

HIGHLAND CAPITAL
M A N A G E M E N T

Highland Global Allocation Fund

Annual Report
September 30, 2021

Highland Global Allocation Fund

TABLE OF CONTENTS

Portfolio Manager Commentary	1
Fund Profile	4
Financial Statements	5
Investment Portfolio	6
Statement of Assets and Liabilities	10
Statement of Operations	11
Statements of Changes in Net Assets	12
Statement of Cash Flows	13
Financial Highlights	14
Notes to Financial Statements	15
Report of Independent Registered Public Accounting Firm	33
Additional Information	34
Changes of Independent Registered Public Accounting Firm	36
Trustees and Officers	39
Important Information About This Report	44



Privacy Policy

We recognize and respect your privacy expectations, whether you are a visitor to our web site, a potential shareholder, a current shareholder or even a former shareholder.

Collection of Information. We may collect nonpublic personal information about you from the following sources:

- ***Account applications and other forms, which may include your name, address and social security number, written and electronic correspondence and telephone contacts;***
- ***Web site information, including any information captured through the use of “cookies”;*** and
- ***Account history, including information about the transactions and balances in your accounts with us or our affiliates.***

Disclosure of Information. We may share the information we collect with our affiliates. We may also disclose this information as otherwise permitted by law. We do not sell your personal information to third parties for their independent use.

Confidentiality and Security of Information. We restrict access to nonpublic personal information about you to our employees and agents who need to know such information to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information, although you should be aware that data protection cannot be guaranteed.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

PORTFOLIO MANAGER COMMENTARY (unaudited)

September 30, 2021

Highland Global Allocation Fund

Performance Overview

For the twelve months ended September 30, 2021, the Highland Global Allocation Fund (the “Fund”) experienced a total market price return of 64.96% and a total NAV return of 35.13%. The Fund’s benchmark, the FTSE All World Index returned 27.94%.

Manager Discussion

The Fund’s largest investment themes during the year included Utilities, Telecom, and Energy MLPs. NexPoint Real Estate Finance Fund and Energy MLPs were among the largest contributors to the Fund’s performance. The Fund’s largest detractors included market hedges and shorts.

TerreStar, the Fund’s largest position, was a positive contributor to performance during the year. Terrestar is a privately held, nationwide licensee of wireless spectrum, an asset that most people use every day. Spectrum is the radio frequency that carries all wireless communication signals. The Federal Communications Commission (the “FCC”), which has regulatory oversight in the space, administers spectrum for non-federal use. The FCC typically sells or assigns initial wireless spectrum licenses to market participants using an auction process. Access to spectrum may also be attained through the secondary market, which allows licensees like TerreStar to transfer, sell, or lease spectrum, in whole or in part.

We believe wireless spectrum assets, in general represent significant value, as they benefit from a favorable supply-demand dynamic: there is limited available spectrum capacity in low- and mid-tier bands; yet, demand is tied to exponential growth in wireless bandwidth usage from smartphones, HD video, data, and the Internet of Things, among other technology trends. Licenses of wireless spectrum are therefore valued on potential future “rents” derived from broadband communications against spectrum scarcity and future capacity.

These secular trends have led to attractive spectrum valuations in the broadband industry, illustrated by participants such as AT&T, Sprint, Dish Network (“Dish”), Verizon, and T-Mobile spending billions of dollars to secure licenses. A recent wireless spectrum auction in February 2021 closed with winning bids valued at \$81 billion, with Verizon, AT&T and T-Mobile bidding approximately \$45 billion, \$23 billion, and \$9 billion respectively.

TerreStar’s value is derived from two spectrum assets: a license for 1.7 GHz band spectrum covering 11 of the top 30 U.S. markets and approximately 19% of the population; and a license for 1.4 GHz band for use in wireless medical telemetry (“WMTS”), with the ability to expand into other areas. Dish owns the license covering the remaining 1.7 GHz band spectrum. TerreStar’s ownership of spectrum in key markets and with significant population coverage could make the company an attractive partner for other spectrum holders.

In 2020, TerreStar received a limited, conditional waiver from the U.S. Federal Communications Commission to allow it to offer its 1.4 GHz band spectrum for wireless medical telemetry services (“WMTS”) applications, with the potential to deploy that spectrum more broadly if certain conditions are met. This approval is subject to TerreStar meeting a number of operational deployment milestones set by the FCC. This work is ongoing. We believe that once the required hospital WMTS buildout is finished and certification of completion and non-interference is filed, TerreStar will be granted flexible use (i.e. for non-WMTS) within 90 days, absent an affirmative finding that such additional service would cause harmful interference to WMTS.

In April 2021, it was reported that TerreStar Corp hired a financial adviser to explore strategic alternatives for the 5G airwaves within its medical division. According to the report, TerreStar is weighing options to monetize the spectrum either by financing debt or going public through a merger with a special purpose acquisition company.

Vistra, the Fund’s second largest holding, generated a -6.41% total return over the last year. We believe the shares can provide a strong total return framework going forward as underlying fundamentals remain supportive and valuation is attractive. In August, Vistra announced its Q2 2021 financial results. Vistra delivered second quarter net income of \$35 million from ongoing operations of \$49 million. Ongoing operations adjusted EBITDA was \$909 million, which excludes the impacts from Winter Storm Uri and was in-line with management expectations for the period. Include URI impacts, second quarter ongoing operations adjusted EBITDA was \$825 million. The company announced implementing post URI activities including investing nearly \$50 million in 2021 for enhanced weatherization of power generating units in the ERCOT market; adding additional dual fuel capabilities and gas storage; participating in processes with the PUCT and ERCOT to implement recent Texas legislation related to Uri, particularly registration and weatherization of critical gas and electric infrastructure; engaging in processes to evaluate potential market reforms; and implementing new risk management policies to further protect Vistra’s future earnings and cash flows.

The Fund continues to maintain a large allocation to Energy MLPs, which positively contributed to performance during the year. MLPs (as measured by the Alerian MLP Index, “AMZ”) returned 84.18% while the Alerian Midstream Energy Index (“AMNA”, a

PORTFOLIO MANAGER COMMENTARY (unaudited) (continued)

September 30, 2021

Highland Global Allocation Fund

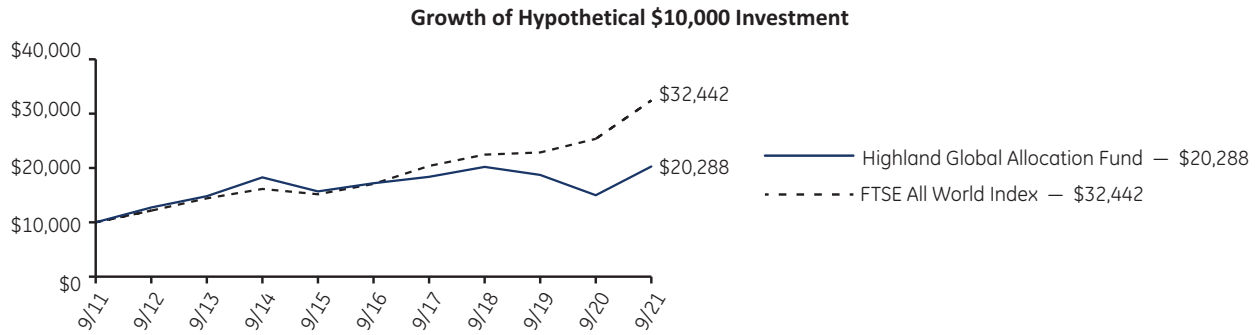
proxy for broader midstream performance including C-Corps) returned 66.75%. We remain constructive on the long-term outlook for midstream energy. The US operates as a low-cost producer of oil and gas, which means that we expect US production volumes and export opportunities to rebound as the sector recovers from the impacts of the pandemic. We believe the sector has undergone a significant transformation over the past several years towards a focus on shareholder returns, corporate simplification, returns on invested capital, and a reduction in leverage. We think this renewed focus on capital discipline combined with an improving fundamental backdrop should enable the sector to create value over time.

The Fund also uses shorts to protect from and/or to take advantage of quantifiable systematic and issuer-related risks. Shorts had a negative impact on performance during the period.

PORTFOLIO MANAGER COMMENTARY (unaudited) (concluded)

September 30, 2021

Highland Global Allocation Fund



	Average Annual Total Returns			
	1 Year	5 Year	10 Year	Since Inception
Highland Global Allocation Fund	35.13%	3.38%	7.33%	5.33%
FTSE All World Index	27.94%	13.70%	12.49%	7.50%

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.

Performance results reflect the contractual waivers and/or reimbursements of fund expenses by the Advisor. Absent this limitation, performance results would have been lower. The Expense Cap expired on January 31, 2019.

Effective on February 13, 2019, the Highland Global Allocation Fund converted from an open-end fund to a closed-end fund, and began trading on the NYSE under the symbol HGLB on February 19, 2019. The performance data presented above reflects that of Class Z shares of the Fund when it was an open-end fund, HCOYX. Month-end returns since March 2019 reflect market prices. The closed-end Fund pursues the same investment objective and strategy as it did before its conversion.

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

Stock prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific issuer or industry. The Fund invests in growth stocks that may be more volatile because they are more sensitive to market conditions. The Fund invests in mid-cap companies which may entail greater risks and less liquidity due to narrower product lines and more limited resources than larger companies. The Fund may invest in foreign securities which may cause more volatility and less liquidity due to currency changes, political instability and accounting differences. The Fund's investments in derivatives may involve more volatility and less liquidity because of the risk that an investment may not correlate to the performance of the underlying securities.

Mutual fund investing involves risk including the possible loss of principal.

FUND PROFILE (unaudited)

Highland Global Allocation Fund

Objective

Highland Global Allocation Fund seeks to provide long-term growth of capital and future income (future income means the ability to pay dividends in the future.)

Net Assets as of September 30, 2021

\$259.5 million

Portfolio Data as of September 30, 2021

The information below provides a snapshot of Highland Global Allocation Fund at the end of the reporting period. Highland Global Allocation Fund is actively managed and the composition of its portfolio will change over time. Current and future holdings are subject to risk.

Industry Classifications as of 09/30/21 ⁽¹⁾	%
U.S. Equity	43.8
Non-U.S. Equity	18.6
U.S. Registered Investment Companies	9.0
U.S. Master Limited Partnerships	8.0
U.S. LLC Interest	8.0
U.S. Senior Loans	7.0
Cash Equivalent	4.8
U.S. Rights	4.1
Non-U.S. Sovereign Bonds	4.1
U.S. Preferred Stock	2.1
Non-U.S. Registered Investment Company	1.2
U.S. Warrants	1.1
Other (each less than 1.0%)	1.7
Other Assets & Liabilities, Net	(13.5)
	<u>100.0</u>

Top 10 Holdings as of 9/30/2021 ⁽²⁾⁽³⁾	%
TerreStar Corporation (U.S. Equity)	22.1
Vistra Energy Corp. (Non-U.S. Equity)	7.8
TerreStar Corporation, Term Loan A 11.00%, 2/25/2022 (U.S. Senior Loans)	6.9
Energy Transfer LP, (U.S. Master Limited Partnerships)	5.8
GAF REIT (U.S. Equity)	5.0
NexPoint Real Estate Finance (U.S. Equity)	4.8
NexPoint Merger Arbitrage Fund, (U.S. Registered Investment Companies)	4.6
Texas Competitive Electric Holdings Co., LLC, (U.S. Rights)	4.2
Argentine Republic Government International Bond 2.50%, 7/9/2041 (Non-U.S. Sovereign Bonds)	4.1
NexPoint Residential Trust (U.S. Equity)	3.9

⁽¹⁾ Industry classifications are calculated as a percentage of total net assets and net of long and short positions.

⁽²⁾ Top 10 holdings are calculated as a percentage of total net assets.

⁽³⁾ The Fund's cash equivalent holding comprised 4.8% of total net assets, but is purposely excluded from the table.

