

Highland/iBoxx Senior Loan ETF

Annual Report **June 30, 2020**

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website (highlandfunds.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by contacting the Fund's transfer agent at 1-855-799-4757.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with a Fund, you can call 1-855-799-4757 to let the Fund know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held with the fund complex if you invest directly with the Fund.

Highland/iBoxx Senior Loan ETF

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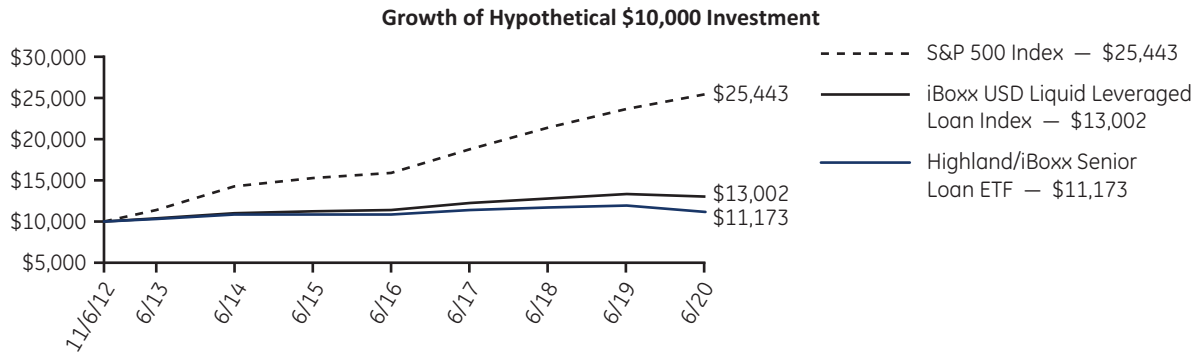
Economic and market conditions change frequently.
There is no assurance that the trends described in this report will continue or commence.

A prospectus must precede or accompany this report. Please read the prospectus carefully before you invest.

PORTFOLIO MANAGER COMMENTARY (unaudited)

June 30, 2020

Highland/iBoxx Senior Loan ETF



All dividends and capital gains are reinvested. The index is unmanaged and does not take into account fees, expenses or other costs.

Returns shown in the chart and table do not reflect taxes that a shareholder would pay on Fund distributions or on the sale of the Fund shares.

The Fund is non-diversified and may invest a larger portion of its assets in the securities of fewer issuers than if the Fund were diversified. Senior loans are subject to risk of non-payment of scheduled interest and/or principal. Please refer to the financial statements' Note 7, Disclosure of Significant Risks and Contingencies, for more information.

	Average Annual Total Returns			
	1 Year	3 Year	5 Year	Since Inception*
Highland/iBoxx Senior Loan ETF	-6.69%	-0.62%	0.59%	1.45%
Markit iBoxx USD Liquid Leveraged Loan Index	-3.05%	1.23%	1.71%	2.26%

* Since November 6, 2012, returns have been annualized.

The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For performance data current to the most recent month-end, please visit our web site at www.highlandfunds.com.

The performance quoted would have been lower if the expense limitations had not been in effect.

The total gross operating expenses can be found in the Financial Highlights. The Fund's Investment Adviser has contractually agreed to limit the total annual operating expenses (exclusive of taxes, brokerage commissions and other transaction costs, acquired fund fees and expenses and extraordinary expenses) of the Fund to 0.55% of average daily net assets of the Fund (the "Expense Cap"). The Expense Cap will continue through at least October 31, 2020, and may not be terminated prior to this date without the action or consent of the Fund's Board of Trustees.

The Fund's Investment Adviser has voluntarily agreed to waive a portion of its advisory fee or reimburse expenses. Such waivers and reimbursements may be terminated at any time.

PORTFOLIO MANAGER COMMENTARY (unaudited)

June 30, 2020

Highland/iBoxx Senior Loan ETF

Portfolio Manager Commentary

The Highland/iBoxx Senior Loan ETF (the “Fund”) is a passively managed index fund that seeks to provide investment results that correspond (before fees and expenses) to the price and yield of the Markit iBoxx USD Liquid Leveraged Loan Index (the “Index”). For the twelve-month period ended June 30, 2020, the Fund’s net asset value returned -6.69% while the market price returned -6.45%. Over the same time period, the Fund’s benchmark, the Index, returned -3.05%. As of June 30, 2020, the Fund was invested in 80 holdings, with a weighted average maturity of 4.70 years, a yield to maturity of 5.35% and a 30-day SEC Yield of 4.47%.

Manager’s Discussion

During the twelve months ended June 30, 2020, the leveraged credit markets underperformed investment grade and Treasuries as investors fled to more stable debt following the rise of the COVID-19 pandemic and the subsequent decline in interest rates. Compared to the -3.05% return for the Index, high yield bonds returned -2.60%, but investment grade corporate bonds and 10-year Treasuries returned 9.51% and 14.62%, respectively¹. It goes without saying that the past twelve months have been tumultuous. Following the Federal Reserve’s (the “Fed”) missteps in the previous period, it began to change course last summer, cutting rates three times in the second half of 2019. Following clearer resolution on the China trade front, the risk markets responded kindly to the moves, with the S&P 500 Index reaching an all-time high by the end of the year and loan prices strengthening as well. That strength continued into the new year until the pandemic expanded globally.

Despite prior criticisms of a slow response, the Fed has acted quickly and decisively in response to COVID-19 economic uncertainty. The Fed and the U.S. government, in conjunction with their counterparts globally, have put in place an unprecedented amount of stimulus in short order, and the broader risk markets have reacted kindly to this response. Average loan prices have rebounded strongly since their end of March nadir, improving to almost 90 by the end of the 2nd quarter from their lows near 76. Given the interest rate backdrop and improved investor optimism, high yield inflows and issuance have been very robust. The same cannot be said for loans, but technicals have been improving, as lower supply and some revival of collateralized loan obligation (“CLO”) demand have been able to mitigate continued retail outflows. Although January experienced one of the lightest outflows in recent history that quickly reversed once the market volatility ensued. The outflow figures for the past three months have continually improved, but we do not expect meaningful inflows during the near to medium-term with a Fed that is likely to remain extremely accommodative until there is clearer resolution on a path towards a firm economic recovery.

Although we were hesitant to embrace the expectation of a V-shaped recovery in the economy, employment gains and Purchase Managers’ Index (“PMI”) data have certainly been better than feared. Some of these gains were likely due to the more rapid pace of re-openings in some states. Bolstered by the Fed’s actions, the market has certainly embraced this data as evidence that the economy is quickly on pace to regain its former strength. That may very well be the case, but we remain cautious at this stage given the spate of flare-ups in some of the states which opened more quickly and that restrictions are being put back in place as a result. Not to mention that we are in the midst of an election cycle that is unlikely to be a sure thing for the incumbent. All of this is expected to cause increased uncertainty over the coming months.

Our sense is that the easy part of the recovery is now behind us and that the return to pre-COVID-19 economic strength may be more difficult and lengthier than some anticipate. Even if an effective vaccine is put into place, COVID has caused fundamental changes to how we live and work, which are likely to persist for some time. When economies experience shifts such as this, there will always be winners and losers, and this instance is no different. Amazon may be doing great, but there are many brick-and-mortar retailers and their employees not faring as well. We’ve already experienced a number of bankruptcies, and more are likely during the near-term. Other companies have been fortunate to access the credit markets to enhance liquidity and avoid a trip to the courthouse. However, with debt laden balance sheets, how eager are these companies going to be hiring people even after this pandemic has passed? This is not to say all is lost. Our economy can and will adapt to the post-COVID world (both good and bad), but it often takes time.

Despite this uncertainty and the interest rate backdrop, we believe that loans can still play a valuable role within a diversified investment portfolio. The loans contained within the Fund comprise what is deemed to be some of the most liquid in the market, many of which are sizeable and represent constituents of capital structures for larger companies that are often better suited to weather this storm. In addition, with overall spreads trading close to that of high yield (excluding energy) and structural seniority, loans could be considered attractive, especially if all this monetary stimulus eventually begins to stoke inflation and interest rates.

¹ J.P. Morgan research, July 1, 2020.

The Markit iBoxx USD Liquid Leveraged Loan Index has been licensed for use by Highland Capital Management Fund Advisors, L.P. The Highland iBoxx Senior Loan ETF is not sponsored, endorsed, issued, sold, or promoted by the Markit iBoxx USD Liquid Leveraged Loan Index, nor does this company make any representations regarding the advisability of investing in the Highland/iBoxx Senior Loan ETF.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For most recent performance figures, please call a representative at 1-855-799-4757 or visit our website at www.highlandfunds.com.

FUND PROFILE (unaudited)

June 30, 2020

Highland/iBoxx Senior Loan ETF

Objective

Highland/iBoxx Senior Loan ETF seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Markit iBoxx USD Liquid Leveraged Loan Index.

Net Assets as of June 30, 2020

\$77.0 million

Portfolio Data as of June 30, 2020

The information below provides a snapshot of the Highland/iBoxx Senior Loan ETF at the end of the reporting period.

Quality Breakdown as of June 30, 2020 (%)*	
BBB	14.2
BB	27.6
B	52.2
CCC	3.8
CC	0.1
NR	2.1

Top 5 Sectors as of 6/30/20 (%)	
Media/Telecommunications	16.6
Healthcare	9.3
Computers and Electronics	9.1
Retail	8.8
Gaming/Leisure	8.2

Top 10 Holdings as of 6/30/20 (%)†	
Charter Communications Operating LLC, 1st Lien, 04/30/2025 VAR LIBOR USD 1 Month+1.750%	2.9
PetSmart Inc., Term Loan B2, 1st Lien, 03/11/2022 VAR LIBOR USD 3 Month+4.000%	2.7
CenturyLink, Inc., Term B Loan, 1st Lien, 03/15/2027 VAR LIBOR USD 1 Month+2.250%	2.6
Refinitiv US Holdings Inc., Term Loan B, 1st Lien, 10/01/2025 VAR LIBOR USD 1 Month+3.250%	2.6
Bass Pro Group, Term Loan B, 09/25/2024 VAR LIBOR USD 6 Month+5.000%	2.5
Univision Communications, Inc., Term Loan, 1st Lien, 03/13/2026 VAR LIBOR USD 1 Month+3.750%	2.2
Zayo Group Holdings, Inc., Initial Dollar Term Loan, 1st Lien, 03/09/2027 VAR LIBOR USD 1 Month+3.000%	2.1
1011778 B.C. Unlimited Liability Company (New Red Finance, Inc.) (aka Burger King/Tim Hortons), Term B-4 Loan, 1st Lien, 11/19/2026 VAR LIBOR USD 1 Month+1.750%	2.1
Scientific Games International Inc., Term Loan B, 1st Lien, 08/14/2024 VAR LIBOR USD 3 Month+2.750%	2.0
Bausch Health Companies Inc., Term Loan B, 1st Lien, 06/02/2025 VAR LIBOR USD 1 Month+3.000%	1.9

The Fund is non-diversified and may invest a larger portion of its assets in the securities of fewer issuers than if the Fund were diversified.

Please refer to the financial statements' Note 7, Disclosure of Significant Risks and Contingencies, for more information.

* Quality is calculated as a percentage of total senior loans. Sectors and holdings are calculated as a percentage of total net assets. The quality ratings reflected were issued by Standard & Poor's, a nationally recognized statistical rating organization. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Quality ratings reflect the credit quality of the underlying bonds in the Fund's portfolio and not that of the Fund itself. Credit quality ratings assigned by a rating agency are subjective opinions, not statements of fact, and are subject to change, including daily. The ratings assigned by credit rating agencies are but one of the considerations that the Fund's investment adviser incorporates into its credit analysis process, along with such other issuer-specific factors as cash flows, capital structure and leverage ratios, ability to de-leverage through free cash flow, quality of management, market positioning and access to capital, as well as such security-specific factors as the terms of the security (e.g., interest rate, and time to maturity) and the amount of any collateral. Quality Ratings and holdings are subject to change, and may have changed since June 30, 2020.

