(c)(d)	<u>—</u>
201,951	Term Loan Facility B(c)(d)	<u>—</u>
801,772	Term Loan Facility C(c)(d)	<u>—</u>
221,425	Term Loan Facility C(c)(d)	<u>—</u>

	Total Foreign Denominated or Domiciled Senior Loans (Cost \$27,828,539)	<u>20,726,444</u>
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**Principal Amount (\$)****COLLATERALIZED LOAN OBLIGATIONS(f)(g) - 8.2%**

	ACAS CLO, Ltd.	
	Series 2015-2A, Class E	
1,000,000	6.64%, 10/28/2027	<u>933,500</u>
	Acis CLO, Ltd.	
	Series 2015-6A, Class D	
1,000,000	4.53%, 05/01/2027(h) 890,000	



**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

750,000	Series 2014-4A, Class D 3.86%, 05/01/2026(h)	611,374
3,000,000	Series 2014-3A, Class D 3.88%, 02/01/2026(h)	2,515,485
2,000,000	Series 2014-5A, Class D 5.10%, 11/01/2026(h)	1,829,760
2,000,000	Series 2014-4A, Class E 5.56%, 05/01/2026(h)	1,470,000
3,000,000	Series 2013-1A, Class E 6.28%, 04/18/2024(h)	2,466,000
1,500,000	Anchorage Capital CLO 7, Ltd. Series 2015-7A, Class E1 5.68%, 10/15/2027	1,350,000
1,000,000	Apidos CLO Series 2013-12A, Class F 5.58%, 04/15/2025	756,900
1,000,000	Apidos CLO XXI Series 2015-21A, Class E 7.13%, 07/18/2027	781,200
2,000,000	Arrowpoint CLO, Ltd. Series 2015-4A, Class E 7.58%, 04/18/2027	1,901,000
3,200,000	Catamaran CLO, Ltd. Series 2012-1A, Class E 6.11%, 12/20/2023	2,826,560
400,000	Cathedral Lake CLO, Ltd. Series 2015-2A, Class D 4.33%, 07/15/2027	366,000
1,000,000	Cent CDO, Ltd. Series 2007-14A, Class D 1.98%, 04/15/2021	1,000,000
2,000,000	CFIP CLO, Ltd. Series 2014-1A, Class E 5.42%, 04/13/2025	1,655,000
3,000,000	Eastland CLO, Ltd. Series 2007-1A, Class C 2.26%, 05/01/2022(h)	2,650,830
500,000	Figueroa CLO, Ltd. Series 2014-1A, Class E 6.38%, 01/15/2027	430,000
1,500,000	Series 2014-1A, Class F 7.18%, 01/15/2027	1,020,000
3,000,000	Flagship CLO, Ltd. Series 2014-8A, Class D 4.38%, 01/16/2026	2,670,000
2,000,000	Series 2013-7A, Class E 5.45%, 01/20/2026	1,520,000
3,500,000	Series 2014-8A, Class E 5.88%, 01/16/2026	2,677,500
1,250,000	Greywolf CLO, Ltd. Series 2013-1A, Class E 5.73%, 04/15/2025	990,625
3,000,000	Harbourview CLO, Ltd. Series 7A, Class E 5.93%, 11/18/2026	2,400,000
3,000,000	KVK CLO, Ltd. Series 2015-1A, Class D 4.81%, 05/20/2027	2,800,500

2,800,000	Series 2015-1A, Class E 6.56%, 05/20/2027	2,324,000
	OZLM XII, Ltd.	
1,525,000	Series 2015-12A, Class C 4.46%, 04/30/2027	1,468,118
1,000,000	Series 2015-12A, Class D 6.16%, 04/30/2027	878,400
	Silver Spring CLO, Ltd.	
1,800,000	Series 2014-1A, Class F 5.88%, 10/15/2026	664,020
	Sound Harbor Loan Fund, Ltd.	
2,500,000	Series 2014-1A, Class C 5.52%, 10/30/2026	2,459,750

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

1,000,000	Series 2014-1A, Class D 7.76%, 10/30/2026	928,800
	Stratford CLO, Ltd.	
1,397,789	Series 2007-1A, Class E 4.76%, 11/01/2021(h)	1,265,810
	THL Credit Wind River CLO, Ltd.	
1,000,000	Series 2014-2A, Class E 5.93%, 07/15/2026	869,000
	West CLO, Ltd.	
1,000,000	Series 2014-2A, Class D 5.73%, 01/16/2027	825,000
	Westchester CLO, Ltd.	
2,000,000	Series 2007-1A, Class D 3.11%, 08/01/2022(h)	1,832,360
	Series 2007-1A, Class E	
1,990,069	5.06%, 08/01/2022(h)	1,760,799
	Zais CLO, Ltd.	
2,000,000	Series 2014-2A, Class D 6.17%, 07/25/2026	1,732,500
	Total Collateralized Loan Obligations (Cost \$60,251,600)	<u>55,520,791</u>
<b>CORPORATE BONDS &amp; NOTES - 4.8%</b>		
<b>CHEMICALS - 1.1%</b>		
	Momentive Performance Materials, Inc.	
6,982,000	3.88%, 10/24/2021	5,856,152
1,947,500	4.69%, 04/24/2022(i)	1,499,575
		<u>7,355,727</u>
<b>ENERGY - 0.1%</b>		
5,788,000	Arch Coal, Inc.(c)	278,548
3,000,000	Venoco, Inc.(c)	105,000
		<u>383,548</u>
<b>HEALTHCARE - 1.0%</b>		
	Crimson Merger Sub, Inc.	
7,750,000	6.63%, 05/15/2022(f)	6,858,750
<b>INFORMATION TECHNOLOGY - 0.1%</b>		
	Avaya, Inc.	
4,571,000	10.50%, 03/01/2021(f)	1,028,475
<b>RETAIL - 0.4%</b>		
	Guitar Center, Inc.	
3,000,000	6.50%, 04/15/2019(f)	2,655,000
<b>TELECOMMUNICATIONS - 0.4%</b>		
	iHeartCommunications, Inc., PIK	
6,763,925	14.00%, 02/01/2021	2,671,750
<b>UTILITY - 1.7%</b>		
	GenOn Energy, Inc.	
4,000,000	7.88%, 06/15/2017	3,330,000
	Ocean Rig UDW, Inc.	
15,600,000	7.25%, 04/01/2019(f)	4,680,000
20,000,000	Texas Competitive Electric Holdings Co., LLC(c)	1,375,000
8,000,000	Texas Competitive Electric Holdings Co., LLC(c)(f)	2,445,000
		<u>11,830,000</u>
	Total Corporate Bonds & Notes (Cost \$61,352,466)	<u>32,783,250</u>

Shares

**CLAIMS(j) - 0.0%**

**TELECOMMUNICATIONS - 0.0%**

3,791,858	Wind Telecomunicazione SpA Trade Claim Facility 3692	<u>149,304</u>
	Total Claims (Cost \$2,024,251)	<u>149,304</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

<b>COMMON STOCKS(k) - 6.9%</b>	
<b>ENERGY - 0.0%</b>	
1,118,286 Value Creation, Inc.(d)	1
<b>GAMING &amp; LEISURE - 0.0%</b>	
44 LLV Holdco LLC - Litigation Trust Units(d)(e)	—
34,512 LLV Holdco LLC - Series A, Membership Interest(d)(e)	—
436 LLV Holdco LLC - Series B, Membership Interest(d)(e)	—
<b>HEALTHCARE - 0.0%</b>	
207,031 CCS Medical, Inc.(d)(e)	621
<b>HOUSING - 0.9%</b>	
1,648,350 CCD Equity Partners LLC(d)	6,329,664
70,480 Las Vegas Land Holdings LLC(d)(e)	4,405
8 Nevada Land Group LLC(d)(e)	—
	<u>6,334,069</u>
<b>MEDIA &amp; TELECOMMUNICATIONS - 6.0%</b>	
501,736 Metro-Goldwyn-Mayer, Inc., Class A(l)	40,473,287
<b>REAL ESTATE - 0.0%</b>	
1,112,389 Allenby(d)(e)	1
7,582,301 Claymore(d)(e)	8
	<u>9</u>
<b>UTILITY - 0.0%</b>	
10,378 Entegra TC LLC, Class A	280,206
286,159 Entegra TC LLC, Class B	—
	<u>280,206</u>
Total Common Stocks (Cost \$326,968,496)	<u>47,088,193</u>
<b>Units</b>	
<b>WARRANTS(d)(e)(k) - 0.0%</b>	
<b>GAMING &amp; LEISURE - 0.0%</b>	
1,834 LLV Holdco LLC - Series C, Membership Interest, expires 07/15/15	—
2,522 LLV Holdco LLC - Series D, Membership Interest, expires 07/15/15	—
2,819 LLV Holdco LLC - Series E, Membership Interest, expires 07/15/15	—
3,172 LLV Holdco LLC - Series F, Membership Interest, expires 07/15/15	—
3,594 LLV Holdco LLC - Series G, Membership Interest, expires 07/15/15	—
	<u>—</u>
Total Warrants (Cost \$—)	<u>—</u>
<b>Shares</b>	
<b>REGISTERED INVESTMENT COMPANIES(m) - 0.0%</b>	
331,270 State Street Navigator Prime Securities Lending Portfolio	331,270
Total Registered Investment Companies (Cost \$331,270)	<u>331,270</u>
<b>CASH EQUIVALENTS - 6.9%</b>	
46,735,471 State Street Institutional U.S. Government Money Market Fund, Premier Class	46,735,471
Total Cash Equivalents (Cost \$46,735,471)	<u>46,735,471</u>
<b>Total Investments - 104.8%</b> (Cost \$1,178,743,397)	<u>713,320,577</u>
<b>Other Assets &amp; Liabilities, Net - (4.8)%</b>	<u>(32,899,567)</u>
<b>Net Assets - 100.0%</b>	<u><u>680,421,010</u></u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

- (a) Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Fund invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate (“LIBOR”) or (iii) the Certificate of Deposit rate. Rate shown represents the weighted average rate at September 30, 2016. Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the “1933 Act”), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (b) All or a portion of this position has not settled. As applicable, full contract rates do not take effect until settlement date.
- (c) The issuer is, or is in danger of being, in default of its payment obligation. Full income is not being accrued, although adequate protection payments are being made in certain cases.
- (d) Represents fair value as determined by the Fund’s Board of Trustees (the “Board”), or its designee in good faith, pursuant to the policies and procedures approved by the Board. Securities with a total aggregate value of \$48,577,564, or 7.1% of net assets, were fair valued under the Fund’s valuation procedures as of September 30, 2016.
- (e) Affiliated issuer. Assets with a total aggregate market value of \$38,247,899, or 5.6% of net assets, were affiliated with the Fund as of September 30, 2016.
- (f) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transaction exempt from registration to qualified institutional buyers. At September 30, 2016, these securities amounted to \$73,188,016 or 10.8% of net assets.
- (g) Variable or floating rate security. The base lending rates are generally the lending rate offered by one or more European banks such as the LIBOR. The interest rate shown reflects the rate in effect September 30, 2016.
- (h) Securities of collateralized loan obligations where an affiliate of the Investment Adviser serves as collateral manager.
- (i) Securities (or a portion of securities) on loan. As of September 30, 2016, the market value of securities loaned was \$331,901. The loaned securities were secured with cash collateral of \$331,270. Collateral is calculated based on prior day’s prices.
- (j) These positions represent claims that have been filed with the United States Bankruptcy Court Southern District of New York against Lehman Commercial Paper, Inc. UK Branch.
- (k) Non-income producing security.
- (l) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the procedures established by the Fund’s Board of Trustees. Additional Information regarding such securities follows:

<u>Restricted Security</u>	<u>Acquisition Date</u>	<u>Cost of Security</u>	<u>Market Value at Period End</u>	<u>Percent of Net Assets</u>
Metro-Goldwyn-Mayer, Inc., Class A	12/12/2012	\$ 21,845,688	\$ 40,473,287	6.0%

- (m) Represents investments of cash collateral received in connection with securities lending.

