

**CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)**

As of September 30, 2020

Highland Income Fund

Shares		Value (\$)
<b>Preferred Stock — 35.7%</b>		
<b>ENERGY — 1.2%</b>		
1,790,983	Crestwood Equity Partners 9.25%(a)	10,548,890
<b>FINANCIALS — 6.6%</b>		
34,500	Eastland CLO, Ltd. (a)(b)	11,316,000
3,980	Eastland Ltd. 1.00%, 05/01/2022 (d)	1,305,440
162,000	Federal Home Loan Mortgage (a)(b)	2,028,125
	Federal Home Loan Mortgage	
225,315	5.90% (a)	1,622,268
	Federal Home Loan Mortgage	
525,000	5.30% (a)	6,982,500
	Federal National Mortgage	
69,500	Association 7.63% (a)	534,455
	Federal National Mortgage	
252,000	Association (a)(b)	2,944,020
	Federal National Mortgage	
59,449	Association 5.38% (a)	2,572,372
	Federal National Mortgage	
25,000	Association 8.25% (a)	200,000
	Federal National Mortgage	
3,840	Association 4.75% (a)	52,224
	Federal National Mortgage	
30,000	Association 5.13% (a)	406,500
	Gleneagles CLO, Ltd.,	
8,860	12/30/2049(b)(c)(d)	2,223,860
	Grayson CLO, Ltd.,	
62,600	11/01/2021(b)(d)(e)(f)	18,623,500
12,553	Rockwall CDO, 08/01/2024(b)(c)(d)	8,002,219
4,800	Rockwall CDO, Ltd. (a)(b)	926,400
		59,739,883
<b>REAL ESTATE — 27.9%</b>		
	Braemar Hotels & Resorts, REIT	
645,161	5.50%(a)(c)(g)	7,774,190
	Creek Pine Holdings, LLC, REIT	
180,008	10.25%(a)(c)(e)(f)	224,788,646
249,514	G-LA Resorts Holdings (a)(b)(c)(e)(f)	249,514
	Jernigan Capital, Inc., REIT	
18,025	7.00% (a)(c)(e)(f)	18,184,402
	Wheeler Real Estate Investment Trust,	
97,992	REIT 9.00% (a)(c)	942,683
	Wheeler Real Estate Investment Trust,	
	REIT 8.75%, 10.75%,	
74,600	09/21/2023 (a)(c)(h)	1,137,650
		253,077,085
	Total Preferred Stock	
	(Cost \$299,251,219)	323,365,858

**Principal \$**

<b>U.S. Senior Loans (i) — 31.8%</b>		
<b>BUSINESS EQUIPMENT &amp; SERVICES — 1.1%</b>		
	VM Consolidated Inc., Term Loan B1,	
	1st Lien,	
9,777,840	02/28/25	9,594,505

Principal \$		Value (\$)
<b>U.S. Senior Loans (continued)</b>		
<b>COMMERCIAL SERVICES — 0.4%</b>		
	Fort Dearborn Holding Company, Inc.,	
	Initial Term Loan,	
	VAR LIBOR USD	
3,493,518	3 Month+4.000%, 10/19/23	3,406,180
		3,406,180
<b>COMMUNICATION SERVICES — 0.7%</b>		
	TerreStar Corporation, Term Loan D,	
6,651,475	11.000% PIK 02/27/28 (e)(f)	6,644,823
	TerreStar Corporation, Term Loan, 1st	
	Lien,	
51,686	02/28/22 (e)(f)	51,634
		6,696,457
<b>CONSUMER DISCRETIONARY — 1.2%</b>		
	Truck Hero, Inc., Initial Term Loan,	
	2nd Lien,	
	VAR LIBOR USD	
4,076,667	3 Month+8.250%, 04/21/25	3,947,579
	USS Ultimate Holdings, Inc., Initial	
	Term Loan, 1st Lien,	
	VAR LIBOR USD	
6,767,549	3 Month+3.750%, 08/09/24	6,691,414
		10,638,993
<b>CONSUMER PRODUCTS — 0.2%</b>		
	Dayco Products, LLC, Term Loan B,	
	VAR LIBOR USD	
3,308,466	3 Month+4.250%, 05/08/23	2,121,554
<b>ENERGY — 1.1%</b>		
	Fieldwood Energy LLC, Closing Date	
	Loan, 2nd Lien,	
	VAR LIBOR USD	
15,904,030	3 Month+7.250%, 04/11/23 (j)	24,333
	Traverse Midstream Partners LLC,	
	Term Loan,	
	VAR LIBOR USD	
10,744,147	3 Month+4.000%, 09/27/24	9,945,051
		9,969,384
<b>FINANCIALS — 1.1%</b>		
	Edelman Financial Center (The), Initial	
	Term Loan,	
	VAR LIBOR USD	
932,879	3 Month+3.250%, 07/21/25	903,218
	Edelman Financial Group (The), Term	
	Loan, 2nd Lien,	
	VAR LIBOR USD	
9,447,348	3 Month+6.750%, 06/26/26	9,078,334
		9,981,552
<b>GAMING/LEISURE — 1.5%</b>		

	Ginn-LA CS Borrower LLC, Tranche A	
	Term Loan Credit-Linked Deposit,	
	1st Lien,	
22,764,040	(e)(f)(j)	724,306

**CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)**

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<b>U.S. Senior Loans (continued)</b>	
<b>GAMING/LEISURE (continued)</b>	
48,791,955	—
Ginn-LA CS Borrower LLC, Tranche B Term Loan, 1st Lien, (e)(f)(j)	
563,359	560,543
LLV Holdco, LLC, 1st Protective Advance, 12/31/20 (e)(f)(k)	
938,933	934,238
LLV Holdco, LLC, 3rd Protective Advance, 12/31/20 (e)(f)(k)	
333,130	331,464
LLV Holdco, LLC, 4th Protective Advance, 12/31/20 (e)(f)(k)	
11,940,100	10,925,192
	<u>13,475,743</u>
<b>HEALTHCARE — 6.9%</b>	
13,576,389	11,720,971
BW NHC Holdco Inc., Initial Term Loan, 1st Lien, VAR LIBOR USD 3 Month+5.000%, 05/15/25	
1,991,667	1,920,186
Castle US Holding Corporation, Initial Dollar Term Loan, 1st Lien, 01/29/27	
63,516,843	47,523,362
CCS Medical, Inc., Term Loan, 05/31/21 (e)(f)(k)	
Sound Inpatient Physicians Holdings LLC, 2nd Lien, VAR LIBOR USD	
1,777,778	1,741,120
	<u>62,905,639</u>
<b>INDUSTRIALS — 1.1%</b>	
4,000,000	3,520,000
PSC Industrial Holdings Corp., Initial Term Loan, 2nd Lien, VAR LIBOR USD 3 Month+8.500%, 10/11/25	
6,872,792	6,511,970
	<u>10,031,970</u>
<b>INFORMATION TECHNOLOGY — 9.3%</b>	
8,834,475	8,802,760
Avaya Inc., Tranche B Term Loan, VAR LIBOR USD 3 Month+4.250%, 12/15/24	
57,000,000	51,528,000
EDS Legacy Partners, VAR LIBOR USD 3 Month+2.750%, 12/14/23 (e)(f)(k)	

