HIGHLAND CAPITAL MANAGEMENT

Q2 2020

GLOBAL ALLOCATION FUND

MARKET REVIEW

PERFORMANCE SUMMARY

The Highland Global Allocation Fund (the "Fund," ticker: HGLB) had a total market return of 54.72% and a NAV return of 22.65% during the second quarter of 2020. This compares to a return of 19.34% for the FTSE All World Index during the same period. The largest positive contributors to performance included TerreStar, Argentine Sovereign debt, Energy Transfer, and Vistra Energy. The largest detractors to performance included market hedges and single name short positions.

After an extremely challenging market enviornment in Q1 due to the COVID-19 pandemic the Fund has started to recover from its drawdown. During turbulence market conditions we believe it is important to discuss our process and philosophy. First, we manage the portfolio to have larger position sizes in our highest conviction themes. Our four largest investment themes make up over 60% of the portfolio. Historically, this has helped the Fund generate alpha with a less correlated return profile.

Second, we are value investors. This means that we invest in positions where we have identified a differentiated view from the market after completing a rigorous bottom-up fundamental analysis. Sometimes these views are contrarian in nature. Other times we identify event-driven positions with longer-term catalysts that will hopefully drive future revaluation. Unfortunately, a strong process does not always prevent negative outcomes or market volatility, especially on a short-term basis. Below are updates and outlooks on our top investment themes which were the largest drivers of performance during the quarter.

TERRESTAR

The Fund's largest holding, TerreStar, was the largest positive contributor to performance during the quarter. TerreStar Corporation ("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 closed with winning bids valued at $44.9 billion, with AT&T and Verizon spending approximately $18.0 billion and $10.0 billion respectively. Despite these significant upfront costs, it is generally understood by licensees of wireless spectrum that no revenue generation will occur for 5-10 years as the spectrum is developed and integrated for active spectrum network uses. For example, Dish purchased approximately $2.5 billion worth of wireless spectrum licenses in 2011 and 2012, which currently do not produce revenue, but still have market-implied intrinsic value.

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, with the ability to expand into other areas.

Dish owns the license covering the remaining 1.7 GHz band spectrum. TerreStar's ownership of key markets and significant population coverage could make the company an attractive partner for other spectrum holders.

On April 1, 2020 T-Mobile completed its merger with Sprint—a deal that only received approval from the Department of Justice under the condition that Dish would become the fourth national carrier, replacing Sprint. Therefore, as part of the merger, Dish has agreed to build out spectrum assets over the next several years. This news is a positive for the wireless spectrum market, and TerreStar, which shares a portion of a nationwide wireless spectrum band with Dish, is among the participants with the benefit.

TerreStar also owns a license for 1.4 GHz band spectrum for use that includes wireless medical telemetry service ("WMTS"). The license renewal was denied in 2017; however, TerreStar appealed the decision, stressing the importance of this band, which provides dedicated spectrum capacity for crucial healthcare activities, mitigating the risk of interference, which can affect the ability to deliver life-critical medical services.

On April 30, 2020, the FCC reversed its 2017 decision and restored TerreStar's license for development of this band of spectrum in the WMTS space, noting that with "the COVID-19 outbreak causing increased reliance on medical telemetry monitoring in hospitals and on telehealth in general," use of this band "will help ensure that traditional health care facilities have more spectrum capacity to meet a surge of additional monitoring demands that may occur in emergencies." FCC Chairman Ajit Pai commented on the decision: "It's important that we do what we can to support telehealth and the tools used by health care professionals during this health crisis."

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 will not cause harmful interference to WMTS.

VISTRA ENERGY

VST generated a 17% total return during the second quarter of 2020 as shares bounced back following the market dislocation caused by the COVID-19 pandemic. We believe the shares, as underlying fundamentals, remain supportive and valuation is attractive. Notably, despite experiencing a severe economic shock caused by the pandemic, the Company reported a strong second quarter and reiterated guidance for the full year. We believe the pandemic will ultimately demonstrate the resiliency of the company's business model and its attractive cash flow.

The Company reported a strong second quarter, with EBITDA of $929 million beating consensus expectations of $809 million. Management reaffirmed annual EBITDA guidance range of $3,285 to $3,585, while noting the Company is currently tracking above the guidance midpoint. One item to note is that ERCOT demand trends have already returned to pre-COVID levels in July. The Company expects to reach a pro forma 2.6x net leverage ratio by the end of the year, which is on top of their stated 2.5x target. The company remains well positioned with ample liquidity and runway to achieve its targeted Investment Grade rating, which should result in an expanded investor base and additional capital allocation opportunities. Management stated on their second quarter earnings call that they expect to make progress on the credit ratings upgrade over the course of the next year.

One upcoming catalyst for shares is an analyst day in September. We expect management to provide updates on several key upcoming drivers, including: 1) capital allocation plans going forward, including a buy-back program and an update on the dividend policy, 2) updates on progress with its coal fleet, where we expect the company to announce additional coal shutdowns, 3) and updates on growth initiatives.