A guide to understanding the Fund's financial statements

Investment Portfolio	The Investment Portfolio details the Fund's holdings and its market 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 the 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 each 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., subscriptions, redemptions and distribution reinvestments) during the reporting period. The Statement of Changes in Net Assets also details changes in the number of shares outstanding.
Statement of Cash Flows	This statement reports net cash and foreign currency provided or used by operating, investing and financing activities and the net effect of those flows on cash and foreign currency during the period.
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 classes' 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

As of September 30, 2021

Highland Global Allocation Fund

Shares		Value (\$)
U.S. Equity - 43.8%		
COMMUNICATION SERVICES - 22.1%		
169,531	TerreStar Corporation (a)(b)(c)(d)(e)	57,255,705
ENERGY - 0.7%		
16,526	Quaternorth Energy Holding Inc.	1,714,573
HEALTHCARE - 1.7%		
77,700	Aerie Pharmaceuticals, Inc. (e)(f)	885,780
61,625	Brookdale Senior Living, Inc. (e)(f)	388,237
232,800	Heron Therapeutics, Inc. (e)(f)(g)	2,488,632
17,200	Patterson (f)	518,408
5,500	Surgery Partners, Inc. (e)	232,870
		4,513,927
MATERIALS - 1.4%		
730,484	MPM Holdings, Inc. (e)	3,652,420
REAL ESTATE - 17.9%		
70,700	City Office, REIT	1,262,702
963,568	GAF REIT (a)(b)(c)(e)	12,963,362
30,000	Independence Realty Trust, Inc., REIT	610,500
644,511	NexPoint Real Estate Finance (c)(f)	12,555,074
164,942	NexPoint Residential Trust, REIT (c)(f)	10,206,611
	United Development Funding IV,	
280,000	REIT (a)(b)(e)	296,800
875,255	Whitestone, REIT, Class B (f)	8,559,994
		46,455,043
	Total U.S. Equity (Cost \$94,797,926)	113,591,668
Non-U.S. Equity - 18.6%		
COMMUNICATION SERVICES - 3.1%		
77,866	Grupo Clarin, Class B (e)(h)	32,799
	Loral Space & Communications,	
189,945	Inc. (f)(g)(h)	8,169,534
		8,202,333
CONSUMER DISCRETIONARY - 2.0%		
3,000	MercadoLibre, Inc. (e)(f)(h)	5,038,200
718	Toys 'R' Us (a)(b)(e)(h)	52,141
		5,090,341
ENERGY - 3.0%		
29,751	NextDecade Corp. (e)(h)	82,708
131,600	Targa Resources (f)(h)	6,476,036
121	Transocean (e)(g)(h)	459
48,100	Williams Cos., Inc. (h)	1,247,714
		7,806,917
FINANCIALS - 0.2%		
188,858	Grupo Supervielle SA ADR (h)	424,931
HEALTHCARE - 0.0%		
10,445	HLS Therapeutics Inc. (e)(h)	149,656

Shares		Value (\$)
INDUSTRIALS - 0.8%		
38,549	American Airlines Group, Inc. (e)(f)(h)	791,025
65,931	GL Events (h)	1,213,811
		2,004,836
INFORMATION TECHNOLOGY - 1.0%		
119,188	Avaya Holdings Corp. (e)(f)(h)	2,358,731
5,000	StoneCo, Class A (e)(f)(h)	173,600
		2,532,331
UTILITIES - 8.5%		
202,250	Central Puerto ADR (e)(h)	626,975
67,700	Pampa Energia ADR (e)(f)(h)	1,182,719
1,183,600	Vistra Energy Corp. (f)(h)	20,239,560
		22,049,254
	Total Non-U.S. Equity (Cost \$70,908,053)	48,260,599
U.S. LLC Interest - 8.0%		
REAL ESTATE - 8.0%		
100	GAF REIT Sub II, LLC (a)(b)(c)(e)	4,049,578
124,046	NREF OP I, L.P., REIT (c)(e)	2,416,416
6,773,494	SFR WLIF I, LLC (a)(b)(c)	6,502,737
4,437,497	SFR WLIF II, LLC (a)(b)(c)	4,285,837
3,789,008	SFR WLIF III, LLC (a)(b)(c)	3,535,600
	Total U.S. LLC Interest (Cost \$21,280,920)	20,790,168
U.S. Master Limited Partnerships - 8.0%		
ENERGY - 8.0%		
1,558,690	Energy Transfer LP (f)	14,932,250
278,100	Western Midstream Partners LP (f)	5,828,976
	Total U.S. Master Limited Partnerships (Cost \$35,530,654)	20,761,226
Principal Amount (\$)		
U.S. Senior Loans (i) - 7.0%		
COMMUNICATION SERVICES - 6.9%		
17,895,565	TerreStar Corporation, Term Loan A, 11.000% PIK 02/25/22 (a)(b)(c)	17,895,565
UTILITIES - 0.1%		
471,039,553	Texas Competitive Electric Holdings Co. LLC, Extended Escrow Loan (a)(b)(j)	235,520
	Total U.S. Senior Loans (Cost \$29,648,619)	18,131,085
Units		
U.S. Rights - 4.1%		
UTILITIES - 4.1%		
7,905,143	Texas Competitive Electric Holdings Co., LLC (e)	10,770,757
	Total U.S. Rights (Cost \$22,029,102)	10,770,757

INVESTMENT PORTFOLIO (continued)

As of September 30, 2021

Highland Global Allocation Fund

Principal Amount (\$)		Value (\$)
Non-U.S. Sovereign Bonds - 4.1%		
Argentine Republic Government International Bonds		
90,699	1.00%, 7/9/2029 (h)	34,911
29,000,000	2.50%, 3.50%, 7/9/2022, 7/9/2041 (h)(k)	10,709,120
Total Non-U.S. Sovereign Bonds (Cost \$16,152,118)		10,744,031
Shares		
U.S. Preferred Stock - 2.1%		
REAL ESTATE - 2.1%		
239,774	Braemar Hotels & Resorts, REIT (e)(f)(l) ...	5,380,529
Total U.S. Preferred Stock (Cost \$3,634,060)		5,380,529
Units		
U.S. Warrants - 1.1%		
ENERGY - 1.1%		
Quaternorth Energy Holding Inc.		
127,592	Tranche 1, Expires 08/27/2029 (e)	1,275,920
Quaternorth Energy Holding Inc.		
245,732	Tranche 2, Expires 08/27/2029 (e)	1,474,392
Total U.S. Warrants (Cost \$2,249,396)		2,750,312
Shares		
Non-U.S. Master Limited Partnership - 0.7%		
ENERGY - 0.7%		
78,631	Enterprise Products Partners (f)(h)	1,701,575
Total Non-U.S. Master Limited Partnership (Cost \$2,151,846)		1,701,575
Principal Amount (\$)		
U.S. Corporate Bonds & Notes - 0.5%		
COMMUNICATION SERVICES - 0.4%		
iHeartCommunications, Inc.		
317,929	6.38%, 05/01/26 (f)	336,019
584,493	8.38%, 05/01/27 (f)	625,408
		961,427
REAL ESTATE - 0.1%		
CBL & Associates		
400,000	5.95%, 12/15/26 (g)(m)	277,726
Total U.S. Corporate Bonds & Notes (Cost \$2,348,922)		1,239,153
U.S. Asset-Backed Security - 0.1%		
CFCRE Commercial Mortgage Trust, Series C8, Class D		
250,000	3.00%, 6/15/2050 (n)	228,920
Total U.S. Asset-Backed Security (Cost \$224,194)		228,920

Units		Value (\$)
Non-U.S. Warrants - 0.1%		
COMMUNICATION SERVICES - 0.0%		
iHeartCommunications, Inc., Expires		
1,109	05/01/2039 (e)(h)	26,339
INDUSTRIALS - 0.0%		
1,260,362	American Airlines Group, Inc. (e)(h)	88,225
INFORMATION TECHNOLOGY - 0.1%		
Avaya Holdings, Expires		
38,742	12/18/2022 (e)(h)	88,332
Total Non-U.S. Warrants (Cost \$77,464)		202,896
Principal Amount (\$)		
Non-U.S. Asset-Backed Security - 0.0%		
Pamco Cayman, Ltd., Series 1997-1A,		
311,866	Class B (a)(b)(h)(n)(m)	74,799
Total Non-U.S. Asset-Backed Security (Cost \$212,069)		74,799
Shares		
U.S. Exchange Traded Fund - 0.2%		
VelocityShares 3x Long Silver ETN linked to the S&P GSCI Silver Index		
8,750		511,962
Total U.S. Exchange Traded Fund (Cost \$824,777)		511,962
Non-U.S. Registered Investment Company - 1.2%		
BB Votorantim Highland Infrastructure LLC (a)(b)(c)		
10,000		3,235,150
Total Non-U.S. Registered Investment Company (Cost \$4,571,783)		3,235,150
U.S. Registered Investment Companies - 9.0%		
334,005	Highland Income Fund (c)(f)	3,597,234
585,733	NexPoint Merger Arbitrage Fund, Class Z (c)	12,030,966
549,863	NexPoint Strategic Opportunities Fund (c)(f)	7,648,594
Total U.S. Registered Investment Companies (Cost \$24,616,403)		23,276,794
Principal Amount (\$)		
U.S. Repurchase Agreements - 0.1%		
RBC Dominion Securities 0.050%, dated 09/30/2021 to be repurchased on 10/01/2021, repurchase price \$249,000 (collateralized by U.S. Government obligations, ranging in par value \$0 - \$30,556, 0.000% - 6.500%, 10/31/2021 - 05/01/2058; with total market value \$253,980) (o)(p)		
249,000		249,000

INVESTMENT PORTFOLIO (concluded)

As of September 30, 2021

Highland Global Allocation Fund

Principal Amount (\$)	Value (\$)
U.S. Repurchase Agreements (continued)	
43,492	43,492
Total U.S. Repurchase Agreements (Cost \$292,492).....	
	292,492
Shares	
U.S. Cash Equivalent - 4.8%	
MONEY MARKET FUND (q) - 4.8%	
12,507,688	12,507,688
Total U.S. Cash Equivalent (Cost \$12,507,688).....	
	12,507,688
Total Investments - 113.5%	
	294,451,804
Securities Sold Short (r) - (13.3)%	
U.S. Exchange-Traded Funds - (8.1)%	
(26,150)	(2,797,527)
(38,275)	(3,172,997)
(119,650)	(14,904,801)
Total U.S. Exchange-Traded Funds (Proceeds \$12,513,651).....	
	(20,875,325)
U.S. Equity - (5.2)%	
COMMUNICATION SERVICES - (4.4)%	
(18,665)	(11,391,996)
CONSUMER STAPLES - (0.4)%	
(5,000)	(1,157,400)
INFORMATION TECHNOLOGY - (0.4)%	
(4,267)	(935,241)
Total U.S. Equity (Proceeds \$3,853,613).....	
	(13,484,637)
Total Securities Sold Short - (13.2)% (Proceeds \$16,367,264).....	
	(34,359,962)
Other Assets & Liabilities, Net - (0.2)%	
	(619,899)
Net Assets - 100.0%	
	259,471,943

- (a) Securities with a total aggregate value of \$110,382,794, or 42.5% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Financial Statements for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (b) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$110,382,794, or 42.5% of net assets, were fair

- valued under the Fund's valuation procedures as of September 30, 2021. Please see Notes to Financial Statements.
- (c) Affiliated issuer. Assets with a total aggregate fair value of \$158,178,429, or 61.0% of net assets, were affiliated with the Fund as of September 30, 2021.
- (d) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the policies and procedures established by the Board. Additional Information regarding such securities follows:

Restricted Security	Security Type	Acquisition Date	Cost of Security	Fair Value at Year End	Percent of Net Assets
TerreStar Corporation	U.S. Equity	11/14/2014	\$48,015,562	\$57,255,705	22.1%

- (e) Non-income producing security.
- (f) All or part of this security is pledged as collateral for short sales. The fair value of the securities pledged as collateral was \$111,188,945.
- (g) Securities (or a portion of securities) on loan. As of September 30, 2021, the fair value of securities loaned was \$3,849,566. The loaned securities were secured with cash and/or securities collateral of \$4,040,623. Collateral is calculated based on prior day's prices.
- (h) As described in the Fund's prospectus, a company is considered to be a non-U.S. issuer if the company's securities principally trade on a market outside of the United States, the company derives a majority of its revenues or profits outside of the United States, the company is not organized in the United States, or the company is significantly exposed to the economic fortunes and risks of regions outside the United States.
- (i) Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Fund invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate ("LIBOR") or (iii) the Certificate of Deposit rate. Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (j) Represents value held in escrow pending future events. No interest is being accrued.
- (k) Step Bonds - Represents the current rate, the step rate, the step date and the final maturity date.
- (l) Perpetual security with no stated maturity date.
- (m) The issuer is, or is in danger of being, in default of its payment obligation.
- (n) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transactions exempt from registration to qualified institutional buyers. The Board has determined these investments to be liquid. At September 30, 2021, these securities amounted to \$303,719 or 0.1% of net assets.
- (o) Tri-Party Repurchase Agreement.
- (p) This security was purchased with cash collateral held from securities on loan. The total value of such securities as of September 30, 2021 was \$292,492.
- (q) Rate shown is 7 day effective yield.
- (r) As of September 30, 2021, \$34,516,895 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net".
- (s) No dividend payable on security sold short.

