HIGHLAND CAPITAL
MANAGEMENT

10 Reasons to Invest

Highland Long/Short Healthcare Fund

TICKERS:

Class A **HHCAX**

Class C **HHCCX**

Class Z **HHCZX**

1 | **One of the largest segments of the U.S. economy…**
Healthcare represents 17.2% of the nation's gross domestic product.[1]

2 | **…And among the fastest growing**
The sector is forecasted to account for 34% of GDP by 2040.[2]

3 | **Unprecedented change *and* opportunity**
The industry is in the midst of the greatest structural change in 50 years.

4 | **Differentiated approach to capitalize on winners and losers**
A long/short strategy may be better positioned to capitalize on the industry's opportunities as well as challenges.

5 | **A five- to seven-year runway**
The Affordable Care Act (ACA) will be phased in over several years, continuously creating new opportunities and challenges for investors.

6 | **Highly experienced management team**
Michael Gregory's unique background includes extensive expertise. He is supported by nine sub-sector specialists.

7 | **Largest single sector at Highland**
Highland and its affiliates have more than $2.5 billion in healthcare assets under management.[3]

8 | **High alpha/low volatility strategy**
Through March 2014, the fund captured 45% of the market's upside and just 6% of the downside.[4]

9 | **True portfolio diversification**
The healthcare sector has a historically low correlation to other sectors of the S&P 500.[5]

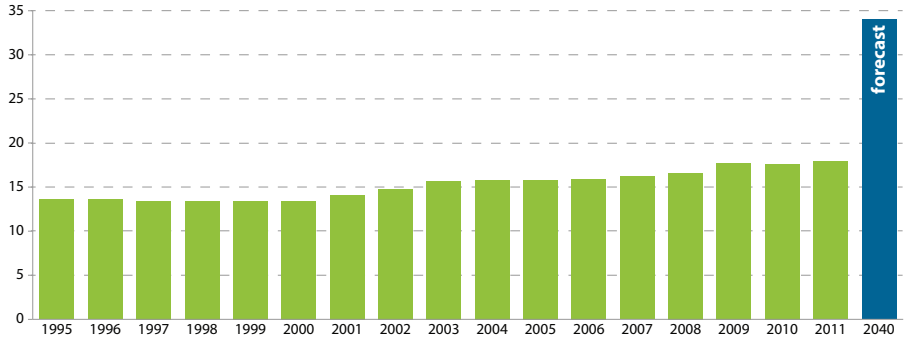
10 | **No. 1 Long/Short Equity Fund**
As of April 30, 2014, Morningstar ranked the Fund Class Z **number one** based on total return for the one-year period among 245 long/short equity funds.[6]

1 One of the largest segments of the U.S. economy

Considering both private industry and federal government spending, healthcare expenditures total in the trillions of dollars annually — and make the healthcare sector a major contributor to the U.S. economy. According to the Centers for Medicare and Medicaid Services, national health expenditures grew 3.7% to $2.8 trillion in 2012, or $8,915 per person, and accounted for 17.2% of Gross Domestic Product (GDP).

2 Among the fastest growing

Healthcare expenditures as a percent of GDP



1995-2011 data source: The World Bank. Forecast source: National Coalition on Health Care

3 Unprecedented change *and* opportunity

From the Affordable Care Act (ACA) to demographic trends, the healthcare sector is undergoing unprecedented change. We see three primary drivers behind the sector's growth:

- **Demographics.** In the past three decades, the population over age 90 has tripled, and is expected to quadruple over the next three decades.[7]
- **Price inflation.** Healthcare prices have risen by almost double the baseline GDP growth rate since 1970.[8]
- **Per-person utilization.** Increased access to insurance from the ACA, along with aging demographics, should continue to drive utilization rates higher.

4 Long/short approach may capitalize on winners and losers*

As the ACA is implemented, long-only strategies may be sub-optimal because they fail to balance the opportunities as well as the emergent risks. Short positions, on the other hand, can take advantage of outdated business models and the "losers" in the changing healthcare landscape.

**A long/short strategy is not expected to outperform in strong market rallies.*

5 A five- to seven-year strategy

The healthcare landscape will continue to evolve as the ACA is rolled out. In this environment, we believe active portfolio management may add greater value for investors.