† Excludes cash equivalents.

A guide to understanding the Fund's financial statements

Investment Portfolio	The Investment Portfolio details the Fund's holdings and their fair value as of the last day of the reporting period. Portfolio holdings are organized by type of asset and industry to demonstrate areas of concentration and diversification.
Statement of Assets and Liabilities	This statement details the Fund's assets, liabilities, net assets and share price for each share class as of the last day of the reporting period. Net assets are calculated by subtracting all of a Fund's liabilities (including any unpaid expenses) from the total of the Fund's investment and non-investment assets. The net asset value per share for each class is calculated by dividing net assets allocated to that share class by the number of shares outstanding in that class as of the last day of the reporting period.
Statement of Operations	This statement reports income earned by the Fund and the expenses incurred by the Fund during the reporting period. The Statement of Operations also shows any net gain or loss the Fund realized on the sales of its holdings during the period as well as any unrealized gains or losses recognized over the period. The total of these results represents the Fund's net increase or decrease in net assets from operations.
Statements of Changes in Net Assets	This statement details how the Fund's net assets were affected by its operating results, distributions to shareholders and shareholder transactions (e.g., creations, redemptions and distribution reinvestments) during the reporting period. The Statements of Changes in Net Assets also details changes in the number of shares outstanding.
Financial Highlights	The Financial Highlights demonstrate how the Fund's net asset value per share was affected by the Fund's operating results. The Financial Highlights also disclose the class' performance and certain key ratios (e.g., net expenses and net investment income as a percentage of average net assets).
Notes to Financial Statements	These notes disclose the organizational background of the Fund, certain of their significant accounting policies (including those surrounding security valuation, income recognition and distributions to shareholders), federal tax information, fees and compensation paid to affiliates and significant risks and contingencies.

INVESTMENT PORTFOLIO

June 30, 2020

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)	Value (\$)
US Senior Loans (a) - 80.9%	
AEROSPACE AND DEFENSE - 1.3%	
	TransDigm Inc., Tranche E Refinancing Term Loan, 1st Lien, VAR LIBOR USD
1,074,083	1 Month+2.250%, 05/30/25 970,284
AIRLINES - 0.5%	
	American Airlines Inc., Term Loan, 1st Lien, VAR LIBOR USD
494,949	1 Month+1.750%, 06/27/25 354,384
AUTOMOTIVE - 0.6%	
	Gates Global LLC, Term Loan B, 1st Lien, VAR LIBOR USD
473,518	1 Month+2.750%, 04/01/24 457,487
BUILDING MATERIALS - 1.8%	
	American Builders & Contractors Supply Co., Inc., Restatement Effective Date Term Loan, 1st Lien, VAR LIBOR USD
498,744	1 Month+2.000%, 01/15/27 (b) 477,173
	Quikrete Holdings Inc., Term Loan B, 1st Lien, VAR LIBOR USD
905,782	1 Month+2.500%, 02/01/27 876,540
	<u>1,353,713</u>
CHEMICALS - 5.3%	
	Berry Global, Inc., Term Loan Y, 1st Lien, VAR LIBOR USD
1,346,599	1 Month+2.000%, 07/01/26 (b) 1,292,351
	Berry Global, Inc., Term Loan, 1st Lien, VAR LIBOR USD
750,000	1 Month+2.000%, 10/01/22 733,166
	H.B. Fuller Company, Term Loan B, 1st Lien, VAR LIBOR USD
670,922	1 Month+2.000%, 10/20/24 650,187
	Ineos US Finance LLC, Cov-Lite, Term Loan B, 1st Lien, VAR LIBOR USD
488,614	1 Month+2.000%, 04/01/24 464,337
	Messer Industries GmbH, Initial Term B-1 Loan, 1st Lien, VAR LIBOR USD
987,456	3 Month+2.500%, 03/02/26 944,951
	<u>4,084,992</u>
COMPUTERS & ELECTRONICS - 7.4%	
	Boxer Parent Company Inc., Term Loan, 1st Lien, VAR LIBOR USD
953,942	1 Month+4.250%, 10/02/25 906,193

Principal Amount (\$)	Value (\$)
COMPUTERS & ELECTRONICS (continued)	
	GTT Communications Inc., Term Loan, 1st Lien, VAR LIBOR USD
949,670	1 Month+2.750%, 05/31/25 706,815
	McAfee, LLC, Term B USD Loan, VAR LIBOR USD
1,228,637	1 Month+3.750%, 09/30/24 1,200,139
	Micro Holdings (Internet Brands), Term Loan (2017), VAR LIBOR USD
675,216	3 Month+3.500%, 09/13/24 654,856
	SS&C Technologies Holdings Inc., Term Loan B, 1st Lien, VAR LIBOR USD
772,927	1 Month+1.750%, 04/16/25 740,344
	SS&C Technologies Holdings Inc., Term Loan B3, 1st Lien, VAR LIBOR USD
705,265	1 Month+1.750%, 04/16/25 677,827
	Ultimus Group Midco LLC, The, Initial Term Loan, 1st Lien, VAR LIBOR USD
838,521	1 Month+3.750%, 05/04/26 814,556
	<u>5,700,730</u>
CONGLOMERATES - 1.4%	
	Sunshine Luxembourg VII SARL, Facility B1, 1st Lien, VAR LIBOR USD
1,097,243	6 Month+4.250%, 10/01/26 1,054,500
CONSUMER PRODUCTS - 0.1%	
	Revlon Consumer Products Corp., Term Loan B, 1st Lien, VAR LIBOR USD
243,580	3 Month+3.500%, 09/07/23 67,971
DIVERSIFIED/CONGLOMERATE SERVICE - 1.2%	
	Trans Union LLC, 2019 Replacement Term B-5 Loan, 1st Lien, VAR LIBOR USD
994,851	1 Month+1.750%, 11/16/26 954,436
ENERGY - 0.2%	
	Seadrill Partners Finco LLC, Term Loan, 1st Lien, VAR LIBOR USD
993,580	3 Month+6.000%, 02/21/21 (b) 172,337
FINANCE - 2.8%	
	Refinitiv US Holdings Inc., Term Loan B, 1st Lien, VAR LIBOR USD
1,745,570	1 Month+3.250%, 10/01/25 1,707,604
	Veritas US Inc., New Dollar Term B Loan, 1st Lien, VAR LIBOR USD
498,698	3 Month+4.500%, 01/27/23 463,477
	<u>2,171,081</u>

See accompanying Notes to Financial Statements. | 5

INVESTMENT PORTFOLIO (continued)

June 30, 2020

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)	Value (\$)
US Senior Loans (continued)	
FOOD & BEVERAGE - 2.8%	
1011778 B.C. Unlimited Liability Company (New Red Finance, Inc.) (aka Burger King/ Tim Hortons), Term B-4 Loan, 1st Lien, VAR LIBOR USD	
1,496,241 1 Month+1.750%, 11/19/26	1,421,616
JBS USA Lux S.A. (fka JBS USA, LLC), New Term Loan, 1st Lien, VAR LIBOR USD	
748,106 3 Month+2.000%, 05/01/26	718,391
	<u>2,140,007</u>
GAMING/LEISURE - 6.3%	
CityCenter Holdings LLC, Term Loan B, 1st Lien, VAR LIBOR USD	
723,451 1 Month+2.250%, 04/18/24	660,058
Crown Finance US Inc., Term Loan, 1st Lien, VAR LIBOR USD	
853,727 3 Month+2.250%, 02/28/25	648,607
Golden Nugget Inc., Term Loan B, 1st Lien, VAR LIBOR USD	
1,148,751 3 Month+2.500%, 10/04/23	921,873
108,519 3 Month+2.750%, 10/04/23	87,086
Scientific Games International Inc., Term Loan B, 1st Lien, VAR LIBOR USD	
1,539,029 3 Month+2.750%, 08/14/24	1,368,197
Station Casinos LLC, Term B-1 Facility Term Loan, 1st Lien, VAR LIBOR USD	
500,000 1 Month+2.250%, 02/08/27	458,125
VICI Properties 1 LLC, Term Loan B, 1st Lien, VAR LIBOR USD	
750,000 1 Month+1.750%, 12/20/24	701,018
	<u>4,844,964</u>
HEALTHCARE - 7.0%	
DaVita Inc., Tranche B-1 Term Loan, 1st Lien, VAR LIBOR USD	
997,494 1 Month+1.750%, 08/12/26	968,053
Endo Luxembourg Finance Company I S.a r.l., Initial Term Loan, 1st Lien, VAR LIBOR USD	
1,246,787 1 Month+4.250%, 04/27/24	1,183,082
Envision Healthcare Corp., Term Loan, 1st Lien, VAR LIBOR USD	
1,926,763 1 Month+3.750%, 10/10/25	1,281,297
Grifols Worldwide Operations Limited, Dollar Tranche B Term Loan, 1st Lien, VAR LIBOR USD	
973,361 1 Month+2.000%, 11/15/27	942,181
Team Health Holdings, Inc., Initial Term Loan, 1st Lien, VAR LIBOR USD	
748,067 1 Month+2.750%, 02/06/24	577,885

Principal Amount (\$)	Value (\$)
HEALTHCARE (continued)	
U.S. Renal Care, Inc., Initial Term Loan, VAR LIBOR USD	
498,744 1 Month+5.000%, 06/26/26 (b)	481,218
	<u>5,433,716</u>
INFORMATION TECHNOLOGY - 4.6%	
Applied Systems, Inc., Initial Term Loan, VAR LIBOR USD	
247,446 3 Month+3.250%, 09/19/24 (b)	241,316
Go Daddy Operating Company LLC, Term Loan B, 1st Lien, VAR LIBOR USD	
747,436 1 Month+1.750%, 02/15/24	722,210
Kronos Incorporated, Incremental Term Loan, 1st Lien, VAR LIBOR USD	
746,821 1 Month+3.000%, 11/01/23 (b)	745,032
ON Semiconductor Corp., 2019 New Replacement Term B-4 Loan, 1st Lien, VAR LIBOR USD	
598,492 1 Month+2.000%, 09/19/26	576,612
Riverbed Technology Inc., Term Loan, 1st Lien, VAR LIBOR USD	
644,625 3 Month+3.250%, 04/24/22	553,826
Vertafore Inc., Term Loan B, 1st Lien, VAR LIBOR USD	
725,699 1 Month+3.250%, 07/02/25	687,563
	<u>3,526,559</u>
INSURANCE - 5.0%	
Alliant Holdings Intermediate LLC, Term Loan B, 1st Lien, VAR LIBOR USD	
911,886 1 Month+2.750%, 05/09/25	870,509
Asurion, LLC, Term Loan B6, 1st Lien, VAR LIBOR USD	
997,364 1 Month+3.000%, 11/03/23 (b)	970,284
Hub International Ltd., Term Loan B, 1st Lien, VAR LIBOR USD	
1,097,458 3 Month+3.000%, 04/25/25	1,046,931
MPH Acquisition Holdings LLC, Term Loan, 1st Lien, VAR LIBOR USD	
1,000,000 3 Month+2.750%, 06/07/23	953,610
	<u>3,841,334</u>
MACHINERY - 0.6%	
Titan Acquisition Ltd., Term Loan, 1st Lien, VAR LIBOR USD	
484,321 3 Month+3.000%, 03/28/25	444,973

INVESTMENT PORTFOLIO (continued)

