

NEXPOINT

ADVISORS

NexPoint Healthcare Opportunities Fund

Semi-Annual Report
June 30, 2018

NexPoint Healthcare Opportunities Fund

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Economic and market conditions change frequently.
There is no assurance that the trends described in this report will continue or commence.

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FUND PROFILE (unaudited)

NexPoint Healthcare Opportunities Fund

Objective

NexPoint Healthcare Opportunities Fund's investment objective is to seek total return consisting of current income and longer-term capital appreciation.

Net Assets as of June 30, 2018

\$5.0 million

Portfolio Data as of June 30, 2018

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

Top 5 Sectors as of 06/30/2018 (%)⁽¹⁾

Biotechnology	29.7
Pharmaceuticals	19.8
Healthcare Equipment	13.6
Life Sciences Tools and Services	11.5
Managed Healthcare	8.4

Top 10 Holdings as of 06/30/2018 (%)⁽¹⁾

Portola Pharmaceuticals, Inc. (Common Stocks)	21.1
Ortho-Clinical Diagnostics, Inc./Ortho-Clinical Diagnostics SA 6.63%, 05/15/22 (Corporate Bonds & Notes)	9.8
Endo Dac / Endo Finance LLC / Endo Finco, Inc. 6.00%, 07/15/23 (Corporate Bonds & Notes)	8.2
Heron Therapeutics, Inc. (Common Stocks)	4.9
Molina Healthcare, Inc. (Common Stocks)	4.5
LHC Group, Inc. (Common Stocks)	4.3
Acadia Healthcare Co., Inc. (Common Stocks)	4.1
Aerie Pharmaceuticals, Inc. (Common Stocks)	4.0
Humana, Inc. (Common Stocks)	3.9
Charles River Laboratories International, Inc. (Common Stocks)	3.9

⁽¹⁾ Sectors and holdings are calculated as a percentage of total net assets.

A guide to understanding the Fund's financial statements

Investment Portfolio

The Investment Portfolio details all of the Fund's holdings and their value as of the last day of the reporting period. Portfolio holdings are organized by type of asset and industry to demonstrate areas of concentration and diversification.

Statement of Assets and Liabilities

This statement details the Fund's assets, liabilities, net assets and common share price as of the last day of the reporting period. Net assets are calculated by subtracting all the Fund's liabilities (including any unpaid expenses) from the total of the Fund's investment and non-investment assets. The net asset value per common share is calculated by dividing net assets by the number of common shares outstanding as of the last day of the reporting period.

Statement of Operations

This statement reports income earned by the Fund and the expenses accrued by the Fund during the reporting period. The Statement of Operations also shows any net gain or loss the Fund realized on the sales of its holdings during the period as well as any unrealized gains or losses recognized over the period. The total of these results represents the Fund's net increase or decrease in net assets from operations applicable to common shareholders.

Statements of Changes in Net Assets

These statements detail how the Fund's net assets were affected by its operating results, distributions to common shareholders and shareholder transactions from common shares (e.g., subscriptions, redemptions and distribution reinvestments) during the reporting period. The Statements of Changes in Net Assets also detail changes in the number of common shares outstanding.

Statement of Cash Flows

This statement reports net cash and foreign currency provided or used by operating, investing and financing activities and the net effect of those flows on cash and foreign currency during the period.

Financial Highlights

The Financial Highlights demonstrate how the Fund's net asset value per common share was affected by the Fund's operating results. The Financial Highlights also disclose the Fund's performance and certain key ratios (e.g., net expenses and net investment income as a percentage of average net assets).

Notes to Financial Statements

These notes disclose the organizational background of the Fund, its significant accounting policies (including those surrounding security valuation, income recognition and distributions to shareholders), federal tax information, fees and compensation paid to affiliates and significant risks and contingencies.

INVESTMENT PORTFOLIO (unaudited)

