

Highland Funds II
Highland Energy MLP Fund
Class A HEFAX/Class C HEFCX/Class Y HEFYX
Supplement dated November 20, 2019 to the Summary Prospectus, Prospectus and Statement of Additional
Information (“SAI”) each dated February 1, 2019, as supplemented from time to time

This Supplement provides new and additional information beyond that contained in the Fund’s Summary Prospectus, the Fund’s Prospectus and the Fund’s SAI and should be read in conjunction with the Fund’s Summary Prospectus, the Fund’s Prospectus and the Fund’s SAI.

IMPORTANT NOTICE

On November 20, 2019, the Board of Trustees (the “Board”) of Highlands Funds II, on behalf of its series, Highland Energy MLP Fund (the “Fund”) and upon the recommendation of the Fund’s adviser, Highland Capital Management Fund Advisors, L.P. (the “Adviser”), approved a plan to liquidate the Fund (the “Liquidation Plan”), such liquidation to take place on or about January 20, 2020 (the “Liquidation Date”). In approving the liquidation, the Board determined that the liquidation of the Fund is in the best interests of the Fund and its shareholders.

Any shares of the Fund outstanding on the Liquidation Date will be automatically redeemed on that date. Such redemptions will not be subject to any sales charges, including contingent deferred sales charges. Pursuant to the Liquidation Plan, the Adviser intends to dispose of the majority of the Fund’s holdings shortly before the Liquidation Date (subject to redemptions in kind per shareholder request as discussed below). The proceeds from the disposal of the Fund’s assets will be used to satisfy any remaining capital gain and income distribution requirements. Such distributions will be made prior to the Fund’s liquidation. Following such distributions, the Fund will hold the net remaining proceeds in cash pending the final liquidating distribution to shareholders.

It is expected that, on or about the Liquidation Date, the cash proceeds of the liquidation or, upon prior shareholder request, the shareholder’s pro rata portion of the Fund’s securities will be distributed to shareholders of the Fund in a complete redemption of their shares. For federal income tax purposes, the automatic redemption on the Liquidation Date will generally be considered a taxable event like any other redemption of shares. In addition, the Fund will make one or more distributions of income (including capital gains) to shareholders on or prior to the Liquidation Date in order to eliminate Fund-level taxes. These distributions generally will be taxable to shareholders as either ordinary income or capital gains. Shareholders should consult with their tax advisors for more information about the tax consequences to them of the Fund’s liquidation, including any state, local, foreign or other tax consequences.

At any time prior to the Liquidation Date, shareholders may redeem their shares of the Fund pursuant to the procedures set forth under “Redemption of Shares” beginning on page 76 of the Prospectus, as supplemented. Shareholders may also exchange their shares, subject to minimum investment account requirements and other restrictions on exchanges as described under “Exchange of Shares” on page 79 of the Prospectus, as supplemented. Any such redemption or exchange of Fund shares for shares of another fund will generally be considered a taxable event for federal income tax purposes. Shareholders who hold their shares in the Fund through a financial intermediary should contact their financial representative to discuss their options with respect to the liquidation and the distribution of such shareholders’ redemption proceeds.

Effective as of the close of business November 21, 2019, the Fund is closed to new and existing investors, including shareholders who hold an account directly with the Fund and those shareholders who invest in the Fund through a financial intermediary account, a financial platform, defined contribution, defined benefit or asset allocation program (collectively, “financial intermediaries”), and shareholders who invest through automatic investment plans. In addition, as of the close of business November 21, 2019, exchanges into the Fund are no longer permitted.

**INVESTORS SHOULD RETAIN THIS SUPPLEMENT WITH THE SUMMARY PROSPECTUS,
PROSPECTUS AND SAI FOR FUTURE REFERENCE.**

HFII-HEF-SUPP1-1119

Highland Energy MLP Fund

Class A HEFAX Class C HEFCX Class Y HEFYX

Before you invest, you may want to review the Fund's Statutory Prospectus, which contains more information about the Fund and its risks. You can find the Fund's Statutory Prospectus, Statement of Additional Information and other information about the Fund online at <http://highlandfunds.com/highland-funds-2/>. You can also get this information at no cost by calling 1-877-665-1287 or by sending an e-mail request to info@highlandfunds.com. The Fund's Statutory Prospectus and Statement of Additional Information, both dated February 1, 2019, as supplemented, are incorporated by reference into this Summary Prospectus.

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Funds' 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 Funds' 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 a Fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by contacting the Funds' transfer agent at 1-877-665-1287.

Beginning on January 1, 2019, 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 1-877-665-1287 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 a Fund.