Principal \$	Value (\$)
<b>U.S. Senior Loans (continued)</b>	
<b>INFORMATION TECHNOLOGY (continued)</b>	
14,251,549	13,681,486
Procera Networks, Inc., Initial Term Loan, VAR LIBOR USD 3 Month+4.500%, 10/30/25	
	<u>83,805,020</u>
<b>REAL ESTATE — 1.0%</b>	
9,069,231	8,889,297
Forest City Enterprises, L.P., Replacement Term Loan, 1st Lien, 12/08/25	
<b>RETAIL — 2.5%</b>	
2,207,616	2,216,811
General Nutrition Centers, Inc., 12/23/20	
2,207,616	2,216,811
General Nutrition Centers, Inc., 1st Lien, 12/23/20	
1,178,368	1,148,178
General Nutrition Centers, Inc., FILO Term Loan, VAR LIBOR USD 3 Month+7.000%, 12/31/22	
6,862,018	4,913,205
General Nutrition Centers, Inc., Tranche B-2 Term Loan, 1st Lien, VAR LIBOR USD 3 Month+8.750%, 03/04/21	
5,073,808	4,384,100
Jo-Ann Stores, LLC, Initial Loan, 1st Lien, VAR LIBOR USD 3 Month+5.000%, 10/20/23	
9,554,955	7,930,613
	<u>22,809,718</u>
<b>SERVICE — 2.0%</b>	
3,621,602	3,571,805
Advantage Sales & Marketing Inc., Initial Term Loan, 1st Lien, VAR LIBOR USD 3 Month+3.250%, 07/23/21	
8,710,000	8,449,310
Advantage Sales & Marketing Inc., Term Loan, 2nd Lien, VAR LIBOR USD 3 Month+6.500%, 07/25/22	
5,914,700	5,678,112
	<u>17,699,227</u>
EnergySolutions, LLC (aka Envirocare of Utah, LLC), Initial Term Loan, 1st Lien, VAR LIBOR USD 3 Month+3.750%, 05/09/25	

Intermedia Holdings, Inc., New Term

Loan, 1st Lien,

VAR LIBOR USD

9,825,000

3 Month+6.000%, 07/21/25

9,792,774

**CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)**

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Principal \$		Value (\$)
<b>U.S. Senior Loans (continued)</b>		
<b>TRANSPORTATION — 1.2%</b>		
	Gruden Acquisition, Inc., Incremental Term Loan, 1st Lien, VAR LIBOR USD 3 Month+5.500%, 08/18/22	11,124,738
11,578,198		
<b>UTILITIES — 0.5%</b>		
	PG&E Corp, Term Loan, 1st Lien, 06/23/25	4,896,054
4,987,500		
	Texas Competitive Electric Holdings Co., LLC, Extended Escrow Loan, (l)	44,346
59,127,210		
		<u>4,940,400</u>
	Total U.S. Senior Loans (Cost \$420,476,234)	<u>288,090,377</u>
<b>Shares</b>		
<b>Common Stocks — 26.3%</b>		
<b>COMMUNICATION SERVICES — 5.3%</b>		
	Loral Space & Communications, Inc. (g)	907,680
49,600		
	Metro-Goldwyn-Mayer, Inc. (c)(m)	38,264,668
502,161		
	TerreStar Corporation (c)(e)(f)(m)	9,096,131
27,134		
		<u>48,268,479</u>
<b>CONSUMER DISCRETIONARY — 0.2%</b>		
	Toys 'R' Us (c)	153,718
1,450		
	Tru Kids, Inc. (c)	1,383,462
1,450		
		<u>1,537,180</u>
<b>ENERGY — 0.0%</b>		
	Fieldwood Energy LLC (c)	21,765
167,419		
	Value Creation, Inc. (c)(e)(f)	1
1,118,286		
		<u>21,766</u>
<b>GAMING/LEISURE — 0.0%</b>		
	LLV Holdco LLC - Series A, Membership Interest (c)(e)(f)(k)	—
34,512		
	LLV Holdco LLC - Series B, Membership Interest (c)(e)(f)(k)	—
436		
		<u>—</u>
<b>HEALTHCARE — 0.0%</b>		
	CCS Medical Inc. (c)(e)(f)(k)	5,797
207,031		
<b>HOUSING — 0.0%</b>		
	Westgate Investments LLC (c)(e)(f)	—
1,648,350		
<b>INDUSTRIALS — 0.0%</b>		
	Remington Outdoor Co., Inc. (c)	—
250,627		
<b>MATERIALS — 0.2%</b>		
	MPM Holdings, Inc. (c)	1,495,160
299,032		
	Omnimax International, Inc. (c)(e)(f)(k)	—
14,621		
		<u>1,495,160</u>
<b>REAL ESTATE — 20.6%</b>		
	Allenby (c)(e)(f)(k)	1
1,438,666		
	Claymore (c)(e)(f)(k)	10
10,131,274		