GLOSSARY: (abbreviations that may be used in the preceding statements)

Other Abbreviations:

ADR	American Depositary Receipt
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LP	Limited Partnership
Ltd.	Limited
PIK	Payment-in-Kind
REIT	Real Estate Investment Trust
USD	United States Dollar

STATEMENT OF ASSETS AND LIABILITIES

As of September 30, 2021

Highland Global Allocation Fund

	(\$)
Assets	
Investments, at value†	123,473,195
Affiliated investments, at value (Note 10)	<u>158,178,429</u>
Total Investments, at value	281,651,624
Cash equivalent (Note 2)	12,507,688
Repurchase agreements, at value	292,492
Cash	288,294
Restricted Cash — Securities Sold Short (Note 2)	34,516,895
Foreign currency, at value (Note 2)	30,925
Foreign tax reclaim receivable	66,733
Receivable for:	
Investment sold	119,041
Dividends and interest	897,363
Fund shares sold	188,727
Due from broker	2,233,646
Prepaid expenses and other assets	<u>17,936</u>
Total assets	<u>332,811,364</u>
Liabilities:	
Securities sold short, at value (Proceeds from securities sold short \$16,367,264 (Notes 2 and 8)	34,359,962
Due to broker for short sale proceeds	38,048,595
Payable for:	
Investments purchased	207,474
Collateral from securities loaned (Note 4)	292,492
Investment advisory and administration fees (Note 7)	46,819
Accounting services fees	37,084
Custody fees	2,746
Trustees fees	787
Income distribution	14,787
Transfer agent fees	16,551
Reports to shareholders	22,968
Legal fees	105,287
Audit and tax compliance fees	159,000
Accrued expenses and other liabilities	<u>24,869</u>
Total liabilities	<u>73,339,421</u>
Net Assets	<u>259,471,943</u>
Net Assets Consist of:	
Paid-in capital	720,953,392
Total accumulated loss	<u>(461,481,449)</u>
Net Assets	<u>259,471,943</u>
Investments, at cost	188,368,429
Affiliated investments, at cost (Note 10)	142,889,877
Cash equivalent, at cost (Note 2)	12,507,688
Repurchase agreements, at cost	292,492
Foreign currency, at cost (Note 2)	91,794
† Includes market value of securities on loan	3,849,566
Common Shares	
Shares outstanding (\$0.001 par value; unlimited shares authorized)	22,069,065
Net asset value, offering and redemption price per share	11.76

STATEMENT OF OPERATIONS

For the Year Ended September 30, 2021

Highland Global Allocation Fund

	(\$)
Investment Income:	
Income:	
Dividends from unaffiliated issuers	3,914,773
Dividends from affiliated issuers (Note 10)	3,135,388
Less: Foreign taxes withheld	(93)
Securities lending income (Note 4)	13,353
Interest from unaffiliated issuers	1,491,866
Interest paid in-kind from affiliated issuers (Note 10)	<u>1,897,537</u>
Total income	<u>10,452,824</u>
Expenses:	
Investment advisory (Note 7)	957,160
Accounting services fees	163,212
Transfer agent fees	119,073
Legal fees	342,214
Registration fees	28,483
Audit and tax compliance fees	168,055
Interest expense and commitment fees	365,977
Insurance	41,542
Trustees fees (Note 7)	49,168
Reports to shareholders	53,567
Custodian/wire agent fees	25,652
Dividends and fees on securities sold short (Note 2)	22,874
Other	<u>81,691</u>
Total expenses before waiver and reimbursement	2,418,668
Less: Expenses waived or borne by the adviser and administrator	<u>(305,689)</u>
Net expenses	<u>2,112,979</u>
Net investment income	<u>8,339,845</u>
Net realized gain (loss) on:	
Investments from unaffiliated issuers	(62,953,441)
Investments from affiliated issuers (Note 10)	1,523,216
Securities sold short (Note 2)	<u>(1,374,711)</u>
Change in unrealized appreciation (depreciation) on:	
Investments in unaffiliated issuers	116,356,155
Investments in affiliated issuers (Note 10)	14,558,394
Securities sold short (Note 2)	(5,345,360)
Foreign currency related translations (Note 2)	<u>(3,975)</u>
Net realized and unrealized gain (loss) on investments	<u>62,760,278</u>
Total increase in net assets resulting from operations	<u><u>71,100,123</u></u>

STATEMENTS OF CHANGES IN NET ASSETS

Highland Global Allocation Fund

	Year Ended September 30, 2021 (\$)	Year Ended September 30, 2020 (\$)
Increase (Decrease) in Net Assets Resulting from Operations:		
Net investment income	8,339,845	9,573,876
Net realized gain (loss) on investments, purchased options, securities sold short, written options, futures contracts and foreign currency transactions	(62,804,936)	(107,398,402)
Net Change in unrealized appreciation on investments, securities sold short, purchased options, written options, futures contracts and foreign currency translations	125,565,214	40,663,979
Net increase (decrease) in net assets resulting from operations	<u>71,100,123</u>	<u>(57,160,547)</u>
Distributions:		
Distributable earnings	(6,169,443)	(13,542,165)
Return of capital	(13,376,686)	(10,286,109)
Decrease from distributions	<u>(19,546,129)</u>	<u>(23,828,274)</u>
Increase (decrease) in net assets from operations and distributions	<u>51,553,994</u>	<u>(80,988,821)</u>
Share transactions:		
Proceeds from sale of shares		
Shares of closed-end fund	—	250,303
Value of distributions reinvested		
Shares of closed-end fund	2,456,090	2,915,717
Cost of shares redeemed		
Shares of closed-end fund	—	(12,879,525)
Net increase (decrease) from shares transactions	<u>2,456,090</u>	<u>(9,713,505)</u>
Total increase (decrease) in net assets	<u>54,010,084</u>	<u>(90,702,326)</u>
Net Assets		
Beginning of year	205,461,859	296,164,185
End of year	<u>259,471,943</u>	<u>205,461,859</u>
Capital Stock Activity - Shares		
Shares of closed-end fund:		
Issued for distribution reinvested	328,513	420,812
Shares redeemed (Note 1)	—	(1,311,306)
Net increase (decrease) in fund shares	<u>328,513</u>	<u>(890,494)</u>

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2021

Highland Global Allocation Fund

	(\$)
Cash Flows Provided by Operating Activities:	
Net increase in net assets resulting from operations	71,100,123
Adjustments to Reconcile Net Increase in Net Assets to Net Cash Provided by Operating Activities:	
Purchases of investment securities from unaffiliated issuers	(25,606,194)
Purchases of investment securities from affiliated issuers	(25,728,508)
Proceeds from disposition of investment securities from unaffiliated issuers	77,235,388
Proceeds from disposition of investment securities from affiliated issuers	11,116,918
Proceeds from return of capital of investment securities from unaffiliated issuers	1,114,593
Proceeds from return of capital of investment securities from affiliated issuers	580,670
Purchases of securities sold short	(5,085,418)
Proceeds of securities sold short	11,854,585
Amortization of premiums from unaffiliated issuers	3,415,281
Amortization of premiums from affiliated issuers	(55)
Net realized (gain) loss on investments from unaffiliated issuers	62,953,441
Net realized (gain) loss on investments from affiliated issuers	(1,523,216)
Net realized (gain) loss on securities sold short	1,374,711
Net change in unrealized (appreciation) depreciation on investments, securities sold short, and translation on assets and liabilities denominated in foreign currency	(125,565,214)
(Increase) Decrease in receivable for dividends and interest	318,960
(Increase) Decrease in foreign tax reclaims receivable	788
(Increase) Decrease in receivable for investments sold	(119,041)
(Increase) Decrease in due from broker	(2,233,646)
(Increase) Decrease in prepaid expenses and other assets	7,450
Increase (Decrease) in due to broker for short sale proceeds	(12,983,387)
Increase (Decrease) in payable from collateral from securities on loan	(613,568)
Increase (Decrease) in payable for investments purchased	207,474
Increase (Decrease) in payable for investment advisory and administration fees	951
Increase (Decrease) in payable for trustees fees	(13,245)
Increase (Decrease) in payable for transfer agent fees	6,069
Increase (Decrease) in payable for custody fees	(12,642)
Increase (Decrease) in accrued expenses and other liabilities	183,003
Net cash flow provided by operating activities	<u>41,986,271</u>
Cash Flows Used In Financing Activities:	
Repurchase agreements	613,568
Distributions paid in cash	(17,075,252)
Proceeds from shares sold	40,444
Net cash flow used in financing activities	<u>(16,421,240)</u>
Effect of exchange rate changes on cash	(3,975)
Net Increase in Cash	<u>25,561,056</u>
Cash, Cash Equivalents, Restricted Cash, Foreign Currency:	
Beginning of year	<u>21,782,746</u>
End of year	<u>47,343,802</u>
End of Year Cash Balances:	
Cash equivalent	12,507,688
Cash	288,294
Restricted cash	34,516,895
Foreign currency	30,925
End of year	<u>47,343,802</u>
Supplemental disclosure of cash flow information:	
Reinvestment of distributions	<u>2,456,090</u>
Paid in-kind interest income	<u>1,897,537</u>
Cash paid during the year for interest expense and commitment fees	<u>365,977</u>

FINANCIAL HIGHLIGHTS

Highland Global Allocation Fund

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

	For the Years Ended September 30,				
	2021	2020	2019*‡	2018*‡	2017*‡
Net Asset Value, Beginning of Year	\$ 9.45	\$ 13.09	\$ 14.63	\$ 14.16	\$ 14.12
Income from Investment Operations:					
Net investment income ^(a)	0.38	0.43	0.30	0.54	1.11
Net realized and unrealized gain (loss)	<u>2.82</u>	<u>(3.00)</u>	<u>(1.10)</u>	<u>0.56</u>	<u>(0.12)</u>
Total from Investment Operations	3.20	(2.57)	(0.80)	1.10	0.99
Less Distributions Declared to shareholders:					
From net investment income	(0.28)	(0.61)	(0.20)	(0.43)	(0.92)
From return of capital	<u>(0.61)</u>	<u>(0.46)</u>	<u>(0.54)</u>	<u>(0.20)</u>	<u>(0.03)</u>
Total distributions declared to shareholders	(0.89)	(1.07)	(0.74)	(0.63)	(0.95)
Net Asset Value, End of year^(b)	\$ 11.76	\$ 9.45	\$ 13.09	\$ 14.63	\$ 14.16
Total Return ^{(b)(c)}	35.13%	(19.92)%	(4.40)%	7.95%	7.01%
Ratios to Average Net Assets:^(d)					
Net Assets, End of Year (000's)	\$259,472	\$205,462	\$296,164	\$128,353	\$254,539
Gross operating expenses ^{(e)(f)}	1.01%	1.92%	2.54%	2.38%	1.20%
Net investment income	3.48%	4.06%	2.11%	3.73%	7.59%
Portfolio turnover rate	17%	18%	28%	51%	66%

‡ Reflects the financial highlights of Class Y of the open-end fund prior to the conversion.

* Per share data prior to February 15, 2019 has been adjusted to give effect to an approximately 1 to 1.4217 reverse stock split as part of the conversion to a closed-end fund. (Note 1)

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

(b) The Net Asset Value per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(c) Total return is based on fair value per share for periods after February 15, 2019. Distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Prior to February 15, 2019, 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 lower.

(d) All ratios for the period have been annualized, unless otherwise indicated.

(e) Supplemental expense ratios are shown below.

(f) Includes dividends and fees on securities sold short.

Supplemental Expense Ratios:

	For the Years Ended September 30,				
	2021	2020	2019	2018	2017
Net expenses (net of waiver/reimbursement, if applicable, but gross of all other expenses) ^(g)	0.88%	1.81%	2.45%	2.38%	1.19%
Interest expense and commitment fees	0.15%	0.82%	1.60%	1.02%	0.37%
Dividends and fees on securities sold short	0.01%	0.07%	0.11%	0.16%	0.05%

(g) This includes the additional voluntarily elected waiver by the Investment Adviser during the period which resulted in a 0.12% impact to the net expenses ratio.

Note 1. Organization

Highland Global Allocation Fund (the “Fund”) is organized as an unincorporated business trust under the laws of The Commonwealth of Massachusetts. The Fund is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a diversified, closed-end management investment company. This report covers information for the year ended September 30, 2021.

On November 8, 2018, shareholders of the Fund approved a proposal authorizing the Board of Trustees (the “Board”) of the Fund to convert the fund from an open-end fund to a closed-end fund at a special meeting of shareholders. The Board took action to convert the Fund to a closed-end fund effective shortly after 4:00 p.m. Eastern Time on February 14, 2019 (the “Conversion Date”). The Fund also effected an approximately 1-for-1.4217 reverse stock split of the Fund’s issued and outstanding shares on February 14, 2019, thereby reducing the number of shares outstanding. Shareholders were paid cash for any fractional shares resulting from the reverse stock split. The Fund began listing its shares for trading on the New York Stock Exchange (the “NYSE”) on February 19, 2019 under the ticker symbol “HGLB”. The Fund may issue an unlimited number of common shares, par value \$0.001 per share (“Common Shares”). Prior to the Conversion Date, the Fund issued Class A, Class C, and Class Y shares.

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 require Highland Capital Management Fund Advisors, L.P. (“HCMFA” or the “Investment Adviser”) 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 or 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

The Fund’s investments are recorded at fair value. In computing the Fund’s net assets attributable to shares, securities with readily available market quotations on the NYSE, National Association of Securities Dealers Automated Quotation (NASDAQ) or other nationally recognized exchange, use the closing quotations on the respective exchange for valuation of those securities. Securities for which there are no readily available market quotations will be valued pursuant to policies adopted by the Fund’s Board. Typically, such securities will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal market makers on the valuation day may be priced by an independent pricing service. Generally, the 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 the Investment Adviser has determined to have the capability to provide appropriate pricing services which have been approved by the Board.