Investment Objective

The investment objective of Highland Energy MLP Fund ("Highland Energy MLP Fund" or the "Fund") is to provide investors with current income and capital appreciation.

Fees and Expenses of the Fund

The following tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund.

You may qualify for sales charge discounts on purchases of Class A Shares if you and your family invest, or agree to invest in the future, at least \$50,000 in Highland Funds II equity funds and/or asset allocation funds, or at least \$100,000 in Highland Funds II fixed income funds. More information about these and other discounts is available from your financial professional and in the "Reduced Sales Charges for Class A Shares" section on page 74 of the Fund's Prospectus and the "Programs for Reducing or Eliminating Sales Charges" section on page 77 of the Fund's Statement of Additional Information. Investors investing in the Fund through an intermediary should consult the Appendix to the Fund's Prospectus, which includes information regarding financial intermediary-specific sales charges and related discount policies that apply to purchases through certain specified intermediaries.

Shareholder Fees (fees paid directly from your investment)

| | Class A | Class C | Class Y |
|--|-------------------|--------------------|---------|
| Maximum Sales Charge (Load) Imposed on Purchases (as a % of offering price) | 5.75% | None | None |
| Maximum Sales Charge (Load) Imposed on Reinvested Dividends and other Distributions (as a % of offering price) | None | None | None |
| Maximum Deferred Sales Charge (Load) (as a % of the net asset value at the time of purchase or redemption, whichever is lower) | None ¹ | 1.00% ² | None |
| Exchange Fee | None | None | None |
| Redemption Fee | None | None | None |

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

| | Class A | Class C | Class Y |
|---|---------|---------|---------|
| Management Fee | 1.00% | 1.00% | 1.00% |
| Distribution and/or Service (12b-1) Fees | 0.25% | 1.00% | None |
| Other Expenses | 7.74% | 7.74% | 7.74% |
| Deferred Income Tax Expense | 4.74% | 4.74% | 4.74% |
| Interest Payments and Commitment Fees on Borrowed Funds | 1.42% | 1.42% | 1.42% |
| Remainder of Other Expenses | 1.58% | 1.58% | 1.58% |
| Total Annual Fund Operating Expenses | 8.99% | 9.74% | 8.74% |
| Expense Reimbursement ³ | 1.48% | 1.48% | 1.48% |
| Total Annual Fund Operating Expenses After Expense Reimbursement ⁴ | 7.51% | 8.26% | 7.26% |

- ¹ Class A Shares bought without an initial sales charge in accounts aggregating \$1 million or more at the time of purchase are subject to a 0.50% contingent deferred sales charge ("CDSC") if the shares are sold within one year of purchase.
- ² Class C Shares are subject to a 1% CDSC for redemptions of shares within one year of purchase. This CDSC does not apply to redemptions under a systematic withdrawal plan.
- ³ Highland Capital Management Fund Advisors, L.P. ("HCMFA" or the "Adviser") has contractually agreed to limit the total annual operating expenses (exclusive of fees paid by the Fund pursuant to its distribution plan pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), taxes, such as deferred tax expenses, dividend expenses on short sales, interest payments, brokerage commissions and other transaction costs, acquired fund fees and expenses and extraordinary expenses (collectively, the "Excluded Expenses")) of the Fund to 1.10% of average daily net assets attributable to any class of the Fund (the "Expense Cap"). The Expense Cap will continue through at least January 31, 2020, and may not be terminated prior to this date without the action or consent of the Fund's Board of Trustees. Under the expense limitation agreement, the 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.
- ⁴ The Fund accrues deferred income tax liability for its future tax liability associated with the capital appreciation of its investments, the distributions received by the Fund on equity securities of master limited partnerships ("MLPs") considered to be return of capital and for any net operating gains. The Fund's accrued deferred tax liability, if any, is reflected each day in the Fund's net asset value per share. The Fund's deferred tax liability, if any, depends upon the Fund's net investment gains and losses and realized and unrealized gains and losses on investments and may vary greatly from year to year depending on the nature of the Fund's investments, the performance of those investments and general market conditions. Therefore, any estimate of deferred tax liability cannot be reliably predicted from year to year. See "Net Asset Value" in the Fund's prospectus. Total annual Fund operating expenses before deferred taxes (after expense reimbursement) were 2.78%, 3.53% and 2.52% for Class A, Class C and Class Y shares, respectively.