Shares		Value (\$)
<b>Common Stocks (continued)</b>		
<b>REAL ESTATE (continued)</b>		
	331,800 Independence Realty Trust, Inc., REIT	3,845,562
31,232		
	Jernigan Capital, Inc., REIT	535,317
17,630		
	NexPoint Real Estate Finance (k)	258,808
148,521		
	NexPoint Residential Trust, REIT (k)	6,586,906
7,287,130		
	NFRO REIT SUB, LLC (c)(e)(f)(k)	136,251,115
		<u>186,621,925</u>
	Total Common Stocks (Cost \$528,118,835)	<u>237,950,307</u>
<b>Principal \$</b>		
<b>Collateralized Loan Obligations — 17.6%</b>		
	Acis CLO, Ltd., Series 2015-6A, Class E VAR ICE LIBOR USD 3 Month+5.490%, 5.74%, 5/1/2027 (d)	5,137,500
7,500,000		
	Acis CLO, Ltd., Series 2017-7A, Class E VAR ICE LIBOR USD 3 Month+6.000%, 6.25%, 5/1/2027 (d)	8,767,500
10,500,000		
	Acis CLO, Ltd., Series 2014-4A, Class E VAR ICE LIBOR USD 3 Month+4.800%, 5.05%, 5/1/2026 (d)	11,357,500
14,750,000		
	Acis CLO, Ltd., Series 2015-6A, Class D VAR ICE LIBOR USD 3 Month+3.770%, 4.02%, 5/1/2027 (d)	905,000
1,000,000		
	Acis CLO, Ltd., Series 2014-4A, Class D VAR ICE LIBOR USD 3 Month+3.100%, 3.35%, 5/1/2026 (d)	679,750
750,000		
	Acis CLO, Ltd., Series 2014-3A, Class E VAR ICE LIBOR USD 3 Month+4.750%, 5.00%, 2/1/2026 (d)	2,763,600
4,000,000		
	Apex Credit CLO, Series 2019-1A, Class D VAR ICE LIBOR USD 3 Month+7.100%, 7.37%, 4/18/2032 (d)	1,600,000
2,000,000		
	Ares XXIX CLO, Series 2014-1A, Class E VAR ICE LIBOR USD 3 Month+5.750%, 6.02%, 4/17/2026 (d)	198,575
250,000		

Creative Science Properties,  
2,356,665 Inc. (c)(e)(f)

39,144,206

	Ares XXVIII CLO, Series 2018-28RA, Class F VAR ICE LIBOR USD 3 Month+7.785%, 8.06%, 10/17/2030 (d)	1,000,000	750,000
	Atlas Senior Loan Fund, Series 2017-8A, Class F VAR ICE LIBOR USD 3 Month+7.150%, 7.42%, 1/16/2030 (d)	1,500,000	915,000
	Atlas Senior Loan Fund XII, Series 2018-12A, Class E VAR ICE LIBOR USD 3 Month+5.950%, 6.21%, 10/24/2031 (d)	2,400,000	1,788,000
	Ballyrock CLO, Ltd., Series 2019-1A, Class ER VAR ICE LIBOR USD 3 Month+6.950%, 7.23%, 10/15/2028 (d)	2,500,000	2,257,000

**CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)**

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**Highland Income Fund**

<u>Principal \$</u>		<u>Value (\$)</u>
<b>Collateralized Loan Obligations (continued)</b>		
1,000,000	Benefit Street Partners CLO VII, Series 2015-VIIA, Class D VAR ICE LIBOR USD 3 Month+5.350%, 5.62%, 7/18/2027 (d)	910,000
2,000,000	Benefit Street Partners CLO XI, Series 2017-11A, Class E VAR ICE LIBOR USD 3 Month+7.200%, 7.48%, 4/15/2029 (d)	1,320,000
3,500,000	BlueMountain CLO, Ltd., Series 2018-3A, Class ER VAR ICE LIBOR USD 3 Month+8.080%, 8.35%, 4/20/2031 (d)	2,190,650
2,000,000	California Street CLO IX, Series 2019-9A, Class FR2 VAR ICE LIBOR USD 3 Month+8.520%, 8.79%, 7/16/2032 (d)	1,515,000
2,000,000	Canyon Capital CLO, Series 2018-1A, Class ER VAR ICE LIBOR USD 3 Month+5.750%, 6.03%, 7/15/2031 (d)	1,700,000
1,875,000	Carlyle Global Market Strategies CLO, Series 2018-1A, Class ER VAR ICE LIBOR USD 3 Month+5.400%, 5.67%, 4/17/2031 (d)	1,331,953
500,000	Carlyle US CLO, Series 2020-4A, Class D VAR ICE LIBOR USD 3 Month+7.650%, 7.93%, 1/15/2033 (d)	465,250
2,250,000	Catamaran CLO, Ltd., Series 2015-1A, Class E VAR ICE LIBOR USD 3 Month+5.150%, 5.41%, 4/22/2027 (d)	1,721,250
2,500,000	Catamaran CLO, Ltd., Series 2016-1A, Class D VAR ICE LIBOR USD 3 Month+6.650%, 6.92%, 1/18/2029 (d)	2,115,000
3,000,000	Catamaran CLO, Ltd., Series 2014-2A, Class D VAR ICE LIBOR USD 3 Month+4.850%, 5.12%, 10/18/2026 (d)	1,908,600

<u>Principal \$</u>		<u>Value (\$)</u>
<b>Collateralized Loan Obligations (continued)</b>		
1,000,000	CIFC Funding, Series 2018-1A, Class ER2 VAR ICE LIBOR USD 3 Month+5.850%, 6.12%, 1/18/2031 (d)	815,000
1,350,000	CIFC Funding, Series 2018-5A, Class DR VAR ICE LIBOR USD 3 Month+5.550%, 5.79%, 10/25/2027 (d)	1,198,125
4,000,000	Covenant Credit Partners CLO III, Series 2017-1A, Class F VAR ICE LIBOR USD 3 Month+7.950%, 8.23%, 10/15/2029 (d)	2,340,000
1,500,000	Dryden 41 Senior Loan Fund, Series 2018-41A, Class FR VAR ICE LIBOR USD 3 Month+7.200%, 7.48%, 4/15/2031 (d)	1,096,875
2,000,000	Dryden 45 Senior Loan Fund, Series 2018-45A, Class FR VAR ICE LIBOR USD 3 Month+8.120%, 8.40%, 10/15/2030 (d)	1,545,000
1,500,000	Dryden 49 Senior Loan Fund, Series 2017-49A, Class F VAR ICE LIBOR USD 3 Month+7.550%, 7.82%, 7/18/2030 (d)	1,140,000
8,000,000	Eaton Vance CLO, Series 2019-1A, Class F VAR ICE LIBOR USD 3 Month+8.250%, 8.53%, 4/15/2031 (d)	6,000,000
2,000,000	Flatiron CLO, Series 2015-1A, Class F VAR ICE LIBOR USD 3 Month+5.500%, 5.78%, 4/15/2027 (d)	1,580,000
750,000	Galaxy XXII CLO, Series 2018-22A, Class ER VAR ICE LIBOR USD 3 Month+5.750%, 6.02%, 7/16/2028 (d)	651,600
1,000,000	Galaxy XXIV CLO, Series 2017-24A, Class E VAR ICE LIBOR USD 3 Month+5.500%, 5.78%, 1/15/2031 (d)	780,000
2,500,000	Galaxy XXV CLO, Series 2018-25A, Class E VAR ICE LIBOR USD 3 Month+5.950%, 6.19%, 10/25/2031 (d)	2,170,750
5,450,000	Galaxy XXVI CLO, Series 2018-26A, Class F VAR ICE LIBOR USD 3 Month+8.000%, 8.26%, 11/22/2031 (d)	4,033,000