June 30, 2020

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)		Value (\$)
US Senior Loans (continued)		
MEDIA/TELECOMMUNICATIONS - 16.7%		
	CenturyLink, Inc., Term B Loan, 1st Lien, VAR LIBOR USD	
1,845,363	1 Month+2.250%, 03/15/27	1,746,304
	Charter Communications Operating LLC, 1st Lien, VAR LIBOR USD	
1,994,885	1 Month+1.750%, 04/30/25	1,929,632
	Cogeco Communications (USA) II L.P., Term Loan, 1st Lien, VAR LIBOR USD	
540,778	1 Month+2.000%, 01/03/25 (b)	518,980
	Consolidated Communications, Term Loan B, VAR LIBOR USD	
498,711	1 Month+3.000%, 10/05/23	474,990
	Formula One Management Limited, Facility Term Loan B3 (USD), 1st Lien, VAR LIBOR USD	
1,250,000	1 Month+2.500%, 02/01/24	1,194,538
	Frontier Communications, Term B-1 Loan, 1st Lien, VAR LIBOR USD	
738,530	3 Month+3.750%, 06/15/24	722,309
	Intelsat Jackson Holdings S.A., Term Loan B3, 1st Lien, VAR LIBOR USD	
650,000	1 Month+5.750%, 11/27/23	649,493
	Radiate Holdco LLC, Term Loan, 1st Lien, VAR LIBOR USD	
943,596	1 Month+3.000%, 02/01/24	903,672
	SBA Senior Finance II LLC, Term Loan, 1st Lien, VAR LIBOR USD	
865,813	1 Month+1.750%, 04/11/25	836,141
	Univision Communications, Inc., Term Loan, 1st Lien, VAR LIBOR USD	
1,600,266	1 Month+3.750%, 03/13/26	1,492,248
	Zayo Group Holdings, Inc., Initial Dollar Term Loan, 1st Lien, VAR LIBOR USD	
1,496,250	1 Month+3.000%, 03/09/27	1,425,103
	Ziggo Financing Partnership, Term Loan I Facility, 1st Lien, VAR LIBOR USD	
1,000,000	3 Month+2.500%, 04/30/28 (b)	947,085
		<u>12,840,495</u>
RETAIL - 8.9%		
	Bass Pro Group, Term Loan B, VAR LIBOR USD	
1,756,461	6 Month+5.000%, 09/25/24	1,701,182
	Belk Inc., Closing Date, Term Loan, 1st Lien, VAR LIBOR USD	
1,123,697	3 Month+4.750%, 12/12/22	573,086
	BJ's Wholesale Club Inc., Term Loan B, 1st Lien, VAR LIBOR USD	
527,805	1 Month+2.250%, 01/27/24	511,924

Principal Amount (\$)		Value (\$)
RETAIL (continued)		
	Harbor Freight Tools USA Inc., Term Loan B, 1st Lien, VAR LIBOR USD	
743,624	1 Month+2.500%, 08/18/23	717,909
	Petco Animal Supplies Inc., Term Loan, 1st Lien, VAR LIBOR USD	
828,532	3 Month+3.250%, 01/26/23	679,972
	PetSmart Inc., Term Loan B2, 1st Lien, VAR LIBOR USD	
1,795,597	3 Month+4.000%, 03/11/22 (b)	1,776,824
	Staples, Inc., 2019 Refinancing New Term B-1 Loan, VAR LIBOR USD	
992,469	3 Month+5.000%, 04/16/26	861,676
		<u>6,822,573</u>
SERVICE - 4.8%		
	Advantage Sales & Marketing Inc., Initial Term Loan, 1st Lien, VAR LIBOR USD	
994,709	3 Month+3.250%, 07/23/21	916,529
	AlixPartners LLP, 2017 Refinancing Term Loan, VAR LIBOR USD	
496,147	1 Month+2.500%, 04/04/24	481,005
	AMC Entertainment Holdings, Inc. (fka AMC Entertainment Inc.), Term B-1 Loan, 1st Lien, VAR LIBOR USD	
733,744	3 Month+3.000%, 04/22/26	539,434
	Change Healthcare Holdings Inc., Closing Date Term Loan, 1st Lien, VAR LIBOR USD	
888,755	1 Month+2.500%, 03/01/24	856,720
	VAR LIBOR USD	
90,203	1 Month+2.500%, 03/01/24	86,952
	VAR LIBOR USD	
46,018	3 Month+2.500%, 03/01/24	44,359
	Nielsen Finance LLC, Cov-Lite, Term Loan B4, 1st Lien, VAR LIBOR USD	
830,133	1 Month+2.000%, 10/04/23	804,191
		<u>3,729,190</u>
TECHNOLOGY - 0.9%		
	SolarWinds Holdings Inc., 2018 Refinancing Term Loan, VAR LIBOR USD	
748,082	1 Month+2.750%, 02/05/24	728,011
UTILITIES - 0.7%		
	Calpine Corp., Term Loan, 1st Lien, VAR LIBOR USD	
583,340	1 Month+2.250%, 01/15/24	564,624
	Total US Senior Loans (Cost \$65,624,858)	<u>62,258,361</u>

See accompanying Notes to Financial Statements. | 7

INVESTMENT PORTFOLIO (concluded)

June 30, 2020

Highland/iBoxx Senior Loan ETF

Principal Amount (\$)	Value (\$)
Foreign Domiciled Senior Loans (a) - 5.9%	
AUSTRALIA - 1.1%	
USD	
Aristocrat Leisure, Term Loan B3, 1st Lien, VAR LIBOR USD 924,555 3 Month+1.750%, 10/19/24	881,600
CANADA - 2.3%	
USD	
Bausch Health Companies Inc., Term Loan B, 1st Lien, VAR LIBOR USD 1,340,988 1 Month+3.000%, 06/02/25 (b)	1,297,159
Bausch Health Companies Inc., Term Loan, 1st Lien, VAR LIBOR USD 465,338 1 Month+2.750%, 11/27/25	451,185
	1,748,344
LUXEMBOURG - 0.6%	
USD	
SS&C Technologies Holdings Europe S.A.R.L., Term Loan B4, 1st Lien, VAR LIBOR USD 504,065 1 Month+1.750%, 04/16/25	484,454
NETHERLANDS - 0.8%	
USD	
Stars Group Holdings B.V., Term Loan, 1st Lien, VAR LIBOR USD 594,704 3 Month+3.500%, 07/10/25	592,581
UNITED KINGDOM - 1.1%	
USD	
Misys Ltd., Term Loan B, 1st Lien, VAR LIBOR USD 994,615 6 Month+3.500%, 06/13/24	874,133
Total Foreign Domiciled Senior Loans (Cost \$4,806,515)	4,581,112
Shares	
Cash Equivalents - 12.2%	
MONEY MARKET FUND (c) - 12.2%	
Dreyfus Treasury & Agency Cash Management, Institutional Class, 9,407,260 0.100%	9,407,260
Total Cash Equivalents (Cost \$9,407,260)	9,407,260
Total Investments - 99.0%	76,246,733
(Cost \$79,838,633)	
Other Assets & Liabilities, Net - 1.0%	760,896
Net Assets - 100.0%	77,007,629

- (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 LIBOR or (iii) the Certificate of Deposit rate. As of June 30, 2020, the LIBOR USD 1 Week, LIBOR USD 1 Month, LIBOR USD 3 Month and LIBOR USD 6 Month rates were 0.097%, 0.162%, 0.302% and 0.369%, respectively and the Prime Rate was 3.25%. 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 and the actual remaining maturity may be substantially 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 rate shown is the 7-day effective yield as of June 30, 2020.

LIBOR — London Interbank Offered Rate
 LLC — Limited Liability Company
 Ltd — Limited
 USD — United States Dollars
 VAR — Variable Rate

Foreign Domiciled Senior Loans Industry Concentration Table: (% of Net Assets)	
Computers & Electronics	1.7%
Gaming/Leisure	1.9%
Healthcare	2.3%
	5.9%

STATEMENT OF ASSETS AND LIABILITIES

As of June 30, 2020

Highland/iBoxx Senior Loan ETF

	(\$)
Assets:	
Total Investments, at value (cost \$70,431,373)	66,839,473
Cash equivalents (cost \$9,407,260)	9,407,260
Cash	1,683,671
Receivable for:	
Investments sold	5,283,641
Dividends and interest	159,979
Prepaid expenses and other assets	673,009
Total assets	<u>84,047,033</u>
Liabilities:	
Payable for:	
Investments purchased	4,727,063
Fund shares redeemed	1,602,567
Expedited settlement facility fees (Note 4)	73,585
Audit fees	55,000
Transfer agent fees	29,300
Investment advisory fees (Note 4)	17,231
Administration fees (Note 4)	4,539
Trustees' fees (Note 4)	3,113
Accrued expenses and other liabilities	527,006
Total liabilities	<u>7,039,404</u>
Net Assets	<u>77,007,629</u>
Net Assets consist of:	
Paid-in capital	135,003,236
Total accumulated loss	(57,995,607)
Net Assets	<u>77,007,629</u>
Shares outstanding (unlimited authorization — no par value)	4,900,000
Net asset value, per share (Net assets/shares outstanding)	15.72

STATEMENT OF OPERATIONS

For the Year Ended June 30, 2020

Highland/iBoxx Senior Loan ETF

	(\$)
Investment Income:	
Interest income	9,569,739
Other income	107
Total investment income	<u>9,569,846</u>
Expenses:	
Investment advisory fees (Note 4)	884,120
Administration fees (Note 4)	129,104
Trustees' fees (Note 4)	63,384
Expedited settlement facility (Note 4)	373,301
Legal fees	133,832
Audit fees	131,840
Printing fees	106,553
Pricing fees	78,871
Licensing fees	72,328
Transfer agent fees	48,024
Registration fees	14,855
Professional fees	6,000
Custodian fees	936
Other	144,780
Total operating expenses	<u>2,187,928</u>
Fees and expenses waived by Investment Adviser (Note 4)	<u>(713,412)</u>
Net operating expenses	<u>1,474,516</u>
Net investment income	<u>8,095,330</u>
Net Realized and Unrealized Gain (Loss) on Investments	
Net realized loss on investments	(11,729,889)
Net change in unrealized appreciation (depreciation) on investments	<u>1,786,154</u>
Net realized and unrealized loss on investments	<u>(9,943,735)</u>
Net decrease in net assets resulting from operations	<u>(1,848,405)</u>

STATEMENTS OF CHANGES IN NET ASSETS

Highland/iBoxx Senior Loan ETF

	Year Ended June 30, 2020 (\$)	Year Ended June 30, 2019 (\$)
Increase (Decrease) in Net Assets:		
Operations:		
Net investment income	8,095,330	23,372,259
Net realized loss on investments	(11,729,889)	(19,406,348)
Net change in unrealized appreciation/(depreciation) on investments	<u>1,786,154</u>	<u>6,317,757</u>
Net increase (decrease) in net assets resulting from operations	<u>(1,848,405)</u>	<u>10,283,668</u>
Distributions	(8,215,455)	(23,252,153)
Return of capital	<u>(253,069)</u>	<u>—</u>
Total distributions	<u>(8,468,524)</u>	<u>(23,252,153)</u>
Share Transactions		
Creations	824,046,162	749,999,325
Redemptions	<u>(999,987,389)</u>	<u>(1,073,019,336)</u>
Net decrease from share transactions	<u>(175,941,227)</u>	<u>(323,020,011)</u>
Total decrease in net assets	<u>(186,258,156)</u>	<u>(335,988,496)</u>
Net Assets:		
Beginning of year	263,265,785	599,254,281
End of year	<u><u>77,007,629</u></u>	<u><u>263,265,785</u></u>
Changes in Shares		
Creations	47,900,000	42,300,000
Redemptions	<u>(58,000,000)</u>	<u>(60,400,000)</u>
Net decrease	<u>(10,100,000)</u>	<u>(18,100,000)</u>

Amounts designated as “—” are \$0.