As of June 30, 2018

NexPoint Healthcare Opportunities Fund

Shares	Value (\$)
Common Stocks - 73.4%	
HEALTHCARE - 73.4%	
Biotechnology (a) - 29.7%	
6,300 Heron Therapeutics, Inc.	244,755
28,000 Portola Pharmaceuticals, Inc.	1,057,560
14,250 TG Therapeutics, Inc.	187,388
	1,489,703
Healthcare Equipment - 3.8%	
3,125 Abbott Laboratories.	190,594
Healthcare Facilities (a) - 4.1%	
5,000 Acadia Healthcare Co., Inc.	204,550
Healthcare Services (a) - 4.3%	
2,500 LHC Group, Inc.	213,975
Life Sciences Tools & Services - 11.5%	
665 Bio-Rad Laboratories, Inc., Class A (a) Charles River Laboratories	191,879
1,750 International, Inc. (a).....	196,455
915 Thermo Fisher Scientific, Inc.	189,533
	577,867
Managed Healthcare - 8.4%	
670 Humana, Inc.	199,412
2,300 Molina Healthcare, Inc. (a)	225,262
	424,674
Pharmaceuticals (a) - 11.6%	
3,000 Aerie Pharmaceuticals, Inc.	202,650
8,000 Collegium Pharmaceutical, Inc.	190,800
18,600 Paratek Pharmaceuticals, Inc.	189,720
	583,170
	3,684,533
Total Common Stocks (Cost \$3,801,196).....	3,684,533
Principal Amount (\$)	
Corporate Bonds & Notes - 18.0%	
Healthcare Equipment (b) - 9.8%	
500,000 Ortho-Clinical Diagnostics, Inc./Ortho-Clinical Diagnostics SA 6.63%, 05/15/2022	491,250
Pharmaceuticals (b) - 8.2%	
500,000 Endo Dac / Endo Finance LLC / Endo Finco, Inc. 6.00%, 07/15/2023	413,750
Total Corporate Bonds & Notes (Cost \$910,713)	905,000
Total Investments - 91.4%	4,589,533
(Cost \$4,711,909)	
Other Assets & Liabilities, Net - 8.6%	431,621
Net Assets - 100.0%	5,021,154

(a) Non-income producing security.
 (b) 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 June 30, 2018, these securities amounted to \$905,000 or 18.0% of net assets.

STATEMENT OF ASSETS AND LIABILITIES

As of June 30, 2018 (unaudited)

NexPoint Healthcare Opportunities Fund

	(\$)
Assets	
Investments, at value ^(a)	4,589,533
Total Investments, at value	4,589,533
Cash	421,054
Receivable for:	
Dividends and interest	18,557
Receivable from investment Adviser (Note 7)	14,778
Prepaid expenses and other assets	138
Total assets	<u>5,044,060</u>
Liabilities	
Payable for:	
Distribution and shareholder service fees (Note 7)	11
Transfer agent fees	4,349
Accrued expenses and other liabilities	18,546
Total liabilities	<u>22,906</u>
Commitments and Contingencies (Note 7)	
Net Assets	<u><u>5,021,154</u></u>
Net Assets Consist of:	
Paid-in capital	5,101,000
Accumulated net investment loss	(5,754)
Accumulated realized gain	48,284
Net unrealized appreciation (depreciation) on investments	(122,376)
Net Assets	<u><u>5,021,154</u></u>
^(a) Investments, at cost	4,711,909

STATEMENT OF ASSETS AND LIABILITIES (continued)

As of June 30, 2018 (unaudited)

NexPoint Healthcare Opportunities Fund

	<u>(\$)</u>
Class A:	
Net assets	49,202
Shares outstanding (unlimited shares authorized)	2,500
Net asset value per share ^(a)	19.68
Maximum offering price per share ^(b)	20.88
Class C:	
Net assets	49,167
Shares outstanding (unlimited shares authorized)	2,500
Net asset value and offering price per share	19.67
Class Z:	
Net assets	4,922,785
Shares outstanding (unlimited shares authorized)	250,050
Net asset value, offering and redemption price per share	19.69

^(a) Purchases of \$500,000 or more are subject to a 1.00% CDSC if redeemed within eighteen months of purchase.

^(b) The sales charge is 5.75%. On sales of \$500,000 or more, there is no sales charge and therefore the offering will be lower.

STATEMENT OF OPERATIONS

For the period from May 29, 2018 (commencement of operations)
to June 30, 2018 (unaudited)

NexPoint Healthcare Opportunities Fund

	(\$)
Investment Income	
Income:	
Dividends	491
Interest from unaffiliated issuers	2,570
Total Income.....	<u>3,061</u>
Expenses:	
Investment advisory (Note 7)	5,633
Distribution and shareholder service fees: (Note 7)	
Class A	12
Class C	47
Transfer agent fees	4,349
Trustees fees (Note 7)	109
Accounting services fees	870
Audit fees	15,000
Legal fees	815
Reports to shareholders	2,174
Other	217
Total operating expenses before waiver and reimbursement (Note 7)	29,226
Less: Expenses waived or borne by the investment adviser	<u>(20,411)</u>
Net operating expenses	<u>8,815</u>
Net investment loss	<u>(5,754)</u>
Net Realized and Unrealized Gain (Loss) on Investments	
Realized gain (loss) on:	
Investments from unaffiliated issuers	48,284
Change in unrealized appreciation (depreciation) on:	
Investments from unaffiliated issuers	<u>(122,376)</u>
Net realized and unrealized gain (loss) on investments	<u>(74,092)</u>
Total decrease in net assets resulting from operations	<u><u>(79,846)</u></u>