## Currency Abbreviations:

EUR	Euro Currency
GBP	British Pound
USD	United States Dollar

## Glossary:

CDO	Collateralized Debt Obligation
CLO	Collateralized Loan Obligation
PIK	Payment-in-Kind

**Foreign Denominated or Domiciled Senior Loans  
Industry Concentration Table:  
(% of Net Assets)**

Industrials	1.3%
Energy	1.1%
Healthcare	0.3%
Information Technology	0.3%
Consumer Discretionary	0.0%
Retail	0.0%
Consumer Durables	0.0%
Total	<u>3.0%</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Floating Rate Opportunities Fund

**CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS**

Remaining Contractual Maturity of the Agreements

	<u>Overnight and Continuous</u>	<u>Total</u>
<b>Securities Lending Transactions<sup>1</sup></b>		
Corporate Bonds & Notes	\$ 331,270	<b>\$331,270</b>
<b>Total Borrowings</b>	<b>\$ 331,270</b>	<b>\$331,270</b>
<b>Gross amount of recognized liabilities for securities lending transactions</b>		<b>\$331,270</b>

<sup>1</sup> Amounts represent the payable for cash collateral received on securities on loan. This will generally be in "Overnight and Continuous" column as the securities are typically callable on demand.

**INVESTMENT PORTFOLIO (unaudited)**

As of September 30, 2016

Highland Opportunistic Credit Fund

<u>Principal Amount (\$)</u>		<u>Value (\$)</u>
<b>U.S. SENIOR LOANS (a) - 43.4%</b>		
<b>CONSUMER PRODUCTS - 1.4%</b>		
	Laureate Education, Inc. Extended Term Loan	
929,966	8.66%, 03/17/2021(b)	<u>926,827</u>
<b>ENERGY - 11.5%</b>		
	Azure Midstream Energy LLC Term Loan B	
944,349	7.50%, 11/15/2018	790,892
	Chief Exploration & Development LLC Second Lien Term Loan	
1,727,482	7.75%, 05/16/2021	1,628,152
	Fieldwood Energy LLC First Lien Last Out Term Loan	
1,452,967	8.38%, 09/30/2020	1,035,239
	Second Lien Term Loan	
6,741,413	8.38%, 09/30/2020	2,719,014
	Seadrill Partners Finco LLC Initial Term Loan	
2,832,223	4.00%, 02/21/2021	<u>1,422,003</u>
		<u>7,595,300</u>
<b>INFORMATION TECHNOLOGY - 5.1%</b>		
	AF Borrower LLC First Lien Term Loan	
1,489,918	6.25%, 01/28/2022	1,497,062
	Avaya, Inc. Term Loan B-7	
2,484,968	6.25%, 05/29/2020	<u>1,845,089</u>
		<u>3,342,151</u>
<b>MANUFACTURING - 2.6%</b>		
	Gardner Denver, Inc. Initial Dollar Term Loan	
1,012,774	4.25%, 07/30/2020(b)	983,095
	WireCo WorldGroup, Inc. Second Lien Term Loan B	
740,741	10.00%, 07/20/2024(b)	<u>742,593</u>
		<u>1,725,688</u>
<b>MEDIA &amp; TELECOMMUNICATIONS - 0.9%</b>		
	Cumulus Media Holdings, Inc. Term Loan	
500,000	4.25%, 12/23/2020	349,375
	iHeartCommunications, Inc. Tranche D Term Loan	
350,000	7.27%, 01/30/2019	<u>270,613</u>
		<u>619,988</u>
<b>RETAIL - 3.8%</b>		
	Toys 'R' Us-Delaware, Inc. Term Loan B-4	
2,894,059	9.75%, 04/24/2020	<u>2,522,360</u>



**SERVICE - 3.4%**

	Travelport Finance (Luxembourg) S.a.r.l.	
	Term Loan B	
663,450	5.00%, 09/02/2021	667,182
	Weight Watchers International, Inc.	
	Tranche B-2 Initial Term Loan	
2,060,661	4.00%, 04/02/2020	<u>1,566,741</u>
		<u>2,233,923</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Opportunistic Credit Fund

<b>TELECOMMUNICATIONS - 1.1%</b>		
	TerreStar Corporation	
	Term Loan A	
695,766	11.00%, 02/27/2020(c)	692,983
<b>TRANSPORTATION - 3.9%</b>		
	Gruden Acquisition, Inc.	
	First Lien Term Loan	
1,994,975	5.75%, 08/18/2022	1,801,722
	Second Lien Term Loan	
1,000,000	9.50%, 08/18/2023	774,065
		<u>2,575,787</u>
<b>UTILITY - 9.7%</b>		
	Granite Acquisition, Inc.	
	Second Lien Term Loan B	
1,000,000	8.25%, 12/19/2022(b)	948,330
	Texas Competitive Electric Holdings Co. LLC	
	Exit Term Loan B	
804,647	5.00%, 08/04/2023 811,761	
	Exit Term Loan C	
183,516	5.00%, 08/04/2023	185,138
15,190,310	Extended Term Loan(d)	4,417,418
		<u>6,362,647</u>
	Total U.S. Senior Loans (Cost \$37,385,708)	<u>28,597,654</u>

**Principal Amount****FOREIGN DENOMINATED OR DOMICILED SENIOR LOANS(a)(b) - 4.9%**

<b>LUXEMBOURG - 3.4%</b>		
<b>USD</b>	Evergreen Skills Lux S.a.r.l.	
	First Lien Initial Term Loan	
819,404	5.75%, 04/28/2021	727,991
	Second Lien Initial Term Loan	
2,500,000	9.25%, 04/28/2022	1,518,750
		<u>2,246,741</u>
<b>MARSHALL ISLANDS - 1.5%</b>		
<b>USD</b>	Drillships Financing Holding, Inc.	
	Term Loan B-1	
1,891,784	6.00%, 03/31/2021	954,405
	Total Foreign Denominated or Domiciled Senior Loans (Cost \$3,388,326)	<u>3,201,146</u>

**Principal Amount (\$)****COLLATERALIZED LOAN OBLIGATIONS (e)(f) - 11.7%**

	A Voce CLO, Ltd.	
	Series 2014-1A, Class D	
1,500,000	5.48%, 07/15/2026	1,106,100
	Highland Park CDO, Ltd.	
	Series 2006-1A, Class A2	
773,282	1.23%, 11/25/2051 (g)	672,756
	Limerock CLO II, Ltd.	
	Series 2014-2A, Class E	
2,500,000	5.18%, 04/18/2026	1,880,967
	Recette CLO LLC	
	Series 2015-1A, Class F	
1,000,000	8.15%, 10/20/2027	801,600
	Saranac CLO, Ltd.	
	Series 2014-3A, Class E	
2,000,000	6.02%, 06/22/2025	1,505,000

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Opportunistic Credit Fund

	Westchester CLO, Ltd. Series 2007-1A, Class E		
1,990,069	5.06%, 08/01/2022(g)		<u>1,760,799</u>
	Total Collateralized Loan Obligations (Cost \$8,559,595)		<u>7,727,222</u>
<b>CORPORATE BONDS &amp; NOTES - 13.3%</b>			
<b>ENERGY - 0.4%</b>			
	American Energy-Permian Basin LLC		
464	7.38%, 11/01/2021(e)		331
	California Resources Corp.		
423,000	8.00%, 12/15/2022(e)		<u>283,410</u>
			<u>283,741</u>
<b>HEALTHCARE EQUIPMENT &amp; SERVICES - 0.8%</b>			
	Crimson Merger Sub, Inc.		
600,000	6.63%, 05/15/2022(e)		<u>531,000</u>
<b>MATERIALS - 3.0%</b>			
	Momentive Performance Materials, Inc.		
2,000,000	4.69%, 04/24/2022		1,540,000
	Tronox Finance LLC		
500,000	6.38%, 08/15/2020		<u>463,750</u>
			<u>2,003,750</u>
<b>RETAIL - 0.0%</b>			
	Guitar Center, Inc.		
700	6.50%, 04/15/2019(e)		<u>619</u>
<b>TELECOMMUNICATION SERVICES - 3.1%</b>			
	Avaya, Inc.		
133,000	7.00%, 04/01/2019(e)		98,753
	iHeartCommunications, Inc., PIK		
2,838,910	14.00%, 02/01/2021		1,121,369
	Intelsat Jackson Holdings SA		
1,057,000	7.25%, 10/15/2020		<u>824,460</u>
			<u>2,044,582</u>
<b>UTILITIES - 6.0%</b>			
	GenOn Energy, Inc.		
2,000,000	7.88%, 06/15/2017		1,665,000
	Ocean Rig UDW, Inc.		
2,437,000	7.25%, 04/01/2019(e)		731,100
3,506,000	Texas Competitive Electric Holdings Co., LLC(g)		241,038
15,307,000	Texas Competitive Electric Holdings Co., LLC(g)		1,052,356
467,000	Texas Competitive Electric Holdings Co., LLC(g)		31,756
3,000,000	Texas Competitive Electric Holdings Co., LLC(g)		<u>205,500</u>
			<u>3,926,750</u>
	Total Corporate Bonds & Notes (Cost \$12,858,229)		<u>8,790,442</u>
<b>Principal Amount</b>			
<b>FOREIGN CORPORATE BONDS &amp; NOTES(d)(e) - 0.0%</b>			
<b>NETHERLANDS - 0.0%</b>			
<b>USD - 0.0%</b>			
220,068	Celtic Pharma Phinco BV		2,201
97,918	Celtic Pharma Phinco BV(c)		—
	Total Foreign Corporate Bonds & Notes (Cost \$212,561)		<u>2,201</u>
<b>Shares</b>			
<b>COMMON STOCKS - 10.5%</b>			
<b>CHEMICALS - 1.7%</b>			
105,492	MPM Holdings, Inc.(h)		<u>1,138,470</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Opportunistic Credit Fund