FINANCIAL HIGHLIGHTS

Highland/iBoxx Senior Loan ETF

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

	For the Years Ended June 30,				
	2020	2019	2018	2017	2016
Net Asset Value, Beginning of Year	\$ 17.55	\$ 18.10	\$ 18.38	\$ 18.37	\$ 19.19
Income from Investment Operations:					
Net investment income ^(a)	0.71	0.89	0.83	0.86	0.81
Net realized and unrealized gain (loss)	(1.85)	(0.55)	(0.27)	0.01	(0.82)
Total from investment operations	(1.14)	0.34	0.56	0.87	(0.01)
Less Distributions Declared to Shareholders:					
From net investment income	(0.67)	(0.89)	(0.83)	(0.86)	(0.81)
From return of capital	(0.02)	—	(0.01)	(0.00) ^(b)	—
Total distributions declared to shareholders	(0.69)	(0.89)	(0.84)	(0.86)	(0.81)
Net Asset Value, End of Year	\$ 15.72	\$ 17.55	\$ 18.10	\$ 18.38	\$ 18.37
Market Price, end of year	\$ 15.75	\$ 17.54	\$ 18.09	\$ 18.39	\$ 18.38
Total return ^(c)	(6.69)%	1.94%	3.11%	4.78%	0.02%
Ratios to Average Net Assets/Supplemental Data:					
Net assets, end of year (000s)	\$77,008	\$263,266	\$599,254	\$562,510	\$391,293
Gross operating expenses ^(d)	1.12%	0.82%	0.73%	0.74%	0.77%
Net investment income	4.13%	4.98%	4.56%	4.62%	4.39%
Portfolio turnover rate	344%	186%	126%	115%	51%

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

(b) Amount represents less than \$0.005 per share.

(c) Total return is at net asset value assuming all distributions are reinvested. For periods with waivers/reimbursements, had the Fund's Investment Adviser not waived or reimbursed a portion of expenses, total return would have been reduced.

(d) Supplemental expense ratios are shown below:

	For the Years Ended June 30,				
	2020	2019	2018	2017	2016
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	0.75%	0.61%	0.55%	0.55%	0.55%
Excluded from Expense Cap:					
Expedited settlement facility and licensing fees	0.19%	0.06%	—	—	—

Amounts designated as “—” are \$0.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Highland/iBoxx Senior Loan ETF

Note 1. 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 four portfolios that are currently being offered, each of which is non-diversified. The financial statements herein are those of the Highland/iBoxx Senior Loan ETF (the "Fund"). The Fund is a non-diversified exchange-traded fund ("ETF"). The financial statements of the remaining funds of the Trust are presented separately.

Investment Objective

The investment objective of the Fund is to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Markit iBoxx USD Liquid Leveraged Loan Index (the "Underlying Index").

Fund Shares

Shares of the Fund are listed and traded on NASDAQ, Inc. Market prices for the shares of the Fund may be different from their net asset value ("NAV"). The Fund issues and redeems shares on a continuous basis at NAV only to authorized participants who have entered into agreements with the Fund's distributor ("Authorized Participants") in exchange for the deposit or delivery of a basket of assets (securities and/or cash) in large blocks, known as Creation Units, each of which comprises 100,000 shares for the Fund. Once created, shares will trade in a secondary market at market prices that change throughout the day in amounts less than a Creation Unit.

Creation Units

Except when aggregated in Creation Units, shares are not redeemable securities of the Fund. Creation Units of the Fund may only be purchased or redeemed directly from the Fund by Authorized Participants. An Authorized Participant is either (i) a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation or (ii) a Depository Trust Company ("DTC") participant and, in each case, must have executed an Authorized Participant Agreement with the Fund's distributor. Most retail investors will not qualify as Authorized Participants or have the resources to buy and sell whole Creation Units. Therefore, they will be unable to purchase or redeem the shares directly from the Fund. Rather, most retail investors will purchase shares in the secondary market with the assistance of a broker and will be subject to customary brokerage commissions or fees.

Note 2. Significant Accounting Policies

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

Use of Estimates

The Fund is an investment company that follows the investment company accounting and reporting guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946 *Financial Services — Investment Companies* applicable to investment companies. The Fund's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

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, National Association of Securities Dealers Automatic Quotation System ("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. ("HCMFA" or the "Investment Adviser") has determined 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 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. 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.

Fair Value Measurements

The Fund records investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 June 30, 2020, the Fund’s investments consisted mainly 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

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2020

Highland/iBoxx Senior Loan ETF

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the levels of inputs used to value the Fund's assets as of June 30, 2020 is as follows:

	Total Fair Value at 06/30/20	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Highland/iBoxx Senior Loan ETF				
Assets				
US Senior Loans*	\$62,258,361	\$ —	\$62,258,361	\$ —
Foreign Domiciled Senior Loans*	4,581,112	—	4,581,112	—
Cash Equivalent*	9,407,260	9,407,260	—	—
Total	\$76,246,733	\$9,407,260	\$66,839,473	\$ —

* Please refer to the Investment Portfolio for industry/country breakout. Amount designated as "—" are \$0.

For the year ended June 30, 2020, there were no transfers in or out of Level 3.

Security Transactions

Security transactions are accounted for on the trade date. Realized gains/(losses) on investments sold are recorded on the basis of the specific identification method for both financial statement and U.S. federal income tax purposes taking into account any foreign taxes withheld.

Cash and Cash Equivalents

The Fund considers liquid assets deposited with a bank, and certain short term debt instruments with original maturities of 3 months or less to be cash equivalents. The Fund also considers money market instruments that invest in cash equivalents 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 fair value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of the Statement of Assets and Liabilities. These balances may exceed the federally insured limits under the Federal Deposit Insurance Corporation ("FDIC").

Foreign Currency

Accounting records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated

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 be less liquid than publicly traded securities.

into U.S. dollars at the exchange rates using the current 4:00 PM London Time Spot Rate. Fluctuations in the value of the foreign currencies and other assets and liabilities resulting from changes in exchange rates, between trade and settlement dates on securities transactions and between the accrual and payment dates on dividends, interest income and foreign withholding taxes, are recorded as unrealized foreign currency gains/(losses). Realized gains/(losses) and unrealized appreciation/(depreciation) on investment securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are segregated in the Statement of Operations from the effects of changes in market prices of those securities, included within the net realized and unrealized gain or loss on investment securities.

Income Recognition

Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums of debt instruments using the effective interest method.

U.S. Federal Income Tax Status

The Fund intends to continue to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended, and will distribute substantially all of its taxable income and gains, if any, for the tax year, and as such will not be subject to U.S. federal income taxes. In addition, the Fund intends to

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2020

Highland/iBoxx Senior Loan ETF

distribute, in each calendar year, all of its net investment income, capital gains and certain other amounts, if any, such that it should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax provisions are recorded.

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (current and prior tax year), and has concluded that no provision for federal income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Distributions to Shareholders

The Fund intends to pay distributions from net investment income, if any, on a monthly basis. The Fund intends to pay net realized capital gains, if any, on an annual basis.

Note 3. U.S. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. As a result, net investment income (loss) and net realized gain/(loss) on investment transactions for a reporting period may differ significantly from distributions during such period. The Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations.

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under income tax regulations.

The tax character of distributions paid during the prior two fiscal years ended June 30, was as follows:

	Distributions paid from:		
	Ordinary Income*	Long-Term Capital Gains	Return of Capital
Highland/iBoxx Senior Loan ETF			
2020	\$ 8,215,455	\$—	\$ 253,069
2019	23,252,153	—	—

* For tax purposes, short-term capital gains distributions, if any, are considered ordinary income distributions.

As of June 30, 2020, the Fund's most recent tax year end, the components of accumulated losses on a tax basis were as follows:

	Capital Loss Carryforward	Net Unrealized Appreciation/ (Depreciation)	Post October Losses	Other Temporary Differences
Highland/iBoxx Senior Loan ETF	\$(44,861,308)	\$(3,832,046)	\$(9,302,256)	\$3

At June 30, 2020 the Fund had capital loss carryover as indicated below. The capital loss carryover is available to offset future realized capital gain.

	Short-Term Loss	Long-Term Loss	Total
Highland/iBoxx Senior Loan ETF	\$22,866,001	\$21,995,307	\$44,861,308

For federal income tax purposes, the cost of securities owned at June 30, 2020, and the net realized gains or losses on securities sold for the period, were different from amounts reported for financial reporting purposes, primarily due to wash sales which cannot be used for federal income tax purposes in the current period and have been deferred for use in future periods.

Unrealized appreciation and depreciation at June 30, 2020, based on cost of investments, including cash equivalents, for U.S. federal income tax purposes was:

	Gross Appreciation	Gross Depreciation	Net Depreciation	Cost
Highland/iBoxx Senior Loan ETF	\$303,604	\$(4,135,650)	\$(3,832,046)	\$80,078,779

Note 4. Advisory, Administration, Service and Distribution, Trustee, and Other Fees

Investment Advisory Fees

The Investment Adviser receives from the Fund monthly investment advisory fees, computed and accrued daily based on the Average Daily Managed Assets of the Fund, at the annual rate of 0.45%.

"Average Daily Managed Assets" of a Fund means the average daily value of the total assets of the Fund less all accrued liabilities of the Fund (other than the aggregate amount of any outstanding borrowings constituting financial leverage).

Administration Fees

SEI Investments Global Funds Services (the "Administrator") serves as the Fund's Administrator pursuant to an Administration Agreement. For its services under the Administration

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2020

Highland/iBoxx Senior Loan ETF

Agreement, the Administrator receives a monthly administration fee from the Fund, calculated and assessed in arrears based on the aggregate net assets of the Fund, subject to an annual minimum fee. For the year ended June 30, 2020, the Fund paid \$129,104 for these services.

Service and Distribution Fees

SEI Investments Distribution Co. (the “Distributor”) serves as the Fund’s underwriter and distributor of shares pursuant to a Distribution Agreement. Under the Distribution Agreement, the Distributor, as agent, receives orders to create and redeem shares in Creation Unit Aggregations and transmits such orders to the Fund’s custodian and transfer agent. The Distributor has no obligation to sell any specific quantity of Fund shares. The Distributor bears the following costs and expenses relating to the distribution of shares: (i) the costs of processing and maintaining records of creations of Creation Units; (ii) all cost of maintaining the records required of a registered broker/dealer; (iii) the expenses of maintaining its registration or qualification as a dealer or broker under Federal or state laws; (iv) filing fees; and (v) all other expenses incurred in connection with the distribution services as contemplated in the Distribution Agreement. The Distributor does not maintain any secondary market in Fund shares.

Expense Limits and Fee Reimbursements

The Investment Adviser has contractually agreed to limit the total annual operating expenses (exclusive of taxes, brokerage commissions and other, transaction costs, acquired fund fees and expenses, dividend expense and extraordinary expenses (collectively, the “Excluded Expenses”)) of the Fund to 0.55% of average daily net assets of the Fund (the “Expense Cap”). The Expense Cap will continue through at least October 31, 2020, and may not be terminated prior to this date without the action or consent of the Board. Under the Expense Cap, the Investment Adviser may recoup waived and/or reimbursed amounts with respect to the Fund within thirty-six months of the date such amounts were waived or reimbursed, provided the Fund’s total annual operating expenses, including such recoupment, do not exceed the Expense Cap in effect at the time of such waiver/reimbursement.