	Cathedral Lake CLO, Series 2019-4A, Class E2R VAR ICE LIBOR USD 3 Month+7.830%, 8.10%, 10/20/2028 (d)	4,000,000	2,960,000
	Cathedral Lake CLO, Series 2017-1A, Class DR VAR ICE LIBOR USD 3 Month+7.250%, 7.53%, 10/15/2029 (d)	1,250,000	932,125
	Cedar Funding VI CLO, Series 2018-6A, Class ER VAR ICE LIBOR USD 3 Month+5.900%, 6.17%, 10/20/2028 (d)	2,000,000	1,723,000
	CIFC Funding, Series 2019-1A, Class D2R VAR ICE LIBOR USD 3 Month+4.430%, 4.70%, 10/21/2031 (d)	1,000,000	980,000

	GoldenTree Loan Management US CLO 3, Series 2018-3A, Class F VAR ICE LIBOR USD 3 Month+6.500%, 6.77%, 4/20/2030 (d)	3,000,000	2,100,000
	Goldentree Loan Management US CLO 4, Series 2019-4A, Class E VAR ICE LIBOR USD 3 Month+4.750%, 5.01%, 4/24/2031 (d)	3,500,000	2,922,500



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<b>Collateralized Loan Obligations (continued)</b>	
	GoldenTree Loan Management US CLO 4, Series 2019-4A, Class F VAR ICE LIBOR USD 3 Month+6.400%, 6.66%, 4/24/2031 (d)
3,500,000	2,590,000
	GoldenTree Loan Opportunities IX, Series 2018-9A, Class FR2 VAR ICE LIBOR USD 3 Month+7.640%, 7.91%, 10/29/2029 (d)
3,500,000	2,677,500
	Grippen Park CLO, Series 2017-1A, Class E VAR ICE LIBOR USD 3 Month+5.700%, 5.97%, 1/20/2030 (d)
2,000,000	1,765,000
	Jamestown CLO IX, Series 2019-9A, Class DR VAR ICE LIBOR USD 3 Month+6.940%, 7.21%, 10/20/2028 (d)
3,500,000	2,992,500
	Jay Park CLO, Ltd., Series 2018-1A, Class ER VAR ICE LIBOR USD 3 Month+7.350%, 7.62%, 10/20/2027 (d)
4,000,000	3,180,000
	KKR CLO 18, Series 2017-18, Class E VAR ICE LIBOR USD 3 Month+6.450%, 6.72%, 7/18/2030 (d)
3,000,000	2,535,000
	Madison Park Funding X, Series 2019-10A, Class ER2 VAR ICE LIBOR USD 3 Month+6.400%, 6.67%, 1/20/2029 (d)
1,300,000	1,161,875
	Madison Park Funding XV, Series 2017-15A, Class DR VAR 3-month LIBOR+5.440%, 5.68%, 1/27/2026 (d)
5,350,000	4,774,875
	Madison Park Funding XVII, Series 2017-17A, Class FR VAR ICE LIBOR USD 3 Month+7.480%, 7.75%, 7/21/2030 (d)
2,000,000	1,550,000
	Madison Park Funding XX, Series 2018-20A, Class ER VAR ICE LIBOR USD 3 Month+5.300%, 5.54%, 7/27/2030 (d)
1,400,000	1,179,500
	Madison Park Funding XXIV, Series 2019-24A, Class ER VAR ICE LIBOR USD 3 Month+7.200%, 7.47%, 10/20/2029 (d)
2,000,000	1,860,000

<u>Principal \$</u>	<u>Value (\$)</u>
<b>Collateralized Loan Obligations (continued)</b>	
	Man GLG US CLO, Series 2018-1A, Class DR VAR ICE LIBOR USD 3 Month+5.900%, 6.17%, 4/22/2030 (d)
4,500,000	3,433,500
	Mountain View Clo XIV, Series 2019-1A, Class F VAR ICE LIBOR USD 3 Month+8.700%, 8.98%, 4/15/2029 (d)
500,000	361,500
	MP CLO VII, Series 2018-1A, Class FRR VAR ICE LIBOR USD 3 Month+7.910%, 8.18%, 10/18/2028 (d)
5,800,000	2,867,907
	Neuberger Berman CLO XX, Ltd., Series 2017-20A, Class FR VAR ICE LIBOR USD 3 Month+7.450%, 7.73%, 1/15/2028 (d)
4,250,000	2,650,725
	Northwoods Capital XII-B, Ltd., Series 2018-12BA, Class F VAR ICE LIBOR USD 3 Month+8.170%, 8.42%, 6/15/2031 (d)
4,000,000	2,000,000
	OCP CLO, Series 2015-9A, Class E VAR ICE LIBOR USD 3 Month+6.400%, 6.68%, 7/15/2027 (d)
1,000,000	830,000
	OHA Credit Partners XII, Series 2018-12A, Class FR VAR ICE LIBOR USD 3 Month+7.680%, 7.94%, 7/23/2030 (d)
2,900,000	2,122,365
	OZLM Funding III, Series 2016-3A, Class DR VAR ICE LIBOR USD 3 Month+7.770%, 8.03%, 1/22/2029 (d)
1,000,000	885,000
	OZLM XXII, Ltd., Series 2018-22A, Class E VAR ICE LIBOR USD 3 Month+7.390%, 7.66%, 1/17/2031 (d)
3,110,000	1,928,200
	Saranac CLO III, Ltd., Series 2018-3A, Class ER VAR ICE LIBOR USD 3 Month+7.500%, 7.73%, 6/22/2030 (d)
3,283,458	1,510,390
	Saranac CLO VI, Ltd., Series 2018-6A, Class E VAR ICE LIBOR USD 3 Month+6.400%, 6.65%, 8/13/2031 (d)
5,000,000	3,442,500
	SCOF-2, Series 2018-2A, Class ER VAR ICE LIBOR USD 3 Month+5.710%, 5.99%, 7/15/2028 (d)
2,160,000	1,836,000
	Symphony CLO XXI, Series 2019-21A, Class E VAR ICE LIBOR USD 3 Month+6.750%, 7.03%, 7/15/2032 (d)
1,500,000	1,426,950