<b>COMMERCIAL &amp; PROFESSIONAL SERVICES - 0.0%</b>	
24,889 Pendrell Corp.(h)	17,051
<b>ENERGY - 2.2%</b>	
19,850 Kinder Morgan, Inc.(i)	459,131
65,318 Overseas Shipholding Group, Inc.	690,411
8,750 SemGroup Corp., Class A(i)	309,400
	<u>1,458,942</u>
<b>MATERIALS - 3.2%</b>	
6,632 Euramax International, Inc.(c)(h)	<u>2,079,869</u>
<b>MEDIA - 0.8%</b>	
6,363 Metro-Goldwyn-Mayer, Inc., Class A(h)(j)	<u>513,281</u>
<b>TELECOMMUNICATION SERVICES - 2.4%</b>	
5,082 TerreStar Corporation(c)(h)(j)	<u>1,588,328</u>
<b>UTILITIES - 0.2%</b>	
3,322 Entegra TC LLC, Class A(h)	89,694
Total Common Stocks (Cost \$9,516,618)	<u>6,885,635</u>
<b>PREFERRED STOCKS (e)(f)(g) - 1.3%</b>	
<b>FINANCIAL - 1.3%</b>	
1,500 Grayson CLO, Ltd.	483,750
1,000 Westchester CLO, Ltd.	395,805
	<u>879,555</u>
Total Preferred Stocks (Cost \$1,443,578)	<u>879,555</u>
<b>MASTER LIMITED PARTNERSHIPS - 2.0%</b>	
<b>ENERGY - 2.0%</b>	
9,850 Energy Transfer Partners LP(i)	364,450
21,700 Energy Transfer Equity LP(i)	364,343
21,500 Enterprise Products Partners LP(i)	594,045
	<u>1,322,838</u>
<b>HEALTHCARE EQUIPMENT &amp; SERVICES - 0.0%</b>	
141,000 Genesys Ventures IA LP(c)	9,884
Total Master Limited Partnerships (Cost \$1,708,970)	<u>1,332,722</u>
<b>Units</b>	
<b>WARRANTS (h) - 0.0%</b>	
<b>ENERGY - 0.0%</b>	
180,000 Kinder Morgan, Inc., expires 05/25/2017	2,790
Total Warrants (Cost \$695,412)	<u>2,790</u>
<b>Shares</b>	
<b>REGISTERED INVESTMENT COMPANIES (k) - 2.3%</b>	
1,496,400 State Street Navigator Prime Securities Lending Portfolio	1,496,400
Total Registered Investment Companies (Cost \$1,496,400)	<u>1,496,400</u>
<b>CASH EQUIVALENTS - 10.1%</b>	
6,683,524 State Street Institutional U.S. Government Money Market Fund, Premier Class	6,683,524
Total Cash Equivalents (Cost \$6,683,524)	<u>6,683,524</u>

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Opportunistic Credit Fund

<b>Total Investments - 99.5%</b> (Cost \$83,948,921)	<b>65,599,291</b>
<b>Principal Amount (\$)</b>	
<b>SECURITIES SOLD SHORT (I) - (3.0)%</b>	
<b>CORPORATE BONDS &amp; NOTES - (3.0)%</b>	
<b>PACKING &amp; CONTAINER - (1.6)%</b>	
(1,000,000) Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC 8.25%, 02/15/2021	(1,043,439)
<b>CAPITAL GOODS - (1.4)%</b>	
(980,000) Gardner Denver, Inc. 6.88%, 08/15/2021(e)	(923,650)
Total Corporate Bonds & Notes (Proceeds \$1,929,095)	(1,967,089)
Total Securities Sold Short (Proceeds \$1,929,095)	(1,967,089)
<b>Other Assets &amp; Liabilities, Net - 3.5%</b>	<b>2,298,421</b>
<b>Net Assets - 100.0%</b>	<b>65,930,623</b>

- (a) Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Fund invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate (“LIBOR”) or (iii) the Certificate of Deposit rate. Rate shown represents the weighted average rate at September 30, 2016. Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the “1933 Act”), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (b) All or a portion of this position has not settled. As applicable, full contract rates do not take effect until settlement date.
- (c) Represents fair value as determined by the Fund’s Board of Trustees (the “Board”), or its designee in good faith, pursuant to the policies and procedures approved by the Board. Securities with a total aggregate value of \$4,371,064, or 6.6% of net assets, were fair valued under the Fund’s valuation procedures as of September 30, 2016.
- (d) The issuer is, or is in danger of being, in default of its payment obligation. Full income is not being accrued, although adequate protection payments are being made in certain cases.
- (e) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transaction exempt from registration to qualified institutional buyers. At September 30, 2016, these securities amounted to \$9,330,541 or 14.2% of net assets.
- (f) Variable or floating rate security. The base lending rates are generally the lending rate offered by one or more European banks such as the LIBOR. The interest rate shown reflects the rate in effect September 30, 2016.
- (g) Securities of collateralized loan obligations where an affiliate of the Investment Adviser serves as collateral manager.
- (h) Non-income producing security.
- (i) All or part of this security is pledged as collateral for short sales. The market value of the securities pledged as collateral was \$2,091,369.
- (j) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the procedures established by the Fund’s Board of Trustees. Additional Information regarding such securities follows:

<u>Restricted Security</u>	<u>Acquisition Date</u>	<u>Cost of Security</u>	<u>Market Value at Period End</u>	<u>Percent of Net Assets</u>
Metro-Goldwyn-Mayer, Inc., Class A	01/14/2013	\$ 238,560	\$ 513,281	0.8%
TerreStar Corporation	12/15/2014	\$ 1,456,829	\$ 1,588,328	2.4%

- (k) Represents investments of cash collateral received in connection with securities lending.
- (l) As of September 30, 2016, \$3,029,739 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in “Other Assets & Liabilities, Net.”

Glossary:

CDO	Collateralized Debt Obligation
CLO	Collateralized Loan Obligation
PIK	Payment-in-Kind

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Opportunistic Credit Fund

## CERTAIN TRANSFERS ACCOUNTED FOR AS SECURED BORROWINGS

Remaining Contractual Maturity of the Agreements

	<u>Overnight and Continuous</u>	<u>Total</u>
<b>Securities Lending Transactions<sup>1</sup></b>		
Corporate Bonds & Notes	\$ 1,496,400	<b>\$1,496,400</b>
<b>Total Borrowings</b>	<b>\$ 1,496,400</b>	<b>\$1,496,400</b>
<b>Gross amount of recognized liabilities for securities lending transactions</b>		<b>\$1,496,400</b>

<sup>1</sup> Amounts represent the payable for cash collateral received on securities on loan. This will generally be in "Overnight and Continuous" column as the securities are typically callable on demand.

**INVESTMENT PORTFOLIO (unaudited)**

As of September 30, 2016

Highland Merger Arbitrage Fund

Shares		Value (\$)
<b>COMMON STOCKS - 115.4%</b>		
<b>CONSUMER DISCRETIONARY - 11.7%</b>		
21,676	Carmike Cinemas, Inc.(a)(b)	708,588
15,030	CST Brands, Inc.(a)	722,793
21,555	Isle of Capri Casinos, Inc.(a)(b)	480,245
10,200	tronc, Inc.(a)	172,176
		<u>2,083,802</u>
<b>ENERGY - 10.4%</b>		
11,000	Columbia Pipeline Partners LP	177,540
35,576	SemGroup Corp., Class A	1,218,834
10,540	Spectra Energy Corp.(a)	450,585
		<u>1,846,959</u>
<b>FINANCIAL - 13.6%</b>		
56,374	American Capital, Ltd.(a)(b)	953,284
33,500	CIFC Corp.(a)	374,195
32,195	EverBank Financial Corp.(a)	623,295
4,760	Fidelity & Guaranty Life(a)	110,385
4,050	Polonia Bancorp, Inc.(a)(b)	44,348
5,060	Suffolk Bancorp(a)	175,936
5,307	Yadkin Financial Corp.(a)	139,521
		<u>2,420,964</u>
<b>HEALTHCARE - 13.7%</b>		
1,200	Avesis, Inc.(b)(c)	—
12,257	Cepheid, Inc.(a)(b)	645,821
9,950	Cynapsus Therapeutics, Inc.(a)(b)	400,189
8,416	Envision Healthcare Holdings, Inc.(a)(b)	187,424
10,676	St Jude Medical, Inc.(a)	851,518
16,825	Vitae Pharmaceuticals, Inc.(a)(b)	351,979
		<u>2,436,931</u>
<b>INDUSTRIALS - 9.8%</b>		
133,593	Accuride Corp.(a)(b)	341,998
19,362	Joy Global, Inc.(a)	537,102
20,352	Providence and Worcester Railroad Co.(a)	504,323
100,000	SAI Global, Ltd.	355,841
		<u>1,739,264</u>
<b>INFORMATION TECHNOLOGY - 27.3%</b>		
13,282	Dell Technologies, Inc. - VMware, Inc., Class V(a)(b)	634,880
24,000	Hutchinson Technology, Inc.(b)	95,520
6,720	Infoblox, Inc.(b)	177,207
3,151	Interactive Intelligence Group, Inc.(b)	189,501
26,402	Intersil Corp., Class A(a)	578,996
13,500	Lexmark International, Inc., Class A	539,460
17,317	Linear Technology Corp.(a)	1,026,725
3,235	NetSuite, Inc.(b)	358,082
25,786	Rackspace Hosting, Inc.(a)(b)	817,158
13,746	Rofin-Sinar Technologies, Inc.(a)(b)	442,346
		<u>4,859,875</u>
<b>MATERIALS - 11.6%</b>		
6,431	AEP Industries, Inc.(a)	703,358
4,300	Looser Holding AG(b)	463,091
8,359	Valspar Corp. (The)(a)	886,639
		<u>2,053,088</u>
<b>REAL ESTATE - 0.5%</b>		
5,842	Ashford Hospitality Prime, Inc., REIT(a)	82,372
<b>TELECOMMUNICATION SERVICES - 3.5%</b>		
21,958	Manitoba Telecom Services, Inc.	629,878