Expense Example

This Example helps you compare the cost of investing in the Fund to the cost of investing in other mutual funds. The Example assumes that (i) you invest \$10,000 in the Fund for the time periods indicated and then sell or redeem all your shares at the end of those periods, (ii) your investment has a 5% return each year, and (iii) operating expenses remain the same. Only the first year of each period in the Example takes into account the expense reimbursement described in the footnote above. Your actual costs may be higher or lower.

| | 1 Year | 3 Years | 5 Years | 10 Years |
|--|---------|---------|---------|----------|
| Class A | \$1,274 | \$2,860 | \$4,322 | \$7,497 |
| Class C | | | | |
| if you do not sell your shares | \$812 | \$2,608 | \$4,237 | \$7,682 |
| if you sold all your shares at the end of the period | \$912 | \$2,608 | \$4,237 | \$7,682 |
| Class Y | \$717 | \$2,362 | \$3,886 | \$7,224 |

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are

held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the Expense Example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 15% of the average value of its portfolio.

Principal Investment Strategies

The Fund seeks to achieve its investment objective by investing primarily in master limited partnership ("MLP") investments. Under normal market conditions, the Fund intends to invest at least 80% of its net assets (plus any borrowings for investment purposes) in a portfolio of MLPs investments, as defined below. This investment policy may be changed by the Fund upon 60 days' prior written notice to shareholders.

MLPs typically are characterized as "publicly traded partnerships" that qualify to be treated as partnerships for U.S. federal income tax purposes and are principally engaged in one or more aspects of the exploration, production, processing, transmission, marketing, storage or delivery of energy-related commodities, such as natural gas, natural gas liquids, coal, crude oil or refined petroleum products (collectively, the energy industry). The Fund's MLP investments include investments that offer economic exposure to public MLPs in the form of common or subordinated units issued by MLPs, securities of entities holding primarily general partner or managing member interests in MLPs, debt securities of MLPs, and securities that are derivatives of interests in MLPs, including I-Shares, warrants, and derivative instruments in which the Fund may invest that have economic characteristics of MLP securities. Certain of the benefits Fund shareholders are expected to derive from the Fund's MLP investments depend largely on the MLPs' treatment as partnerships for U.S. federal income tax purposes. See "MLP Tax Risk" below for additional details.

In addition, the Fund may invest up to 20% of the value of its total assets in a wide variety of securities and financial instruments, of all kinds and descriptions, that are not MLP investments, such as equity securities, equity-linked securities, fixed income securities (including "junk securities"), and money market securities. The Fund may invest without limitation in exchange-traded funds ("ETFs") and may invest up to 20% of the value of its total assets in ETFs that do not provide exposure to MLPs. The Fund may invest in securities of issuers of any market capitalization. The Fund may invest in securities of any credit quality.

The Fund may invest in securities of non-U.S. issuers, which may include, without limitation, emerging market issuers. Such securities may be denominated in U.S. dollars, non-U.S. currencies or multinational currency units (such as the Euro). At times, the Fund intends to hedge currency exposure resulting from investments denominated in non U.S. currencies.

Derivatives, which are instruments that have a value based on another instrument, exchange rate or index, may be used as substitutes for securities in which the Fund can invest. The Fund may invest without limitation in warrants and may also use derivatives, primarily swaps (including equity, variance and volatility swaps), options and futures contracts on securities, interest rates, commodities and/or currencies, as

substitutes for direct investments the Fund can make. The Fund may also use derivatives such as swaps, options (including options on futures), futures, and foreign currency transactions (e.g., foreign currency swaps, futures and forwards) to any extent deemed by the Adviser to be in the best interest of the Fund, and to the extent permitted by the 1940 Act, to hedge various investments for risk management and speculative purposes.

The Fund may borrow an amount up to 33 1/3% (or such other percentage permitted by law) of its total assets (including the amount borrowed) less all liabilities other than borrowings. The Fund may borrow for investment purposes, to meet redemption requests and for temporary, extraordinary or emergency purposes. The use of borrowing for investment purposes (*i.e.*, leverage) increases both investment opportunity and investment risk.

The Fund's investment strategy utilizes the analytical models of the Adviser to evaluate potential investments. In selecting investments for the Fund, the Adviser typically focuses on MLP issuers that it believes: (i) have stable cash flows and pay regular distributions; (ii) have potential for long-term distribution growth; (iii) may be subject to a value catalyst, such as industry developments, regulatory changes, changes in management, acquisitions, sale or spin-off of a division; (iv) are well-managed; (v) will benefit from favorable demand and supply dynamics for its products and services; (vi) are best in class; and/or (vii) are underappreciated by market analysts. The Adviser will typically focus on companies that are exhibiting one or more of these indicators. Technical analysis may also be used to help in the decision making process.