	Madison Park Funding XXIX, Series 2018-29A, Class F VAR ICE LIBOR USD 3 Month+7.570%, 7.84%, 10/18/2030 (d)	1,000,000	822,500
	Madison Park Funding XXX, Series 2018-30A, Class F VAR ICE LIBOR USD 3 Month+6.850%, 7.13%, 4/15/2029 (d)	1,000,000	740,000
	Magnetite VII, Ltd., Series 2018-7A, Class ER2 VAR ICE LIBOR USD 3 Month+6.500%, 6.78%, 1/15/2028 (d)	490,000	401,800

	TCW CLO, Series 2019-2A, Class D2A VAR ICE LIBOR USD 3 Month+4.890%, 5.16%, 10/20/2032 (d)	1,750,000	1,750,000
	TCW CLO, Series 2019-1A, Class F VAR ICE LIBOR USD 3 Month+8.670%, 8.95%, 2/15/2029 (d)	1,000,000	860,000

**CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)**
**As of September 30, 2020**
**Highland Income Fund**

Principal \$		Value (\$)
<b>Collateralized Loan Obligations (continued)</b>		
	TICP CLO I-2, Series 2018-IA, Class E VAR ICE LIBOR USD 3 Month+8.000%, 8.24%, 4/26/2028 (d)	1,700,600
2,200,000		
	TICP CLO III-2, Ltd., Series 2018-3R, Class F VAR ICE LIBOR USD 3 Month+7.980%, 8.25%, 4/20/2028 (d)	3,197,783
4,150,000		
	Trinitas CLO III, Series 2015-3A, Class E VAR ICE LIBOR USD 3 Month+5.250%, 5.53%, 7/15/2027 (d)	1,086,272
2,069,089		
	Trinitas CLO X, Series 2019-10A, Class F VAR ICE LIBOR USD 3 Month+7.785%, 8.06%, 4/15/2032 (d)	3,816,667
5,000,000		
	Vibrant CLO IX, Series 2018-9A, Class D VAR ICE LIBOR USD 3 Month+6.250%, 6.52%, 7/20/2031 (d)	775,600
1,000,000		
	Voya CLO, Ltd., Series 2018-4A, Class ER VAR ICE LIBOR USD 3 Month+9.050%, 9.32%, 7/14/2031 (d)	1,664,000
3,200,000		
	Webster Park CLO, Series 2018-1A, Class ER VAR ICE LIBOR USD 3 Month+7.750%, 8.02%, 7/20/2030 (d)	837,500
1,000,000		
	Zais CLO 3, Ltd., Series 2018-3A, Class DR VAR ICE LIBOR USD 3 Month+6.910%, 7.19%, 7/15/2031 (d)	1,002,688
3,061,644		
	Zais CLO 8, Ltd., Series 2018-1A, Class E VAR ICE LIBOR USD 3 Month+5.250%, 5.53%, 4/15/2029 (d)	1,553,368
3,413,997		
	<b>Total Collateralized Loan Obligations (Cost \$195,119,778)</b>	<b>159,035,168</b>

**LLC Interest — 9.6%**

	NexPoint Real Estate Finance Operating Partnership, L.P.(k)	7,852,404
534,905		
	NREF OP II, L.P.(k)	9,164,881
624,311		
	SFR WLIF I, LLC(e)(f)(k)	8,576,727
11,854,986		

Principal \$		Value (\$)
<b>Corporate Bonds &amp; Notes — 0.1%</b>		
<b>COMMUNICATION SERVICES — 0.0%</b>		
	iHeartCommunications, Inc. 1,550 6.38%, 05/01/26	1,617
1,550		
<b>ENERGY — 0.0%</b>		
	Ocean Rig UDW, Inc. 15,600,000 7.25%, 04/01/19 (d)(e)(f)(j)	—
15,600,000		
<b>INDUSTRIALS — 0.0%</b>		
	7,500,000 American Airlines (j)(l)	123,276
7,500,000		
<b>REAL ESTATE — 0.1%</b>		
	CBL & Associates 2,000,000 5.95%, 12/15/26	755,610
2,000,000		
<b>UTILITIES — 0.0%</b>		
	Bruce Mansfield Pass-Through Trust 15,222,107 6.85%, 06/01/34 (j)	—
15,222,107		
	Texas Competitive Electric Holdings Co., LLC 8,000,000 11.50%, 10/01/20 (j)(l)	12,000
8,000,000		
	<b>Total Corporate Bonds &amp; Notes (Cost \$15,027,642)</b>	<b>892,503</b>

**Units**

<b>Warrants — 0.0%</b>		
<b>ENERGY — 0.0%</b>		
	5,801 Arch Resources, Expires 10/08/2023(c)	46,408
5,801		
<b>INDUSTRIALS — 0.0%</b>		
	Omnimax International, Inc., Expires 453 12/31/2049(c)(e)(f)(k)	—
453		
	178,140 Remington Outdoor Co., Inc. (c)(e)(f)	—
178,140		
	<b>Total Warrants (Cost \$264,794)</b>	<b>46,408</b>

**Principal \$**

<b>Claims — 0.0%</b>		
<b>Communication Services — 0.0%</b>		
	Lehman Brothers Commercial Paper LCPI Claim Facility (e)(f)(j)(n)	\$ 52,138
3,791,858		
	<b>Total Claims (Cost \$1,814,883)</b>	<b>52,138</b>

**Contracts**

<b>Purchased Call Options (c) — 0.0%</b>		
	<b>Total Purchased Call Options (Cost \$1,300,000)</b>	<b>400</b>

52,666,032	SFR WLIF II, LLC(e)(f)(k)	38,332,445
25,478,982	SFR WLIF III, LLC(e)(f)(k)	<u>23,011,852</u>
	Total LLC Interest	
	(Cost \$113,107,833)	<u>86,938,309</u>

**Shares**

<b>Registered Investment Companies — 1.1%</b>		
48,649	Highland Global Allocation Fund (k)	301,624
	NexPoint Strategic Opportunities	
1,156,943	Fund (k)	<u>10,019,126</u>
	Total Registered Investment	
	Companies	
	(Cost \$19,726,415)	<u>10,320,750</u>

**CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)**

As of September 30, 2020

**Highland Income Fund**

Principal \$	Value (\$)
<b>Repurchase Agreement (o)(p) — 0.0%</b>	
Deutsche Bank Securities 0.050%, dated 09/30/2020 to be repurchased on 10/01/2020, repurchase price \$40,008 (collateralized by U.S. Government obligations, ranging in par value \$6,745 - \$8,737, 0.000% - 2.500%, 11/10/2020 – 02/15/2023; with total market value \$40,808)	40,008
40,008	40,008
Total Repurchase Agreement (Cost \$40,008)	40,008