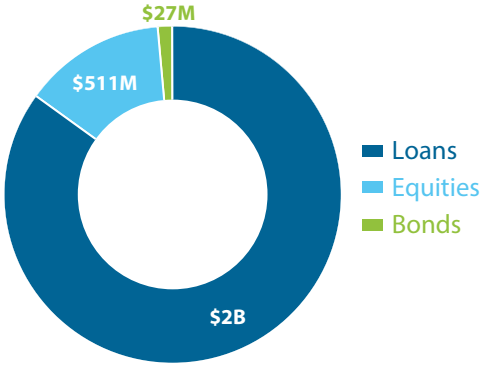
6 Highly experienced management team

Michael Gregory, Managing Director and Head of Healthcare Credit and Equity investments strategies, is the Senior Portfolio Manager of the Highland Long/Short Healthcare Fund. The fund was named:

- Barron's "Category King" in Healthcare (2010)[9]
- Institutional Investor "Best Up and Comer" (2011)

Michael is a graduate of the Yale School of Management, where he participated in a highly specialized joint program in healthcare within the Yale Schools of Medicine, Management and Public Health. He has 14 years of long/short healthcare experience and co-founded two hedge funds. The fund's management team includes nine sector specialists and analysts covering roughly 400 stocks in healthcare services, medical technology, pharmaceuticals/biotechnology and life science tools.

7 Largest sector and an area of strength at Highland



Highland has extensive experience in the healthcare sector, with more than $2.5 billion in healthcare assets under management among equities, bonds and loans.[10]

8 High alpha/ low volatility strategy*

A long/short strategy can deliver **alpha** (returns above the benchmark) and high absolute returns at a low **beta** (correlation to the S&P 500). The fund pursues high risk-adjusted returns over an equity market cycle, with the goal of minimizing volatility and drawdowns compared to traditional equity markets. The fund's average annual return through March 31, 2014, includes over 800 basis points of alpha with a beta of 0.28.[4]

**A long/short strategy is not expected to outperform in strong market rallies.*

9 True portfolio diversification

The healthcare sector has historically low correlation to other sectors and has recently been even less correlated.[5]

	Security	S&P 500 Sector	S&P 500 Healthcare Sector	S&P 500 Financials Sector	S&P 500 Consumer Discretionary Sector	S&P 500 Energy Sector	S&P 500 Information Technology Sector	S&P 500 Industrials Sector
6 Months	S&P 500 Index	1.00	0.65	0.86	0.96	0.92	0.96	0.97
1 Year	S&P 500 Index	1.00	0.83	0.88	0.90	0.90	0.89	0.92
5 Years	S&P 500 Index	1.00	0.75	0.89	0.91	0.86	0.91	0.94

10 No. 1 Long/ Short Equity Fund

As of April 30, 2014, Morningstar ranked the Fund Class Z **number one** based on total return for the one-year period among 245 Long/Short Equity Funds.[6]

PERFORMANCE ANALYSIS (%) AVG. ANNUAL TOTAL RETURNS

As of 3/31/2014		Without Sales Charge (NAV)					With Max Sales Charge (POP/CDSC)				
Share Class	Incept	YTD	1-YR	3-YR	5-YR	Since Incept	YTD	1-YR	3-YR	5-YR	Since Incept
Class A	5.5.08	17.48	45.97	12.71	12.85	10.88	11.02	37.95	10.60	11.58	9.82
Class C	5.5.08	17.33	45.08	12.05	12.23	10.25	--	--	--	--	--
Class Z	5.5.08	17.58	46.46	13.11	13.20	11.26	--	--	--	--	--
Morningstar Category Average		0.82	10.40	5.29	11.15	1.75	--	--	--	--	--
S&P 500		1.81	21.86	14.66	21.16	7.46					

Fees and Expenses: Total gross operating expenses as reported in the Fund's most recent Prospectus are as follows: Class A 3.56%, Class C 4.24%, Class Z 3.28%. The Advisor has contractually agreed to limit the total annual operating expenses of the Fund to 1.50% of average daily net assets of the Fund. The expense cap will continue through at least October 31, 2014. Total net operating expenses for each class after expense reimbursement and excluding dividends on short sales are Class A 1.89%, Class C 2.54%, Class Z 1.54%. Class A Max Sales Charge: 5.50%. Class C Contingent Deferred Sales Charge ("CDSC") is 1% within the first year from each purchase.

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.

Before investing in the Fund, you should carefully consider the Fund's investment objectives, risks, charges and expenses. For a copy of a prospectus or summary prospectus which contains this and other information, please visit our website at highlandfunds.com or call 1-877-665-1287. Please read the fund prospectus carefully before investing.