**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Merger Arbitrage Fund

<b>UTILITIES - 13.3%</b>	
15,562 ITC Holdings Corp.(a)	723,322
46,068 Talen Energy Corp.(a)(b)	638,042
17,745 Westar Energy, Inc.(a)	1,007,028
	<u>2,368,392</u>
Total Common Stocks (Cost \$20,372,718)	<u>20,521,525</u>
<b>REGISTERED INVESTMENT COMPANIES - 1.0%</b>	
3,570 ProShares UltraShort Australian Dollar ETF	177,339
Total Registered Investment Companies (Cost \$177,871)	<u>177,339</u>
<b>CASH EQUIVALENTS - 4.7%</b>	
834,961 State Street Institutional U.S. Government Money Market Fund, Premier Class	834,961
Total Cash Equivalents (Cost \$834,961)	<u>834,961</u>
<b>Total Investments - 121.1%</b> (Cost \$21,385,550)	<b><u>21,533,825</u></b>
<b>SECURITIES SOLD SHORT - (37.6)%</b>	
<b>EXCHANGE-TRADED FUNDS (d) - (1.4)%</b>	
(3,353) CurrencyShares Canadian Dollar Trust	(252,883)
Total Exchange-Traded Funds (Proceeds \$251,741)	<u>(252,883)</u>
<b>COMMON STOCKS - (36.2)%</b>	
<b>CONSUMER DISCRETIONARY - (2.4)%</b>	
(7,036) AMC Entertainment Holdings, Inc., Class A	(218,749)
(14,828) Eldorado Resorts, Inc.(d)	(208,482)
	<u>(427,231)</u>
<b>ENERGY - (9.3)%</b>	
(10,370) Enbridge, Inc.	(458,665)
(35,576) SemGroup Corp., Class A	(1,194,642)
	<u>(1,653,307)</u>
<b>FINANCIAL - (4.3)%</b>	
(27,229) Ares Capital Corp.	(422,050)
(11,463) FNB Corp.	(140,995)
(11,259) People's United Financial, Inc.	(178,117)
(1,536) Prudential Bancorp, Inc.	(22,241)
	<u>(763,403)</u>
<b>HEALTHCARE - (3.3)%</b>	
(9,297) Abbott Laboratories	(393,170)
(2,812) Amsurg Corp.(d)	(188,545)
	<u>(581,715)</u>
<b>INDUSTRIALS - (2.1)%</b>	
(23,650) AFG Arbonia-Forster Holding AG(d)	(369,607)
<b>INFORMATION TECHNOLOGY - (8.0)%</b>	
(4,019) Analog Devices, Inc.	(259,025)
(21,000) AVG Technologies NV(d)	(525,210)
(8,646) VMware, Inc., Class A(d)	(634,184)
	<u>(1,418,419)</u>
<b>MATERIALS - (2.0)%</b>	
(8,042) Berry Plastics Group, Inc.(d)	(352,642)
<b>TELECOMMUNICATION SERVICES - (2.1)%</b>	
(8,159) BCE, Inc.	(376,149)
<b>UTILITIES - (2.7)%</b>	
(11,704) Fortis, Inc.	(375,721)

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Merger Arbitrage Fund

(4,160) Great Plains Energy, Inc.	(113,527)
	<u>(489,248)</u>
Total Common Stocks (Proceeds \$6,356,897)	(6,431,721)
Total Securities Sold Short (Proceeds \$6,608,638)	(6,684,604)
<b>Other Assets &amp; Liabilities, Net - 16.5%</b>	<b><u>2,932,676</u></b>
<b>Net Assets - 100.0%</b>	<b><u>17,781,897</u></b>

- (a) All or part of this security is pledged as collateral for short sales. The market value of the securities pledged as collateral was \$19,700,013.
- (b) Non-income producing security.
- (c) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. Securities with a total aggregate value of \$0, or 0.0% of net assets, were fair valued under the Fund's valuation procedures as of September 30, 2016.
- (d) No dividend payable on security sold short.

## Glossary:

ETF	Exchange-Traded Fund
REIT	Real Estate Investment Trust

## NOTES TO INVESTMENT PORTFOLIO (unaudited)

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As of September 30, 2016

Highland Funds I

### Organization

Highland Funds I (the “Trust”) was organized as a Delaware statutory trust on February 28, 2006. The Trust is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company with six portfolios, each of which is non-diversified. This report includes information for the period ended September 30, 2016 for Highland Long/Short Equity Fund (the “Long/Short Equity Fund”), Highland Long/Short Healthcare Fund (the “Long/Short Healthcare Fund”), Highland Floating Rate Opportunities Fund (the “Floating Rate Opportunities Fund”), Highland Opportunistic Credit Fund (the “Opportunistic Credit Fund”) and Highland Merger Arbitrage Fund (the “Merger Arbitrage Fund”) (each a “Fund” and, collectively, the “Funds”). Highland/iBoxx Senior Loan ETF is reported separately.

### Valuation of Investments

In computing the Funds’ net assets attributable to shares, securities with readily available market quotations on the New York Stock Exchange (NYSE), National Association of Securities Dealers Automated Quotation (NASDAQ), or other nationally recognized exchange, use the closing quotations on the respective exchange for valuation of those securities. Securities for which there are no readily available market quotations will be valued pursuant to policies adopted by the Funds’ Board of Trustees (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 Funds’ loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that Highland Capital Management Fund Advisers, L.P. (the “Investment Adviser”) has determined to generally have the capability to provide appropriate pricing services and have been approved by the Board.

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

There can be no assurance that the Funds’ valuation of a security will not differ from the amount that it realizes upon the sale of such security. Those differences could have a material impact to the Funds. The NAV shown in the Funds’ financial statements may vary from the NAV published by each Fund as of its period end because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for financial statement purposes and/or because of information relating to the value of each Fund’s portfolio securities as of each Fund’s period end that became available prior to the completion of this report that was not available at the time each Fund’s NAV as of its period end was published.

### Fair Value Measurements

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

## NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)

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As of September 30, 2016

Highland Funds I

*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 September 30, 2016, the Funds' investments consisted of senior loans, asset-backed securities, corporate bonds and notes, foreign bonds, sovereign bonds, claims, common stocks, preferred stocks, exchange-traded funds, other registered investment companies, cash equivalents, master limited partnerships, rights, warrants, securities sold short, futures, equity swaps, collateralized loan obligations, claims and options. The fair value of the Funds' loans, bonds and asset-backed securities are generally based on quotes received from brokers or independent pricing services. Loans, bonds and asset-backed securities with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Loans, bonds and asset-backed securities that are priced using quotes derived from implied values, indicative bids, or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

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

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

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

**NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)**
**As of September 30, 2016**
**Highland Funds I**

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. A summary of the inputs used to value each Fund's assets as of September 30, 2016 is as follows:

	<u>Total value at September 30, 2016</u>	<u>Level 1 Quoted Price</u>	<u>Level 2 Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b>Long/Short Equity Fund</b>				
<b>Assets</b>				
Common Stocks <sup>(1)</sup>	\$ 488,274,278	\$ 488,274,278	\$ —	\$ —
Purchased Call Options	650,000	650,000	—	—
Purchased Put Options	1,057,500	1,057,500	—	—
Registered Investment Companies	7,942,370	7,942,370	—	—
Cash Equivalents	76,346,051	76,346,051	—	—
Other Financial Instruments				
Futures Contracts <sup>(2)</sup>	22,318	22,318	—	—
Swap Contracts	1,181,764	—	1,181,764	—
<b>Total Assets</b>	<u>575,474,281</u>	<u>574,292,517</u>	<u>1,181,764</u>	<u>—</u>
<b>Liabilities</b>				
Securities Sold Short <sup>(1)</sup>	(194,637,157)	(194,637,157)	—	—
Other Financial Instruments				
Written Put Options Contracts	(812,000)	(812,000)	—	—
Swap Contracts	(1,129,424)	—	(1,129,424)	—
<b>Total Liabilities</b>	<u>(196,578,581)</u>	<u>(195,449,157)</u>	<u>(1,129,424)</u>	<u>—</u>
<b>Total</b>	<u>\$ 378,895,700</u>	<u>\$ 378,843,360</u>	<u>\$ 52,340</u>	<u>\$ —</u>

(1) See Investment Portfolio detail for industry breakout.

(2) Includes cumulative unrealized appreciation/(depreciation) of future contracts reported in the Investment Portfolio.

	<u>Total value at September 30, 2016</u>	<u>Level 1 Quoted Price</u>	<u>Level 2 Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b>Long/Short Healthcare Fund</b>				
<b>Assets</b>				
Corporate Bonds & Notes <sup>(1)</sup>	\$ 8,724,330	\$ —	\$ 8,724,330	\$ —
Foreign Corporate Bonds & Notes <sup>(1)</sup>	2,591,250	—	2,591,250	—
Common Stocks				
Healthcare				
Biotechnology	45,386,722	45,386,722	—	—
Healthcare Distributors	11,562,573	11,562,573	—	—
Healthcare Equipment	20,435,805	20,435,805	—	—
Healthcare Facilities	26,248,336	26,248,336	—	—
Healthcare Services	10,868,662	10,868,662	—	—
Healthcare Supplies	12,682,900	12,682,900	—	—
Healthcare Technology	946,925	946,925	—	—
Life Sciences Tools & Services	26,291,505	26,291,505	—	—
Pharmaceuticals	42,255,668	36,876,668	—	5,379,000
Real Estate	3,141,819	3,141,819	—	—
Master Limited Partnerships <sup>(1)</sup>	74,872	—	—	74,872
Rights <sup>(1)</sup>	90,124	90,124	—	—
Warrants				
Healthcare				
Biotechnology	10,261,583	—	10,101,646 <sup>(2)</sup>	159,937
Life Sciences Tools & Services	694,513	—	694,513 <sup>(2)</sup>	—
Pharmaceuticals	628,703	—	628,703	—
Purchased Call Options <sup>(1)</sup>	8,879,404	8,879,404	—	—

**NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)**
**As of September 30, 2016**
**Highland Funds I**

Purchased Put Options <sup>(1)</sup>	2,751,250	2,751,250	—	—
Registered Investment Companies	15,085,498	15,085,498	—	—
Cash Equivalents	59,130,201	59,130,201	—	—
<b>Total Assets</b>	<b>308,732,643</b>	<b>280,378,392</b>	<b>22,740,442</b>	<b>5,613,809</b>
<b>Liabilities</b>				
Securities Sold Short <sup>(1)</sup>	(116,096,900)	(116,096,900)	—	—
<b>Total Liabilities</b>	<b>(116,096,900)</b>	<b>(116,096,900)</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 192,635,743</b>	<b>\$ 164,281,492</b>	<b>\$22,740,442</b>	<b>\$5,613,809</b>

<sup>(1)</sup> See Investment Portfolio detail for industry breakout.

<sup>(2)</sup> This category includes securities with a value of zero.

	<b>Total value at September 30, 2016</b>	<b>Level 1 Quoted Price</b>	<b>Level 2 Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>
<b>Floating Rate Opportunities Fund</b>				
<b>Assets</b>				
U.S. Senior Loans				
Business Equipment & Services	\$ 8,152,671	\$ —	\$ 8,152,671	\$ —
Chemicals	16,552,762	—	16,552,762	—
Consumer Discretionary	14,614,872	—	14,614,872	—
Consumer Products	1,587,960	—	1,587,960	—
Energy	20,879,876	—	20,879,876	—
Financial	29,421,758	—	29,421,758	—
Food & Drug	2,723,886	—	2,723,886	—
Forest Products & Containers	11,210,881	—	11,210,881	—
Gaming & Leisure	22,786,799	—	12,901,016	9,885,783
Healthcare	82,553,665	—	58,234,468	24,319,197
Housing	12,197,718	—	4,159,833	8,037,885
Industrials	30,521,360	—	30,521,360	—
Information Technology	26,945,742	—	26,945,742	—
Manufacturing	10,004,898	—	10,004,898	—
Media & Telecommunications	45,064,045	—	45,064,045	— <sup>(2)</sup>
Metals & Minerals	8,231,654	—	8,231,654	—
Retail	34,937,584	—	34,937,584	—
Service	81,995,403	—	81,995,403	—
Transportation	550,488	—	550,488	—
Utility	49,051,832	—	49,051,832	—
Foreign Denominated or Domiciled Senior Loans				
Canada	2,173,332	—	2,173,332	—
Cayman Islands	2,023,734	—	2,023,734	—
Germany	—	—	—	— <sup>(2)</sup>
Luxembourg	11,209,686	—	11,209,686	—
Marshall Islands	5,319,692	—	5,319,692	—
United Kingdom	—	—	—	— <sup>(2)</sup>
Collateralized Loan Obligations	55,520,791	—	55,520,791	—
Corporate Bonds & Notes <sup>(1)</sup>	32,783,250	—	32,783,250	—
Claims	149,304	—	—	149,304
Common Stocks				
Energy	1	—	—	1
Gaming & Leisure	—	—	—	— <sup>(2)</sup>
Healthcare	621	—	—	621
Housing	6,334,069	—	—	6,334,069
Media & Telecommunications	40,473,287	—	40,473,287	—
Real Estate	9	—	—	9

Utility	280,206	—	280,206	—
Warrants <sup>(1)</sup>	—	—	—	— <sup>(2)</sup>
Registered Investment Companies	331,270	331,270	—	—
Cash Equivalents	46,735,471	46,735,471	—	—
<b>Total</b>	<u>\$ 713,320,577</u>	<u>\$47,066,741</u>	<u>\$ 617,526,967</u>	<u>\$ 48,726,869</u>

(1) See Investment Portfolio detail for industry breakout.