Shares	
<b>Cash Equivalent — 22.4%</b>	
<b>MONEY MARKET FUND (q) — 22.4%</b>	
Dreyfus Treasury & Agency Cash Management, 202,449,213 Institutional Class 0.010%	202,449,213
Total Cash Equivalent (Cost \$202,449,213)	202,449,213
<b>Total Investments - 144.6%</b>	<b>1,309,181,439</b>
(Cost \$1,796,696,854)	
<b>Securities Sold Short— (0.8)%</b>	
<b>Common Stock — (0.8)%</b>	
<b>INFORMATION TECHNOLOGY — (0.8)%</b>	
(53,300) Texas Instruments, Inc.	(7,610,707)
Total Common Stocks (Proceeds \$6,381,954)	(7,610,707)
Total Securities Sold Short - (0.8)% (Proceeds \$6,381,954)	(7,610,707)
<b>Other Assets &amp; Liabilities, Net - (43.8)% (r)</b>	<b>(396,212,338)</b>
<b>Net Assets - 100.0%</b>	<b>905,358,394</b>

- (a) Perpetual security with no stated maturity date.
- (b) There is currently no rate available.
- (c) Non-income producing security.
- (d) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transaction exempt from registration to qualified institutional buyers. At September 30, 2020, these securities amounted to \$189,190,187 or 20.9% of net assets.
- (e) Securities with a total aggregate value of \$635,540,047, or 70.2% 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.

- (f) 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 \$635,540,047, or 70.2% of net assets, were fair valued under the Fund’s valuation procedures as of September 30, 2020. Please see Notes to Investment Portfolio.
- (g) Securities (or a portion of securities) on loan. As of September 30, 2020, the fair value of securities loaned was \$38,543. The loaned securities were secured with cash and securities collateral of \$40,000. Collateral is calculated based on prior day’s prices.
- (h) Step Bonds - Represents the current rate, the step rate, the step date and the final maturity date.
- (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. As of September 30, 2020, the LIBOR USD 1 Month and LIBOR USD 3 Month rates were 0.149% and 0.234%, respectively. 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 maybe substantially less than the stated maturity shown.
- (j) The issuer is, or is in danger of being, in default of its payment obligation.
- (k) Affiliated issuer. Assets with a total aggregate market value of \$352,164,495, or 38.9% of net assets, were affiliated with the Fund as of September 30, 2020.
- (l) Represents value held in escrow pending future events. No interest is being accrued.

(m) 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 procedures established by the Fund's Board of Trustees. Additional Information regarding such securities follows:

<b>Restricted Security</b>	<b>Security Type</b>	<b>Acquisition Date</b>	<b>Cost of Security</b>	<b>Fair Value at Period End</b>	<b>Percent of Net Assets</b>
Metro-Goldwyn-Mayer, Inc.	Common Stocks	12/20/2010	\$21,845,688	\$38,264,668	4.2%
TerreStar Corporation	Common Stocks	3/16/2018	\$ 3,093,276	\$ 9,096,131	1.0%

- (n) These positions represent claims that have been filed with the United States Bankruptcy Court Southern District of New York against Lehman Commercial Paper, Inc. UK Branch.
- (o) Tri-Party Repurchase Agreement.

**CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)**

**As of September 30, 2020**

**Highland Income Fund**

- (p) This security was purchased with cash collateral held from securities on loan. The total value of such securities as of September 30, 2020 was \$40,008.
- (q) Rate shown is 7 day effective yield.
- (r) As of September 30, 2020, \$21,683,978 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net".

**CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(concluded)****As of September 30, 2020****Highland Income Fund**

Purchased options contracts outstanding as of September 30, 2020 were as follows:

<u>Description</u>	<u>Exercise price</u>	<u>Counterparty</u>	<u>Expiration Date</u>	<u>Number of Contracts</u>	<u>Notional Value</u>	<u>Premium</u>	<u>Value</u>
<b>PURCHASED CALL OPTIONS:</b>							
USD Call/CNH Put	\$ 7.70	BNP	October 2020	200,000,000	\$1,358,000,000	\$1,300,000	\$400

Futures contracts outstanding as of September 30, 2020 were as follows:

<u>Description</u>	<u>Expiration Date</u>	<u>Number of Contracts</u>	<u>Notional Value</u>	<u>Unrealized Depreciation</u>	<u>Value</u>
<b>Short Futures:</b>					
Russell 2000 Index E-MINI	June 2020	(631)	\$ (47,311,878)	\$ (151,942)	\$ (47,463,820)
S&P 500 Index E-MINI	June 2020	(760)	(127,027,706)	(348,294)	(127,376,000)
				<u>\$ (500,236)</u>	<u>\$(174,839,820)</u>



**As of September 30, 2020****Highland Income Fund****Organization**

Highland Income Fund (the “Fund”) is organized as an unincorporated business trust under the laws of The Commonwealth of Massachusetts. The Fund is registered with the U.S. Securities and Exchange Commission (the “SEC”) under the Investment Company Act of 1940, as amended (the “1940 Act”), as a non-diversified, closed-end management investment company. On September 25, 2017, the Fund acquired the assets of Highland Floating Rate Opportunities Fund (the “Predecessor Fund”), a series of Highland Funds I, a Delaware statutory trust. The Fund is the successor to the accounting and performance information of the Predecessor Fund.

**Basis of Consolidation**

The Fund consolidates HFRO Sub, LLC (“HFRO Sub”), a Delaware wholly owned subsidiary, for financial reporting, and the holdings of HFRO Sub, LLC are included within the Consolidated Investment Portfolio for the Fund. HFRO Sub is a bankruptcy remote financing vehicle used to obtain leverage with the portfolio of bank loans serving as collateral. All inter-company accounts and transactions have been eliminated in the consolidation.

**Valuation of Investments**

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 of Trustees (the “Board”). Typically, such securities will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal market makers on the valuation day may be priced by an independent pricing service. Generally, the Fund’s loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that Highland Capital Management Fund Advisors, L.P. (“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 net asset value (“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 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;

## NOTES TO CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)

As of September 30, 2020

Highland Income Fund

- 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, 2020, the Fund's investments consisted of senior loans, foreign denominated or domiciled senior loans, collateralized loan obligations, corporate bonds and notes, U.S. asset-backed securities, non-U.S. asset-backed securities, claims, common stocks, registered investment companies, cash equivalents, rights and warrants. The fair value of the Fund's senior loans and bonds 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. Loans and bonds 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 less liquid than publicly traded securities.