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.
Industry Concentration Risk. Because the Fund normally invests at least 80% of the value of its assets in healthcare companies, the Fund's performance largely depends on the overall condition of the healthcare industry and the Fund is susceptible to economic, political and regulatory risks or other occurrences associated with the healthcare industry.
Leverage Risk. Leverage may increase the risk of loss, cause fluctuations in the market value of the Fund's portfolio to have disproportionately large effects or cause the NAV of the Fund generally to decline faster than it would otherwise.
Micro, Small and Mid-Cap Securities Risk. Investments in securities of companies with micro, small or medium capitalizations involve certain risks that may differ from, or be greater than, those for larger companies, such as higher volatility, lower trading volume, fewer business lines and lack of public information.
Non-U.S. Securities Risk. Investments in securities of non-U.S. issuers involve certain risks not involved in domestic investments (for example, expropriation or political or economic instability).
Portfolio Turnover Risk. High portfolio turnover will increase the Fund's transaction costs and may result in increased realization of net short-term capital gains, higher taxable distributions and lower after-tax performance.
Short Sales Risk. The risk of short sales theoretically involves unlimited loss potential since the market price of securities sold short may continuously increase.
Hedging Risk. Although intended to limit or reduce investment risk, hedging strategies may also limit or reduce the potential for profit. There is no assurance that hedging strategies will be successful.

Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha.

Beta is a measure of the volatility or risk of the Fund compared to the market as a whole. A beta of less than 1 means that the Fund will be less volatile than the market while a beta of greater than 1 indicates that the Fund's price will be more volatile than the market.

Correlation is a statistical measure of how two securities move in relation to each other.

Upside/Downside Capture Ratio shows you whether a given fund has outperformed--gained more or lost less than--a broad market benchmark during periods of market strength and weakness. An upside capture ratio over 100 indicates a fund has generally outperformed the benchmark during periods of positive returns for the benchmark. Meanwhile, a downside capture ratio of less than 100 indicates that a fund has lost less than its benchmark in periods when the benchmark has been in the red. If a fund generates positive returns, however, while the benchmark declines, the fund's downside capture ratio will be negative (meaning it has moved in the opposite direction of the benchmark).

Morningstar Long/Short Category Average is an average monthly return of all funds in the Morningstar Long/Short Equity Category, including the Fund. The Long/Short category includes funds that employ portfolio strategies combining long holdings of equities with short sales of equity, equity options, or equity index options. The funds may be either net long or net short, depending on the portfolio manager's view of the market.

S&P 500 Total Return Index is an index of a basket of 500 stocks designed to provide a broad snapshot of the overall U.S. equity market. The total return index series reflects both ordinary and special dividends. Investors cannot invest directly into an index.

[1]Source: Centers for Medicare and Medicaid Services, 2012.

[2]Source: Council of Economic Advisors.

[3]Source: Highland Capital Management, AUM as of March 31, 2014. Includes affiliate institutional products.

[4]Source: Morningstar. Key Statistics are based on Class Z monthly from March 2010, the date the current portfolio manager took over the Fund, through March 31, 2014 versus the S&P 500 Index.

[5]Highland analysis based on data gathered from Bloomberg as of March 31, 2014.

[6]As of April 30, 2014, the Highland Long/Short Healthcare Fund Class A, A-LW, C and Z absolute rankings were 2, 2, 4 and 1, respectively, based on Total Return for the 1-year period among 246 funds in the Morningstar Long/Short Equity Category. The Class A, A-LW, C and Z absolute rankings for the 3-year period were 16, 16, 27 and 7, respectively among 145 funds. The Class A, A-LW, C and Z absolute rankings for the 5-year period were 20, 20, 26 and 15, respectively among 73 funds. The Morningstar Ranking compares a Fund's Morningstar risk and return scores with all the Funds in the same Category, where a ranking of 1 represents the top of the category while higher numbers represent a lower rank. Past performance does not guarantee future results.

[7]Source: *U.S. Census Bureau and supported by the National Institute on Aging.*

[8]Source: *Journal of Political Economy*, 2006, vol. 114, no. 5

[9]The Wall Street Journal ranked the Highland Long/Short Healthcare Fund a Category King in the Health & Biotech Category based on one-year total returns as of September 30, 2010 among 99 funds in the category.

[10]Source: Highland Capital Management, AUM as of March 31, 2014. Includes affiliate institutional products.

Sub-Advisor Overview:
Highland Capital Healthcare Advisors, located in Dallas, Texas, is an affiliate of the Advisor (Highland Capital Management Fund Advisors, L.P.) on the basis that it is under common control with the Advisor. The sub-advisor was formed in 2010 and is registered as an investment adviser under the Advisers Act. Michael Gregory is the primary portfolio manager at the advisor.

Only eligible investors may purchase Class Z Shares. Please refer to the prospectus for information and conditions.

Source: State Street Bank and Trust Company

Prepared by Highland Capital Funds Distributor, Member FINRA