Securities for which market quotations are not readily available, or for which the Fund has determined that 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, but not limited to: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Fund’s NAV will reflect the affected portfolio securities’ fair value as determined in the judgment of the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to value securities may result in a value that is different from a security’s most recent sale price and from the prices used by other investment companies to calculate their NAVs. 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 to the Fund. The NAV shown in the Fund’s financial statements may vary from the NAV published by

September 30, 2021

Highland Global Allocation Fund

the Fund as of its period end because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for financial statement purposes.

Fair Value Measurements

The Fund has performed an analysis of all existing investments and derivative instruments to determine the significance and character of inputs to their fair value determination. The levels of fair value inputs used to measure the 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 and its

affiliates. The Pricing Committee meets monthly to review the proposed valuations for investments and financial instruments and is responsible for evaluating the overall fairness and consistent application of established policies.

As of September 30, 2021, the Fund's investments consisted of senior loans, asset-backed securities, bonds and notes, common stocks, preferred stocks, LLC interests, master limited partnerships, registered investment companies, cash equivalents, repurchase agreements, exchange-traded funds, rights, warrants, and securities sold short. The fair value of the Fund's loans, bonds and asset-backed securities are generally based on quotes received from brokers or independent pricing services. Loans, bonds and asset-backed securities with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Senior loans, bonds and asset-backed securities that are priced using quotes derived from implied values, indicative bids, or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

The fair value of the Fund's common stocks, registered investment companies, rights and warrants that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. Exchange-traded options are valued based on the last trade price on the primary exchange on which they trade. If an option does not trade, the mid-price, which is the mean of the bid and ask price, is utilized to value the option. At the end of each calendar quarter, the Investment Adviser evaluates the Level 2 and 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, the Investment Adviser evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

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

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

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 inputs used to value the Fund's assets and liabilities as of September 30, 2021, is as follows:

	Total value at September 30, 2021	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Highland Global Allocation Fund				
Assets				
U.S. Equity				
Communication Services	\$57,255,705	\$ —	\$ —	\$57,255,705
Energy	1,714,573	—	1,714,573	—
Healthcare	4,513,927	4,513,927	—	—
Materials	3,652,420	—	3,652,420	—
Real Estate	46,455,043	33,194,881	—	13,260,162
Non-U.S. Equity				
Communication Services	8,202,333	8,202,333	—	—
Consumer Discretionary	5,090,341	5,038,200	—	52,141
Energy	7,806,917	7,806,917	—	—
Financials	424,931	424,931	—	—
Healthcare	149,656	149,656	—	—
Industrials	2,004,836	2,004,836	—	—
Information Technology	2,532,331	2,532,331	—	—
Utilities	22,049,254	22,049,254	—	—
U.S. LLC Interest	20,790,168	—	2,416,416	18,373,752
U.S. Master Limited Partnerships				
Energy	20,761,226	20,761,226	—	—
U.S. Senior Loans				
Communication Services	17,895,565	—	—	17,895,565
Utilities	235,520	—	—	235,520
U.S. Rights				
Utilities	10,770,757	—	10,770,757	—
Non-U.S. Sovereign Bonds	10,744,031	—	10,744,031	—
U.S. Preferred Stock				
Real Estate	5,380,529	5,380,529	—	—
U.S. Warrants				
Energy	2,750,312	—	2,750,312	—
Non-U.S. Master Limited Partnership				
Energy	1,701,575	1,701,575	—	—
U.S. Corporate Bonds & Notes				
Communication Services	961,427	—	961,427	—
Real Estate	277,726	—	277,726	—
U.S. Asset-Backed Security	228,920	—	228,920	—
Non-U.S. Warrants				
Communication Services	26,339	—	26,339	—
Industrials	88,225	—	88,225	—
Information Technology	88,332	—	88,332	—
Non-U.S. Asset-Backed Security	74,799	—	—	74,799
U.S. Exchange Traded Fund	511,962	511,962	—	—
Non-U.S. Registered Investment Company	3,235,150	—	—	3,235,150
U.S. Registered Investment Companies	23,276,794	23,276,794	—	—

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

	Total value at September 30, 2021	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
U.S. Repurchase Agreements	\$ 292,492	\$ 292,492	\$ —	\$ —
U.S. Cash Equivalent	12,507,688	12,507,688	—	—
Total Assets	<u>294,451,804</u>	<u>150,349,532</u>	<u>33,719,478</u>	<u>110,382,794</u>
Liabilities				
Securities Sold Short				
U.S. Exchange Traded Funds	(20,875,325)	(20,875,325)	—	—
U.S. Equity				
Communication Services	(11,391,996)	(11,391,996)	—	—
Consumer Staples	(1,157,400)	(1,157,400)	—	—
Information Technology	(935,241)	(935,241)	—	—
Total Liabilities	<u>(34,359,962)</u>	<u>(34,359,962)</u>	<u>—</u>	<u>—</u>
Total	<u>\$260,091,842</u>	<u>\$115,989,571</u>	<u>\$33,719,478</u>	<u>\$110,382,794</u>

The table below sets forth a summary of changes in the Fund's assets measured at fair value using significant unobservable inputs (Level 3) for the year ended September 30, 2021.

	Balance as of September 30, 2020	Transfers Into Level 3	Transfers Out of Level 3	Accrued Discounts (Premiums)	Distribution to Return Capital	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Purchases	Sales	Balance as of September 30, 2021	Change in Unrealized Appreciation (Depreciation) from Investments held at September 30, 2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
U.S. Equity											
Communication Services	56,831,877	—	—	—	—	—	423,828	—	—	57,255,705	423,828
Real Estate	7,823,137	—	—	—	—	(6,887,695)*	9,324,720	3,000,000	—	13,260,162	2,437,025
Non-U.S. Equity											
Consumer Discretionary	—	76,087	—	—	—	—	(23,946)	—	—	52,141	(23,946)
U.S. LLC Interest	11,552,327	—	—	—	—	—	3,021,425	3,800,000	—	18,373,752	3,021,425
U.S. Senior Loans											
Communication Services	15,999,243	—	—	55	—	—	15,961	1,880,306	—	17,895,565	15,961
Utilities	—	120,115	—	—	—	—	115,405	—	—	235,520	115,405
Non-U.S. Asset-Backed Security	36,925	—	—	—	—	—	37,874	—	—	74,799	37,874
U.S. Warrants											
Healthcare	122,313	—	—	—	—	137,951	(122,313)	—	(137,951)	—	—
Non-U.S. Corporate Bonds & Notes											
Energy	—	—	—	—	—	(28,728,908)*	28,728,908	—	—	—	—
Non-U.S. Registered Investment Company											
Company	2,868,778	—	—	—	—	—	366,372	—	—	3,235,150	366,372
Total	<u>95,234,600</u>	<u>196,202</u>	<u>—</u>	<u>55</u>	<u>—</u>	<u>(35,478,652)</u>	<u>41,888,234</u>	<u>8,680,306</u>	<u>(137,951)</u>	<u>110,382,794</u>	<u>6,393,944</u>

* Realized loss due to write off.

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

Investments designated as Level 3 may include assets valued using quotes or indications furnished by brokers which are based on models or estimates without observable inputs and may not be executable prices. In light of the developing market conditions, the Investment Adviser continues to search for observable data points and evaluate broker quotes and indications received for portfolio investments.

For the year ended September 30, 2021, there were two common stock positions and one US senior loan position that transferred in to Level 3. Determination of fair value is uncertain because it involves subjective judgments and estimates that are unobservable.

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

Category	Fair Value at 9/30/2021 \$	Valuation Technique	Unobservable Inputs	Input Value(s) (Arithmetic Mean)
U.S. Equity/Non-U.S. Equity	70,568,008	Multiples Analysis	Unadjusted Price/Mhz-PoP	\$0.09 - \$0.95 (\$0.52)
			Discounted Cash Flow	Discount Rate
		Transaction Indication of Value	Enterprise Value (\$mm)	\$841.00
			Cost Price (\$mm)	\$4.33
			Offer Price per Share	\$1.10
		Net Asset Value	N/A	N/A
U.S. LLC Interest	18,373,752	Discounted Cash Flow	Recovery Rate	75% - 100% (88%)
			Discount Rate	1.49% - 5.43% (3.46%)
		Net Asset Value	N/A	N/A
U.S. Senior Loans	18,131,085	Discounted Cash Flow	Cost Price (\$mm)	\$2.75
			Third Party Indication of Value	Broker Quote
		Discounted Cash Flow	Discount Rate	21.0%
Non-U.S. Asset-Backed Securities	74,799	Discounted Cash Flow	Discount Rate	21.0%
Non-U.S. Registered Investment Companies	3,235,150	Net Asset Value	N/A	N/A
	<u>110,382,794</u>			

The significant unobservable inputs used in the fair value measurement of the Fund's bank loan and asset-backed securities are the discount rate and broker quote indication of value. A Significant increase (decrease) in these inputs in isolation could result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of the Fund's LLC interests are: discount rate and cost price. A significant increase (decrease) in any of those inputs in isolation could result in a significantly higher (lower) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Fund's common equity securities are: unadjusted price/MHz-PoP multiple, discount rate, enterprise value, cost price, tender offer per share, and recovery rate. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement.

In addition to the unobservable inputs utilized for various valuation methodologies, the Investment Adviser frequently uses a combination of two or more valuation methodologies to determine fair value for a single holding. In such instances,

the Investment Adviser assesses the methodologies and ascribes weightings to each methodology. The weightings ascribed to any individual methodology ranged from as low as 25% to as high as 75% as of September 30, 2021. The selection of weightings is an inherently subjective process, dependent on professional judgement. These selections may have a material impact to the concluded fair value for such holdings.

Certain Illiquid Positions Classified as Level 3

As of September 30, 2021, the Fund held an investment in the common shares of TerreStar Corporation ("TerreStar") valued at \$57,255,705, or 22.1% of net assets, and U.S. Senior Loans valued at \$17,895,565 or 6.9% of net assets. TerreStar does not currently generate revenue and primarily derives its value from holding licenses of two wireless spectrum assets. The license with respect to one such spectrum asset was previously terminated by the FCC and subsequently restored on April 30, 2020 on a limited conditional basis. The restoration of such license requires TerreStar to meet certain deployment milestones for wireless medical telemetry service ("WMTS") during a 39-month period. Upon

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

satisfaction of the deployment milestones, TerreStar will be able use such spectrum for other services besides WMTS as long as those services do not interfere with WMTS and TerreStar continues to provide WMTS.

If TerreStar is unsuccessful in satisfying such deployment milestones, or if other services cannot be implemented in a manner that does not interfere with WMTS, the value of the TerreStar equity would likely be materially negatively impacted. In determining the fair value of TerreStar, the Investment Adviser has assigned a high probability of success on both conditions based on consultation with the company and its consultants.

The Fund may hold other illiquid positions that are classified as Level 3 that are not described here. Please see Note 8 for additional disclosure of risks from investments in illiquid securities.

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.

Income Recognition

Corporate actions (including cash dividends) are recorded on the ex-dividend date, net of applicable withholding taxes, except for certain foreign corporate actions, which are recorded as soon after ex-dividend date as such information becomes available and is verified. Interest income is recorded on the accrual basis.

Accretion of discount on taxable bonds and loans is computed to the maturity date, while amortization of premium on taxable bonds and loans is computed to the earliest call date, both using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

U.S. Federal Income Tax Status

The Fund is treated as a separate taxpayer for U.S. federal income tax purposes. The Fund intends 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 their 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 distribute, in each calendar year, all of their net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax

provisions are recorded. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations.

The Investment Adviser has analyzed the Fund's tax positions taken on U.S. federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for U.S. federal income tax is required in the Fund's financial statements. The Fund's U.S. federal and state income and U.S. 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. Furthermore, the Investment Adviser of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

Distributions to Shareholders

The Fund declares and pays investment income distributions quarterly. The Fund typically declares and pays distributions from net realized capital gains in excess of capital loss carry-forwards annually.

Statement of Cash Flows

Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included within the Fund's Statement of Assets and Liabilities and includes cash on hand at its custodian bank and/or sub-custodian bank(s), cash equivalents, foreign currency and restricted cash held at broker(s).

Cash & Cash Equivalents

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

into U.S. dollars at 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 not segregated in the Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

Securities Sold Short

The Fund may sell securities short. A security sold short is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. A Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. In some circumstances, a Fund may be allowed by its prime broker to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Securities and cash held as collateral for securities sold short are shown on the Investment Portfolio. Cash held as collateral for securities sold short is classified as restricted cash on the Statement of Assets and Liabilities, as applicable. Restricted cash in the amount of \$34,516,895 was held with the broker for the Fund. Additionally, securities valued at \$111,188,945 were posted in the Fund's segregated account for collateral for short sales. The Fund's loss on a short sale could be unlimited in cases where the Fund is unable, for whatever reason, to close out its short position.