As of June 30, 2020, pursuant to the above, fees previously waived and reimbursed by the Investment Adviser that may be subject to possible future reimbursement to the Investment Adviser were as follows:

	Expiring Fiscal Years Ended June 30,		
	2021	2022	2023
Highland/iBoxx Senior Loan ETF	\$1,038,447	\$971,987	\$713,412

During the year ended June 30, 2020, \$866,942 of fees previously waived and or reimbursed by the Investment Adviser that were eligible for recoupment expired.

Due from Administrator

Subsequent to June 30, 2020, it was determined that there was an unreconciled adjustment on the Statement of Assets and Liabilities of the Fund. The unreconciled adjustment had the effect of decreasing Payable for Investment purchased, a liability, by \$472,396. The Fund has recognized a receivable due from the Administrator in the amount of \$660,350 for overpayments made on redemption payments to certain investors resulting from the unreconciled adjustment. This amount is included within prepaid expenses and other assets on the Statement of Assets and Liabilities. A payable of \$332,271 is reflected in Accrued expenses and other liabilities on the Statement of Assets and Liabilities for amounts owed to certain other shareholders for subscription overpayments also resulting from the unreconciled adjustment. The impact on the Fund and these investors resulting from the NAV errors is anticipated to be resolved as soon as possible. This balance is also included as a reduction to redemptions paid on the Statements of Changes in Net Assets. The Adviser expects that there will be additional amounts owed to the Fund subsequent to June 30, 2020 as the correction occurred after June 30, 2020. The Adviser is still assessing the extent and impact of those errors. The amount of the receivable is being processed under the Fund’s NAV error policy.

Fees Paid to Officers and Trustees

Each Trustee receives an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in the Highland Fund Complex based on relative net assets. The Chairman of the Audit Committee and the Chairman of the Board each receive an additional \$10,000. The “Highland Fund Complex” consists of all of the registered investment companies and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act, which are each advised by the Investment Adviser or its affiliated advisers as of the date of this report.

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

Trustees are reimbursed for actual out-of-pocket expenses relating to attendance at meetings, however, the Chairman of the Board and the Chairman of the Audit Committee each receive an additional payment of \$10,000 payable in quarterly installments and allocated among each portfolio in the Funds Complex based on relative net assets.

NOTES TO FINANCIAL STATEMENTS (continued)

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The Trustees do not receive any separate compensation in connection with service on Committees or for attending Board or Committee Meetings. The Trustees do not have any pension or retirement plan.

Expedited Settlement Agreements

On June 15, 2017 and May 14, 2019, the Fund entered into Expedited Settlement Agreements with two major dealers in the floating rate loan market, pursuant to which the Fund has the right to designate certain loans it sells to the dealer to settle on or prior to three days from the trade date in exchange for a quarterly fee (the "Expedited Settlement Agreements"). The Expedited Settlement Agreements are designed to reduce settlement times from the standard seven days to three days for eligible loans. For the year ended June 30, 2020, the Fund paid \$373,301 to the dealer as part of the Expedited Settlement Agreements.

While the Expedited Settlement Agreements are intended to provide the Fund with additional liquidity with respect to such loans, and may not represent the exclusive method of expedited settlement of such loans, no assurance can be given that the Expedited Settlement Agreements or other methods for expediting settlements will provide the Fund with sufficient liquidity in the event of abnormally large redemptions.

Note 5. Portfolio Information

For the year ended June 30, 2020, the cost of purchases and the proceeds from sales of the Fund's portfolio securities amounted to the following:

	U.S. Government Securities*		Other Securities	
	Purchases	Sales	Purchases	Sales
Highland/iBoxx Senior Loan ETF+	\$—	\$—	\$562,286,928	\$727,561,571

* The Fund did not have any purchases or sales of U.S. Government Securities for the year ended June 30, 2020.

+ The Fund did not have any in-kind creations/redemptions for the year ended June 30, 2020.

Note 6. Indemnification

Under the Trust's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may rise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

Note 7. Disclosure of Significant Risks and Contingencies

The Fund's investments expose the Fund to various risks, certain of which are discussed below. Please refer to the Fund's prospectus and statement of additional information for a full listing of risks associated with the Fund's investments.

Asset Class Risk

Securities in the Underlying Index or in the Fund's portfolio may underperform in comparison to the general securities markets or other asset classes.

Cash Transaction Risk

Unlike most exchange-traded funds ("ETFs"), the Fund currently intends to effect creations and redemptions principally for cash, rather than principally for in-kind securities, because of the nature of the Fund's investments. As a result, investments in Fund shares may be less tax-efficient than investments in conventional ETFs. Paying redemption proceeds in cash rather than through in-kind delivery of portfolio securities may require the Fund to dispose of or sell portfolio investments to obtain the cash needed to distribute redemption proceeds at an inopportune time. This may cause the Fund to recognize gains or losses that it might not have incurred if it had made a redemption in-kind.

Commodities Risk

Commodities markets historically have been extremely volatile, and the performance of securities and other instruments that provide exposure to those markets therefore also may be highly volatile. The commodities markets may fluctuate widely based on a variety of factors. These include changes in overall market movements, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest rates and/or investor expectations concerning interest rates, domestic and foreign inflation rates and/or investor expectations concerning inflation rates and investment and trading activities of mutual funds, hedge funds and commodities funds. Commodity linked derivative instruments have a high degree of price variability and are subject to rapid and substantial price changes. Commodity-linked derivative instruments may employ leverage, which creates the possibility for losses greater than the amount invested.

Counterparty Risk

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

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Highland/iBoxx Senior Loan ETF

Covenant-Lite Loans Risk

Loans in which the Fund invests include covenant-lite loans, which carry more risk to the lender than traditional loans as they may contain fewer or less restrictive covenants on the borrower than traditionally included in loan documentation or may contain other borrower-friendly characteristics. The Fund may experience relatively greater difficulty or delays in enforcing its rights on its holdings of certain covenant-lite loans and debt securities than its holdings of loans or securities with the usual covenants.

Credit Risk

The issuers of certain securities or the counterparties of a derivatives contract or repurchase contract might be unable or unwilling (or perceived as being unable or unwilling) to make interest and/or principal payments when due, or to otherwise honor its obligations. Debt securities are subject to the risk of non-payment of scheduled interest and/or principal. Non-payment would result in a reduction of income to the Fund, a reduction in the value of the obligation experiencing non-payment and a potential decrease in the Fund's net asset value and the market price of the Fund's shares.

Debt Securities and Leveraged Loans Risk

The value of debt securities typically changes in response to various factors, including, by way of example, market-related factors (such as changes in interest rates or changes in the risk appetite of investors generally) and changes in the actual or perceived ability of the issuer (or of issuers generally) to meet its (or their) obligations. During periods of rising interest rates, debt securities generally decline in value. Conversely, during periods of falling interest rates, debt securities generally rise in value. This kind of market risk is generally greater for funds investing in debt securities with longer maturities. 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. Leveraged Loans are subject to the same risks typically associated with debt securities. In addition, Leveraged Loans, which typically hold a senior position in the capital structure of a borrower, are subject to the risk that a court could subordinate such loans to presently existing or future indebtedness or take other action detrimental to the holders of Leveraged Loans. Leveraged Loans are also especially subject to the risk that the value of the collateral, if any, securing a loan may decline, be insufficient to meet the obligations of the borrower or be difficult to liquidate.

Because loans are not ordinarily registered with the SEC or any state securities commission or listed on any securities exchange, there is usually less publicly available information

about such instruments. In addition, loans may not be considered "securities" for purposes of the anti-fraud protections of the federal securities laws and, as a result, as a purchaser of these instruments, we may not be entitled to the anti-fraud protections of the federal securities laws. In the course of investing in such instruments, we may come into possession of material nonpublic information and, because of prohibitions on trading in securities of issuers while in possession of such information, we may be unable to enter into a transaction in a publicly-traded security of that issuer when it would otherwise be advantageous for us to do so. Alternatively, we may choose not to receive material nonpublic information about an issuer of such loans, with the result that we may have less information about such issuers than other investors who transact in such assets.

Derivatives Risk

Derivatives Risk is a combination of several risks, including the risks that: (1) an investment in a derivative instrument may not correlate well with the performance of the securities or asset class to which the Fund seeks exposure, (2) derivative contracts, including options, may expire worthless and the use of derivatives may result in losses to the Fund, (3) a derivative instrument entailing leverage may result in a loss greater than the principal amount invested, (4) derivatives not traded on an exchange may be subject to credit risk, for example, if the counterparty does not meet its obligations (see also "Counterparty Risk"), and (5) derivatives not traded on an exchange may be subject to liquidity risk and the related risk that the instrument is difficult or impossible to value accurately. As a general matter, when the Fund establishes certain derivative instrument positions, such as certain futures and options contract positions, it will segregate liquid assets (such as cash, U.S. Treasury bonds or commercial paper) equivalent to the Fund's outstanding obligations under the contract or in connection with the position. In addition, recent legislation has called for a new regulatory framework for the derivatives market. The impact of the new regulations are still unknown, but has the potential to increase the costs of using derivatives, may limit the availability of some forms of derivatives or the Fund's ability to use derivatives, and may adversely affect the performance of some derivative instruments used by the Fund as well as the Fund's ability to pursue its investment objective through the use of such instruments.

Exchange-Traded Funds Risk

The price movement of an exchange-traded fund may not exactly track the underlying index and may result in a loss. In addition, shareholders bear both their proportionate share of the Fund's expenses and similar expenses of the underlying investment company when the Fund invests in shares of another investment company.

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Fixed Income Market Risk

Fixed income markets may, in response to governmental intervention, economic or market developments (including potentially a reduction in the number of broker-dealers willing to engage in market-making activity), or other factors, experience periods of increased volatility and reduced liquidity. During those periods, the Fund may experience increased levels of shareholder redemptions, and may have to sell securities at times when it would otherwise not do so, and at unfavorable prices. Fixed income securities may be difficult to value during such periods. As of the date of this Prospectus, market interest rates in the United States are at or near historic lows, which may increase the Fund's exposure to risks associated with rising market interest rates. Rising market interest rates could have unpredictable effects on the markets and may expose fixed-income and related markets to heightened volatility, which could reduce liquidity for certain investments, adversely affect values, and increase costs. Increased redemptions may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so and may lower returns. If dealer capacity in fixed-income and related markets is insufficient for market conditions, it may further inhibit liquidity and increase volatility in the fixed-income and related markets. Further, recent and potential future changes in government policy may affect interest rates.

Focused Investment Risk

The Fund's investments in Senior Loans arranged through private negotiations between a Borrower and several financial institutions may expose the Fund to risks associated with the financial services industry. The financial services industry is subject to extensive government regulation, which can limit both the amounts and types of loans and other financial commitments financial services companies can make and the interest rates and fees they can charge. Profitability is largely dependent on the availability and cost of capital funds, and can fluctuate significantly when interest rates change. Because financial services companies are highly dependent on short-term interest rates, they can be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations. Losses resulting from financial difficulties of Borrowers can negatively affect financial services companies.

High-Yield Debt Securities Risk

Below investment grade securities or unrated securities of similar credit quality (commonly known as "high-yield securities" or "junk securities") are more likely to default than higher rated securities. The Fund's ability to invest in high-yield debt securities generally subjects the Fund to greater risk than securities with higher ratings. Such securities are regarded by the rating organizations as predominantly

speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. The market value of these securities is more sensitive to corporate developments and economic conditions and can be volatile. Market conditions can diminish liquidity and make accurate valuations difficult to obtain.

Illiquid Securities Risk

The Investment Adviser may not be able to sell illiquid securities at the price it would like or may have to sell them at a loss. Securities of non-U.S. issuers and emerging markets securities in particular, are subject to greater liquidity risk.

Industry Concentration Risk

Because the Fund may invest 25% or more of the value of its assets in an industry or group of industries to the extent that the Underlying Index concentrates in an industry or group of industries, the Fund's performance largely depends on the overall condition of such industry or group of industries and the Fund is susceptible to economic, political and regulatory risks or other occurrences associated with that industry or group of industries.

