HIGHLAND CAPITAL MANAGEMENT

Q4 2019

GLOBAL ALLOCATION FUND

MARKET REVIEW

PERFORMANCE SUMMARY

The Highland Global Allocation Fund (the "Fund," ticker: HGLB) had a total market return of -5.69% and a NAV return of -6.76% during the fourth quarter of 2019. This compares to a return of 9.11% for the FTSE All World Index during the same period. The largest positive contributors to performance included Argentine Sovereign debt and long positions in healthcare equities. The largest detractors to performance included Vistra Energy, master limited partnerships ("MLPs") and single name short positions.

2019 was a challenging year for the Fund, given this result, 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 highest conviction investment themes make up over 60% of the portfolio. Historically, this has helped the Fund generate alpha and 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, such as a com¬pany emerging from bankruptcy.

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 – the two most signifi¬cant being our exposure to Utilities and Energy, with these two areas accounting for nearly 80% of the Fund's loss for the quarter– but which we believe still provide potential upside for the Fund moving forward.

Vistra Energy

Vistra Energy had a negative 13.5% total return during the fourth quarter. Despite the pull back in the share price, underlying fundamentals are supportive: management raised guidance, reported a strong third quarter and closed a tuck in retail acquisition. We believe results continue to be positive it will be interesting to see how management's value creation strategy proves itself out over time as the company executes.

One of the more notable recent events was management's presentation on its third quarter earnings call which outlined the company's long-term earnings power. This outlook suggests Vistra could reach $4 billion of EBITDA by 2030 and generate $15 billion of free cash flow over the next ten years, vs the current market cap of $11.4 billion. This free cash flow plan would be supportive of consistently growing the dividend, maintaining a strong balance sheet and investment grade credit ratings, and returning excess cash to shareholders.

While the long-term earnings power of the company is robust, we see several drivers over the intermediate term which should impact the company's performance. Cash flow generation is expected to be strong, with the company's recently initiated 2020 guidance of free cash flow before growth investments of $2.3 billion representing 20% of the current market cap. We expect this cash flow to be used toward deleveraging the balance sheet and reaching an investment grade credit rating, growing the dividend, buying back more stock and potentially additional accretive tuck in acquisitions. In addition, we see a favorable fundamental backdrop given the company's integrated business profile and a tight ERCOT power market.

Ultimately, we believe that cash is king and that either the public market will appropriately value this cash flow stream or it would make sense for someone to LBO the company. CEO Curt Morgan was open on the 2nd quarter earnings call that if the public markets do not appropriately value the company, "we owe it to the company and the people who are shareholders of this company and believe in us, we've got to look for what's the best way to unlock value for the company.

Energy MLPs

The Midstream Energy sector experienced bifurcated performance in the fourth quarter of 2019. MLPs (as measured by the Alerian MLP Index, "AMZ") returned -4.17% while the Alerian Midstream Energy Index ("AMNA", a proxy for broader midstream performance including C-Corps) returned +2.15%. Looking under the surface, MLPs bounced back in December with the AMZ returning 8.5% as tax loss selling abated and general risk sentiment improved.

Despite the recent bumpy performance, 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 continue to grow despite headline risks such as commodity price pressure or short-term reductions in upstream production budgets. 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 underlying healthy fundamental backdrop should enable the sector to create value over time.

Argentina

The Fund's investment in Argentine sovereign debt was the primary positive contributor for the quarter. Since the election on October 27, 2019 which led to Fernandez winning the presidency, the renewed leftist government implemented currency controls which in return led to a stabilization of the depreciating currency and that factor was positively reflected across the entire sovereign curve. Moreover, the newly appointed government implemented some of the policies that were seen during the Kirchner years such as utilities and power tariff controls and floor and ceiling prices for energy pricing. Although we are not supportive of unorthodox practices, in the short term this has played out positively in the real economy as the currency is now more stable and private consumption starts to mildly pick up.

In the period between October 27 when elections took place until December 10 when Fernandez took office, the incoming government has shown to be more pragmatic than expected towards debt recognitions, the IMF support package as well as with global relationships with trade partners. The market has taken this as a positive sign of a friendlier renewed leftist party that is looking to reprofile the sovereign debt maturity schedule and upcoming coupon disbursements. All in all, both market enthusiasm and a mild improvement in the real economy has driven the sovereign bonds prices positively.

TerreStar

The Fund's second largest holding, TerreStar, did not meaningfully contribute to performance. TerreStar is a privately held, nationwide licensee of wireless spectrum – an asset that almost all people use every day but most have never heard of. All wireless communication signals travel over the air via radio frequency, aka spectrum. We maintain a positive outlook on the valuation of wireless spectrum assets in general and TerreStar's unique spectrum. Our outlook is based on an in-depth understanding of the macro fundamentals driving both exponential growth in wireless bandwidth usage, including but not limited to smartphones, HD video, data, internet-of-things, as well as limited available spectrum capacity in low and mid-tier bands. These macro fundamentals have led to steadily increasing spectrum valuations.

In July 2019 the Department of Justice announced that it approved the T-Mobile/Sprint merger under a series of conditions involving divestitures to Dish. Dish has now committed to build out spectrum assets over the next several years. This news is a positive for the wireless spectrum market, which Terrestar shares a portion of a nationwide wireless spectrum band with Dish.

Outlook

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 12/31/2019	Incept.	YTD	1-YR	3-YR	5-YR	10-YR	Since Incept.
HGLB NAV	1.05.98	-8.52	-8.52	-2.59	-1.78	5.53	5.05
HGLB Market Price		-26.55	-26.55	-9.46	-5.99	3.24	4.01
FTSE All World		-27.22	-27.22	12.96	9.02	9.36	6.84

TOP HOLDINGS (% OF PORTFOLIO)[1]

Vistra Energy Corp	16.4
TerreStar Corp	11.7
Republic of Argentina	7.7
Energy Transfer LP	5.1
TerreStar Term Loan D	3.7

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

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 2019 reflect market prices. The closed-end Fund pursues the same investment objective and strategy as it did before its conversion.

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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RISK CONSIDERATIONS

Investment in an MLP. nvesting 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.