The Adviser may sell short securities of a company that it believes: (i) is overvalued relative to normalized business and industry fundamentals or to the expected growth that the Adviser believes the company will achieve; (ii) has a weak competitive position relative to peers; (iii) engages in questionable accounting practices; (iv) shows declining cash flow and/or liquidity; (v) has distribution estimates that the Adviser believes are too high; (vi) has weak competitive barriers to entry; (vii) suffers from deteriorating industry and/or business fundamentals; (viii) has a weak management team; (ix) will see multiple contraction; (x) is not adapting to changes in technological, regulatory or competitive environments; or (xi) provides a hedge against the Fund's long exposure, such as a broad based market ETF. Technical analysis may be used to help in the decision making process. The Fund may engage in short sales that are not made "against-the-box," which means that the Fund may sell short securities even when they are not actually owned or offset at all times during the period the short position is open. Short sales that are not made "against-the-box" could result in unlimited loss.

The Adviser generates investment ideas from a variety of different sources. These include, but are not limited to, screening software that analyzes both fundamental and technical factors, industry contacts, consultants, company press releases, company conference calls, conversations with company management teams, buy-side contacts, sell-side contacts, brokers, third-party research, independent research of financial and corporate information, third-party research

databases, and news services. The Adviser will make investment decisions based on its analysis of the security's value, and will also take into account its view of macroeconomic conditions and industry trends. The Adviser will make investments without regard to a company's level of capitalization.

The principal investment objective of the Fund is not fundamental and may be changed without shareholder approval. The Fund is non-diversified as defined in the 1940 Act. The Fund is not intended to be a complete investment program.

Principal Risks

When you sell Fund shares, they may be worth less than what you paid for them. Consequently, you can lose money by investing in the Fund. No assurance can be given that the Fund will achieve its investment objective, and investment results may vary substantially over time and from period to period. An investment in the Fund is not appropriate for all investors.

An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

Industry Concentration Risk is the risk that the Fund may be particularly susceptible to economic, political or regulatory events affecting those industries in which the Fund focuses its investments. Because the Fund normally invests at least 80% of the value of its assets in MLP investments, the Fund's performance largely depends on the overall condition of these industries and the Fund is susceptible to economic, political and regulatory risks or other occurrences associated with these industries.

MLP Risk is the risk of investing in MLP units, which involves some risks that differ from an investment in the equity securities of a company. The Fund intends to invest substantially in MLP units. Holders of MLP units have limited control and voting rights on matters affecting the partnership. Holders of units issued by an MLP are exposed to a remote possibility of liability for all of the obligations of that MLP in the event that a court determines that the rights of the holders of MLP units to vote to remove or replace the general partner of that MLP, to approve amendments to that MLP's partnership agreement, or to take other action under the partnership agreement of that MLP would constitute "control" of the business of that MLP, or a court or governmental agency determines that the MLP is conducting business in a state without complying with the partnership statute of that state. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. Additionally:

- A sustained reduced demand for crude oil, natural gas and refined petroleum products could adversely affect MLP revenues and cash flows.
- Changes in the regulatory environment could adversely affect the profitability of MLPs.

Investments in MLP units also present special tax risks. See "MLP Tax Risk" below.

MLP Tax Risk is the risk that the MLPs in which the Fund invests will fail to be treated as partnerships for U.S. federal

income tax purposes. The Fund's ability to meet its investment objective will depend, in large measure, on the level of dividends, distributions or income it receives from the MLPs in which it invests and on the MLPs' continued treatment as partnerships for U.S. federal income tax purposes. If an MLP does not meet current legal requirements to maintain its partnership status, or if it is unable to do so because of tax or other law changes, it would be treated as a corporation for U.S. federal income tax purposes. In that case, the MLP would be obligated to pay U.S. federal income tax (as well as state and local taxes) at the entity level on its taxable income and distributions received by the Fund would be taxable to the Fund as dividend income to the extent of the MLP's current and accumulated earnings and profits for federal tax purposes. The classification of an MLP as a corporation for U.S. federal income tax purposes could have the effect of reducing the amount of cash available for distribution by the MLP and the value of the Fund's investment in any such MLP. As a result, the value of the Fund's shares and the cash available for distribution to Fund shareholders could be materially reduced.