STATEMENTS OF CHANGES IN NET ASSETS

NexPoint Healthcare Opportunities Fund

For the Period
from May 29, 2018
(commencement
of operations) to
June 30, 2018
(unaudited)
(\$)

Increase (Decrease) in Net Assets

Operations:	
Net investment loss	(5,754)
Net realized gain on investments	48,284
Net increase (decrease) in unrealized appreciation (depreciation) on investments	(122,376)
Net decrease from operations	(79,846)
Decrease in net assets from operations and distributions	(79,846)
Share transactions:	
Proceeds from sale of shares	
Class A	50,000
Class C	50,000
Class Z	5,001,000
Value of distributions reinvested	
Cost of shares redeemed	
Net increase from shares transactions	5,101,000
Total increase in net assets	5,021,154
Net Assets	
Beginning of period	—
End of period	5,021,154
Accumulated net investment loss	(5,754)

STATEMENT OF CHANGES IN NET ASSETS (continued)

NexPoint Healthcare Opportunities Fund

For the Period
from May 29, 2018
(commencement of
operations) to
June 30, 2018
(unaudited)

CAPITAL STOCK ACTIVITY - SHARES

Class A:

Shares sold	2,500
Net increase in fund shares	<u>2,500</u>

Class C:

Shares sold	2,500
Net increase in fund shares	<u>2,500</u>

Class Z:

Shares sold	250,050
Net increase in fund shares	<u>250,050</u>

FINANCIAL HIGHLIGHTS

NexPoint Healthcare Opportunities Fund, Class A

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

	For the Period Ended June 30, 2018 ^(a) (unaudited)
Net Asset Value, Beginning of Period	\$ 20.00
Income from Investment Operations:^(b)	
Net investment gain (loss)	(0.03)
Net realized and unrealized gain (loss)	<u>(0.29)</u>
Total from investment operations	(0.32)
Net Asset Value, End of Period^(c)	\$ 19.68
Total Return ^{(c)(d)}	(1.60)% ^(e)
Ratios to Average Net Assets^(f)/Supplemental Data:	
Net assets, end of period (in 000's)	\$ 49
Gross operating expenses ^(g)	4.19%
Net investment income (loss)	(1.54)%
Portfolio turnover rate	54% ^(e)
Average commission rate paid ^(h)	0.0401

(a) The Fund commenced operations on May 29, 2018.

(b) Net investment income (loss) per share was calculated using average shares outstanding during the period.

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

(d) Total return is at net asset value assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(e) Not annualized.

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

(g) Supplemental expense ratios are shown below.

	For the Period Ended June 30, 2018 ^(a) (unaudited)
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.20%

(h) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged.

FINANCIAL HIGHLIGHTS

NexPoint Healthcare Opportunities Fund, Class C

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

	For the Period Ended June 30, 2018 ^(a) (unaudited)
Net Asset Value, Beginning of Period	\$ 20.00
Income from Investment Operations:^(b)	
Net investment gain (loss)	(0.04)
Net realized and unrealized gain (loss)	<u>(0.29)</u>
Total from investment operations	(0.33)
Net Asset Value, End of Period^(c)	\$ 19.67
Total Return ^{(c)(d)}	(1.65)% ^(e)
Ratios to Average Net Assets^(f)/Supplemental Data:	
Net assets, end of period (in 000's)	\$ 49
Gross operating expenses ^(g)	4.96%
Net investment income (loss)	(2.31)%
Portfolio turnover rate	54% ^(e)
Average commission rate paid ^(h)	0.0401

(a) The Fund commenced operations on May 29, 2018.

(b) Net investment income (loss) per share was calculated using average shares outstanding during the period.

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

(d) Total return is at net asset value assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(e) Not annualized.

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

(g) Supplemental expense ratios are shown below:

	For the Period Ended June 30, 2018 ^(a) (unaudited)
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.97%

(h) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged.