ENERGY MLPS

The Midstream Energy sector bounced back in the second quarter following the extreme negative reaction to the COVID-19 pandemic and the OPEC "price war" in the first quarter of 2020. MLPs (as measured by the Alerian MLP Index, "AMZ") returned 50% (following -57% in the first quarter) while the Alerian Midstream Energy Index ("AMNA", a proxy for broader midstream performance including C-Corps) returned 33% (following -47% in the first quarter).

One bright spot within the sector is the fundamental backdrop for natural gas focused midstream. While the timing of the resumption of crude oil production growth remains a question, we have seen a stronger fundamental backdrop for gas volumes. Lower crude oil production means lower associated gas production, which increases the demand pull from gas production centers like Appalachia and Haynesville. In short – lower crude production is healthy for natural gas supply and demand fundamentals, which is in turn positive for midstream assets.

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. 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.

ARGENTINA

The Fund's investment in Argentine sovereign debt was one of the largest positive contributors to performance for the quarter, reversing some of the loss during the first quarter.

On May 22nd Argentina entered in defaulted after breaching the 30 day grace period and failing to pay the coupons due in April 22nd on the Global bonds 2021, 2026 and 2046. However, the Par bonds we hold remain in good standing. These bonds come out from the previous 2001 default and subsequent restructuring in 2003 and 2005. The default entered in Q2 was triggered by lack of coupon payments for the Global bonds issued at the very beginning of president Macri administration, with the purpose to raise capital to settle the longstanding default and pay outstanding bondholders.

During the week of August 3rd, the Argentine Government tweaked its previous restructuring proposal just enough to reach the minimum quorum needed to activate the Collective Action Clauses (CACs). The changes made were minimal, raising the valuation from previously 53 cents on the dollar to 54.8 cents, valuing them at an exit yield of 10%. The three different creditor committees were asking for a minimum of 54.9 cents on the dollar.

Bondholders now have until August 24th to tender their decisions with respect to this latest offer. The market has rallied behind this latest proposal, and we still see room for further appreciation in the Par bonds we hold, valuing them in the low-mid 50 cents area.

OUTLOOK

We remain committed to narrowing the Funds discount. On March 4, the Board of Trustees extend the Fund's repurchase program for a period of six months. With the latest board extension, the Fund's total repurchases may reach a maximum of $30 million. We have conviction in our platform, process, and positions, and remain committed to our goal of adding value to shareholders. As always, we appreciate your investment and trust.

TOTAL RETURN ANALYSIS (%)*

AS OF 06/30/2020	Incept.	YTD	1-YR	3-YR	5-YR	10-YR	Since Incept.
HGLB NAV	1.05.98	-12.92	-22.77	-6.22	-4.58	5.02	4.29
HGLB Market Price		-25.04	-33.54	-17.08	-11.37	1.22	2.59
FTSE All World		-6.12	2.64	6.59	6.99	9.71	6.38

**Comparison of fund returns to the FTSE All World may not be meaningful prior to the investment strategy change on April 9, 2013.*

TOP HOLDINGS (% OF PORTFOLIO)[1]

Terrestar Corp.	22.6
Vista Energy Corp.	9.5
Republic of Argentina	6.4
Terrestar Term Loan A	6.0
Energy Transfer LP	4.3

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. The net expense ratio is 2.45% and the gross expense ratio is 2.54% as reported in the Fund's Annual Report dated September 30, 2019.

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.

Note: Effective April 9, 2013, Highland Core America Equity Fund was renamed Highland Global Allocation Fund. At the same time, Highland Capital Management Fund Advisors, L.P. became the sole Adviser to the Fund and the Fund no longer utilizes a sub-adviser. In addition to these changes, the Fund's investment strategies were revised and the Fund will no longer invest at least 80% of its assets in domestic equity securities. For more information, please view the Fund's prospectus at highlandfunds.com or call 877.665.1287.

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

The information herein has been prepared by the Investment Adviser, is based upon unaudited information, and has not been independently audited or verified. This summary is for informational purposes only and is subject to change. This Fact Sheet contains information about prior investments made by the Adviser of the Fund. This information was prepared by the Adviser based on its experience in the industry and on assumptions of fact and opinion as to future events which the Adviser believed to be reasonable when made. There can be no assurance that the Adviser and/or the Fund will be as successful as these earlier investments. Prior investment returns are not indicative of future results. It should not be assumed that investment recommendations made in the future will be profitable or will equal the performance of the securities included herein.

Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange and frequently trade at prices lower than their net asset value, which may increase an investor's risk of loss. Net Asset Value (NAV) is total assets less total liabilities, which includes preferred shares, divided by the number of common shares outstanding. At the time of sale, your shares may have a market price that is above or below NAV, and may be worth more or less than your original investment. For additional information, please contact your investment adviser or visit our website www.highlandfunds.com.