Fund-Related Tax Risks are tax risks related to an investment in the Fund, including, but not limited to:

- **C Corporation Structure Tax Risks.** The Fund was formed in 2011 as a regulated investment company under the Internal Revenue Code of 1986, as amended. It adopted its current investing strategy during its taxable year that began in October 2012. Because the Fund invests and intends to invest primarily in MLPs, it no longer qualifies for treatment as a regulated investment company, and has not so qualified since 2012. Instead, the Fund is treated as a C corporation. Accordingly, unlike most mutual funds, the Fund is not entitled to pass-through tax treatment. Instead, the Fund generally will be subject to U.S. federal income tax on its investment income and gains at the rates applicable to corporations as well as state and local taxes. Based on a review of the historic results of the types of MLPs in which the Fund invests, the Adviser currently expects that, from time to time, the cash distributions the Fund receives with respect to its investments in equity securities of MLPs will exceed the taxable income allocated to the Fund from such MLPs, due to a variety of factors, including significant non-cash deductions such as depreciation and depletion. Any such excess in a taxable year is not treated as income to the Fund, but rather as a tax-deferred return of capital to the Fund for U.S. federal income tax purposes, to the extent of the Fund's basis in the MLP securities. Distributions the Fund receives from a MLP that exceed the Fund's basis in the securities of that MLP are treated as taxable income or gains in the Fund's hands.

The Fund's receipt of return-of-capital distributions from MLPs also causes the Fund's taxable income or gains to be higher, or losses to be lower, upon the ultimate sale of the MLP security by the Fund, and may cause taxable income or gains to be higher upon receipt of subsequent distributions from the MLP security by the Fund in later periods. The Fund's corporate income tax liability may be materially affected by, and may fluctuate materially from year to year depending on, a number of factors

relating to the Fund and/or its MLP or other investments, including the extent to which the Fund disposes of MLP equity securities during a particular year, including, if necessary, to meet Fund shareholder redemption requests.

The Fund's tax liability each year will not be finally known until the Fund completes its annual tax return. The Fund's tax estimates could vary substantially from the actual liability and therefore the final determination of the Fund's actual tax liability may have a material impact on the Fund's net asset value. See "Calculation of NAV Risk" below. The payment of any corporate income taxes imposed on the Fund decreases the value of the Fund's shares and the amount of cash available for distribution to shareholders.

Due to the tax treatment of the Fund's allocations and distributions from MLPs, as described above, the Adviser currently expects that a significant portion of the Fund's distributions to shareholders will typically be treated as a return of capital in the hands of shareholders for U.S. federal income tax purposes (i.e., as distributions in excess of the Fund's current and accumulated earnings and profits) and thus will not be subject to U.S. federal income tax to the extent of the shareholder's basis in its Fund shares. However, no assurance can be given in this regard and the extent to which the Fund is able to make return of capital distributions can vary materially from year to year.

- **Calculation of Net Asset Value ("NAV") Risk.** In calculating the daily NAV, the Fund accounts for its deferred tax liability and/or asset balances. The Fund may accrue, in accordance with generally accepted accounting principles ("GAAP"), a deferred income tax liability balance, at the currently effective statutory U.S. federal income tax rate plus an estimated state and local income tax rate, for its future tax liability associated with the capital appreciation of its investments, the distributions received by the Fund on equity securities of MLPs considered to be return of capital and any net operating income or realized gains. Any deferred tax liability balance reduces the Fund's NAV. Upon the Fund's sale of a portfolio security, the Fund may be liable for previously deferred taxes. If the Fund is required to sell portfolio securities to meet redemption requests, the Fund may recognize income and gains for U.S. federal, state and local income tax purposes, which would result in corporate income taxes imposed on the Fund.
- The Fund may accrue, in accordance with GAAP, a deferred tax asset balance, at the currently effective statutory U.S. federal income tax rate, which reflects an estimate of the Fund's future tax benefit associated with net operating losses, capital loss carryforwards and unrealized losses. To the extent the Fund has a net deferred tax asset balance, the Fund may record a valuation allowance, which would offset the value of some or all of the Fund's deferred tax asset balance. The Fund assesses whether a valuation allowance is required, considering all available positive and negative evidence

related to the realization of the Fund's deferred tax asset in connection with the calculation of the Fund's daily NAV. However, to the extent the final valuation allowance for a financial statement period differs from the estimates the Fund used in calculating the Fund's daily NAV, the application of such final valuation allowance could have a material impact on the Fund's NAV. The assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability (which are highly dependent on future cash distributions from the Fund's MLP holdings), the duration of statutory carryforward periods and the associated risk that operating and capital loss carryforwards may expire unused. From time to time, the Fund may modify its estimates or assumptions regarding its deferred tax liability and/or asset balances and the application of a valuation allowance with respect to a deferred tax asset as new information becomes available. Such modifications, changes in generally accepted accounting principles or related guidance or interpretations thereof, limitations imposed on net operating and capital losses (if any) and changes in applicable tax law, including changes in effective tax rates applicable to the Fund, such as the reduced corporate rate effective for taxable years beginning after December 31, 2017, could result in increases or decreases in the Fund's NAV per share, which could be material.