Other Fee Income

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction break-up fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are nonrecurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income and are recognized when incurred.

Note 3. Derivative Transactions

The Fund is subject to equity securities risk, interest rate risk and currency risk in the normal course of pursuing its

investment objective. The Fund enters into derivative transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, to gain market exposure for residual and accumulating cash positions and for managing the duration of fixed income investments.

Options

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

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

During the year ended September 30, 2021, the Fund did not enter into options transactions. The Fund may invest in written options to provide leveraged short exposure, and purchased options to provide leveraged long exposure, to the underlying equity, which is consistent with the investment strategies of the Fund.

Additional Derivative Information

The Fund is required to disclose; a) how and why an entity uses derivative instruments; b) how derivative instruments and related hedged items are accounted for; c) how derivative instruments and related hedged items affect an

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

entity's financial position, financial performance and cash flows; and d) how the netting of derivatives subject to master netting arrangements (if applicable) affects the net exposure of the Fund related to the derivatives.

To reduce counterparty credit risk with respect to over-the-counter ("OTC") transactions, the Fund has entered into master netting arrangements, established within the Fund's International Swap and Derivatives Association, Inc. ("ISDA") master agreements, which allows the Fund to make (or to have an entitlement to receive) a single net payment in the event of default (close-out netting) for outstanding payables and receivables with respect to certain OTC derivative positions in forward currency exchange contracts for each individual counterparty. In addition, the Fund may require that certain counterparties post cash and/or securities in collateral accounts to cover its net payment obligations for those derivative contracts subject to ISDA master agreements. If the counterparty fails to perform under these contracts and agreements, the cash and/or securities will be made available to the Fund.

Certain ISDA master agreements include credit related contingent features which allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a stated percentage or the Fund fails to meet the terms of its ISDA master agreements, which would cause the Fund to accelerate payment of any net liability owed to the counterparty.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Assets and Liabilities. Bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral terms are contract specific for OTC derivatives. For derivatives traded under an ISDA master agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that to the value of any collateral currently pledged by the Fund or the counterparty.

For financial reporting purposes, cash collateral that has been pledged to cover obligations of the Fund, if any, is reported in restricted cash on the Statement of Assets and Liabilities. Generally, the amount of collateral due from or to a party must exceed a minimum transfer amount threshold before a transfer has to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance.

There were no derivative instruments held as of September 30, 2021.

Note 4. Securities Lending

Effective January, 7, 2020, the Fund entered into a securities lending agreement with The Bank of New York Mellon ("BNY" or the "Lending Agent").

Securities lending transactions are entered into by the Fund under the Securities Lending Agreement, ("SLA") which permits the Fund, under certain circumstances such as an event of default, to offset amounts payable by the Fund to the same counterparty against amounts receivable from the counterparty to create a net payment due to or from the Fund.

The following is a summary of securities lending agreements held by the Fund, with cash collateral of overnight maturities and non-cash collateral, which would be subject to offset as of September 30, 2021:

Gross Amount of Recognized Assets (Value of Securities on Loan)	Value of Cash Collateral Received ⁽¹⁾	Value of Non-Cash Collateral Received ⁽¹⁾	Net Amount
\$3,849,566	\$292,492	\$3,557,074	\$—

⁽¹⁾ Collateral received in excess of fair value of securities on loan is not presented in this table. The total cash collateral received by the Fund is disclosed in the Statement of Assets and Liabilities.

The value of loaned securities and related collateral outstanding at September 30, 2021 are shown in the Investment Portfolio. The value of the collateral held may be temporarily less than that required under the lending contract. As of September 30, 2021, the cash collateral was invested in repurchase agreements and the non-cash collateral consisted of U.S. Treasury Bills, Notes, Bonds and U.S. Treasury Inflation Indexed Bonds with the following maturities:

Remaining Contractual Maturity of the Underlying Collateral, as of September 30, 2021

	Overnight and Continuous	<30 Days	Between 30 & 90 Days	>90 Days	Total
Repurchase Agreements	\$292,492	\$—	\$ —	\$ —	\$ 292,492
U.S. Government Securities	—	—	95,078	3,653,053	3,748,131
Total	\$ 292,492	\$—	\$95,078	\$3,653,053	\$4,040,623

The Fund could seek additional income by making secured loans of its portfolio securities through its custodian. Such loans would be in an amount not greater than one-third of

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

the value of the Fund's total assets. BNY would charge a fund fees based on a percentage of the securities lending income.

The market value of the loaned securities is determined at the close of each business day of the Fund and any additional required collateral is delivered to the Fund, or excess collateral is returned by the Fund, on the next business day.

The Fund would receive collateral consisting of cash (U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, sovereign debt, convertible bonds, irrevocable bank letters of credit or such other collateral as may be agreed on by the parties to a securities lending arrangement, initially with a value of 102% or 105% of the market value of the loaned securities and thereafter maintained at a value of 100% of the market value of the loaned securities. If the collateral consists of non-cash collateral, the borrower would pay the Fund a loan premium fee. If the collateral consists of cash, BNY would reinvest the cash. Although voting rights, or rights to consent, with respect to the loaned securities pass to the borrower, the Fund would recall the loaned securities upon reasonable notice in order that the securities could be voted by the Fund if the holders of such securities are asked to vote upon or consent to matters materially affecting the investment. The Fund also could call such loans in order to sell the securities involved.

Securities lending transactions were entered into pursuant to SLA, which would provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaulted, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an SLA counterparty's bankruptcy or insolvency. Under the SLA, the Fund can reinvest cash collateral, or,

upon an event of default, resell or repledge the collateral, and the borrower can resell or repledge the loaned securities. The risks of securities lending also include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate this risk, each Fund benefits from a borrower default indemnity provided by BNY. BNY's indemnity generally provides for replacement of securities lent or the approximate value thereof.

Note 5. U.S. Federal Income Tax Information

The character of income and gains to be distributed is determined in accordance with income tax regulations which may differ from GAAP. These differences include (but are not limited to) investments organized as partnerships for tax purposes, foreign taxes, investments in futures, losses deferred to off-setting positions, tax treatment of organizational start-up costs, losses deferred due to wash sale transactions, tax treatment of net investment loss and distributions in excess of net investment income, dividends deemed paid upon shareholder redemption of Fund shares and tax attributes from Fund reorganizations. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. These reclassifications have no impact on net investment income, realized gains or losses, or NAV of the Fund. The calculation of net investment income per share in the Financial Highlights table excludes these adjustments.

As of September 30, 2021, permanent differences chiefly resulting from net operating losses and non-deductible expenses from partnerships were identified and reclassified among the components of the Fund's net assets as follows:

Distributable Earnings (Accumulated Loss)	Paid-in-Capital
\$12,738,793	\$(12,738,793)

At September 30, 2021, the most recent tax year-end, components of distributable earnings on a tax basis is as follows:

Undistributed Income	Undistributed Long-Term Capital Gains	Other Temporary Differences	Accumulated Capital and Other Losses	Net Tax Appreciation (Depreciation)
\$—	\$—	\$(2)	\$(389,183,353)	\$(72,298,094)

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

As of September 30, 2021, the Fund has capital loss carryovers as indicated below. The capital loss carryovers are available to offset future realized capital gains.

No Expiration Short-Term	No Expiration Long-Term	Total
\$152,351,707	\$236,831,646	\$389,183,353

The tax character of distributions paid during the years ended September 30, 2021 and September 30, 2020 were as follows:

	Distributions Paid From:		
	Ordinary Income ⁽¹⁾	Long-Term Capital Gains	Return of Capital ⁽²⁾
2021	\$ 6,169,443	\$—	\$13,376,686
2020	13,542,165	—	10,286,109

⁽¹⁾ For tax purposes, short-term capital gains distributions, if any, are considered ordinary income distributions.

⁽²⁾ Additional Information will be distributed on Form 1099 at the end of the calendar year.

The Federal tax cost and gross unrealized appreciation and depreciation on investments (including foreign currency and derivatives, if applicable) held by the Fund at September 30, 2021 were as follows:

Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation)	Federal Tax Cost
\$31,593,366	\$(103,891,460)	\$(72,298,094)	\$348,763,061

For Federal income tax purposes, the cost of investments owned at September 30, 2021 were different from amounts reported for financial reporting purposes primarily due to investments in partnerships, defaulted bonds, other securities and deferred wash sale losses.

Note 6. Credit Agreement

On March 25, 2019, the Fund entered into an agreement with Mizuho Securities USA, LLC (“Mizuho Securities”) under which it may from time to time enter into reverse repurchase transactions pursuant to the terms of a master repurchase agreement and related annexes (collectively the “Repurchase Agreement”). A reverse repurchase transaction is a repurchase transaction in which the Fund is the seller of securities or other assets and agrees to repurchase them at a date certain or on demand. Pursuant to the Repurchase Agreement, the Fund may agree to sell securities or other assets to Mizuho Securities for an agreed upon price (the “Purchase Price”), with a simultaneous agreement to repurchase such securities or other assets from Mizuho Securities for the Purchase Price plus a price differential that is economically similar to interest. The price differential is negotiated for each transaction. This creates leverage for the Fund because the cash received can be used to purchase other securities.

At September 30, 2021, the Fund’s outstanding balance on the agreement with Mizuho Securities was \$0. For the year ended September 30, 2021, the Fund had no open repurchase agreement transactions under the master repurchase agreement with Mizuho Securities.

Note 7. Advisory, Administration, Service and Distribution, Trustee, and Other Fees

Investment Advisory Fees and Administration Fees

For its investment advisory services, the Fund pays the Investment Adviser a monthly fee, computed and accrued daily, based on an annual rate of the Fund’s Average Daily Managed Assets. Average Daily Managed Assets of the Fund means the average daily value of the total assets of the Fund less all accrued liabilities of a Fund (other than the aggregate amount of any outstanding borrowings constituting financial leverage). The Fund’s contractual advisory fee with HCMFA for the year ended September 30, 2021 was 0.40%.

The Fund has entered into an administration agreement with SEI Investments Global Funds Services (“SEI”), a wholly owned subsidiary of SEI Investments Company, and pays SEI a fee for administration services. The Investment Adviser generally assists in all aspects of the Fund’s administration and operations and furnishes offices, necessary facilities, equipment and personnel.

Expense Limits and Fee Reimbursements

The Investment Adviser previously has contractually agreed to limit the total annual operating expenses (exclusive of fees paid by the Fund pursuant to their distribution plans under Rule 12b-1 under the 1940 Act, as amended, 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

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

extraordinary expenses (collectively, the “Excluded Expenses”) of the Fund to 0.90% of average daily net assets attributable to any class of the Fund the “Expense Cap”. The Expense Cap expired on January 31, 2019.

Under the expense limitation agreement, 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.

Additionally, the Fund may invest in securities issued by other investment companies, including investment companies that are advised by the Investment Adviser or its affiliates, to the extent permitted by applicable law and/or pursuant to exemptive relief from the SEC, and exchange-traded funds (“ETFs”). Fees and expenses of such investments will be borne by shareholders of the investing Fund, and the Investment Adviser voluntarily waives the higher of the two fees for the portion of the Fund’s investment advisory fee attributable to its investment in the affiliated investment company.

On September 30, 2021, the amounts subject to possible future recoupment under the Fund’s expense limitations were as follows:

Expiring during Fiscal Years Ending September 30,		
2022	2023	2024
\$417,999	\$—	\$—

During the year ended September 30, 2021, the Investment Adviser did not recoup any fees previously waived or reimbursed. No other amounts expired or were recouped from the Fund during the year ended September 30, 2021.

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 overseen by such Trustee based on relative net assets. The Chairman of the Audit Committee and the Chairman of the Board each receive an additional annual payment of \$10,000 payable in quarterly installments and allocated among each portfolio in the Highland Fund Complex based on relative net assets. Trustees are reimbursed for actual out-of-pocket expenses relating to attendance at meetings. The “Highland Fund Complex” consists of all of the registered investment companies advised by the Investment Adviser or its affiliated advisers 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 as of the date of this report.

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

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.

Other Matters

HCMFA has entered into a Services Agreement (the “Services Agreement”) with Skyview Group (“Skyview”), effective February 25, 2021, pursuant to which HCMFA will receive administrative and operational support services to enable it to provide the required advisory services to the Fund. The Investment Adviser, and not the Fund, will compensate all Investment Adviser and Skyview personnel who provide services thereunder.

Note 8. Disclosure of Significant Risks and Contingencies

The Fund’s risks include, but are not limited to, some or all of the risks discussed below. For further information on the Fund’s risks, please refer to the Fund’s Prospectus and Statement of Additional Information.

Asset-Backed Securities Risk

The risk of investing in asset-backed securities, and includes interest rate risk, prepayment risk and the risk that the Fund could lose money if there are defaults on the loans underlying these securities. Investments in asset-backed securities may also be subject to valuation risk.