(2) This category includes securities with a value of zero.

**NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Funds I

	Total value at September 30, 2016	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>Opportunistic Credit Fund</b>				
<b>Assets</b>				
U.S. Senior Loans				
Consumer Products	\$ 926,827	\$ —	\$ 926,827	\$ —
Energy	7,595,300	—	7,595,300	—
Information Technology	3,342,151	—	3,342,151	—
Manufacturing	1,725,688	—	1,725,688	—
Media & Telecommunications	619,988	—	619,988	—
Retail	2,522,360	—	2,522,360	—
Service	2,233,923	—	2,233,923	—
Telecommunications	692,983	—	—	692,983
Transportation	2,575,787	—	2,575,787	—
Utility	6,362,647	—	6,362,647	—
Foreign Denominated or Domiciled Senior Loans	3,201,146	—	3,201,146	—
Collateralized Loan Obligations	7,727,222	—	7,727,222	—
Corporate Bonds & Notes <sup>(1)</sup>	8,790,442	—	8,790,442	—
Foreign Corporate Bonds & Notes <sup>(1)</sup>	2,201	—	2,201	— (2)
Common Stocks				
Chemicals	1,138,470	—	—	1,138,470
Commercial & Professional Services	17,051	17,051	—	—
Energy	1,458,942	1,458,942	—	—
Materials	2,079,869	—	—	2,079,869
Media	513,281	—	513,281	—
Telecommunication Services	1,588,328	—	—	1,588,328
Utilities	89,694	—	89,694	—
Preferred Stocks <sup>(1)</sup>	879,555	—	879,555	—
Master Limited Partnerships				
Energy	1,322,838	1,322,838	—	—
Healthcare Equipment & Services	9,884	—	—	9,884
Warrants <sup>(1)</sup>	2,790	2,790	—	—
Registered Investment Companies	1,496,400	1,496,400	—	—
Cash Equivalents	6,683,524	6,683,524	—	—
<b>Total Assets</b>	<b>65,599,291</b>	<b>10,981,545</b>	<b>49,108,212</b>	<b>5,509,534</b>
<b>Liabilities</b>				
Securities Sold Short <sup>(1)</sup>	(1,967,089)	—	(1,967,089)	—
<b>Total Liabilities</b>	<b>(1,967,089)</b>	<b>—</b>	<b>(1,967,089)</b>	<b>—</b>
<b>Total</b>	<b>\$ 63,632,202</b>	<b>\$10,981,545</b>	<b>\$ 47,141,123</b>	<b>\$ 5,509,534</b>

(1) See Investment Portfolio detail for industry breakout.

(2) This category includes securities with a value of zero.

	Total value at September 30, 2016	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>Merger Arbitrage Fund</b>				
<b>Assets</b>				
Common Stocks <sup>(1)</sup>	\$ 20,521,525	\$20,521,525 <sup>(2)</sup>	\$ —	\$ —
Registered Investment Companies	177,339	177,339	—	—
Cash Equivalents	834,961	834,961	—	—
<b>Total Assets</b>	<b>21,533,825</b>	<b>21,533,825</b>	<b>—</b>	<b>—</b>
<b>Liabilities</b>				
Securities Sold Short <sup>(1)</sup>	(6,684,604)	(6,684,604)	—	—
<b>Total Liabilities</b>	<b>(6,684,604)</b>	<b>(6,684,604)</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 14,849,221</b>	<b>\$14,849,221</b>	<b>\$ —</b>	<b>\$ —</b>

(1) See Investment Portfolio detail for industry breakout.

(2) This category includes securities with a value of zero.



**NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)**

**As of September 30, 2016**

**Highland Funds I**

The tables below set forth a summary of changes in the Long/Short Healthcare Fund, the Floating Rate Opportunities Fund and the Opportunistic Credit Fund's assets measured at fair value using significant unobservable inputs (Level 3) for the period ended September 30, 2016. The Long/Short Equity Fund had no Level 3 assets as of June 30, 2016 or September 30, 2016.

	Balance as of June 30, 2016	Transfers into Level 3	Transfers Out of Level 3	Net Amortization (Accretion) of Premium/ (Discount)	Net Realized Gains/ (Losses)	Net Unrealized Gains/ (Losses)	Net Purchases	Net (Sales)	Balance as of September 30, 2016	Change in Unrealized Gain/ (Loss) on Level 3 securities still held at period end
<b>Highland Long/Short Healthcare Fund</b>										
Common Stocks										
Pharmaceuticals	\$5,007,750	\$ —	\$ —	\$ —	\$ —	\$ 371,250	\$ —	\$ —	\$ 5,379,000	\$ 371,250
Master Limited Partnerships	74,872	—	—	—	—	—	—	—	74,872	—
Warrants	271,602	—	—	—	—	(111,665)	—	—	159,937	(111,665)
<b>Total</b>	<b>\$5,354,224</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 259,585</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5,613,809</b>	<b>\$ 259,585</b>
<b>U.S. Senior Loans</b>										
Gaming & Leisure	\$10,261,775	\$ —	\$ —	\$ —	\$ —	\$ (667,635)	\$ 291,643	\$ —	\$ 9,885,783	\$ (667,635)
Healthcare	25,504,328	—	—	—	—	(2,223,938)	1,038,807	—	24,319,197	(2,223,938)
Housing	7,207,835	—	—	7	—	271,749	558,294	—	8,037,885	271,749
Manufacturing	2,522,655	—	(2,559,828)	(2,021)	—	39,194	—	—	—	—
<b>Foreign Denominated or Domestic Senior Loans</b>	<b>291,806</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>40,978</b>	<b>(194,650)</b>	<b>—</b>	<b>(138,134)</b>	<b>149,304</b>	<b>—</b>
<b>Claims</b>	<b>—</b>	<b>149,304</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>149,304</b>	<b>—</b>
<b>Common Stocks</b>										
Energy	1	—	—	—	—	—	—	—	1	—
Gaming & Leisure	158,662	—	—	—	—	(158,662)	—	—	—	(156,684)
Healthcare	5,176	—	—	—	—	(4,555)	—	—	621	(4,555)
Housing	5,938,465	—	—	—	—	395,604	—	—	6,334,069	395,604
Real Estate	8	—	—	—	—	(874,976)	874,977	—	9	(874,976)
<b>Warrants</b>	<b>63,294</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(63,294)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$51,954,005</b>	<b>\$ 149,304</b>	<b>\$ (2,559,828)</b>	<b>\$ (2,014)</b>	<b>\$ 40,978</b>	<b>\$ (3,481,163)</b>	<b>\$ 2,763,721</b>	<b>\$ (138,134)</b>	<b>\$ 48,726,869</b>	<b>\$ (3,260,435)</b>
	Balance as of			Net Amortization (Accretion) of						Change in
				Net Realized						Unrealized
										Gain/(Loss) on
										Level 3 securities

	June 30, 2016	Transfers into Level 3	Transfers Out of Level 3	Premium/ (Discount)	Gains/ (Losses)	Net Unrealized Gains/(Losses)	Net Purchases	Net (Sales)	Balance as of September 30, 2016	still held at period end
<b>Highland Opportunistic Credit Fund</b>										
<b>U.S. Senior Loans</b>										
Telecommunications	\$ 673,862	\$ —	\$ —	\$ —	\$ —	\$ (77)	\$ 19,198	\$ —	\$ 692,983	\$ (77)
<b>Foreign Corporate Bonds &amp; Notes</b>										
Healthcare	—	—	—	—	—	—	—	—	—	—
<b>Common Stocks</b>										
Chemicals	782,755	—	—	—	—	160,714	195,001	—	1,138,470	160,714
Materials	1,835,826	—	—	—	—	244,043	—	—	2,079,869	244,043
Telecommunication	1,598,340	—	—	—	—	(10,012)	—	—	1,588,328	(10,012)
<b>Master Limited Partnerships</b>										
Healthcare	9,884	—	—	—	—	—	—	—	9,884	—
<b>Total</b>	<u>\$4,900,667</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 394,668</u>	<u>214,199</u>	<u>\$ —</u>	<u>\$ 5,509,534</u>	<u>\$ 394,668</u>

Investments designated as Level 3 may include assets valued using quotes or indications furnished by brokers which are based on models or estimates and may not be executable prices. In light of the developing market conditions, the Investment Adviser continues to search for observable data points and evaluate broker quotes and indications received for portfolio investments. As a result, for the period ended September 30, 2016, a net amount of \$3,472,173 of the Long/Short Healthcare Fund was transferred from Level 2 to Level 1.

For the period ended September 30, 2016, a net amount of \$2,559,828 of the Floating Rate Opportunities Fund's portfolio investments was transferred from Level 3 to Level 2. Transfers from Level 3 to Level 2 were due to an increase in market activity (e.g. frequency of trades), which resulted in an increase of available market inputs to determine price. For the period ended September 30, 2016, a net amount of \$149,304 of the Floating Rate Opportunities Fund's portfolio investments was transferred from Level 2 to Level 3 due to a decrease in available market inputs to determine price.

For the period ended September 30, 2016, there were no transfers between Level 1 and 2.

The Funds use end of period market value in the determination of the amount associated with any transfers between levels.