Intellectual Property Risk

The Investment Adviser relies on a license, which may be terminated by the Index Provider, that permits the Fund to use the Underlying Index and associated trade names, trademarks and service marks (the "Intellectual Property") in connection with the name and investment strategies of the Fund. In the event the license is terminated or the Index Provider does not have rights to license the Intellectual Property, it may have a significant effect on the operation of the Fund.

Interest Rate Risk

When interest rates decline, the value of fixed rate securities already held by the Fund can be expected to rise. Conversely, when interest rates rise, the value of existing fixed rate portfolio securities can be expected to decline. A fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration. 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.

On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. As a result, plans are underway to phase out the use of LIBOR by the end of 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the

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financial instruments in which the Fund invests can not yet be determined. A successor rate could impact the liquidity and potentially the value of investments that reference LIBOR. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a change in (i) the value of certain instruments held by the Fund (ii) the cost of temporary borrowing for the Fund or (iii) the effectiveness of related Fund transactions such as hedges, as applicable. When LIBOR is discontinued, the LIBOR replacement rate may be lower than market expectations, which could have an adverse impact on the value of preferred and debt-securities with floating or fixed-to-floating rate coupons. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses to the Fund. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021.

Lender Liability Risk

A number of judicial decisions have upheld the right of Borrowers to sue lending institutions on the basis of various evolving legal theories founded upon the premise that an institutional Lender has violated a duty of good faith and fair dealing owed to the Borrower or has assumed a degree of control over the Borrower resulting in a creation of a fiduciary duty owed to the Borrower or its other creditors or shareholders. Because of the nature of certain of the Fund's investments, the Fund or the Investment Adviser could be subject to such liability.

Limited Information Risk

The types of Senior Loans in which the Fund will invest historically may not have been rated by a NRSRO, have not been registered with the SEC or any state securities commission, and have not been listed on any national securities exchange. Although the Fund will generally have access to financial and other information made available to the Lenders in connection with Senior Loans, the amount of public information available with respect to Senior Loans will generally be less extensive than that available for rated, registered or exchange-listed securities.

Liquidity Risk

Liquidity risk is the risk that low trading volume, lack of a market maker, large position size, or legal restrictions (including daily price fluctuation limits or "circuit breakers") limits or prevents the Fund from selling particular securities or unwinding derivative positions at desirable prices. At times, a major portion of any portfolio security may be held by relatively few institutional purchasers. Even if the Fund considers such securities liquid because of the availability of

an institutional market, such securities may become difficult to value or sell in adverse market or economic conditions. Because loan transactions often take longer to settle than transactions in other securities, the Fund may not receive the proceeds from the sale of a loan for a significant period of time. As a result, the Fund may maintain higher levels of cash and short-term investments than mutual funds that invest in securities with shorter settlement cycles and/or may enter into a line of credit to permit the Fund to finance redemptions pending settlement of the sale of portfolio securities, each of which may adversely affect the Fund's performance. No assurance can be given that these measures will provide the Fund with sufficient liquidity in the event of abnormally large redemptions.

Loan Participation Risk

In addition to the risks typically associated with debt securities, Participations involve the risk that there may not be a readily available market for Participation interests and, in some cases, the Fund may have to dispose of such securities at a substantial discount from face value. Participations also involve the credit risk associated with the underlying corporate borrower.

Management Risk

Management risk is the risk associated with the fact that the Fund relies on the Investment Adviser's ability to achieve its investment objective. The Investment Adviser may be incorrect in its assessment of the intrinsic value of companies whose securities the Fund holds, which may result in a decline in the value of Fund shares and failure to achieve its investment objective. The Fund's portfolio manager uses quantitative analyses and/or models. Any imperfections or limitations in such analyses and models could affect the ability of the portfolio manager to implement strategies.

Market Price Variance Risk

Fund shares will be listed for trading on NASDAQ, Inc. (the "Exchange") and can be bought and sold in the secondary market at market prices. The market prices of shares will fluctuate in response to changes in the NAV and supply and demand for shares. As a result, the trading prices of Shares may deviate significantly from NAV during periods of market volatility. The Investment Adviser cannot predict whether shares will trade above, below or at their NAV. Given the fact that shares can be created and redeemed in Creation Units, the Investment Adviser believes that large discounts or premiums to the NAV of shares should not be sustained in the long-term. In addition, the securities held by the Fund may be traded in markets that close at a different time than NASDAQ. Liquidity in those securities may be reduced after the applicable closing times. Accordingly, during the time when NASDAQ is open but after the applicable market closing,

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fixing or settlement times, bid-ask spreads and the resulting premium or discount to the Shares' NAV may widen. Further, secondary markets may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which could cause a material decline in the Fund's NAV. The bid/ask spread of the Fund may be wider in comparison to the bid/ask spread of other ETFs, given the liquidity of the Fund's assets. The Fund's investment results are measured based upon the daily NAV of the Fund. Investors purchasing and selling shares in the secondary market may not experience investment results consistent with those experienced by those purchasing and redeeming directly with the Fund.

Non-Diversification Risk

As a non-diversified fund for purposes of the 1940 Act, the Fund may invest a larger portion of its assets in the securities of fewer issuers than a diversified fund. The Fund's investment in fewer issuers may result in the Fund's shares being more sensitive to the economic results of those issuers. An investment in the Fund could fluctuate in value more than an investment in a diversified fund.

Non-Payment Risk

Debt securities are subject to the risk of non-payment of scheduled interest and/or principal. Non-payment would result in a reduction of income to the Fund, a reduction in the value of the obligation experiencing non-payment and a potential decrease in the Fund's NAV and the market price of the Fund's shares.

Ongoing Monitoring Risk

Ongoing monitoring risk is the risk associated with ongoing monitoring of the Agent. 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. Unless, under the terms of the loan, the Fund has direct recourse against the Borrower, the Fund may have to rely on the Agent or other financial intermediary to apply appropriate credit remedies against a Borrower.

Operational and Technology Risk

Cyber-attacks, disruptions, or failures that affect the Fund's service providers, counterparties, market participants, or issuers of securities held by the Fund may adversely affect the Fund and its shareholders, including by causing losses for the Fund or impairing Fund operations.

Options Risk

Options, such as covered calls and covered puts, are subject to the risk that significant differences between the securities

and options markets that could result in an imperfect correlation between these markets.

Pandemics and Associated Economic Disruption

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in December 2019 and subsequently spread internationally. This coronavirus has resulted in the closing of borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general anxiety and economic uncertainty. The impact of this coronavirus may be short term or may last for an extended period of time and result in a substantial economic downturn. Health crises caused by outbreaks of disease, such as the coronavirus, may exacerbate other pre-existing political, social and economic risks. This outbreak, and other epidemics and pandemics that may arise in the future, could negatively affect the global economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways. For example, a widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, impact the Fund's ability to complete repurchase requests, and affect Fund performance. Any such impact could adversely affect the Fund's performance, the performance of the securities in which the Fund invests, lines of credit available to the Fund and may lead to losses on your investment in the Fund. In addition, the increasing interconnectedness of markets around the world may result in many markets being affected by events or conditions in a single country or region or events affecting a single or small number of issuers.

Passive Investment Risk

The Fund is not actively managed and HCMFA does not attempt to take defensive positions under any market conditions, including during declining markets.

Portfolio Turnover Risk

High portfolio turnover will increase the Fund's transaction costs and may result in increased realization of net short-term capital gains (which are taxable to shareholders as ordinary income when distributed to them), higher taxable distributions and lower after-tax performance.

Prepayment Risk

During periods of falling interest rates, issuers of debt securities may repay higher rate securities before their maturity dates. This may cause the Fund to lose potential price appreciation and to be forced to reinvest the unanticipated proceeds at lower interest rates. This may result in a decrease in the Fund's income.

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Regulatory Risk

To the extent that legislation or state or federal regulators impose additional requirements or restrictions with respect to the ability of financial institutions to make loans in connection with highly leveraged transactions, the availability of Senior Loan interests for investment by the Fund may be adversely affected.

To the extent that legislation or state or federal regulators impose additional requirements or restrictions with respect to the ability of financial institutions to make loans in connection with highly leveraged transactions, the availability of Senior Loan interests for investment by the Fund may be adversely affected. In addition, such requirements or restrictions may reduce or eliminate sources of financing for affected Borrowers. Further, to the extent that legislation or federal or state regulators require such institutions to dispose of Senior Loan interests relating to highly leveraged transactions or subject such Senior Loan interests to increased regulatory scrutiny, such financial institutions may determine to sell Senior Loan interests in a manner that results in a price that, in the opinion of the Investment Adviser, is not indicative of fair value. Were the Fund to attempt to sell a Senior Loan interest at a time when a financial institution was engaging in such a sale with respect to the Senior Loan interest, the price at which the Fund could consummate such a sale might be adversely affected. See "Industry Concentration Risk" above.

Securities Market Risk

The value of securities owned by the Fund may go up or down, sometimes rapidly or unpredictably, due to factors affecting particular companies or the securities markets generally. A general downturn in the securities market may cause multiple asset classes to decline in value simultaneously. Many factors can affect this value and you may lose money by investing in the Fund.

Senior Loans Risk

The Fund's investments in Senior Loans are typically below investment grade and are considered speculative because of the credit risk of their issuers. As with any debt instrument, Senior Loans are generally subject to the risk of price declines and to increases in interest rates, particularly long-term rates. Senior loans are also subject to the risk that, as interest rates rise, the cost of borrowing increases, which may increase the risk 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. The secondary market for loans is generally less liquid than the market for higher grade

debt. Less liquidity in the secondary trading market could adversely affect the price at which the Fund could sell a loan, and could adversely affect the Fund's income. The volume and frequency of secondary market trading in such loans varies significantly over time and among loans. Although Senior Loans in which the Fund will invest will often be secured by collateral, there can be no assurance that liquidation of such collateral would satisfy the Borrower's obligation in the event of a default or that such collateral could be readily liquidated.

LIBOR is the average offered rate for various maturities of short-term loans between major international banks who are members of the British Bankers Association. LIBOR is the most common benchmark interest rate index used to make adjustments to variable-rate loans. It is used throughout global banking and financial industries to determine interest rates for a variety of financial instruments (such as debt instruments and derivatives) and borrowing arrangements.

Due to manipulation allegations in 2012 and reduced activity in the financial markets that it measures, in July 2017, the Financial Conduct Authority (the "FCA"), the United Kingdom financial regulatory body, announced a desire to phase out the use of LIBOR by the end of 2021. Please refer to "Interest Rate Risk" for more information.

Swaps Risk

Investments in swaps involve both the risks associated with an investment in the underlying investments or instruments (including equity investments) and counterparty risk. In a standard over-the-counter ("OTC") swap transaction, two parties agree to exchange the returns, differentials in rates of return or some other amount calculated based on the "notional amount" of predetermined investments or instruments, which may be adjusted for an interest factor. Swaps can involve greater risks than direct investments in securities, because swaps may be leveraged and OTC swaps are subject to counterparty risk (i.e., the risk of a counterparty's defaulting on the obligation or bankruptcy), credit risk and pricing risk (i.e., swaps may be difficult to value). Swaps may also be considered illiquid. Certain swap transactions, including interest rate swaps and index credit default swaps, may be subject to mandatory clearing and exchange trading, although the swaps in which the Fund will invest are not currently subject to mandatory clearing and exchange trading. The use of swaps is a highly specialized activity which involves investment techniques, risk analyses and tax planning different from those associated with ordinary portfolio securities transactions. The value of swaps, like many other derivatives, may move in unexpected ways and may result in losses for the Fund.