FINANCIAL HIGHLIGHTS

NexPoint Healthcare Opportunities Fund, Class Z

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

	For the Period Ended June 30, 2018 ^(a) (unaudited)
Net Asset Value, Beginning of Period	\$ 20.00
Income from Investment Operations:^(b)	
Net investment gain (loss)	(0.02)
Net realized and unrealized gain (loss)	<u>(0.29)</u>
Total from investment operations	(0.31)
Net Asset Value, End of Period^(c)	\$ 19.69
Total Return ^{(c)(d)}	(1.55)% ^(e)
Ratios to Average Net Assets^(f)/Supplemental Data:	
Net assets, end of period (in 000's)	\$ 4,923
Gross operating expenses ^(g)	3.93%
Net investment income (loss)	(1.28)%
Portfolio turnover rate	54% ^(e)
Average commission rate paid ^(h)	0.0401

(a) The Fund commenced operations on May 29, 2018.

(b) Net investment income (loss) per share was calculated using average shares outstanding during the period.

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

(d) Total return is at net asset value assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(e) Not annualized.

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

(g) Supplemental expense ratios are shown below.

	For the Period Ended June 30, 2018 ^(a) (unaudited)
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	1.94%

(h) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged.

Note 1. Organization

NexPoint Healthcare Opportunities Fund (the "Fund") is a Delaware statutory trust and 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 that operates as an interval fund. The Fund commenced operations on May 29, 2018. This report includes information for the period from the commencement of operations to June 30, 2018. The Fund pursues its investment objective by investing, under normal circumstances, at least 80% of its total assets (defined as net assets plus the amount of any borrowing for investment purposes) in the securities of U.S. and non-U.S. companies engaged in the healthcare industry ("Healthcare Companies"). Healthcare Companies are considered to include companies in one or more of the following sub-sectors: pharmaceuticals, biotechnology, managed care, life science and tools, healthcare technology, healthcare services, healthcare supplies, healthcare facilities, healthcare equipment, healthcare distributors, health and wellness, cosmetics and skin care and Real Estate Investment Trusts ("REITs") that derive their income from the ownership, leasing, or financing of properties in the healthcare sector.

Fund Shares

The Fund is authorized to issue an unlimited number of shares of beneficial interest with no par value (each a "Share" and collectively, the "Shares"). The Fund currently offers the following three share classes to investors, Class A, Class C and Class Z Shares. A fourth share class, the Class L Shares, has been registered but is not currently offered. Class A Shares are sold with a front-end sales charge. Maximum sales load imposed on purchases of Class A Shares (as a percentage of offering price) is 5.75%. There is no front-end sales charge imposed on individual purchases of Class A Shares of \$500,000 or more. The front-end sales charge is also waived in other instances as described in the Fund's prospectus. Purchases of \$500,000 or more of Class A Shares at net asset value ("NAV") pursuant to a sales charge waiver are subject to a 1.00% contingent deferred sales charge ("CDSC") if redeemed within eighteen months of purchase. Class C Shares may be subject to a CDSC. The maximum CDSC imposed on redemptions of Class C Shares is 1.00% within the first eighteen months of purchase and 0.00% thereafter. No front-end or CDSCs are assessed by the Trust with respect to Class Z Shares of the Fund.

Note 2. Significant Accounting Policies

The following summarizes the significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Use of Estimates

The Fund is an investment company that applies the accounting and reporting guidance of Accounting Standards Codification Topic 946 applicable to investment companies. The Fund's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which require the Investment Adviser to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

Fund Valuation

The net asset value ("NAV") of the Fund's common shares is calculated daily on each day that the NYSE is open for business as of the close of the regular trading session on the NYSE, usually 4:00 PM, Eastern Time. The NAV is calculated by dividing the value of the Fund's net assets attributable to common shares by the numbers of common shares outstanding.

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 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

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

June 30, 2018

NexPoint Healthcare Opportunities Fund

price received from a pricing service or broker-dealer is “stale” or otherwise does not represent fair value (such as when events materially affecting the value of securities occur between the time when market price is determined and calculation of the Fund’s NAV), will be valued by the Fund at fair value, as determined by the Board or its designee in good faith in accordance with procedures approved by the Board, taking into account factors reasonably determined to be relevant, including, but not limited to: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Fund’s NAV will reflect the affected portfolio securities’ fair value as determined in the judgment of the Board or its designee. 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;

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 June 30, 2018, the Fund’s investments consisted of corporate bonds and notes and common stocks. The fair value of the Fund’s bonds are generally based on quotes received from brokers or independent pricing services. Bonds 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. 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 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.

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

June 30, 2018

NexPoint Healthcare Opportunities Fund

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.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of the levels are recognized at the value at the end of the period. A summary of the inputs used to value the Fund's assets as of June 30, 2018 is as follows:

	Total value at June 30, 2018	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Assets				
U.S. Corporate Bonds & Notes ⁽¹⁾	\$ 905,000	\$ —	\$ 905,000	\$ —
Common Stocks ⁽¹⁾	3,684,533	3,684,533	—	—
Total	<u>\$ 4,589,533</u>	<u>\$ 3,684,533</u>	<u>\$ 905,000</u>	<u>\$ —</u>

(1) See Investment Portfolio detail for industry breakout.