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NOT FDIC INSURED. MAY LOSE VALUE. NO BANK GUARANTEE

RISK CONSIDERATIONS

Investment in an MLP. Investing in MLPs involves additional risks as compared to the risks of investing in common stock, including risks related to cash flow, dilution and voting rights. Each Fund's investments are concentrated in the energy infrastructure industry with an emphasis on securities issued by MLPs, which may increase price fluctuation. Energy infrastructure companies are subject to risks specific to the industry such as fluctuations in commodity prices, reduced volumes of natural gas or other energy commodities, environmental hazards, changes in the macroeconomic or the regulatory environment or extreme weather.

MLPs may trade less frequently than larger companies due to their smaller capitalizations, which may result in erratic price movement or difficulty in buying or selling. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment, including the risk that an MLP could lose its tax status as a partnership, which could reduce or eliminate distributions paid by MLPs to the Fund. Additional management fees and other expenses are associated with investing in MLP funds. The Fund is subject to certain MLP tax risks and risks associated with accounting for its deferred tax liability which could materially reduce the net asset value. An investment in the Fund does not offer tax benefits of a direct

Illiquid and Restricted Securities Risk Certain investments made by the Funds are, and others may be, illiquid, and consequently the Funds 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 Funds. 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 Funds' 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 Funds, 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 a Fund's expense, the Fund's expenses would be increased. A high percentage of illiquid securities in a Fund creates risk that such a Fund may not be able to redeem its shares without causing significant dilution to remaining shareholders. **Focused Investment Risk** is the risk that although the Fund is a diversified fund, it may invest in securities of a limited number of issuers in an effort to achieve a potentially greater investment return than a fund that invests in a larger number of issuers. As a result, price movements of a single issuer's securities will have a greater impact on the Fund's net asset value, causing it to fluctuate more than that of a more widely diversified fund. **MLP Risk** is the risk of investing in MLP units, which involves some risks that differ from an investment in the equity securities of a company. The Fund currently holds and may in the future hold a significant investment in MLP units. Holders of MLP units have limited control and voting rights on matters affecting the partnership. Holders of units issued by an MLP are exposed to a remote possibility of liability for all of the obligations of that MLP in the event that a court determines that the rights of the holders of MLP units to vote to remove or replace the general partner of that MLP, to approve amendments to that MLP's partnership agreement, or to take other action under the partnership agreement of that MLP would constitute "control" of the business of that MLP, or a court or governmental agency determines that the MLP is conducting business in a state without complying with the partnership statute of that state. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. Additionally: • A sustained reduced demand for crude oil, natural gas and refined petroleum products could adversely affect MLP revenues and cash flows. • Changes in the regulatory environment could adversely affect the profitability of MLPs. Investments in MLP units also present special tax risks. See "MLP Tax Risk" in the prospectus. **Credit Risk.** The risk that the Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty of a derivatives contract or repurchase agreement, is unable or unwilling (or is perceived to be unable or unwilling) to make a timely payment of principal and/ or interest, or to otherwise honor its obligations. **Currency Risk.** The risk that the values of foreign investments may be affected by changes in the currency rates or exchange control regulations. **Derivatives Risk.** Derivatives, such as futures and options, are subject to the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. Derivatives also expose the Fund to the credit risk of the derivative counterparty. Derivative contracts may expire worthless and the use of derivatives may result in losses to the Fund. Derivatives may involve leverage, as described in more detail below, and the Fund's exposure to derivatives may be significant on a notional basis even where the derivatives are not significant on a market value basis. **Foreign and Emerging Markets Risk.** The Fund may invest in foreign and emerging market securities which involves certain risks such as currency volatility, political and social instability and reduced market liquidity. **Growth Investing Risk.** The risk of investing in growth stocks that may be more volatile than other stocks because they are more sensitive to investor perceptions of the issuing company's growth potential. **Leverage Risk.** The risk associated with the use of leverage for investment purposes to create opportunities for greater total returns. Any investment income or gains earned with respect to the amounts borrowed that are in excess of the interest that is due on the borrowing will augment the Fund's income. Conversely, if the investment performance with respect to the amounts borrowed fails to cover the interest on such borrowings, the value of the Fund's shares will decrease more quickly than would otherwise be the case. Interest payments and fees incurred in connection with such borrowings will reduce the amount of net income available for payment to Fund shareholders. **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.

The FTSE All-World Index Series is the Large/Mid Cap aggregate of 2,800 stocks from the FTSE Global Equity Index Series. It covers 90-95% of the investable market capitalization. Unlike the Fund, the index is not an investment, does not incur fees or expenses, and is not professionally managed. It is not possible to invest directly in the index.

Alerian MLP Index is a composite of the 50 most prominent Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. Unlike the Fund, the index is not an investment, does not incur fees or expenses, and is not professionally managed. It is not possible to invest directly in the index.

1 Calculated as a percent of gross assets, which may include investments purchased with borrowed assets. The Fund may borrow an amount up to 33 1/3% of its total assets (including the amount borrowed) less all liabilities other than borrowings. The Fund may borrow for investment purposes, to meet redemption requests and for temporary, extraordinary or emergency purposes.