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HIGHLAND CAPITAL MANAGEMENT

Highland Income Fund Announces Pricing of $135 Million of 5.375% Series A Cumulative Preferred Shares Offering

DALLAS – July 29, 2019 – The Highland Income Fund (NYSE: HFRO) ("HFRO" or the "Fund") announced today the pricing of an offering of 5.4 million 5.375% Series A Cumulative Preferred shares (NYSE: HFRO.PR.A) with an aggregate liquidation value of $135 million. Additionally, Highland Capital Management Fund Advisors, L.P., the Fund's adviser, granted the underwriters a 30-day option to purchase up to an additional $20.25 million to cover any overallotments. The offering is expected to close on Thursday, August 1, 2019, subject to customary closing conditions.

The Fund expects to use the net proceeds from the offering to purchase portfolio securities in accordance with its investment objectives and policies. It may also pay down a portion of the existing borrowings from the Fund's $350 million credit facility.

The Series A Preferred shares are perpetual, non-callable for five years, and have a liquidation preference of $25 per share. Distributions are scheduled quarterly, with payments beginning on September 30, 2019. Series A Preferred shares are expected to commence trading on the New York Stock Exchange ("NYSE") within 30 days of the date of issuance. Moody's Investors Service has assigned an A1 rating to the preferred shares.

The offering was led by Morgan Stanley & Co. LLC, with additional participation from Jefferies LLC.

A registration statement relating to these securities was filed with the Securities and Exchange Commission and is effective. This press release is not an offering, which can only be made by a prospectus. Investors should consider the Fund's investment objective, risks, charges, and expenses carefully before investing. The Fund's prospectus supplement relating to the Series A Preferred and the Fund's base prospectus contain this and additional information about the Fund and the Series A Preferred, and should be read carefully before investing.

About the Highland Income Fund

The Highland Income Fund is a closed-end fund managed by Highland Capital Management Fund Advisors, L.P. that seeks to provide a high level of current income, consistent with the preservation of capital in a registered fund format. The Fund declares and pays dividends of investment income monthly. For more information visit www.highlandfunds.com/income-fund/.

About Highland Capital Management Fund Advisors, L.P.

Highland Capital Management Fund Advisors, L.P.is an affiliated adviser of Highland Capital Management, L.P. (together with its affiliates "Highland"), a multibillion-dollar global alternative investment manager. A pioneer in the leveraged loan market, the firm has evolved over 25 years, building on its credit expertise and value-based approach to expand into other asset classes. Today, Highland operates a diverse investment platform, serving both institutional and retail investors worldwide. In addition to high yield credit, Highland's investment capabilities include public equities, real estate, private equity and special situations, structured credit, and sector- and region-specific verticals built around specialized teams. For more information visit www.highlandfunds.com.

Investors should consider the investment objectives, risks, charges and expenses of the Highland Income Fund carefully before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 1-800-357-9167 or visiting www.highlandfunds.com. Please read the prospectus carefully before you invest.

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Effective May 20, 2019, the Fund changed its name to Highland Income Fund and expanded its investment strategy by removing the Fund's policy of, under normal market circumstances, investing at least 80% of its net assets in floating-rate loans and other securities deemed to be floating-rate instruments. See the March 20, 2019 press release for further details regarding the Fund's name change and expanded investment strategy: "Highland Floating Rate Opportunities Fund Announces Name Change to Highland Income Fund"

No assurance can be given that the Fund will achieve its investment objectives.

Shares of closed-end investment companies frequently trade at a discount to net asset value. The price of the Fund's shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below or above net asset value. Past performance does not guarantee future results.

Closed-End Fund Risk. *The Fund is a closed-end investment company designed primarily for long-term investors and not as a trading vehicle. No assurance can be given that a shareholder will be able to sell his or her shares on the NYSE when he or she chooses to do so, and no assurance can be given as to the price at which any such sale may be effected.*

Credit Risk. *The Fund may invest all or substantially all of its assets in Senior Loans or other securities that are rated below investment grade and unrated Senior Loans deemed by Highland to be of comparable quality. Securities rated below investment grade are commonly referred to as "high yield securities" or "junk securities." They are regarded as predominantly speculative with respect to the issuing company's continuing ability to meet principal and interest payments. Non-payment of scheduled interest and/or principal would result in a reduction of income to the Fund, a reduction in the value of the Senior Loan experiencing non-payment and a potential decrease in the NAV of the Fund. Investments in high yield Senior Loans and other securities may result in greater NAV fluctuation than if the Fund did not make such investments.*

Senior Loans Risk. *The risks associated with senior loans are similar to the risks of below investment grade securities in that they are considered speculative. In addition, as with any debt instrument, senior loans are also generally subject to the risk of price declines and to increases in prevailing interest rates. Senior loans are also subject to the risk as interest rates rise, the cost of borrowing increases, which may also increase the risk and rate of default. In addition, the interest rates of floating rate loans typically only adjust to changes in short-term interest rates; long term interest rates can vary dramatically from short term interest rates. Therefore, senior loans may not mitigate price declines in a rising long-term interest rate environment.*

Real Estate Industry Risk*: Issuers principally engaged in real estate industry, including real estate investment trusts, may be subject to risks similar to the risks associated with the direct ownership of real estate, including: (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties; (iii) risks related to local economic conditions, overbuilding and increased competition; (iv) increases in property taxes and operating expenses; (v) changes in zoning laws; (vi) casualty and condemnation losses; (vii) variations in rental income, neighborhood values or the appeal of property to tenants; (viii) the availability of financing and (ix) changes in interest rates and leverage.*

Illiquidity of Investments Risk. *The investments made by the Fund may be illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the Investment Adviser's assessment of their value or the amount originally paid for such investments by the Fund.*

Ongoing Monitoring Risk. *On behalf of the several Lenders, the Agent generally will be required to administer and manage the Senior Loans and, with respect to collateralized Senior Loans, to service or monitor the collateral. Financial difficulties of Agents can pose a risk to the Fund.*

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