Tracking Error Risk

The performance of the Fund may diverge from that of the Underlying Index. Because the Fund employs a representative sampling strategy, the Fund may experience tracking error to a greater extent than a fund that seeks to replicate an index. The Investment Adviser may not be able to cause the Fund's performance to correlate to that of the Fund's benchmark, either on a daily or aggregate basis. Because the Underlying Index rebalances monthly but the Fund is not obligated to do the same, the risk of tracking error may increase following the rebalancing of the Underlying Index.

An investment in the Fund is not a bank deposit and is not insured or guaranteed by the FDIC or any other government agency. As with any investment company, there is no guarantee that the Fund will achieve its goal.

Note 8. New Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820)*. The new guidance includes additions and modifications to disclosures requirements for fair value measurements. For public entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Investment Adviser has evaluated the impact of this new guidance and the adoption of this guidance did not have a material impact on the Funds' financial statements.

Note 9. Other Affiliate Matters

The Investment Adviser, HCMFA, has been historically affiliated through common control with Highland Capital Management, LP ("HCMLP"), an SEC-registered investment adviser. On October 16, 2019, HCMLP filed for Chapter 11 bankruptcy protection with the United States Bankruptcy Court for the District of Delaware. The case was subsequently transferred to the United States Bankruptcy Court for the Northern District of Texas (the "Court"). On January 9, 2020, the Court approved a change of control of HCMLP, which involved the resignation of James Dondero as the sole director of, and the appointment of an independent board to, HCMLP's general partner. Mr. Dondero remains an employee of HCMLP and as portfolio manager for all funds and vehicles for which he currently holds such titles. Nevertheless, given Mr. Dondero's historic role with HCMLP and his continued ownership interest and roles with respect to the Highland platform as a whole, as well as the shared services agreements between HCMLP and the Investment Adviser, we still treat HCMLP and its affiliates as our affiliates for purposes hereof.

On August 12, 2020, HCMLP filed of a plan of reorganization (the "Filed Plan") with the Court in advance of a mediation process to resolve the case (the "Mediation Plan") involving

HCMLP, the official committee of unsecured creditors, and other parties involved in the reorganization proceedings. Under both the Filed Plan and the Mediation Plan (together the "Plans"), HCMLP's investment and business activities are expected to continue without interruption, including the shared services arrangement with HCMFA. Under this arrangement the Investment Adviser may utilize employees from HCMLP in connection with various services such as human resources, accounting, tax, valuation, information technology services, office space, employees, compliance and legal. HCMFA is neither party to HCMLP's bankruptcy filing nor subject to the Plans.

We do not expect HCMLP's bankruptcy filings to impact its provision of services to HCMFA at this time.

Note 10. Subsequent Events

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued, and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of Highland/iBoxx Senior Loan ETF

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the investment portfolio, of Highland/iBoxx Senior Loan ETF (the "Fund") as of June 30, 2020, the related statements of operations and changes in net assets, including the related notes, and the financial highlights for the year then ended (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 2020, the results of its operations, the changes in its net assets, and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Fund's financial statements and financial highlights for the years ended June 30, 2019, and prior, were audited by other auditors whose report dated August 30, 2019, expressed an unqualified opinion on those financial statements and financial highlights.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2020, by correspondence with the custodian and agent banks, or by other appropriate auditing procedures where replies from agent banks were not received. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Fund's auditor since 2020.



COHEN & COMPANY, LTD.
Cleveland, Ohio
September 10, 2020

ADDITIONAL INFORMATION (unaudited)

June 30, 2020

Highland/iBoxx Senior Loan ETF

Tax Information

For shareholders that do not have a June 30, 2020 tax year end, this notice is for informational purposes only. For shareholders with a June 30, 2020 tax year end, please consult your tax adviser as to the pertinence of this notice. For the fiscal year ended June 30, 2020, the Fund is designating the following items with regard to distributions paid during the year.

Return of Capital	Ordinary Income Distribution	Total Distributions	Qualifying for Corporate Dividends Receivable Deduction*	Qualifying Dividend Income (15% Tax QDI)**	Interest Related Dividends***
3.08%	96.92%	100.00%	0.00%	0.00%	91.50%

* The percentage in this column represents the amount of "Qualifying for Corporate Receivable Deduction Dividends" and is reflected as a percentage of ordinary income distributions.

** The percentage in this column represents the amount of "Qualifying Dividend Income" and is reflected as a percentage of "Ordinary Income Distributions." It is the intention of the Fund to designate the maximum amount permitted by law. The information reported herein may differ from the information and distributions taxable to the shareholders for the calendar year ending June 30, 2020. Complete information will be computed and reported in conjunction with your 2020 Form 1099-DIV.

*** The percentage in this column represents the amount of "Interest Related Dividends" and is reflected as a percentage of ordinary income distributions exempt from U.S. withholding tax when paid to foreign investors.

Additional Portfolio Information

Net asset value, or "NAV," is the price per share at which the Fund issues and redeems shares. It is calculated in accordance with the standard formula for valuing mutual fund shares. The "Market Price" of the Fund generally is determined using the midpoint between the bid and the ask on the stock exchange on which the shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. The Fund's Market Price may be at, above or below its NAV. The NAV of the Fund will fluctuate with changes in the market value of its holdings. The Market Price of the Fund will fluctuate in accordance with changes in its NAV, as well as market supply and demand. Shareholders may pay more than NAV when they buy Fund shares and receive less than NAV when they sell those shares, because shares are bought and sold at current Market Prices. Premiums or discounts are the differences (expressed as a percentage) between the NAV and Market Price of the Fund on a given day, generally at the time NAV is calculated. A premium is the amount that a Fund is trading above the reported NAV, expressed as a percentage of the NAV. A discount is the amount that a Fund is trading below the reported NAV, expressed as a percentage of the NAV. Further information regarding premiums and discounts for the Fund is available on the Fund's website at www.highlandfunds.com. The Investment Adviser and its affiliates manage other accounts, including private funds and individual accounts. Although investment decisions for the

Fund are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Fund, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser for other client accounts. When the Fund and one or more other accounts is prepared to invest in, or desires to dispose of, the same security, available investments or opportunities for each are allocated in a manner believed by the Investment Adviser to be equitable over time. The Investment Adviser may aggregate orders, which may include orders for accounts in which the Investment Adviser or its affiliates have an interest, to purchase and sell securities to obtain favorable execution or lower brokerage commissions, to the extent permitted by applicable laws and regulations. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all participating accounts, in some cases these activities may adversely affect the price paid or received or the size of the position obtained by or disposed of for the Fund. Where trades are aggregated, the investments or proceeds, as well as the expenses incurred, will be allocated by the Investment Adviser in a manner designed to be equitable and consistent with the Investment Adviser's fiduciary duty to the Fund and its other clients (including its duty to seek to obtain best execution of client trades).

Disclosure of Fund Expenses

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees, and other Fund expenses. This example is intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period January 1, 2020 through June 30, 2020, unless otherwise indicated. This table illustrates your Fund's costs in two ways:

Actual Expenses: The first part of the table provides information about actual account values and actual

ADDITIONAL INFORMATION (unaudited) (continued)

June 30, 2020

expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes: The second part of the table provides information about hypothetical account values and hypothetical expenses based on your Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not your Fund’s actual return. The actual expense ratio includes voluntary fee waivers or expense reimbursements by the Fund’s investment adviser. The expense ratio would be higher had the fee waivers or expense reimbursements not been in effect. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second part of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 01/01/20	Ending Account Value 06/30/20	Annualized Expense Ratios	Expenses Paid During Period*
Highland/iBoxx Senior Loan ETF				
<i>Actual Fund Return</i>	\$1,000.00	\$ 914.50	0.75%	\$3.57
<i>Hypothetical</i>	\$1,000.00	\$1,021.13	0.75%	\$3.77

* Expenses are equal to the Fund’s annualized expense ratio multiplied by the average account value over the hypothetical six-month period, multiplied by 182/366 (to reflect the one-half year period).

Changes of Independent Registered Public Accounting Firms

On June 8, 2020, the Fund dismissed PricewaterhouseCoopers LLP (“PwC”) as the Fund’s independent registered public accounting firm, effective on such date. The decision to dismiss PwC was approved by the audit committee and by the full Board. On June 18, 2020, the Fund approved the appointment of Cohen & Company, Ltd. (“Cohen”) as the Fund’s independent registered public accounting firm. Cohen was engaged by the Fund on June 25, 2020.

Highland/iBoxx Senior Loan ETF

During the Fund’s year ended June 30, 2019 and the subsequent interim period through June 8, 2020, during which PwC served as the Fund’s independent registered public accounting firm, there were no: (1) disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as described in Item 304(a)(1)(v) of Regulation S-K). PwC was not the auditor of the Fund for the year ended June 30, 2018.

During the year ended June 30, 2019 and the subsequent interim period through June 8, 2020, neither Management, the Fund, nor anyone on its behalf, consulted Cohen regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the financial statements of the Fund, and no written report or oral advice was provided to the Fund by Cohen or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K). The Fund provided PwC with a copy of the disclosure it is making in response to Item 304(a) of Regulation SK and requested that PwC furnish the Fund with letters addressed to the SEC, pursuant to Item 304(a) stating their agreement with the statements made and, if not, stating the respects in which they do not agree, including any new information, clarification of the Fund expression of its view, or the respects in which it does not agree with the statements made by the Fund in response to Item 304(a).

Liquidity Risk Management Program

The Fund adopted and implemented a written liquidity risk management program (the “Program”) as required by Rule 22e-4 under the 1940 Act, as amended (the “Liquidity Rule”). As required by the Liquidity Rule, the Program is designed to reasonably assess and manage the Fund’s liquidity risk, taking into consideration the Fund’s investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources.

The Board has appointed the Investment Adviser as the Program’s administrator, and the Investment Adviser has delegated oversight of the Program to the cross-functional Liquidity Risk Management Committee (the “Committee”). The Committee includes representatives from the Investment Adviser’s compliance, accounting, operations, trading,

ADDITIONAL INFORMATION (unaudited) (continued)

June 30, 2020

and portfolio management departments and is responsible for the Program's administration and reporting to the Board on at least an annual basis regarding the Program's operation and effectiveness. The Committee executes the day-to-day investment management and security-level activities of the Funds in accordance with the requirements of the Program, subject to the supervision of the Investment Adviser and the Board.

The Committee: (1) reviews the day-to-day operations of the Program; (2) reviews and approve month-end liquidity classifications; (3) reviews quarterly testing and determinations, as applicable; and (4) review other Program related material. The Committee also conducts daily, monthly, quarterly, and annual quantitative and qualitative assessments of the Fund that is subject to the requirements of the Liquidity Rule and is a part of the Program to monitor investment performance issues, risks and trends. In addition, the Committee may conduct ad-hoc reviews and meetings as issues and trends are identified, including potential liquidity and valuation issues. The Committee also monitors global events, such as the COVID-19 coronavirus, that could impact the markets and liquidity of portfolio investments and their classifications.

In accordance with the Liquidity Rule, the Fund's portfolio investments is classified into one of four liquidity categories described below based on a determination of a reasonable expectation for how long it would take to convert the investment to cash (or sell or dispose of the investment) without significantly changing its market value.

- Highly liquid investments — cash or convertible to cash within three business days or less
- Moderately liquid investments — convertible to cash in three to seven calendar days
- Less liquid investments — can be sold or disposed of, but not settled, within seven calendar days
- Illiquid investments — cannot be sold or disposed of within seven calendar days

Liquidity classification determinations consider a variety of factors including various market, trading and investment specific considerations, as well as market depth, and generally utilize analysis from a third-party liquidity metrics service.