**NOTES TO CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)**
**As of September 30, 2020**
**Highland Income 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 as of September 30, 2020 is as follows:

	Total value at September 30, 2020 \$	Level 1 Quoted Price \$	Level 2 Significant Observable Inputs \$	Level 3 Significant Unobservable Inputs \$
<b>Highland Floating Rate Opportunities Fund</b>				
<b>Assets</b>				
<b>Preferred Stock</b>				
Energy	10,548,890	—	10,548,890	—
Financials	59,739,883	—	41,116,383	18,623,500
Real Estate	253,077,085	—	9,854,523	243,222,562
<b>U.S. Senior Loans</b>				
Business Equipment & Services	9,594,505	—	9,594,505	—
Commercial Services	3,406,180	—	3,406,180	—
Communication Services	6,696,457	—	—	6,696,457
Consumer Discretionary	10,638,993	—	10,638,993	—
Consumer Products	2,121,554	—	2,121,554	—
Energy	9,969,384	—	9,969,384	—
Financials	9,981,552	—	9,981,552	—
Gaming/Leisure	13,475,743	—	—	13,475,743
Healthcare	62,905,639	—	15,382,277	47,523,362
Industrials	10,031,970	—	10,031,970	—
Information Technology	83,805,020	—	32,277,020	51,528,000
Real Estate	8,889,297	—	8,889,297	—
Retail	22,809,718	—	22,809,718	—
Service	17,699,227	—	17,699,227	—
Transportation	11,124,738	—	11,124,738	—
Utilities	4,940,400	—	4,940,400	—
<b>Common Stocks</b>				
Communication Services	48,268,479	907,680	38,264,668	9,096,131
Consumer Discretionary	1,537,180	—	1,537,180	—
Energy	21,766	—	21,765	1
Gaming/Leisure <sup>(1)</sup>	—	—	—	—
Healthcare	5,797	—	—	5,797
Housing <sup>(1)</sup>	—	—	—	—
Industrials <sup>(1)</sup>	—	—	—	—
Materials	1,495,160	—	1,495,160	—
Real Estate	186,621,925	11,226,593	—	175,395,332
Collateralized Loan Obligations	159,035,168	—	159,035,168	—
LLC Interest	86,938,309	—	17,017,285	69,921,024
Registered Investment Companies	10,320,750	10,320,750	—	—
<b>Corporate Bonds &amp; Notes</b>				
Communication Services	1,617	—	1,617	—
Energy <sup>(1)</sup>	—	—	—	—
Industrials	123,276	—	123,276	—
Real Estate	755,610	—	755,610	—
Utilities	12,000	—	12,000	—
<b>Warrants</b>				
Energy	46,408	46,408	—	—
Industrials <sup>(1)</sup>	—	—	—	—
Claims	52,138	—	—	52,138
Purchased Call Options	400	—	400	—
Repurchase Agreement	40,008	—	40,008	—
Cash Equivalent	202,449,213	202,449,213	—	—

**Total Assets**

1,309,181,439

224,950,644

448,690,748

635,540,047

**NOTES TO CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(continued)**

As of September 30, 2020

**Highland Income Fund**

	Total value at September 30, 2020 \$	Level 1 Quoted Price \$	Level 2 Significant Observable Inputs \$	Level 3 Significant Unobservable Inputs \$
<b>Liabilities</b>				
Securities Sold Short				
Common Stocks				
Information Technology	(7,610,707)	(7,610,707)	—	—
Futures <sup>(2)</sup>	(500,236)	(500,236)	—	—
<b>Total Liabilities</b>	<u>(8,110,943)</u>	<u>(8,110,943)</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u>1,301,070,496</u>	<u>216,839,701</u>	<u>448,690,748</u>	<u>635,540,047</u>

- (1) This category includes securities with a value of zero.  
(2) Futures are valued at the unrealized depreciation on the instrument.

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 period ended September 30, 2020.

Category	Fair Value at 9/30/2020 \$	Valuation Technique	Unobservable Inputs	Input Values
<b>Preferred Stock</b>	261,846,062	Discounted Cash Flow	Discount Rate	11% - 13%
		Third Party Indication of Value	Broker Quote	Various
<b>U.S. Senior Loans</b>	119,223,562	Multiple Analysis	Multipple of EBITDA less CAPEX	7.00x - 10.00x
		Transaction Analysis	Multipple of EBITDA less CAPEX	7.00x - 9.00x
		Black-Scholes Model	Volatility Assumption	25%
		Discounted Cash Flow	Discount Rate	9.00% - 15.00%
			Spread Adjustment	0.10%
		Transaction Indication of Value	Enterprise Value (\$mm)	\$13.25
<b>Common Stocks</b>	184,497,261	Multiple Analysis	Multipple of EBITDA less CAPEX	7.00x - 10.00x
			Unadjusted Price/Mhz-PoP	\$0.10 - \$0.95
		Discounted Cash Flow	Discount Rate	11.00% - 16.50%
			Capitalization Rate	6.75% - 7.75%
		Transaction Analysis	Multipple of EBITDA less CAPEX	7.00x - 9.00x
		Transaction Indication of Value	Enterprise Value (\$mm)	\$771.0
			Transaction Price per Share	\$16.61
		Black-Scholes Model	Volatility Assumption	25%
		Net Asset Value	N/A	N/A
<b>LLC Interest</b>	69,921,024	Discounted Cash Flow	Discount Rate	1.28% - 5.93%
		Net Asset Value	N/A	N/A
<b>Claims</b>	<u>52,138</u>	Pricing Feed	Indication of Value	1.375
	<u>635,540,047</u>			

Investments designated as Level 3 may include assets valued using quotes or indications furnished by brokers which are based on models or estimates 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 period ended September 30, 2020, there were no transfers in or out of Level 3.

As of September 30, 2020

Highland Income Fund

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:

	Balance as of December 31, 2019 \$	Transfers Into Level 3 \$	Transfers Out of Level 3 \$	Accrued Discounts (Premiums) \$	Realized Gain (Loss) \$	Change in Net Unrealized Appreciation (Depreciation) \$	Net Purchases \$	Net Sales \$	Distribution to Return Capital \$	Balance as of September 30, 2020 \$	Change in Unrealized Appreciation (Depreciation) from Investments held at September 30, 2020 \$
<b>Preferred Stock</b>											
Financials	—	—	—	—	—	(1,095,500)	19,719,000	—	—	18,623,500	(1,095,500)
Real Estate	233,025,297	—	—	—	351,780	15,838,844	1,825,244	(7,314,604)	(503,999)	243,222,562	15,838,844
<b>U.S. Senior Loans</b>											
Communication											
Services	6,107,407	—	—	(207)	—	(101,086)	690,343	—	—	6,696,457	(101,086)
Gaming/Leisure	10,753,914	—	—	—	32,687	3,257,160	—	(568,018)	—	13,475,743	3,257,160
Healthcare	47,733,657	—	—	—	—	(6,714,762)	6,504,467	—	—	47,523,362	(6,714,762)
Industrials	8,105,187	—	—	347,422	—	(8,452,609)	—	—	—	—	(8,452,609)
Information											
Technology	56,829,000	—	—	—	—	(5,301,000)	—	—	—	51,528,000	(5,301,000)
<b>Common Stocks</b>											
Communication											
Services	7,520,731	—	—	—	—	1,575,400	—	—	—	9,096,131	1,575,400
Energy	1	—	—	—	—	—	—	—	—	1	—
Healthcare	72,254	—	—	—	—	(66,457)	—	—	—	5,797	(66,457)
Materials	45,617	—	—	—	—	(45,617)	—	—	—	—	(45,617)
Real Estate	95,747,531	—	—	—	—	(34,463,261)	123,711,047	—	(9,599,985)	175,395,332	(34,463,261)
<b>Collateralized Loan Obligations</b>											
LLC Interest	88,777,470	—	—	—	—	(18,856,446)	—	—	—	69,921,024	(18,856,446)
<b>Corporate Bonds &amp; Notes</b>											
Energy	1,076,400	—	—	—	—	(1,076,400)	—	—	—	—	(1,076,400)
<b>Warrants</b>											
Industrials	1,412	—	—	—	—	(1,412)	—	—	—	—	(1,412)
Claims	52,138	—	—	—	—	—	—	—	—	52,138	—
<b>Total</b>	<b>555,848,016</b>	<b>—</b>	<b>—</b>	<b>347,215</b>	<b>384,467</b>	<b>(55,503,146)</b>	<b>152,450,101</b>	<b>(7,882,622)</b>	<b>(10,103,984)</b>	<b>635,540,047</b>	<b>(55,503,146)</b>

The significant unobservable inputs used in the fair value measurement of the Fund's preferred stock assets are the discount rate and broker quotes. Significant decreases (increases) 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 bank loan securities are: multiple of adjusted EBITDA, volatility assumption, transaction indication of value, discount rate and spread adjustment. Significant increases (decreases) in any of those 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 common equity securities are: multiple of adjusted EBITDA, price/MHz-PoP multiple, capitalization rate, discount rate, volatility assumption and transaction indication of value. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Fund's LLC interests is the discount rate. A significant increase (decrease) in this input 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 Advisor frequently uses a combination of two or more valuation methodologies to determine fair value for a single holding. In such instances, the Investment Advisor assesses the methodologies and ascribes weightings to each methodology. The weightings ascribed to any individual methodology ranged from as low as 5% to as high as 95% as of September 30, 2020. 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.

**As of September 30, 2020**

**Highland Income Fund**

**Security Transactions**

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

**Cash & 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. 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 market 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.

**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. The 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, the 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 Investments Portfolio for the Fund.

**Derivative Transactions**

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

**Reverse Repurchase Agreements**

The Fund may engage in reverse repurchase agreement transactions with respect to instruments that are consistent with the Fund's investment objective or policies.

**NOTES TO CONSOLIDATED INVESTMENT PORTFOLIO (unaudited)(concluded)**

**As of September 30, 2020**

**Highland Income Fund**

**Affiliated Issuers**

Under Section 2 (a)(3) of the Investment Company Act of 1940, 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 for the period ended September 30, 2020:

<b>Issuer</b>	<b>Shares at December 31, 2019</b>	<b>Beginning Value as of December 31, 2019</b>	<b>Purchases at Cost</b>	<b>Proceeds from Sales</b>	<b>Net Amortization (Accretion) of Premium/ (Discount)</b>	<b>Net Realized Gain/ (Loss) on Sales of Affiliated Issuers</b>	<b>Change in Unrealized Appreciation/ (Depreciation)</b>	<b>Ending Value as of September 30, 2020</b>	<b>Shares at September 30, 2020</b>	<b>Affiliated Income</b>
		\$	\$	\$	\$	\$	\$	\$		\$
<b>Majority Owned, Not Consolidated</b>										
Allenby (Common Stocks)	1,393,678	1	44,988	—	—	—	(44,988)	1	1,438,666	—
Claymore (Common Stocks)	9,370,190	9	761,084	—	—	—	(761,083)	10	10,131,274	—
<b>Other Affiliates</b>										
CCS Medical, Inc. (U.S. Senior Loans & Common Stocks)	58,920,016	47,805,911	4,803,858	—	—	—	(5,080,610)	47,529,159	63,723,874	4,835,942
EDS Legacy Partners (U.S. Senior Loans)	57,000,000	56,829,000	—	—	—	—	(5,301,000)	51,528,000	57,000,000	3,253,750
Highland Global Allocation Fund (Registered Investment Company)	—	—	197,609	—	—	—	104,015	301,624	48,649	28,606
LLV Holdco LLC (U.S. Senior Loans & Common Stocks)	13,442,392	10,753,914	333,130	—	(58,674)	—	1,723,067	12,751,437	13,810,470	147,258
NexPoint Real Estate Finance (Common Stocks)	—	—	218,170	—	—	—	40,638	258,808	17,630	—
NexPoint Residential Trust (Common Stocks)	—	—	5,371,315	(76,433)	—	—	1,292,024	6,586,906	148,521	15,296
NexPoint Strategic Opportunities Fund (Registered Investment Company)	989,143	17,517,723	1,740,631	(1,548,659)	—	—	(7,690,569)	10,019,126	1,156,943	—
NFRO REIT SUB, LLC (Common Stocks)	4,328,483	95,747,521	56,625,000	(9,599,985)	—	—	(6,521,421)	136,251,115	7,287,130	—



NexPoint Real Estate Finance Operating Partnership, L.P., NREF OP II (LLC Interest)	—	—	23,107,833	—	—	—	(6,090,548)	17,017,285	1,159,216	—
Omnimax International, Inc. (U.S. Senior Loans, Common Stocks & Warrants)	9,629,768	8,152,216	684,807	(4,118,050)	254,449	(6,010,799)	1,037,377	—	15,074	1,264,067
SFR WLIF I, II, III, LLC (LLC Interest)	90,000,000	88,777,470	—	—	—	—	(18,856,446)	69,921,024	90,000,000	4,933,747
Total	<u>245,073,670</u>	<u>325,583,765</u>	<u>93,888,425</u>	<u>(15,343,127)</u>	<u>195,775</u>	<u>(6,010,799)</u>	<u>(46,149,544)</u>	<u>352,164,495</u>	<u>245,937,447</u>	<u>14,478,666</u>