- **Tax Law Changes Risk.** Changes in tax laws, regulations or interpretations of those laws or regulations in the future could adversely affect the Fund or its MLPs or other investments, and could adversely affect the Fund and its shareholders. In some cases, such changes could have retroactive effect. For example, recently-adopted federal income tax reform legislation is expected to reduce the corporate tax rate payable by the Fund, which also reduces the value of any deferred tax assets and deferred tax liabilities of the Fund.

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

Credit Risk is the risk that 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 net asset value ("NAV") of the Fund.

Currency Risk is the risk that fluctuations in exchange rates will adversely affect the value of the Fund's foreign currency holdings and investments denominated in foreign currencies.

Debt Securities Risk is the risk associated with the fact that 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.

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, warrants, options and forward 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, changes in laws or regulations may make the use of derivatives more costly, may limit the availability of derivatives, or may otherwise adversely affect the use, value or performance of derivatives.

Emerging Markets Risk is the risk of investing in securities of issuers tied economically to emerging markets, which entails all of the risks of investing in securities of non-U.S. issuers detailed below under "Non-U.S. Securities Risk" to a heightened degree. These heightened risks include: (i) greater risks of expropriation, confiscatory taxation, nationalization, and less social, political and economic stability; (ii) the smaller size of the markets for such securities and a lower volume of trading, resulting in lack of liquidity and in price volatility; (iii) greater fluctuations in currency exchange rates; and (iv) certain national policies that may restrict the Fund's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests.

Equity Securities Risk is the risk that stock prices will fall over short or long periods of time. In addition, common stocks represent a share of ownership in a company, and rank after bonds and preferred stock in their claim on the company's assets in the event of bankruptcy.

Exchange-Traded Funds ("ETF") Risk is the risk that the price movement of an ETF 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.

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

Industry Specific Risk is the risk that the MLPs in which the Fund invests will be impacted by risks specific to the industry MLPs serve, including the following:

- Fluctuations in commodity prices may impact the volume of commodities transported, processed, stored or distributed.
- Reduced volumes of natural gas or other energy commodities available for transporting, processing, storing or distributing may affect the profitability of an MLP.
- Slowdowns in new construction and acquisitions can limit growth potential.
- A sustained reduced demand for crude oil, natural gas and refined petroleum products could adversely affect MLP revenues and cash flows.
- Depletion of the natural gas reserves or other commodities if not replaced, could impact an MLP's ability to make distributions.
- Changes in the regulatory environment could adversely affect the profitability of MLPs.
- Extreme weather and environmental hazards could impact the value of MLP securities.
- Rising interest rates could result in a higher cost of capital and drive investors into other investment opportunities.
- Threats of attack by terrorists on energy assets could impact the market for MLPs.

Interest Rate Risk is the risk that fixed income securities will decline in value because of changes in interest rates. 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.

Large Shareholder Risk is the risk that a significant percentage of the Fund's shares may be owned or controlled by a large shareholder, such as other funds or accounts, including those of which the Adviser or an affiliate of the Adviser may have investment discretion. Accordingly, the Fund can be subject to the potential for large scale inflows and outflows as a result of purchases and redemptions made by significant shareholders. These inflows and outflows could be significant and, if frequently occurring, could negatively affect the Fund's net asset value and performance and could cause the Fund to sell securities at inopportune times in order to meet redemption requests.

Legislation Risk is the risk that to the extent that state, federal or international regulators impose additional

requirements or restrictions with respect to MLPs, the availability of MLP investments may be adversely affected.

Leverage Risk is the risk associated with the use of leverage for investment purposes to create opportunities for greater total returns. Any investment income or gains earned with respect to the amounts borrowed that are in excess of the interest that is due on the borrowing will augment the Fund's income. Conversely, if the investment performance with respect to the amounts borrowed fails to cover the interest on such borrowings, the value of the Fund's shares may decrease more quickly than would otherwise be the case. Interest payments and fees incurred in connection with such borrowings will reduce the amount of net income available for payment to Fund shareholders.

Mid-Cap Company Risk is the risk that investing in securities of mid-cap companies may entail greater risks than investments in larger, more established companies. Mid-cap companies tend to have more narrow product lines, more limited financial resources and a more limited trading market for their stocks, as compared with larger companies. As a result, their stock prices may decline significantly as market conditions change.