Credit Risk

The value of debt securities owned by the Fund may be affected by the ability of issuers to make principal and interest payments and by the issuer’s or counterparty’s credit quality. If an issuer cannot meet its payment obligations or if its credit rating is lowered, the value of its debt securities may decline. Lower quality bonds are generally more sensitive to these changes than higher quality bonds. Nonpayment would result in a reduction of income to the Fund, a reduction in the value of the obligation experiencing nonpayment and a potential decrease in the Fund’s net asset value and the market price of the Fund’s shares.

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, 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. The Fund’s ability to pursue its investment strategy, including its strategy of investing in certain derivative instruments, may be limited to or adversely affected by the Fund’s intention to qualify as a RIC, and its strategy may bear adversely on its ability to so qualify.

Equity Securities Risk

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.

High Yield Debt Securities Risk

The risk that 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 generally 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 and Restricted Securities Risk

The investments made by the Fund may be illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the Investment Adviser’s assessment of their value or the amount originally paid for such investments by the Fund. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and

other factors. Furthermore, the nature of the Fund’s investments, especially those in financially distressed companies, may require a long holding period prior to profitability. Restricted securities (i.e., securities acquired in private placement transactions) and illiquid securities may offer higher yields than comparable publicly traded securities. The Fund, however, may not be able to sell these securities when the Investment Adviser considers it desirable to do so or, to the extent they are sold privately, may have to sell them at less than the price of otherwise comparable securities. Restricted securities are subject to limitations on resale which can have an adverse effect on the price obtainable for such securities. Also, if in order to permit resale the securities are registered under the Securities Act at the Fund’s expense, the Fund’s expenses would be increased.

Industry Focus Risk

As the Fund may invest a significant portion of its assets in particular sectors or industries, the performance of the Fund may be closely tied to the performance of companies in a limited number of sectors or industries. Currently, the Fund focuses its investments in the energy, telecommunications and utilities sectors and, in certain instances, in a limited number of issuers within each of those sectors. Companies in a single sector often share common characteristics, are faced with the same obstacles, issues and regulatory burdens and their securities may react similarly to adverse market conditions. To the extent a Fund focuses its investments in particular issuers, countries, geographic regions, industries or sectors, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of issuers, countries, geographic regions, industries, sectors or investments. The price movements of investments in a particular sector or industry may be more volatile than the price movements of more broadly diversified investments.

Interest Rate Risk

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.

Leverage Risk

The Fund may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities. While such strategies and techniques increase the

opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Fund purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Fund's use of leverage would result in a lower rate of return than if the Fund was not leveraged.

LIBOR Transition and Associated Risk

On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced that it will stop encouraging banks to provide the quotations needed to sustain LIBOR. The ICE Benchmark Administration Limited, the administrator of LIBOR, is expected to cease publishing most LIBOR maturities, including some US LIBOR maturities, on December 31, 2021, and the remaining and most liquid US LIBOR maturities on June 30, 2023. Before the end of 2021, it is expected that market participants will transition to the use of alternative reference or benchmark rates. However, although regulators have encouraged the development and adoption of alternative rates, such as the Secured Overnight Financing Rate ("SOFR"), there is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. It is expected that market participants will amend financial instruments referencing LIBOR to include fallback provisions and other measures that contemplate the discontinuation of LIBOR or other similar market disruption events, but neither the effect of the transition process nor the viability of such measures is known. To facilitate the transition of legacy derivatives contracts referencing LIBOR, the International Swaps and Derivatives Association, Inc. launched a protocol to incorporate fallback provisions. However, there are obstacles to converting certain longer term securities and transactions to a new benchmark or benchmarks and the effectiveness of one alternative reference rate versus multiple alternative reference rates in new or existing financial instruments and products has not been determined. Certain proposed replacement rates to LIBOR, such as SOFR, which is a broad measure of secured overnight US Treasury repo rates, are materially different from LIBOR, and changes in the applicable spread for financial instruments transitioning away from LIBOR will need to be made to accommodate the differences. Furthermore, the risks associated with the expected discontinuation of LIBOR and transition to replacement rates may be exacerbated if an orderly transition to an alternative reference rate is not completed in a timely manner. As market participants transition away from LIBOR, LIBOR's usefulness may deteriorate. The transition process may lead to increased volatility and illiquidity in markets that currently rely on LIBOR to determine interest

rates. LIBOR's deterioration may adversely affect the liquidity and/or market value of securities that use LIBOR as a benchmark interest rate.

Management Risk

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 the 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.

Mid-Cap Company Risk

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.

MLP Risk

The risk that the MLPs in which the Fund invests will fail to be treated 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. 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.

MLP Tax Risk

The risk that the MLPs in which the Fund invests will fail to be treated 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 characterized 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 reduced.

Non-U.S. Securities Risk

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.

Non-Payment Risk

Debt instruments 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 security experiencing non-payment and a potential decrease in the NAV of the Fund. There can be no assurance that the liquidation of any collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments, or that such collateral could be readily liquidated. Moreover, as a practical matter, most borrowers cannot satisfy their debts by selling their assets. Borrowers pay their debts from the cash flow they generate.

Pandemics and Associated Economic Disruption

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in late 2019 and subsequently spread globally ("COVID-19"). This coronavirus has resulted in the closing of borders, enhanced health screenings, disruptions to 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 has resulted in a substantial economic downturn. Health crises caused by outbreaks of disease, such as the coronavirus, may exacerbate other preexisting political,

social and economic risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could continue to 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. The United States responded to the coronavirus pandemic and resulting economic distress with fiscal and monetary stimulus packages, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") passed in late March 2020. The CARES ACT provides for over \$2.2 trillion in resources to small businesses, state and local governments, and individuals that have been adversely impacted by the COVID-19 pandemic. In mid-March 2020, the U.S. Federal Reserve (the "Fed") cut interest rates to historically low levels and announced a new round of quantitative easing, including purchases of corporate and municipal government bonds. The Fed also enacted various programs to support liquidity operations and funding in the financial markets, including expanding its reverse repurchase agreement operations, which added \$1.5 trillion of liquidity to the banking system; establishing swap lines with other major central banks to provide dollar funding; establishing a program to support money market funds; easing various bank capital buffers; providing funding backstops for businesses to provide bridging loans for up to four years; and providing funding to help credit flow in asset-backed securities markets. In addition, the Fed plans to extend credit to small- and medium-sized businesses. There is no assurance that the U.S. government's support in response to COVID-19 economic distress will offset the adverse impact to securities in which the Fund may invest and future governmental support is not guaranteed.

Real Estate Securities Risk

The securities of issuers that own, construct, manage or sell residential, commercial or industrial real estate are subject to risks in addition to those of other issuers. Such risks include: changes in real estate values and property taxes, overbuilding, variations in rental income, interest rates and changes in tax and regulatory requirements, such as those relating to the environment. Performance of a particular real

September 30, 2021

Highland Global Allocation Fund

estate security depends on the structure, cash flow and management skill of the particular company.

Regulatory Risk

The risk that 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 loan interests for investment by the Fund may be adversely affected.

REIT-Specific Risk

Equity REITs may be affected by changes in the value of the underlying property owned by the trusts, while mortgage REITs may be affected by the quality of any credit extended. Further, equity and mortgage REITs are dependent upon management skill and are not diversified. Such trusts are also subject to heavy cash flow dependency, defaults by borrowers, self-liquidation, and the possibility of failing to qualify for special tax treatment under Subchapter M of the Code and to maintain an exemption under the 1940 Act. Any rental income or income from the disposition of such real estate could adversely affect its ability to retain its tax status, which would have adverse tax consequences on its shareholders. Finally, certain REITs may be self-liquidating at the end of a specified term, and run the risk of liquidating at an economically inopportune time.

REIT Tax Risk for REIT Subsidiaries

In addition to the REIT Subsidiary, the Fund may form one or more subsidiaries that will elect to be taxed as REITs beginning with the first year in which they commence material operations. In order for each subsidiary to qualify and maintain its qualification as a REIT, it must satisfy certain requirements set forth in the Code and Treasury Regulations that depend on various factual matters and circumstances. The Fund and the Investment Adviser intend to structure each REIT subsidiary and its activities in a manner designed to satisfy all of these requirements. However, the application of such requirements is not entirely clear, and it is possible that the IRS may interpret or apply those requirements in a manner that jeopardizes the ability of such REIT subsidiary to satisfy all of the requirements for qualification as a REIT.

Restrictions on Resale Risk

Senior Loans may not be readily marketable and may be subject to restrictions on resale. Interests in Senior Loans generally are not listed on any national securities exchange or automated quotation system and no active market may exist for many of the Senior Loans in which the Fund may invest. To the extent that a secondary market may exist for certain of the Senior Loans in which the Fund invests, such market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

Securities Lending Risk

The Fund will continue to receive interest on any securities loaned while simultaneously earning interest on the investment of the cash collateral in short-term money market instruments. However, the Fund will normally pay lending fees to broker-dealers and related expenses from the interest earned on such invested collateral. Any decline in the value of a portfolio security that occurs while the security is out on loan is borne by the Fund, and will adversely affect performance. There may be risks of delay in receiving additional collateral or risks of delay in recovery of the securities, loss of rights in the collateral should the borrower of the securities fail financially and possible investment losses in the investment of collateral. Any loan may be terminated by either party upon reasonable notice to the other party.

Senior Loans Risk

The risk that the issuer of a senior may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of the senior loan or reduce the Fund's returns. The risks associated with senior loans are similar to the risks of high yield debt securities. Senior loans and other debt securities are also 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 long-term interest rate environment. The Fund's investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuers.

Short Sales Risk

The risk of loss associated with any appreciation on the price of a security borrowed in connection with a short sale. 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 otherwise covered at all times during the period the short position is open. Short sales that are not made "against-the-box" involve unlimited loss potential since the market price of securities sold short may continuously increase.

Small-Cap Company Risk

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

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

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.

Underlying Funds Risk

The risk associated with investing in Underlying Funds. The Fund may invest in Underlying Funds subject to the limitations set forth in the 1940 Act. Underlying Funds typically incur fees that are separate from those fees incurred directly by the Fund; therefore, the Fund's purchase of Underlying Funds' securities results in the layering of expenses. The Fund's shareholders indirectly bear a proportionate share of the operating expenses of Underlying Funds (including advisory fees) in addition to bearing the Fund's expenses.

Value Investing Risk

The risk of investing in undervalued stocks that may not realize their perceived value for extended periods of time or may

never realize their perceived value. Value stocks may respond differently to market and other developments than other types of stocks. Value-oriented funds will typically underperform when growth investing is in favor.

Note 9. Investment Transactions

Purchases & Sales of Securities

The cost of purchases and the proceeds from sales of investments, other than short-term securities and short-term options, for the year ended September 30, 2021, were as follows:

U.S. Government Securities ⁽¹⁾		Other Securities	
Purchases	Sales	Purchases	Sales
\$—	\$—	\$49,154,025	\$93,774,944

⁽¹⁾ The Fund did not have any purchases or sales of U.S. Government Securities for the year ended September 30, 2021.