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Highland Long/Short Healthcare Fund

Category	Market Value at 9/30/2016	Valuation Technique	Unobservable Inputs	Input Value(s)
<b>Common Stocks</b>	<u>\$ 5,379,000</u>	<b>Multiples Analysis</b>	<b>Multiple of EBITDA</b>	<b>8.1x</b>
			Liquidity Discount	10%
			Asset-Specific Discount	10%
			Discount Rate	10%
Warrants	159,937	Discounted Cash Flow	Volatility	90%
Master Limited Partnerships	74,872	Black Scholes Model	Scenario Probabilities	33%
		Recovery Analysis	Discount Rate	19%
		Discounted Cash Flow		
<b>Total</b>	<u>\$ 5,613,810</u>			

## Highland Floating Rate Opportunities Fund

Category	Market Value at 9/30/2016	Valuation Technique	Unobservable Inputs	Input Value(s)
U.S. Senior Loans	\$ 42,242,864	Adjusted Appraisal Transaction Analysis	Liquidity Discount Closing Cost Discount	5-10% 5%
		Multiples Analysis	Settlement Discount	50%
		Multiples Analysis	Multiple of Revenue	0.4x - 0.5x
Common Stocks	6,334,700	Multiples Analysis	Multiple of EBITDA	3.25x - 4.25x
		Adjusted Appraisal	Multiple of Revenue	0.4x - 0.5x
			Multiple of EBITDA	3.25x - 4.25x
			Liquidity Discount	10 - 25%
			Minority Discount	20%
Claims	149,304	Third-Party Pricing Vendor	Regional Market Appreciation	48%
				N/A
<b>Total</b>	<b>\$ 48,726,868</b>			

## Highland Opportunistic Credit Fund

Category	Market Value at 9/30/2016	Valuation Technique	Unobservable Inputs	Input Value(s)
Common Stocks	\$ 4,806,667	Third-Party Pricing Vendor Multiples Analysis	N/A	N/A
			Price/MHz-PoP	\$0.13 - \$0.50
			Multiple of EBITDA	7.0x - 8.5x
			Minority Discount	20%
U.S. Senior Loans	692,983	Discounted Cash Flow	Discount Rate	11.5%
		Discounted Cash Flow	Spread Adjustment	0.10%
Master Limited Partnerships	9,884	Recovery Analysis	Scenario Probabilities	33%
		Discounted Cash Flow	Discount Rate	19%
<b>Total</b>	<b>\$ 5,509,534</b>			

## 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.

## Cash & Cash Equivalents

The Funds consider liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of 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 this financial report.

## Securities Sold Short

The Funds may sell securities short. A security sold short is a transaction in which a Fund sells a security it does not own in anticipation that the market price of that

security will decline. When a Fund sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. A Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. In some circumstances, a Fund may be allowed by its prime broker to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Securities and cash held as collateral for securities sold short are shown on the Investments Portfolios for each of the Funds.

## NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2016

Highland Funds I

### Derivative Transactions

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

### Futures Contracts

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

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

### Options

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

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

During the three months ended September 30, 2016, the Long/Short Equity Fund and the Long/Short Healthcare Fund had written options to provide leveraged short exposure, and purchased options to provide leveraged long exposure, to the underlying equity, which is consistent with the investment strategies of these Funds.

Transactions in written options for the period ended September 30, 2016 were as follows:

<u>Long/Short Equity Fund</u>	<u>Number of Contracts</u>	<u>Notional Value</u>	<u>Premium</u>
Outstanding, June 30, 2016	3,550	\$ 28,710,000	\$ 448,615
Put Options Written	15,000	312,200,000	1,953,127
Call Options Expired	(200)	(6,800,000)	(133,657)
Put Options Expired	(8,850)	(135,860,000)	(1,138,635)
Put Options Closed	(2,500)	(51,250,000)	(229,866)
Outstanding, September 30, 2016	7,000	\$ 147,000,000	\$ 899,584

**NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland Funds I

<u>Long/Short Healthcare Fund</u>	<u>Number of Contracts</u>	<u>Notional Value</u>	<u>Premium</u>
Outstanding, June 30, 2016	—	\$ —	\$ —
Call Options Written	13,150	140,175,000	3,162,976
Put Options Written	32,312	355,316,000	5,549,812
Call Options Expired	(1,250)	(3,250,000)	(198,800)
Call Options Closed	(11,900)	(136,925,000)	(2,964,176)
Put Options Closed	<u>(32,312)</u>	<u>(355,316,000)</u>	<u>(5,549,812)</u>
Outstanding, September 30, 2016	—	\$ —	\$ —

For the period ended September 30, 2016, the Floating Rate Opportunities Fund, the Opportunistic Credit Fund and the Merger Arbitrage Fund did not invest in options.

**Swap Contracts**

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

Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument; for example, the agreement to pay interest in exchange for a market or commodity-linked return based on a notional amount. To the extent the total return of the market or commodity-linked index exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent it is less, the Fund will make a payment to the counterparty. As of September 30, 2016, the Long/Short Equity Fund was a party to open swap contracts having a net fair value of \$52,340.

**U.S. Federal Income Tax Information**

Unrealized appreciation and depreciation at September 30, 2016, based on cost of investments for U.S. federal income tax purposes was:

<u>Fund</u>	<u>Gross Appreciation</u>	<u>Gross Depreciation</u>	<u>Net Appreciation/ (Depreciation)</u>	<u>Cost</u>
Long/Short Equity Fund	\$12,042,181	\$ (4,385,794)	\$ 7,656,387	\$ 566,613,812
Long/Short Healthcare Fund	13,271,166	(9,030,864)	4,240,302	304,492,341
Floating Rate Opportunities Fund	23,202,705	(510,607,517)	(487,404,812)	1,206,298,505
Opportunistic Credit Fund	1,826,067	(21,421,293)	(19,595,226)	85,541,667
Merger Arbitrage Fund	163,486	(15,856)	147,630	21,386,195

**NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)**
**As of September 30, 2016**
**Highland Funds I**
**Affiliated Issuers**

Under Section 2 (a) (3) of the Investment Company Act of 1940, as amended, a portfolio company is defined as “affiliated” if a fund owns five percent or more of its outstanding voting securities.

The Floating Rate Opportunities Fund held at least five percent of the outstanding voting securities of the following companies during the period ended September 30, 2016:

Issuer	Shares at June 30, 2016	Shares at September 30, 2016	Market Value		Affiliated Income	Purchases	Sales
			June 30, 2016	September 30, 2016			
<b>Majority Owned Not Consolidated</b>							
Allenby (Common Stocks)	997,648	1,112,389	\$ 1	\$ 1	\$ —	\$114,741	\$—
Claymore (Common Stocks)	6,822,064	7,582,301	7	8	—	760,237	—
<b>Other Affiliates</b>							
CCS Medical, Inc. (U.S. Senior Loans & Common Stocks)	39,565,561	42,894,913	25,509,504	26,610,364	1,038,807	—	—
Endurance Business Media, Inc. (U.S. Senior Loans)	2,251,261	2,251,261	—	—	—	—	—
Las Vegas Land Holdings LLC (Common Stocks)	70,480	70,480	4,405	4,405	—	—	—
LLV Holdco, LLC (U.S. Senior Loans, Common Stocks & Warrants)	11,450,906	11,742,547	10,483,731	9,885,782	291,642	—	—
Nevada Land Group LLC (U.S. Senior Loans & Common Stocks)	8,054,169	8,612,462	3,207,835	4,037,884	558,293	—	—
Total	<u>69,212,089</u>	<u>74,266,353</u>	<u>\$39,205,483</u>	<u>\$40,538,444</u>	<u>\$1,888,742</u>	<u>\$874,978</u>	<u>\$—</u>

**Unfunded Loan Commitments**

As of September 30, 2016, the Floating Rate Opportunities Fund had unfunded loan commitments of \$5,558,817, which could be extended at the option of the borrower, as detailed below:

Borrower	Unfunded Loan Commitment	Value	Unrealized Appreciation (Depreciation)
Arch Coal Inc.	\$ 3,268,272	\$3,282,571	\$ 14,299
CCS Medical, Inc.	\$ 2,290,545	\$2,290,545	\$ —

As of September 30, 2016, the Opportunistic Credit Fund had unfunded loan commitments of \$345,638, which could be extended at the option of the borrower, as detailed below:

Borrower	Unfunded Loan Commitment	Value	Unrealized Appreciation (Depreciation)
Arch Coal Inc.	\$ 345,638	\$347,150	\$ 1,512

Unfunded loan commitments are marked to market on the relevant day of valuation in accordance with the Fund’s valuation policies. As of September 30, 2016, the Floating Rate Opportunities Fund and Opportunistic Credit Fund recognized net discount and unrealized depreciation on unfunded transactions of \$14,299 and \$1,512, respectively. The net change in unrealized appreciation/ (depreciation) on unfunded transactions was \$38,811 and \$4,104, respectively.

For more information with regard to significant accounting policies, see the most recent semi-annual report filed with the U.S. Securities and Exchange Commission.

**INVESTMENT PORTFOLIO (unaudited)**

As of September 30, 2016

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)		Value (\$)
<b>US Senior Loans (a) — 93.1%</b>		
<b>AEROSPACE — 2.9%</b>		
2,750,000	American Airlines, Inc. 2015 Term Loan, 3.250%, 10/10/21	2,758,841
2,000,000	American Airlines, Inc. Class B Term Loan, 3.500%, 04/28/23	2,007,840
2,933,348	TransDigm, Inc. Tranche C Term Loan, 3.750%, 02/28/20	2,939,655
1,476,099	TransDigm, Inc. Tranche D Term Loan, 3.750%, 06/04/21	1,479,177
3,971,237	TransDigm, Inc. Tranche E Term Loan, 3.750%, 05/16/22	3,981,165
		<u>13,166,678</u>
<b>AUTOMOTIVE — 2.4%</b>		
5,095,539	Allison Transmission, Inc. Term Loan B, 3.250%, 09/23/22	5,140,710
5,971,667	Gates Global, LLC Initial Dollar Term Loan, 4.250%, 07/06/21 (b)	5,894,633
		<u>11,035,343</u>
<b>BROADCASTING — 4.3%</b>		
1,933,661	Charter Communications Operating, LLC (aka CCO Safari LLC) Term F Loan, 3.000%, 01/03/21	1,941,822
1,990,000	Charter Communications Operating, LLC (aka CCO Safari LLC) Term H Loan (2016), 3.250%, 08/24/21	2,000,696
1,985,013	Charter Communications Operating, LLC (aka CCO Safari LLC) Term I Loan (2016), 3.500%, 01/24/23	2,000,307
10,800,000	iHeartCommunications, Inc. Tranche D Term Loan, 7.284%, 01/30/19 (b)	8,350,344

Principal Amount (\$)		Value (\$)
<b>BROADCASTING (continued)</b>		
3,000,000	iHeartCommunications, Inc. Tranche E Term Loan, 8.034%, 07/30/19 (b)	2,308,755
2,788,870	Nexstar Broadcasting, Inc. Term Loan B, 3.000%, 09/26/23 (b)	2,805,715
		<u>19,407,639</u>
<b>CABLE/WIRELESS VIDEO — 1.9%</b>		
3,562,852	CSC Holdings, LLC (fka CSC Holdings Inc. (Cablevision)) 2016 Extended Term Loan, 3.876%, 10/11/24 (b)	3,573,820
4,987,500	CSC Holdings, LLC (fka CSC Holdings Inc. (Cablevision)) Initial Term Loan, 5.000%, 10/09/22	5,008,796
		<u>8,582,616</u>
<b>CHEMICALS — 2.8%</b>		
3,723,308	Axalta Coating Systems Dutch Holding B B.V. (Axalta Coating Systems U.S. Holdings, Inc.) Refinanced Term B Loan, 3.750%, 02/01/20	3,755,887
2,493,703	MacDermid, Incorporated (Platform Specialty Products Corporation) Tranche B-3 Term Loan, 5.500%, 06/07/20	2,508,702
1,995,000	PQ Corporation Tranche B-1 Term Loan, 5.750%, 11/04/22 (b)	2,013,294
4,474,906	Univar USA Inc. Initial Dollar Term Loan, 4.250%, 07/01/22	4,487,503
		<u>12,765,386</u>
<b>CONSUMER NON-DURABLES — 0.2%</b>		
821,603	Spectrum Brands, Inc. USD Term Loan, 3.500%, 06/23/22	826,225