The Liquidity Rule places a 15% limit on a fund's illiquid investments and requires funds that do not primarily hold assets that are highly liquid investments to determine and

Highland/iBoxx Senior Loan ETF

maintain a minimum percentage of the fund's net assets to be invested in highly liquid investments (highly liquid investment minimum or "HLIM"). The Program includes provisions reasonably designed to comply with the 15% limit on illiquid investments and for determining, periodically reviewing and complying with the HLIM requirement as applicable. The Report noted that during the applicable period the Fund did not primarily hold assets that were considered to be highly liquid. The HLIM was set at greater than 10% highly liquid investments for the Fund. The Liquidity Rule and the Program also require reporting to the Board and the U.S. Securities and Exchange Commission (on a non-public basis) if the Fund's holdings of illiquid investments exceed 15% of the Fund's assets.

At a meeting held on June 18, 2020, the Committee presented a report to the Board summarizing the results of its annual assessment of the adequacy and effectiveness of the Program's implementation (the "Report"). The Report covered the period since the Program's inception through May 31, 2020 (the "Period").

For the Trust, the Report stated, in relevant part, that during the Period:

- There were no material changes to the Program;
- The Fund's investment strategy remained appropriate for an open-end fund;
- The Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund;
- The Fund did not breach the 15% limit on illiquid investments;
- The Fund routinely used the expedited settlement facilities to raise cash during periods of unusual market volatility with no issues;
- The Fund has been designated as a primarily Highly Liquid Fund and
- There were no material liquidity events which occurred or were reported during this period applicable to The Fund, if any, and the Committee's actions to address such matter.

Overall, the Report concluded that the Program, as adopted and implemented, remained reasonably designed to assess and manage the Fund's liquidity risk, and is operating in a manner that is adequate and effective to manage the liquidity risk of The Fund.

ADDITIONAL INFORMATION (unaudited) (continued)

June 30, 2020
Trustees and Officers

Highland/iBoxx Senior Loan ETF

The Board is responsible for the overall management of the Fund, including supervision of the duties performed by the Investment Adviser. The names and birth dates of the Trustees and officers of the Fund, the year each was first elected or appointed to office, their principal business occupations during the last five years, the number of funds overseen by each Trustee and other directorships they hold are shown below. The business address for each Trustee and officer of the Fund is c/o Highland Capital Management Fund Advisors, L.P., 300 Crescent Court, Suite 700, Dallas, TX 75201.

The “Highland Funds Complex,” as referred to herein consists of: each series of Highland Funds I (“HFI”), each series of Highland Funds II (“HFII”), Highland Global Allocation Fund (“GAF”), Highland Income Fund (“HFRO”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), and NexPoint Capital, Inc. (the “BDC”), a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act.

ADDITIONAL INFORMATION (unaudited) (continued)

June 30, 2020
Trustees and Officers

Highland/iBoxx Senior Loan ETF

<u>Name and Date of Birth</u>	<u>Position(s) with the Fund</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in the Highland Funds Complex Overseen by the Trustee</u>	<u>Other Directorships/ Trusteeships Held During the Past Five Years</u>	<u>Experience, Qualifications, Attributes, Skills for Board Membership</u>
Independent Trustees						
Dr. Bob Froehlich (4/28/1953)	Trustee	Indefinite Term; Trustee since December 2013.	Retired.	13	Trustee of ARC Realty Finance Trust, Inc. (from January 2013 to May 2016); Director of KC Concessions, Inc. (since January 2013); Trustee of Realty Capital Income Funds Trust (from January 2014 to December 2016); Director of American Realty Capital Healthcare Trust II (from January 2013 to June 2016); Director, American Realty Capital Daily Net Asset Value Trust, Inc. (from November 2012 to July 2016); Director of American Sports Enterprise, Inc. (since January 2013); Director of Davidson Investment Advisors (from July 2009 to July 2016); Chairman and owner, Kane County Cougars Baseball Club (since January 2013); Advisory Board of Directors, Internet Connectivity Group, Inc. (from January 2014 to April 2016); Director of AXAR Acquisition Corp. (formerly AR Capital Acquisition Corp.) (from October 2014 to October 2017); Director of The Midwest League of Professional Baseball Clubs, Inc.; Director of Kane County Cougars Foundation, Inc.; Director of Galen Robotics, Inc.; Chairman and Director of FC Global Realty, Inc. (from May 2017 to June 2018); and Chairman; Director of First Capital Investment Corp. (from March 2017 to March 2018); and Director and Special Advisor to Vault Data, LLC (since February 2018).	Significant experience in the financial industry; significant managerial and executive experience; significant experience on other boards of directors, including as a member of several audit committees.

ADDITIONAL INFORMATION (unaudited) (continued)

June 30, 2020
Trustees and Officers

Highland/iBoxx Senior Loan ETF

<u>Name and Date of Birth</u>	<u>Position(s) with the Fund</u>	<u>Term of Office¹ and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in the Highland Funds Complex Overseen by the Trustee</u>	<u>Other Directorships/ Trusteeships Held During the Past Five Years</u>	<u>Experience, Qualifications, Attributes, Skills for Board Membership</u>
Independent Trustees						
Ethan Powell ³ (6/20/1975)	Trustee; Chairman of the Board	Indefinite Term; Trustee since December 2013; Chairman of the Board since December 2013; and Executive Vice President and Principal Executive Officer from June 2012 until December 2015.	President and Founder of Impact Shares LLC since December 2015; Trustee/Director of the Highland Funds Complex from June 2012 until July 2013 and since December 2013; Chief Product Strategist of Highland Capital Management Fund Advisors, L.P. ("HCMFA") from 2012 until December 2015; Senior Retail Fund Analyst of HCM from 2007 until December 2015 and HCMFA from its inception until December 2015; President and Principal Executive Officer of NHF from June 2012 until May 2015; Secretary of NHF from May 2015 until December 2015; Executive Vice President and Principal Executive Officer of HFI and HFII from June 2012 until December 2015; and Secretary of HFI and HFII from November 2010 to May 2015.	13	Trustee of Impact Shares Funds I Trust	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Highland Funds Complex; significant administrative and managerial experience.

ADDITIONAL INFORMATION (unaudited) (continued)

June 30, 2020
Trustees and Officers

Highland/iBoxx Senior Loan ETF

Name and Date of Birth	Position(s) with the Fund	Term of Office ¹ and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee	Other Directorships/Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
Independent Trustees						
Bryan A. Ward (2/4/1955)	Trustee	Indefinite Term; Trustee since December 2013; Chairman of the Board since December 2013; and Executive Vice President and Principal Executive Officer from June 2012 until December 2015.	Senior Advisor, CrossFirst Bank since April 2019; Private Investor, BW Consulting, LLC since 2014; Senior Manager, Accenture, LLP (a consulting firm) from 1991 until retirement in 2014.	13	Director of Equity Metrix, LLC	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Highland Funds Complex; significant administrative and managerial experience.
Interested Trustee						
John Honis ² (6/16/1958)	Trustee	Indefinite Term; Trustee since July 2013.	President of Rand Advisors, LLC since August 2013; and Partner of Highland Capital Management, L.P. ("HCM") from February 2007 until his resignation in November 2014.	13	Manager of Turtle Bay Resort, LLC (August 2011 – December 2018); Manager of American Home Patient (November 2011 to February 2016).	Significant experience in the financial industry; significant managerial and executive experience, including experience as president, chief executive officer or chief restructuring officer of five telecommunication firms; experience on other boards of directors.

- On an annual basis, as a matter of Board policy, the Governance and Compliance Committee reviews each Trustee's performance and determines whether to extend each such Trustee's service for another year. Effective June 2013, the Board adopted a retirement policy wherein the Governance and Compliance Committee shall not recommend the continued service as a Trustee of a Board member who is older than 80 years of age at the time the Governance and Compliance Committee reports its findings to the Board.
- Effective January 28, 2020, Mr. Honis is treated as an Interested Trustee of the Fund in light of certain relationships between Mr. Honis and certain affiliates of the Adviser, including HCMLP, arising out of HCMLP's pending Chapter 11 proceedings.
- Prior to December 8, 2017, Mr. Powell was treated as an Interested Trustee of the Trust for all purposes other than compensation and the Trust's code of ethics.

ADDITIONAL INFORMATION (unaudited) (concluded)

June 30, 2020
Trustees and Officers

Highland/iBoxx Senior Loan ETF

<u>Name and Date of Birth</u>	<u>Position(s) with the Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>
Officers			
Frank Waterhouse (4/14/1971)	Treasurer, Principal Accounting Officer, Principal Financial Officer and Principal Executive Officer	Indefinite Term; Treasurer since May 2015. Principal Financial Officer and Principal Accounting Officer since October 2017. Principal Executive Officer since February 2018.	Partner and Chief Financial Officer of HCM; Treasurer of the Highland Funds Complex since May 2015.
David Klos, CPA (5/6/1982)	Assistant Treasurer	Indefinite Term: Assistant Treasurer since April 2020	Chief Accounting Officer at HCMLP since April 2020 and Financial Operations Principal for NexPoint Securities, Inc. since October 2016; Controller at HCMLP from March 2017 to March 2020; Assistant Controller at HCMLP from March 2015 until February 2017.
Jason Post (1/9/1979)	Chief Compliance Officer	Indefinite Term; Chief Compliance Officer since September 2015.	Chief Compliance Officer for HCMFA and NexPoint since September 2015; Chief Compliance Officer and Anti-Money Laundering Officer of the Highland Funds Complex since September 2015. Prior to his current role at HCMFA and NexPoint, Mr. Post served as Deputy Chief Compliance Officer and Director of Compliance for HCM.
Lauren Thedford (1/7/1989)	Secretary since April 2019	Indefinite Term: Secretary since April 2019	Associate General Counsel at HCM since September 2017; In-House Counsel at HCM from January 2015 until September 2017; Secretary of the Highland Funds Complex since April 2019.

IMPORTANT INFORMATION ABOUT THIS REPORT

Investment Adviser

Highland Capital Management Fund Advisors, L.P.
300 Crescent Court, Suite 700
Dallas, TX 75201

Transfer Agent

Bank of New York Mellon
240 Greenwich Street
New York, NY 10286

Distributor

SEI Investments Distribution Co.
One Freedom Valley Drive
Oaks, PA 19456

Custodian

Bank of New York Mellon
240 Greenwich Street
New York, NY 10286

Independent Registered Public Accounting Firm

Cohen & Company, Ltd.
1350 Euclid Ave., Suite 800
Cleveland, OH 44115

Fund Counsel

K&L Gates LLP
1 Lincoln Street
Boston, MA 02111

This report has been prepared for shareholders of the Highland/iBoxx Senior Loan ETF (the "Fund"). The Fund mails one shareholder report to each shareholder address. If you would like more than one report, please call shareholder services at 1-855-799-4757 to request that additional reports be sent to you.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities, and the Fund's proxy voting records for the most recent 12-month period ended June 30th are available (i) without charge, upon request, by calling 1-855-799-4757 and (ii) on the U.S. Securities and Exchange Commission's website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (the "Commission") for the first and third quarters of each fiscal year as an exhibit to its report on Form N-PORT. The Fund's Form N-PORT is available on the Commission's website at <http://www.sec.gov> and also may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the Public Reference Room may be obtained by calling 1-800-SEC-0330. Shareholders may also obtain the Form N-PORT, upon request and without charge, by visiting the Fund's website at www.highlandfunds.com or by calling 1-855-799-4757.

The Statement of Additional Information includes additional information about the Fund's Trustees and is available upon request without charge by calling 1-855-799-4757.

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HIGHLAND CAPITAL
MANAGEMENT

240 Greenwich Street
New York, NY 10286

Highland/iBoxx Senior Loan ETF

Annual Report June 30, 2020

www.highlandfunds.com

HFI-ETF-AR-0620