Non-Diversification Risk is the risk that an investment in the Fund could fluctuate in value more than an investment in a diversified fund. 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 is the risk of non-payment of scheduled interest and/or principal with respect to debt instruments. 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 NAV of the Fund.

Non-U.S. Securities Risk is the risk associated with investing in non-U.S. issuers. Investments in securities of non-U.S. issuers involve certain risks not involved in domestic investments (for example, fluctuations in foreign exchange rates (for non-U.S. securities not denominated in U.S. dollars); future foreign economic, financial, political and social developments; nationalization; exploration or confiscatory taxation; smaller markets; different trading and settlement practices; less governmental supervision; and different accounting, auditing and financial recordkeeping standards and requirements) that may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies. These risks are magnified for investments in issuers tied economically to emerging markets, the economies of which tend to be more volatile than the economies of developed markets. In addition, certain investments in non-U.S. securities may be subject to foreign withholding and other taxes on interest, dividends, capital gains or other income or proceeds. Those taxes will reduce the Fund's yield on any such securities. See the "Taxation" section below.

Operational and Technology Risk is the risk that 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.

Portfolio Turnover Risk is the risk that high portfolio turnover will increase a 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 is the risk that 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 adversely affect the NAV of the Fund's shares.

Restricted Securities Risk is the risk that the Adviser may not be able to sell restricted securities, such as securities issued pursuant to Rule 144A of the Securities Act of 1933, at the price it would like or may have to sell them at a loss.

Securities Market Risk is the risk that 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.

Small-Cap Company Risk is the risk that investing in the securities of small-cap companies either directly or indirectly through investments in ETFs, closed-end funds or mutual funds ("Underlying Funds") may pose greater market and liquidity risks than larger, more established companies, because of limited product lines and/or operating history, limited financial resources, limited trading markets, and the potential lack of management depth. In addition, the securities of such companies are typically more volatile than securities of larger capitalization companies.

Swaps Risk involves 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 (e.g., 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.

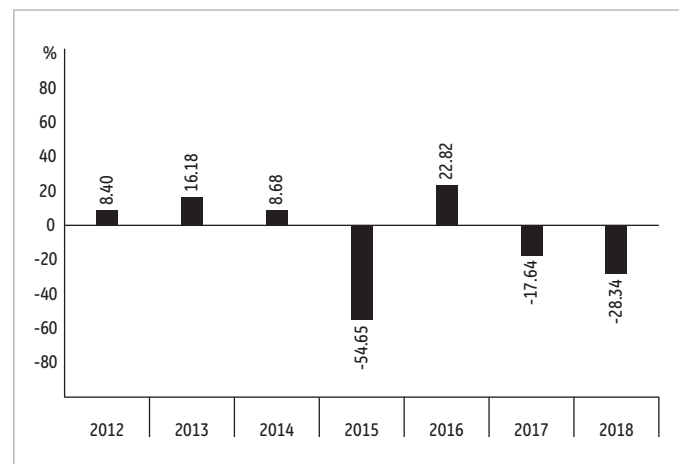
Performance

The bar chart and the Average Annual Total Returns table below provide some indication of the risks of investing in the Fund by showing changes in the performance of the Fund's Class A Shares for each full calendar year and by showing how the Fund's average annual returns compare with the returns of a broad-based securities market index or indices. As with all mutual funds, the Fund's past performance (before and after taxes) does not predict how the Fund will perform in the future. The Fund's performance reflects applicable fee waivers and/or expense limitations in effect during the periods presented, without which returns would have been lower. Both the chart and the table assume the reinvestment of dividends and distributions. The bar chart does not reflect the deduction of applicable sales charges for Class A Shares. If sales charges had been reflected, the returns for Class A Shares would be less than those shown below. The returns of Class C and Class Y Shares would have substantially similar returns as Class A because the classes are invested in the same portfolio of securities and the annual returns would differ only to the extent that the classes have different expenses (including sales charges). Updated information on the Fund's performance can be obtained by visiting <http://highlandfunds.com/highland-funds-2/> or by calling 1-877-665-1287.

Effective February 1, 2013, the Fund revised its investment strategy to focus on MLP investments. Returns through September 30, 2012 reflect the Fund's treatment as a regulated investment company under the Code. Returns after September 30, 2012 reflect the Fund's treatment as a regular corporation, or "C" corporation, for U.S. federal income tax purposes. As a result, returns after September 30, 2012 generally will be reduced by the amount of entity-level income taxes paid by the Fund as a regular corporation and thus will not necessarily be comparable to returns reported while the Fund still qualified as a regulated investment company.