See accompanying Notes to Investment Portfolio. | 1



**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)		Value (\$)
<b>US Senior Loans (continued)</b>		
<b>ENERGY — 0.4%</b>		
2,497,436	Peabody Energy Corporation Term Loan, 4.250%, 09/24/20 (b)	1,979,917
<b>FINANCIAL — 3.5%</b>		
5,473,548	Communications Sales & Leasing, Inc. (CSL Capital, LLC) Term Loan, 5.000%, 10/24/22 (b)	5,509,126
4,278,279	Hub International Limited Initial Term Loan, 4.000%, 10/02/20	4,285,959
1,757,450	Mallinckrodt International Finance S.A. Initial Term B Loan, 3.340%, 03/19/21	1,757,634
2,493,644	National Financial Partners Corp. 2014 Specified Refinancing Term Loan, 4.500%, 07/01/20 (b)	2,502,733
1,845,375	Russell Investments US Institutional Holdco, Inc. Initial Term Loan, 6.750%, 05/10/23	1,834,995 <u>15,890,447</u>
<b>FOOD &amp; DRUG — 3.4%</b>		
7,481,250	Albertson's LLC 2016-1 Term B-4 Loan, 4.500%, 08/25/21 (b)	7,547,982
4,000,000	Albertson's LLC Term B-6 Loan, 4.750%, 06/22/23 (b)	4,044,780
3,838,939	Supervalu, Inc. New Term Loan, 5.500%, 03/21/19	3,851,147 <u>15,443,909</u>
<b>FOOD/TOBACCO — 2.5%</b>		
7,670,878	1011778 B.C. Unlimited Liability Company (New Red Finance, Inc.) (aka Burger King/Tim Hortons) Term B-2 Loan, 3.750%, 12/10/21	7,735,581

Principal Amount (\$)		Value (\$)
<b>FOOD/TOBACCO (continued)</b>		
2,463,987	Pinnacle Foods Finance, LLC Tranche G Term Loan, 3.250%, 04/29/20	2,479,954
997,429	Pinnacle Foods Finance, LLC Tranche H Term Loan, 3.250%, 04/29/20 (b)	1,003,414 <u>11,218,949</u>
<b>FOREST PRODUCTS/CONTAINERS — 4.1%</b>		
1,492,401	Berlin Packaging, LLC Initial Term Loan (First Lien), 4.500%, 10/01/21	1,501,191
3,188,803	Berry Plastics Corporation Term D Loan, 3.500%, 02/08/20 (b)	3,196,281
2,843,663	Berry Plastics Corporation Term G Loan, 3.500%, 01/06/21 (b)	2,849,350
4,053,154	Berry Plastics Corporation Term H Loan, 3.750%, 10/01/22	4,071,454
2,927,001	BWay Intermediate Company, Inc. Initial Term Loan, 5.500%, 08/14/20 (b)	2,947,856
1,201,335	Reynolds Group Holdings Inc. U.S. Term Loan, 4.250%, 02/05/23	1,206,777
2,982,355	SIG Combibloc Holdings S.C.A. (fka Onex Wizard Acquisition Company II S.C.A.) Initial Dollar Term Loan, 4.000%, 03/11/22 (b)	2,990,228 <u>18,763,137</u>
<b>GAMING/LEISURE — 5.6%</b>		
4,939,595	Amaya Holdings B.V. Initial Term B Loan (First Lien), 5.000%, 08/01/21 (b)	4,945,769
1,574,803	Aristocrat Leisure Limited Initial Term Loan, 3.500%, 10/20/21	1,582,819
601,937	Boyd Gaming Corporation Term B Loan, 4.000%, 08/14/20	606,828

2] See accompanying Notes to Investment Portfolio.

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)		Value (\$)
<b>US Senior Loans (continued)</b>		
<b>GAMING/LEISURE (continued)</b>		
3,000,000	CityCenter Holdings, LLC Term B Loan, 4.250%, 10/16/20 (b)	3,030,000
473,790	Hilton Worldwide Finance Initial Term Loan, 3.500%, 10/26/20	477,166
5,412,055	Las Vegas Sands, LLC Term B Loan, 3.250%, 12/19/20 (b)	5,448,614
4,546,531	MGM Growth Properties Operating Partnership LP Term B Loan, 4.000%, 04/25/23 (b)	4,593,429
2,393,468	Station Casinos LLC Term B Facility Loan, 3.750%, 06/08/23	2,412,915
2,465,118	WMG Acquisitions Corp. Tranche B Refinancing Term Loan, 3.750%, 07/01/20	2,469,075
		<u>25,566,615</u>
<b>HEALTHCARE — 11.2%</b>		
1,989,924	Alere Inc. (fka IM US Holdings, LLC) B Term Loan, 4.250%, 06/20/22	1,978,731
1,726,058	AmSurg Corp. Initial Term Loan, 3.500%, 07/16/21	1,730,511
3,728,407	Catalent Pharma Solutions, Inc. (fka Cardinal Health 409, Inc.) Dollar Term Loan, 4.250%, 05/20/21 (b)	3,759,297
3,543,956	CHS/Community Health Systems, Inc. Incremental 2018 Term F Loan, 4.080%, 12/31/18	3,529,568
3,677,240	CHS/Community Health Systems, Inc. Incremental 2019 Term G Loan, 3.750%, 12/31/19 (b)	3,615,186
6,794,951	CHS/Community Health Systems, Inc. Incremental 2021 Term H Loan, 4.000%, 01/27/21 (b)	6,684,975

Principal Amount (\$)		Value (\$)
<b>HEALTHCARE (continued)</b>		
6,758,465	Endo Luxembourg Finance Company I S.a.r.l. 2015 Incremental Term B Loan, 3.750%, 09/25/22 (b)	6,751,875
1,989,975	Envision Healthcare Corporation (fka Emergency Medical Services Corporation) Tranche B-2 Term Loan, 4.500%, 10/28/22	2,001,706
7,630,593	Grifols Worldwide Operations Limited U.S. Tranche B Term Loan, 3.450%, 02/27/21 (b)	7,711,669
3,783,494	HCA, Inc. Tranche B-6 Term Loan, 3.770%, 03/17/23 (b)	3,831,677
2,000,000	HCA Inc. Tranche B-7 Term Loan, 3.590%, 02/15/24	2,021,810
6,969,761	Jaguar Holding Company I (aka Pharmaceutical Product Development, Inc.) Initial Term Loan, 4.250%, 08/18/22 (b)	7,003,390
		<u>50,620,395</u>
<b>HOUSING — 0.8%</b>		
3,545,405	American Builders & Contractors Supply Co., Inc. Restatement Effective Date Term Loan, 3.500%, 09/23/23 (b)	3,560,473
<b>INFORMATION TECHNOLOGY — 11.6%</b>		
5,036,457	Avaya Inc. Term B-7 Loan, 6.250%, 05/29/20	3,739,569
2,527,560	CDW LLC (fka CDW Corporation) Term Loan, 3.000%, 08/17/23	2,531,364
3,990,000	Cengage Learning, Inc. 2016 Refinancing Term Loan, 5.250%, 06/07/23 (b)	3,993,571

See accompanying Notes to Investment Portfolio. | 3

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)	Value (\$)	Principal Amount (\$)	Value (\$)
<b>US Senior Loans (continued)</b>		<b>MEDIA/TELECOMMUNICATIONS — 10.5%</b>	
<b>INFORMATION TECHNOLOGY (continued)</b>			
			Altice France S.A. (Numericable-SFR S.A.)
5,263,158	5,225,869	498,744	USD TLB-5, 4.563%, 07/29/22
			Altice France S.A. (Numericable-SFR S.A.)
6,384,946	6,357,810	1,990,000	USD TLB-6, 4.750%, 02/10/23
			Altice US Finance I Corporation (Cequel Communications, LLC)
5,000,000	5,029,925	1,638,688	Initial Term Loan, 4.250%, 12/14/22
			AMC Entertainment, Inc.
3,965,637	4,008,902	2,000,000	Initial Term Loan, 4.000%, 12/15/22 (b)
			Delta 2 (Lux) S.a.r.l (aka Formula One)
5,000,334	5,022,585	7,491,193	Facility B3 (USD), 4.750%, 07/30/21
			DH Publishing, L.P.
4,786,526	4,801,819	2,402,760	Term B-3 Loan, 4.000%, 08/19/22
			Getty Images, Inc.
3,989,975	4,036,937	3,973,876	Initial Term Loan, 4.750%, 10/18/19 (b)
			Go Daddy Operating Company, LLC
352,227	355,420	1,713,687	Initial Term Loan, 4.250%, 05/13/21
			SBA Senior Finance II, LLC
2,834,366	2,860,060	3,446,733	Incremental Tranche B-1 Term Loan, 3.340%, 03/24/21 (b)
			Univision Communications, Inc.
4,379,782	4,439,741	1,697,161	2013 Incremental Term Loan (C-3), 4.000%, 03/01/20
	52,403,572		Univision Communications, Inc.
<b>MANUFACTURING — 2.1%</b>			Replacement First-Lien Term Loan (C-4), 4.000%, 03/01/20 (b)
			Virgin Media Investment Holdings Limited
4,163,236	4,041,232	7,978,705	F Facility, 3.650%, 06/30/23 (b)
1,630,101	1,648,057	5,000,000	
4,000,000	4,012,760		
	9,702,049		

4| See accompanying Notes to Investment Portfolio.