Note 10. Affiliated Issuers

Under Section 2 (a)(3) of the 1940 Act, as amended, a portfolio company is defined as "affiliated" if a fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Fund as of September 30, 2021:

Issuer	Shares at September 30, 2020	Beginning Value as of September 30, 2020	Purchases at Cost	Proceeds from Sales	Distribution to Return of Capital	Net Amortization of Premium/ (Discount)	Net Realized Gain (Loss) on Sales of Affiliated Issuers	Change in Unrealized Appreciation (Depreciation)	Ending Value as of September 30, 2021	Shares at September 30, 2021	Affiliated Income
Majority Owned, Not Consolidated											
None											
Other Affiliates											
Terrestar Corporation (U.S. Equity)	169,531	\$56,831,877	\$ —	\$ —	—	\$—	\$ —	\$ 423,828	\$57,255,705	169,531	\$ —
GAF REIT (U.S. Equity)	688,714	7,449,337	3,000,000	—	—	—	—	2,514,025	12,963,362	963,568	—
NexPoint Real Estate Finance (U.S. Equity)	121,123	1,778,086	11,116,918	—	—	—	—	(339,930)	12,555,074	644,511	469,659
NexPoint Residential Trust (U.S. Equity)	160,553	7,120,526	222,698	—	(178,339)	—	—	3,041,726	10,206,611	164,942	29,876
GAF REIT Sub II, LLC (U.S. LLC Interest)	—	—	3,800,000	—	—	—	—	249,578	4,049,578	100	—
NexPoint Real Estate Finance Operating Partnership, L.P. (U.S. LLC Interest)	523,388	7,683,336	—	(11,116,918)	—	—	1,523,216	1,910,366	—	—	643,477
NREF OP I, L.P. (U.S. LLC Interest)	124,046	1,820,995	—	—	—	—	—	595,421	2,416,416	124,046	179,089
SFR WLIF I, LLC (U.S. LLC Interest)	6,773,494	4,900,420	—	—	—	—	—	1,602,317	6,502,737	6,773,494	534,106
SFR WLIF II, LLC (U.S. LLC Interest)	4,437,497	3,229,788	—	—	—	—	—	1,056,049	4,285,837	4,437,497	352,019
SFR WLIF III, LLC (U.S. LLC Interest)	3,789,008	3,422,119	—	—	—	—	—	113,481	3,535,600	3,789,008	176,121
Terrestar Corporation (U.S. Senior Loan)	16,015,258	15,999,243	1,880,306	—	—	55	—	15,961	17,895,565	17,895,565	1,897,537
BB Votorantim Highland Infrastructure LLC (Non-U.S. Registered Investment Company)	10,000	2,868,778	—	—	—	—	—	366,372	3,235,150	10,000	—

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2021

Highland Global Allocation Fund

Issuer	Shares at September 30, 2020	Beginning Value as of September 30, 2020	Purchases at Cost	Proceeds from Sales	Distribution to Return of Capital	Net Amortization (Accretion) of Premium/ (Discount)	Net Realized Gain (Loss) on Sales of Affiliated Issuers	Change in Unrealized Appreciation (Depreciation)	Ending Value as of September 30, 2021	Shares at September 30, 2021	Affiliated Income
Highland Income Fund (U.S. Registered Investment Company)	—	\$ —	\$ 3,580,410	\$ —	\$ —	\$ —	\$ —	\$ 16,824	\$ 3,597,234	334,005	\$ 73,050
NexPoint Merger Arbitrage Fund (U.S. Registered Investment Company)	546,382	11,184,445	790,688	—	—	—	—	55,833	12,030,966	585,733	773,837
NexPoint Strategic Opportunities Fund (U.S. Registered Investment Company)	436,131	3,776,894	1,337,488	—	(402,331)	—	—	2,936,543	7,648,594	549,863	(95,846) [†]
Other Controlled											
None											
Total	33,795,125	\$128,065,844	\$25,728,508	\$(11,116,918)	\$(580,670)	\$55	\$1,523,216	\$14,558,394	\$158,178,429	36,441,863	\$5,032,925

† The Fund's reported affiliated income from NexPoint Strategic Opportunities Fund includes a prior year return of capital adjustment of \$(402,331), resulting in the Fund reporting a negative value for income received from NexPoint Strategic Opportunities Fund. Excluding the prior year adjustment, the Fund received \$306,485 in dividend income from NexPoint Strategic Opportunities Fund.

Note 11. Legal Matters

The Fund received a shareholder demand letter dated March 1, 2018, from an individual purporting to be a shareholder of the Fund (the "Demand Letter"). The Demand Letter alleged that the current and former Board breached their fiduciary duties, and the Investment Adviser breached its advisory agreement, in relation to the Fund's investment in shares of an affiliated mutual fund, the Highland Energy MLP Fund (previously a series of the Trust). The Fund held \$15.5 million (or 61.5%) of the Highland Energy MLP Fund, which has now been liquidated. Upon receipt of the Demand Letter, the Board formed a Demand Review Committee ("DRC") comprised entirely of independent trustees to investigate these claims and to make a recommendation to the Board regarding whether pursuit of these claims is in the best interests of the Fund. Aided by independent counsel to the committee, the DRC engaged in a thorough and detailed review of the allegations contained in the Demand Letter. Upon completion of its evaluation, the DRC recommended that the Fund's independent trustees, who represent a majority of the Board, reject the demand specified in the shareholder Demand Letter.

After considering the report of the DRC, the independent trustees unanimously agreed and rejected the demand, noting that the Demand Letter contained material factual errors and incorrect assumptions, and the proposed suit was meritless and should not be pursued. A copy of the report was provided to the purported shareholder and her counsel.

Notwithstanding the foregoing, the purported shareholder (the "Plaintiff") filed a shareholder derivative and class action lawsuit against certain members of the Board and the Investment Adviser on September 5, 2018 (the "Shareholder Litigation"). The Fund is a nominal defendant in the

litigation, which is brought on behalf of the Fund. On May 26, 2020, the Court granted a motion to dismiss for all defendants on all claims. The Court concluded that the contract and fiduciary duty claims are barred by the Board's independent and good-faith investigation of those claims, and that the purported class action claims can only be filed derivatively. The case is *Lanotte v. Highland Global Allocation Fund et al*, 3:18-cv-02360, (N.D. Tex). The shareholder appealed the dismissal to the United States Court of Appeals for the Fifth Circuit. Oral argument was heard on March 2, 2021. The parties are awaiting a ruling by the Fifth Circuit.

Note 12. Asset Coverage

The Fund is required to maintain 300% asset coverage with respect to amounts outstanding (excluding short-term borrowings). Asset coverage is calculated by subtracting the Fund's total liabilities, not including any amount representing bank loans and senior securities, from the Fund's total assets and dividing the result by the principal amount of the borrowings outstanding. As of the dates indicated below, the Fund's debt outstanding and asset coverage was as follows:

Date	Total Amount Outstanding (\$)	% of Asset Coverage of Indebtedness
9/30/2021	—	—
9/30/2020	—	—
9/30/2019	120,295,348	346.2
9/30/2018	138,725,439	395.2
9/30/2017	—	—
9/30/2016	40,000,000	2,414.9
9/30/2015	—	—
9/30/2014	—	—
9/30/2013	—	—
9/30/2012	—	—

Note 13. Indemnification

Under the Fund's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise 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 14. 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 to report which have not already been recorded or disclosed in these financial statements.

On October 25, 2021, the Board, including the Independent Trustees, approved the continuation of the investment advisory agreements between the Investment Adviser and the Fund (the "Advisory Agreements") for an additional one-year period commencing on November 1, 2021. A discussion regarding the factors considered by the Board in approving the Agreements will be included in the Fund's semi-annual report for the period ended March 31, 2022.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of Highland Global Allocation Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the investment portfolio, of Highland Global Allocation Fund (the “Fund”) as of September 30, 2021, the related statements of operations and cash flows for the year then ended, and the statements of changes in net assets, including the related notes, and the financial highlights for each of the two years in the period 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 September 30, 2021, the results of its operations and cash flows for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

The Fund’s financial highlights for the periods ended September 30, 2019, and prior, were audited by other auditors whose report dated November 27, 2019, expressed an unqualified opinion on those 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 audits. 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 audits 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 audits 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 September 30, 2021, by correspondence with the custodian, transfer agent, issuer, agent banks, and brokers; when replies were not received from transfer agents, we performed other auditing procedures. Our audits 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 audits provide a reasonable basis for our opinion.

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



COHEN & COMPANY, LTD.
Cleveland, Ohio
November 29, 2021

September 30, 2021

Highland Global Allocation Fund

Investment Objective and Strategy Overview

The Fund's investment objective is to seek long-term growth of capital and future income (future income means the ability to pay dividends in the future). Please refer to Note 8 for a discussion of the Fund's current investment risks.

The Fund seeks to achieve its investment objectives by investing in a portfolio of U.S. and foreign equity, debt and money market securities. Under normal market conditions, the Fund intends to invest at least 50% of its net assets in equity securities and at least 40% (plus any borrowings for investment purposes) of its net assets in securities of non-U.S. issuers. The Fund intends to invest approximately 40% or more of its net assets in securities of non-U.S. issuers at all times, however, in the event of unfavorable market conditions the Fund may invest less than 40% (but not less than 30%) of its assets in securities of non-U.S. issuers. For purposes of determining whether securities held by the Fund are securities of a non-U.S. issuer, a company is considered to be a non-U.S. issuer if the company's securities principally trade on a market outside of the United States, the company derives a majority of its revenues or profits outside of the United States, the company is not organized in the United States, or the company is significantly exposed to the economic fortunes and risks of regions outside the United States.

Equity securities in which the Fund may invest include common stock, preferred stock, securities convertible into common stock, rights and warrants or securities or other instruments whose price is linked to the value of common stock. The equity securities in which the Fund invests may be of any capitalization, may be denominated in any currency and may be located in emerging markets.

The Fund may also invest in debt securities of any kind, including debt securities of varying maturities, debt securities paying a fixed or fluctuating rate of interest, inflation-indexed bonds, structured notes, loan assignments, loan participations, asset-backed securities, debt securities convertible into equity securities, and securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, by foreign governments or international agencies or supranational entities or by domestic or foreign private issuers. The Fund may invest in debt securities of any credit quality, including below investment grade securities (also known as "high yield securities" or "junk securities"). Such securities are rated below investment grade by a nationally recognized statistical rating organization ("NRSRO") or are unrated but deemed by the Investment Adviser to be of comparable quality. The Fund may invest without limitation in below investment grade or unrated securities, including in insolvent borrowers or borrowers in default.

The Fund may also invest in senior loans to domestic or foreign corporations, partnerships and other entities that operate in a variety of industries and geographic regions ("Borrowers") ("Senior Loans"). Senior Loans are business loans that have a right to payment senior to most other debts of the Borrower.

The Fund invests primarily in companies that the portfolio manager believes have solid growth prospectus and/or attractive valuations. The portfolio manager's value management style employs a relative approach to identify companies across all economic sectors and geographic regions that are undervalued relative to the market, their peers, their historical valuation or their growth rate. In addition, the Fund's portfolio manager may employ event-driven investment strategies that analyze transactions in order to predict a likely outcome and invest the Fund's assets in a way that seeks to benefit from that outcome.

When choosing investment markets, Fund management considers various factors, including economic and political conditions, potential for economic growth and possible changes in currency exchange rates. In addition to investing in securities of non-U.S. issuers, the Fund actively manages its exposure to foreign currencies through the use of forward currency contracts and other currency derivatives. The Fund may own foreign cash equivalents or foreign bank deposits as part of the Fund's investment strategy. The Fund may also invest in non-U.S. currencies for hedging and speculative purposes.

The Fund's portfolio may include pooled investment vehicles, including exchange-traded funds ("ETFs"), that provide exposure to foreign equity securities and that invest in both developed and emerging markets, including ETFs that seek to track the performance of securities of a single country. The Fund may invest up to 5% of its net assets 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 and, to the extent permitted by the 1940 Act, to hedge various investments for risk management and speculative purposes.

The Fund will limit its investments in pooled investment vehicles that are excluded from the definition of "investment company" under the 1940 Act by Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, such as private equity funds and hedge funds, to no more than 15% of its net assets. This limitation does not apply to any collateralized loan obligations, collateralized debt obligations and/or collateralized mortgage obligations, certain of which may rely on Section 3(c)(1) or 3(c)(7) of the 1940 Act.

ADDITIONAL INFORMATION (unaudited) (continued)

September 30, 2021

Highland Global Allocation Fund

The Fund seeks to provide exposure to the investment returns of real assets that trade in the commodity markets, including through investment in certain commodity-linked instruments and pooled investment vehicles, such as master limited partnership (“MLP”) investments that 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, in addition to exchange-traded notes and ETFs that generate returns tied to a particular commodity or commodity market index.

Except as otherwise expressly noted in the Statement of Additional Information (“SAI”), all percentage limitations and ratings criteria apply at the time of purchase of securities, except that the limit on borrowing described herein is applied on a continual basis.

The Fund may borrow an amount up to 33 $\frac{1}{3}$ % of its total assets (including the amount borrowed). The Fund may borrow for investment purposes and for temporary, extraordinary or emergency purposes. To the extent the Fund borrows more money than it has cash or short-term cash equivalents and invests the proceeds, the Fund will create financial leverage. The use of borrowing for investment purposes increases both investment opportunity and investment risk.

The Fund’s portfolio manager may sell a security for a variety of reasons, such as to invest in a company offering or superior investment opportunities.

The portfolio manager 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 portfolio manager 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 portfolio manager 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 and could result in unlimited loss.

Tax Information

For shareholders that do not have a September 30, 2021 tax year end, this notice is for informational purposes only. For shareholders with a September 30, 2021 tax year end, please consult your tax adviser as to the pertinence of this notice. For the fiscal year ended September 30, 2021, the Fund is designating the following items with regard to earnings for the year.

Return of Capital	Long-Term Capital Gain Distribution	Ordinary Income Distribution	Total Distribution
68.44%	0.00%	31.56%	100.00%

Dividends Received Deduction ⁽¹⁾	Qualified Dividend Income ⁽²⁾	Interest Related Dividends ⁽³⁾	Short-Term Capital Gain Dividends ⁽⁴⁾	Qualifying Business Income ⁽⁵⁾
18.02%	17.51%	40.84%	0.00%	0.59%

- (1) Qualifying dividends represent dividends which qualify for the corporate dividends received deduction and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions).
- (2) The percentage in this column represents the amount of “Qualifying Dividend Income” as created by the Jobs and Growth Tax Relief Reconciliation Act of 2003 and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions). It is the intention of the Fund to designate the maximum amount permitted by law.
- (3) The percentage in this column represents the amount of “Interest Related Dividends” as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of net investment distributions that is exempt from U.S. withholding tax when paid to foreign investors.
- (4) The percentage in this column represents the amount of “Short-Term Capital Gain Dividend” as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of short-term capital gain distributions that is exempt from U.S. withholding tax when paid to foreign investors.
- (5) The percentage of this column represents that amount of ordinary dividend income that qualified for 20% Business Income Deduction.