Calendar Year Total Returns

The bar chart shows the performance of the Fund's Class A shares as of December 31.



The highest calendar quarter total return for Class A Shares of the Fund was 33.16% for the quarter ended June 30, 2016 and the lowest calendar quarter total return was -36.81% for the quarter ended December 31, 2015.

Average Annual Total Returns

(For the periods ended December 31, 2018)

| | 1 Year | 5 Years | Since Inception |
|---|---------|---------|-----------------|
| Class A (inception 12/01/11) | | | |
| Return Before Taxes | -32.53% | -19.56% | -11.26% |
| Return After Taxes on Distributions | -32.53% | -19.59% | -11.84% |
| Return After Taxes on Distributions and Sale of Fund Shares | -24.78% | -15.52% | -11.14% |
| Return Before Taxes | | | |
| Class C (inception 12/01/11) | -29.41% | -19.19% | -11.14% |
| Class Y (inception 12/01/11) | -28.03% | -18.48% | -10.30% |
| Alerian MLP Index (reflects no deduction for fees, expenses or taxes) (inception 12/01/11) | -12.42% | -7.31% | -0.46% |

After-tax returns in the table above are shown for Class A Shares only and after-tax returns for other share classes will vary. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. For example, after-tax returns shown are not relevant to investors who hold their Fund shares through tax-advantaged arrangements, such as 401(k) plans or individual retirement accounts.

In some cases, average annual return after taxes on distributions and sale of fund shares is higher than the return before taxes and the average annual return after taxes on distributions because of realized losses that would have been sustained upon the sale of fund shares immediately after the relevant periods. The calculations assume that an investor holds the shares in a taxable account, is in the actual historical highest individual federal marginal income tax bracket for each year and would have been able to immediately utilize the full realized loss to reduce his or her federal tax liability. However, actual individual tax results may vary and investors should consult their tax advisers regarding their personal tax situations.

Portfolio Management

Highland Capital Management Fund Advisors, L.P. serves as the investment adviser to the Fund. The primary individual portfolio managers for the Fund are:

| | Portfolio Manager | |
|-------------------|-------------------------|--------------------------|
| Portfolio Manager | Experience in this Fund | Title with Adviser |
| James Dondero | 4 years | President and Co-Founder |
| Matthew Gray | 7 years | Managing Director |
| Jon Poglitsch | 7 years | Head of Credit Research |

Purchase and Sale of Fund Shares

Purchase minimum (for Class A and Class C Shares) (reduced for certain accounts)

| | By mail | By wire | Automatic |
|------------------------|---------|---------|-----------|
| Initial Investment | \$500 | \$1,000 | \$25 |
| Subsequent Investments | \$100 | \$1,000 | \$25 |

There is no program asset size or minimum investment requirements for initial and subsequent purchases of shares by eligible omnibus account investors.

Purchase minimum (for Class Y Shares) (eligible investors only)

| | |
|------------------------|------|
| Initial Investment | None |
| Subsequent Investments | None |

Class Y Shares are available to investors who invest through programs or platforms maintained by an authorized financial intermediary.

Individual investors that invest directly with the Fund are not eligible to invest in Class Y Shares.

The Fund reserves the right to apply or waive investment minimums under certain circumstances as described in the Prospectus under the "Choosing a Share Class" section. You may purchase shares of the Fund by mail, bank wire, electronic funds transfer or by telephone after you have opened an account with the Fund. You may obtain an account application from your financial intermediary, from the Fund by calling 1-877-665-1287 or from the Fund's website at <http://highlandfunds.com/literature>.

In general, you may sell (redeem) all or part of your Fund shares on any business day through the following options:

- Through your Financial Intermediary
- By writing to Highland Funds II — Highland Energy MLP Fund, PO Box 219424, Kansas City, Missouri 65121-9424, or
- By calling DST Asset Manager Solutions, Inc. at 1-877-665-1287

Financial intermediaries may independently charge fees for shareholder transactions or for advisory services. Please see their materials for details.

Tax Information

The Fund intends to make distributions that (i), to the extent of the Fund's earnings and profits, will generally be taxable to you as ordinary income or qualified dividend income and (ii), to the extent in excess of the Fund's earnings and profits, will generally be treated as a tax-free return of capital to you to the extent of your basis in your Fund shares and thereafter be taxable to you as capital gain, in each case unless you are a tax-exempt investor or otherwise investing in the Fund through a tax-advantaged arrangement, such as a 401(k) plan or an individual retirement account. If you are investing in the Fund through a tax-advantaged arrangement, you may be taxed later upon withdrawals from that account.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.