**INVESTMENT PORTFOLIO (unaudited) (continued)**
**As of September 30, 2016**
**Highland/iBoxx Senior Loan ETF**
**Principal Amount (\$)**
**Value (\$)**
**US Senior Loans (continued)**
**MEDIA/TELECOMMUNICATIONS (continued)**

	WideOpenWest Finance, LLC	
	New Term B Loan,	
4,074,647	4.500%, 08/18/23	4,063,401
	Zayo Group, LLC (Zayo Capital, Inc.)	
	2021 Term Loan,	
4,386,879	3.750%, 05/06/21 (b)	4,414,604
		<u>47,845,377</u>

**RETAIL — 5.9%**

	BJ's Wholesale Club, Inc. New 2013 (November) Replacement Loan (First Lien),	
3,383,439	4.500%, 09/26/19	3,396,127
	Gymboree Corporation	
	Term Loan,	
1,000,000	5.000%, 02/23/18	796,625
	J. Crew Group, Inc.	
	Initial Loan,	
3,387,322	4.000%, 03/05/21 (b)	2,698,002
	J.C. Penney Corporation, Inc.	
	Loan (2016),	
4,867,214	5.250%, 06/23/23	4,894,154
	Michaels Stores, Inc.	
	Term B Loan,	
1,994,845	3.750%, 01/28/20	2,003,573
	Michaels Stores, Inc.	
	Term Loan B1,	
500,000	3.750%, 01/27/23	502,188
	Neiman Marcus Group, Inc.	
	Other Term Loan,	
6,891,407	4.250%, 10/25/20 (b)	6,361,630
	PetSmart, Inc.	
	Tranche B-1 Loan,	
6,192,968	4.250%, 03/11/22 (b)	6,212,600
		<u>26,864,899</u>

**SERVICE — 11.4%**

	ADS Waste Holdings, Inc.	
	Initial Tranche B-2 Term Loan,	
4,607,723	3.750%, 10/09/19 (b)	4,618,528
	Advantage Sales & Marketing Inc.	
	Initial Term Loan (First Lien),	
4,351,768	4.250%, 07/23/21	4,305,987

**Principal Amount (\$)**
**Value (\$)**
**SERVICE (continued)**

	Alliant Holdings Intermediate, LLC	
	Initial Term Loan,	
2,992,424	4.750%, 08/12/22	2,996,913
	Asurion, LLC (fka Asurion Corporation)	
	Incremental Tranche B-1 Term Loan,	
4,650,715	5.000%, 05/24/19	4,673,016
	Asurion, LLC (fka Asurion Corporation)	
	Incremental Tranche B-4 Term Loan,	
6,442,259	5.000%, 08/04/22	6,484,134
	Brickman Group Ltd. LLC	
	Initial Term Loan (First Lien),	
3,205,241	4.000%, 12/18/20 (b)	3,204,247
	First Data Corporation	
	2021 Extended Dollar Term Loan,	
8,323,430	3.000%, 03/24/21 (b)	8,394,512
	First Data Corporation	
	2022 Dollar Term Loan,	
6,500,000	3.750%, 07/08/22 (b)	6,545,142
	Sabre GLBL Inc. (fka Sabre Inc.)	
	Term B Loan,	
2,055,758	4.000%, 02/19/19	2,067,106
	Trans Union, LLC	
	2016 Incremental Term B-2 Commitment,	
4,977,069	3.500%, 04/09/21 (b)	5,000,237
	Weight Watchers International, Inc.	
	Initial Tranche B-2 Term Loan,	
4,327,585	4.000%, 04/02/20	3,290,306
		<u>51,580,128</u>

**TRANSPORTATION — 1.6%**

	FCA US LLC (fka Chrysler Group, LLC)	
	Term Loan B,	
1,470,885	3.500%, 05/24/17	1,475,489
	MPG Holdco I Inc. (aka Metaldyne Performance Group)	
	Tranche B-1 Term Loan (2015),	
5,538,165	3.750%, 10/20/21	5,566,354
		<u>7,041,843</u>

See accompanying Notes to Investment Portfolio. | 5

**INVESTMENT PORTFOLIO (unaudited) (continued)**

As of September 30, 2016

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)		Value (\$)
<b>US Senior Loans (continued)</b>		
<b>UTILITY — 4.0%</b>		
3,974,849	Calpine Corporation Term Loan, 3.590%, 05/27/22	3,991,782
5,000,000	Texas Competitive Electric Holdings Company, LLC 2014 Term Loan (Non-Extending) (c)	1,442,850
21,000,000	Texas Competitive Electric Holdings Company, LLC 2017 Term Loan (Extending) (b)(c)	6,106,905
5,358,785	Texas Competitive Electric Holdings Company, LLC Term Loan, 5.000%, 10/31/17	5,406,157
1,222,179	Texas Competitive Electric Holdings Company, LLC Term C Loan, 5.000%, 10/31/17	1,232,983
		<u>18,180,677</u>
	Total US Senior Loans (Cost \$430,041,456)	<u>422,446,274</u>
<b>Foreign Domiciled Senior Loans (a) — 7.0%</b>		
<b>AUSTRALIA — 1.5%</b>		
<b>USD</b>		
6,745,468	FMG Resources (August 2006) (FMG America Finance, Inc.) Loan, 3.750%, 06/30/19 (b)	6,745,907
<b>CANADA — 2.1%</b>		
<b>USD</b>		
1,377,143	Bombardier Recreational Products, Inc. Term B-2 Loan, 3.750%, 06/30/23	1,382,651
2,184,778	Valeant Pharmaceuticals International, Inc. Series D-2 Tranche B Term Loan, 5.000%, 02/13/19	2,189,727

Principal Amount (\$)		Value (\$)
<b>CANADA (continued)</b>		
5,948,135	Valeant Pharmaceuticals International, Inc. Series E-1 Tranche B Term Loan, 5.250%, 08/05/20	5,967,169
		<u>9,539,547</u>
<b>LUXEMBOURG — 2.7%</b>		
<b>USD</b>		
7,750,000	Intelsat Jackson Holdings S.A. Tranche B-2 Term Loan, 3.750%, 06/30/19 (b)	7,389,780
4,977,571	Travelport Finance (Luxembourg) S.a.r.l Term B Loan, 5.000%, 08/15/21	5,005,569
		<u>12,395,349</u>
<b>NETHERLANDS — 0.7%</b>		
<b>USD</b>		
3,317,621	Tronox Pigments (Netherlands) B. V. New Term Loan, 4.500%, 03/19/20 (b)	3,288,973
	Total Foreign Domiciled Senior Loans (Cost \$31,626,465)	31,969,776
	<b>Total Investments - 100.1% (d)</b>	<b><u>454,416,050</u></b>
	(Cost \$461,667,921)	
	<b>Other Assets &amp; Liabilities, Net - (0.1)%</b>	<b><u>(436,051)</u></b>
	<b>Net Assets - 100.0%</b>	<b><u>453,979,999</u></b>

6| See accompanying Notes to Investment Portfolio.

**INVESTMENT PORTFOLIO (unaudited) (concluded)**

As of September 30, 2016

Highland/iBoxx Senior Loan ETF

- (a) Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Highland/iBoxx Senior Loan ETF (the “Fund”) invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread. (Unless otherwise denoted as a fixed rate loan, all senior loans carry a variable interest rate.) These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Inter-Bank Offered Rate (“LIBOR”) or (iii) the Certificate of Deposit rate. Rate shown represents the weighted average rate at September 30, 2016. Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the “1933 Act”), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy less than the stated maturity shown.
- (b) All or a portion of this position has not settled. Full contract rates do not take effect until settlement date.
- (c) The issuer is, or is in danger of being, in default of its payment obligation. Full income is not being accrued, although adequate protection payments are being made in certain cases.
- (d) Cost for U.S. federal income tax purposes is \$461,667,921.

Unrealized appreciation and depreciation at September 30, 2016 was:

	<u>Gross</u> <u>Appreciation</u>	<u>Gross</u> <u>Depreciation</u>	<u>Net</u> <u>Depreciation</u>	<u>Cost</u>
Highland/iBoxx Senior Loan ETF	\$ 3,531,546	\$(10,783,417)	\$ (7,251,871)	\$461,667,921

## Glossary:

LLC — Limited Liability Company

LP — Limited Partnership

Ltd. — Limited

USD — United States Dollar

**Foreign Domiciled Senior Loans  
Industry Concentration Table:  
(% of Net Assets)**

Chemicals	0.7%
Gaming/Leisure	0.3%
Healthcare	1.8%
Media/Telecommunications	1.6%
Metals/Minerals	1.5%
Service	1.1%
	<u>7.0%</u>

**As of September 30, 2016****Highland/iBoxx Senior Loan ETF****Organization**

Highland Funds I (the “Trust”) was organized as a Delaware statutory trust on February 28, 2006. The Trust is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company with six separate portfolios that were offered as of September 30, 2016. Highland/iBoxx Senior Loan ETF (the “Fund”) is a non-diversified exchange-traded fund (“ETF”). The remaining funds of the Trust are reported separately.

**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, 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 quotation 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. Investments in mutual funds are valued at their respective net asset values as determined by those mutual funds each business day. 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 Highland Capital Management Fund Advisors, L.P. (the “Investment Adviser”) has determined generally have the capability to provide appropriate pricing services and have been approved by the Fund’s Board.

Securities for which market quotations are not readily available and for which the Fund has determined 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, among other things: (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 net asset values. 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 on the Fund.

The NAV shown in the Fund’s financial statements may vary from the NAV published by the Fund as of the end of the reporting period because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for financial statement purposes and/or because of information relating to the value of the Fund’s portfolio securities as of the Fund’s reporting period end date that became available prior to the completion of this report that was not available at the time the Fund’s NAV as of its reporting period end date was published.

As of September 30, 2016

Highland/iBoxx Senior Loan ETF

**Fair Value Measurements**

The Fund has performed an analysis of all existing investments to determine the significance and character of all 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. 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 September 30, 2016, the Fund's investments consisted of senior loans. The fair value of the Fund's loans is generally based on quotes received from brokers or independent pricing services. Loans with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Loans that are priced using quotes derived from implied values, indicative bids, or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

At the end of each calendar quarter, management 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, management 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.



**NOTES TO INVESTMENT PORTFOLIO (unaudited) (concluded)****As of September 30, 2016****Highland/iBoxx Senior Loan ETF**

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 of the security at the end of the period. A summary of the levels of inputs used to value the Fund's assets as of September 30, 2016 is as follows:

	<u>Total Market Value at 09/30/16</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b>Highland/iBoxx Senior Loan ETF</b>				
<b>Assets</b>				
US Senior Loans*	\$ 422,446,274	\$ —	\$ 422,446,274	\$ —
Foreign Domiciled Senior Loans*	31,969,776	—	31,969,776	—
<b>Total</b>	<u>\$ 454,416,050</u>	<u>\$ —</u>	<u>\$ 454,416,050</u>	<u>\$ —</u>

\* Please refer to the Investment Portfolio for industry/country breakout.

Amounts designated as “—” are \$0.

For the period ended September 30, 2016 there were no transfers within the Fund between Level 1, Level 2 or Level 3. For the period ended September 30, 2016, there were no Level 3 investments.

The Fund uses end of period market value in the determination of the amount associated with any transfers between levels.

For more information with regard to significant accounting policies, see the most recent annual or semi-annual report filed with the U.S. Securities and Exchange Commission.

HFI-QH-001-0700

**Item 2. Controls and Procedures.**

(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3 (c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3 (b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that have materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits.**

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### HIGHLAND FUNDS I

By: /s/ Brad Ross

Brad Ross  
President and Principal Executive Officer

Date: November 22, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Brad Ross

Brad Ross  
President and Principal Executive Officer

Date: November 22, 2016

By: /s/ Brian Mitts

Brian Mitts  
Secretary, Principal Financial Officer and  
Principal Accounting Officer

Date: November 22, 2016

**Certification Pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the  
Sarbanes-Oxley Act**

I, Brad Ross, certify that:

1. I have reviewed this report on Form N-Q of Highland Funds I;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Brad Ross

Brad Ross

President and Principal Executive Officer

Date: November 22, 2016

**Certification Pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the  
Sarbanes-Oxley Act**

I, Brian Mitts, certify that:

1. I have reviewed this report on Form N-Q of Highland Funds I;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Brian Mitts

Brian Mitts  
Secretary, Principal Financial Officer and  
Principal Accounting Officer

Date: November 22, 2016