Additional Portfolio Information

The Investment Adviser and its affiliates manage other accounts, including registered and 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

ADDITIONAL INFORMATION (unaudited) (continued)

September 30, 2021

Highland Global Allocation Fund

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 of such other accounts is prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Fund and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Fund and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Fund, in some cases these activities may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund.

Disclosure of Fund Expenses

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchases and redemption fees; and (2) ongoing costs, including management fees; distribution (12b-1) and service 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 April 1, 2021 through September 30, 2021, 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 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, such as sales charges (loads) or redemption fees. 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 04/1/21	Ending Account Value 09/30/21	Annualized Expense Ratios	Expenses Paid During Period ⁽¹⁾
<i>Actual Fund Return</i>	\$1,000.00	\$1,116.00	0.71%	\$3.77
<i>Hypothetical 5% Return (before expenses)</i>	\$1,000.00	\$1,021.51	0.71%	\$3.60

(1) Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, divided by the number of days in the full fiscal year (183/365).

Changes of Independent Registered Public Accounting Firm

On June 8, 2020, the Fund dismissed PricewaterhouseCoopers ("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.

During the Fund's year ended September 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 September 30, 2017.

The Fund provided PwC with a copy of the disclosures proposed to be made in this N-CSR and requested that PwC

ADDITIONAL INFORMATION (unaudited) (continued)

September 30, 2021

Highland Global Allocation Fund

furnish the Fund with a letter addressed to the Commission stating whether it agrees with the statements made by the Fund in response to Item 304(a) of Regulation S-K, and, if not, stating the respects in which it does not agree. The PwC letter is attached hereto as an exhibit.

During the year ended September 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).

Dividend Reinvestment Plan

Unless the registered owner of Common Shares elects to receive cash by contacting Global Shares (“Global Shares” or the “Plan Agent”), as agent for shareholders in administering the Plan, a registered owner will receive newly issued Common Shares for all dividends declared for Common Shares of the Fund. If a registered owner of Common Shares elects not to participate in the Plan, they will receive all dividends in cash paid by check mailed directly to them (or, if the shares are held in street or other nominee name, then to such nominee) by Global Shares, as dividend disbursing agent. Shareholders may elect not to participate in the Plan and to receive all dividends in cash by sending written instructions or by contacting Global Shares, as dividend disbursing agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by contacting the Plan Agent before the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend. Some brokers may automatically elect to receive cash on the shareholders’ behalf and may reinvest that cash in additional Common Shares of the Fund for them. The Plan Agent will open an account for each shareholder under the Plan in the same name in which such shareholder’s Common Shares are registered. Whenever the Fund declares a dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Agent through receipt of additional unissued but authorized Common Shares from the Fund (“newly issued Common Shares”). The number of newly issued Common Shares to be credited to each participant’s account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the net asset value per Common Share

determined on the Declaration Date and (ii) the market price per Common Share as of the close of regular trading on the New York Stock Exchange (the “NYSE”) on the Declaration Date. The Plan Agent maintains all shareholders’ accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Agent on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants. In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder’s name and held for the account of beneficial owners who participate in the Plan. There will be no brokerage charges with respect to Common Shares issued directly by the Fund. The automatic reinvestment of dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Accordingly, any taxable dividend received by a participant that is reinvested in additional Common Shares will be subject to federal (and possibly state and local) income tax even though such participant will not receive a corresponding amount of cash with which to pay such taxes. Participants who request a sale of shares through the Plan Agent are subject to a \$2.50 sales fee and pay a brokerage commission of \$0.05 per share sold. The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. All correspondence concerning the Plan should be directed to the Plan Agent.

Amendments to the Fund’s Declaration of Trust

On October 15, 2019, the Board of Trustees of the Fund adopted “supermajority” amendments to the Fund’s Declaration of Trust to give Fund shareholders added protections against unwanted transactions and other actions by and with activist investors. Under the terms of these amendments, certain actions undertaken by “principal shareholders” (i.e., shareholders owning more than 5% of the Fund’s shares) would require the affirmative vote or consent of 75% of each Class of the Fund’s outstanding shares. Actions covered by these supermajority requirements include: (a) the merger or consolidation of the Fund or any subsidiary of the Fund with or into any principal shareholder; (b) the issuance of any Fund shares to any principal

ADDITIONAL INFORMATION (unaudited) (continued)

September 30, 2021

shareholder for cash; (c) the sale, lease or exchange of all or any substantial part of the assets of the Fund to any principal shareholder; (d) the sale, lease or exchange to or with the Fund or any subsidiary thereof, in exchange for shares of the Fund, of any assets of any principal shareholder; and (e) the conversion of the Fund from a “closed-end company” to an “open-end company” as those terms are defined in the Investment Company Act of 1940.

On August 13, 2020, the Board of Trustees of the Fund adopted “control shares” amendments to the Fund’s Declaration of Trust to give Fund shareholders additional protections against unwanted takeover and other actions by activist investors. Under the terms of these amendments, holders of “control shares” of the Fund have no voting rights with respect to such control shares except to the extent approved by two-thirds of the Fund’s other shareholders. “Control shares” are defined as Fund shares that would, if aggregated with the other Fund shares held by the same shareholder, enable the shareholder to exercise voting power within any of the following ranges of voting power: (a) one-tenth or more, but less than one-third of all voting power; (b) one-third or more, but less than a majority of all voting power; or (c) a majority of all voting power.

Control Persons and Principal Shareholders

As of September 30, 2021, the Trustees and officers of each Fund as a group owned less than 1% of the then outstanding shares of each class of shares of each Fund.

Control persons are presumed to control a Fund for purposes of voting on matters submitted to a vote of shareholders due

Highland Global Allocation Fund

to their beneficial ownership of 25% or more of a Fund’s outstanding voting securities. Unless otherwise noted, as of September 30, 2021, no persons known by the Fund owned 25% or more of Fund’s outstanding shares.

A person who beneficially owns, either directly or indirectly, more than 25% of the voting securities of the Fund or acknowledges the existence of such control may be presumed to control the Fund. A control person could potentially control the outcome of any proposal submitted to the shareholders for approval, including changes to the Fund’s fundamental policies or terms of the investment advisory agreement with the Investment Adviser.

Submission of Proposal to a Vote of Shareholders

The annual meeting of shareholders of the Fund was held on June 11, 2021. The following is a summary of the proposal submitted to shareholders for a vote at the meeting and the votes cast.

Proposal

To elect John Honis as a Class III Trustee of the Trust, to serve for a three-year term expiring at the 2024 Annual Meeting or until his successor is duly elected and qualifies, by the holders of the Fund’s Common Shares.

<u>Nominee/Trustee</u>	<u>Number of Common Shares Votes</u>	<u>Percentage of Outstanding Common Shares</u>	<u>Percentage of Common Shares Voted</u>
John Honis			
For	14,292,066	65.14%	93.87%
Withheld	934,080	4.26%	6.13%

ADDITIONAL INFORMATION (unaudited) (continued)

September 30, 2021
Trustees and Officers

Highland Global Allocation Fund

The Board provides broad oversight of the operations and affairs of the Fund and protects the interests of shareholders. The Board has overall responsibility to manage and control the business affairs of the Fund, including the complete and exclusive authority to establish policies regarding the management, conduct and operation of the Fund's business. 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, Texas 75201.

The "Highland Fund 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)

September 30, 2021
Trustees and Officers

Highland Global Allocation Fund

<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.	9	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 of American Sports Enterprise, Inc. (since January 2013); Chairman and owner, Kane County Cougars Baseball Club (since January 2013); 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); 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)

September 30, 2021
Trustees and Officers

Highland Global Allocation Fund

<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 (6/20/1975)	Trustee; Chairman of the Board	Indefinite Term; Trustee since December 2013; Chairman of the Board since December 2013	Principal and CIO of Brookmont Capital Management, LLC since May 2020; CEO, Chairman and Founder of Impact Shares LLC since December 2015; Trustee/ Director of the Highland Fund Complex from June 2012 until July 2013 and since December 2013; and Director of Kelly Strategic Management since August 2021.	9	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 Fund Complex; significant administrative and managerial experience.
Bryan A. Ward (2/4/1955)	Trustee	Indefinite Term; Trustee 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.	9	Director of Equity Metrix, LLC	Significant experience on this and/or other boards of directors/trustees; significant managerial and executive experience; significant experience as a management consultant.

ADDITIONAL INFORMATION (unaudited) (continued)

September 30, 2021
Trustees and Officers

Highland Global Allocation Fund

<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>
Interested Trustee						
John Honis (6/16/1958)	Trustee	Indefinite Term; Trustee since July 2013.	President of Rand Advisors, LLC since August 2013.	9	Manager of Turtle Bay Resort, LLC (August 2011 – December 2018).	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.

- 1 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.

<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			
Dustin Norris (1/6/1984)	Executive Vice President	Indefinite Term; Executive Vice President since April 2019.	Head of Distribution and Chief Product Strategist at NexPoint since March 2019; President of NexPoint Securities, Inc. since April 2018; Head of Distribution at HCMFA from November 2017 until March 2019; Chief Product Strategist at HCMFA from September 2015 to March 2019; Officer of the Fund Complex since November 2012.

ADDITIONAL INFORMATION (unaudited) (concluded)

September 30, 2021
Trustees and Officers

Highland Global Allocation Fund

<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 Accounting Officer since October 2017; Principal Executive Officer and Principal Financial Officer since April 2021.	Chief Financial Officer of Skyview Group, Inc. since February 2021; Chief Financial Officer and Partner of Highland Capital Management, L.P. (“HCMLP”) from December 2011 and March 2015, respectively, to February 2021; Treasurer of the Fund Complex since May 2015; Principal Financial Officer October 2017 to February 2021; Principal Executive Officer February 2018 to February 2021.
Will Mabry (7/2/1986)	Assistant Treasurer	Indefinite Term; Assistant Treasurer since April 2021.	Director, Fund Analysis of Skyview Group, Inc. since February 2021. Prior to his current role at Skyview Group, Inc., Mr. Mabry served as Senior Manager – Fund Analysis, Manager – Fund Analysis, and Senior Fund Analyst for HCMLP.
Stephanie Vitiello (6/21/1983)	Secretary, Chief Compliance Officer and Anti-Money Laundering Officer	Indefinite Term; Secretary since April 2021; Chief Compliance Officer and Anti-Money Laundering Officer since November 2021.	Chief Compliance Officer and Counsel of Skyview Group since February 2021. Prior to her current role at Skyview Group, Ms. Vitiello served as Managing Director – Distressed, Assistant General Counsel, Associate General Counsel and In- House Counsel for HCMLP.
Rahim Ibrahim (8/17/1989)	Assistant Secretary	Indefinite Term; Assistant Secretary since November 2021.	Compliance Analyst for Skyview Group since May 2021. Prior to his current role at Skyview Group, Mr. Ibrahim served as a Compliance Associate for Loring, Wolcott & Coolidge Trust, LLC from October 2019 until May 2021; Corporate Paralegal at Maples Group from April 2018 to October 2019; Associate Engagement Specialist-Compliance at Eze Software Group from June 2017 to April 2018.

IMPORTANT INFORMATION ABOUT THIS REPORT

Investment Adviser

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

Transfer Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

Underwriter

NexPoint Securities, Inc.
300 Crescent Court, Suite 700
Dallas, TX 75201

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 Highland Global Allocation Fund (the "Fund"). As of January 1, 2021, paper copies of the Fund's shareholder reports will no longer be sent by mail. Instead, the reports will be made available on <https://www.highlandfunds.com/literature/>, and you will be notified and provided with a link each time a report is posted to the website. You may request to receive paper reports from the Fund or from your financial intermediary free of charge at any time. For additional information regarding how to access the Fund's shareholder reports, or to request paper copies by mail, please call shareholder services at 1-877-665-1287.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to their portfolio securities, and the Fund's proxy voting records for the most recent 12-month period ended June 30, are available (i) without charge, upon request, by calling 1-877-665-1287 and (ii) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

The Fund files its complete schedules of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year as an exhibit to its report on Form N-PORT within sixty days after the end of the period. The Fund's Form N-PORT are 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 by visiting the Fund's website at www.highlandfunds.com.

The Statement of Additional Information includes additional information about the Fund's Trustees and are available upon request without charge by calling 1-877-665-1287.

THIS PAGE LEFT BLANK INTENTIONALLY

THIS PAGE LEFT BLANK INTENTIONALLY

HIGHLAND CAPITAL
MANAGEMENT

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

Highland Global Allocation Fund

Annual Report, September 30, 2021

www.highlandfunds.com

GAF-AR-09/21