For the period ended June 30, 2018, there were no transfers between Levels.

Security Transactions

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

Income Recognition

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

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

U.S. Federal Income Tax Status

The Fund is treated as a separate taxpayer for U.S. federal income tax purposes. The Fund intends to qualify each

year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended, and will distribute substantially all of its taxable income and gains, if any, for the tax year, and as such will not be subject to U.S. federal income taxes. In addition, the Fund intends to distribute, in each calendar year, all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax provisions are recorded.

The Investment Adviser has analyzed the Fund's tax positions taken on U.S. federal income tax returns for all open tax years (current year), and has concluded that no provision for U.S. federal income tax is required in the Fund's financial statements. The Fund's U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. Furthermore, the Investment Adviser of the Funds is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

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NexPoint Healthcare Opportunities Fund

Distributions to Shareholders

The Fund plans to pay distributions from net investment income monthly and net realized capital gains annually to common shareholders. To permit the Fund to maintain more stable monthly distributions and annual distributions, the Fund may from time to time distribute less than the entire amount of income and gains earned in the relevant month or year, respectively. The undistributed income and gains would be available to supplement future distributions. In certain years, this practice may result in the Fund distributing, during a particular taxable year, amounts in excess of the amount of income and gains earned therein. Such distributions would result in a portion of each distribution occurring in that year to be treated as a return of capital to shareholders. Shareholders of the Fund will automatically have all distributions reinvested in Common Shares of the Fund issued by the Fund in accordance with the Fund's Dividend Reinvestment Plan (the "Plan") unless an election is made to receive cash. The number of newly issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the NAV per Common Share determined on the Declaration Date and (ii) the market price per Common Share as of the close of regular trading on the NYSE on the Declaration Date. Participants in the Plan requesting a sale of securities through the plan agent of the Plan are subject to a sales fee and a brokerage commission.

Cash & Cash Equivalents

The Fund considers liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of three months or less to be cash equivalents. The Fund also considers money market instruments that invest in cash equivalents to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay Fund expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates market value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of the Statement of Assets and Liabilities.

Securities Sold Short

The Fund may sell securities short. A security sold short is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. A Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. In some circumstances, a Fund may be allowed by its prime broker

to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Cash held as collateral for securities sold short is classified as restricted cash on the Statement of Assets and Liabilities, as applicable.

Foreign Currency

Accounting records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates using the current 4:00 PM London Time Spot Rate. Fluctuations in the value of the foreign currencies and other assets and liabilities resulting from changes in exchange rates, between trade and settlement dates on securities transactions and between the accrual and payment dates on dividends, interest income and foreign withholding taxes, are recorded as unrealized foreign currency gains/(losses). Realized gains/(losses) and unrealized appreciation/(depreciation) on investment securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

Note 3. U.S. Federal Income Tax Information

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

Unrealized appreciation and depreciation at June 30, 2018, based on cost of investments for U.S. federal income tax purposes is:

Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation) ⁽¹⁾	Cost
\$109,726	\$(232,102)	\$(122,376)	\$4,711,909

⁽¹⁾ Any differences between book-basis and tax-basis net unrealized appreciation/(depreciation) are primarily due to wash sales, non-taxable dividends.

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NexPoint Healthcare Opportunities Fund

Qualified Late Year Ordinary and Post October Losses

Under current laws, certain capital losses realized after October 31 may be deferred (and certain ordinary losses after January 1st may be deferred) and treated as occurring on the first day of the following fiscal year.

Note 4. Asset Coverage

The Fund is required to maintain 300% asset coverage with respect to any amounts borrowed. Asset coverage is calculated by subtracting the Fund's total liabilities, not including any amount representing bank borrowings and senior securities, from the Fund's total assets and dividing the result by the principal amount of the borrowings outstanding. As of June 30, 2018, the Fund did not have any outstanding borrowings.

Note 5. Investment Advisory, Service and Distribution, Trustee and Other Fees

Investment Advisory Fee

The Investment Adviser to the Fund receives an annual fee, paid monthly, in an amount equal to 1.25% of the Fund's Daily Gross Assets. The Fund's "Daily Gross Assets" is an amount equal to the total assets of the Fund, including assets resulting from leverage, less any liabilities not representing leverage.

Service and Distribution Fees

The Distributor serves as the principal underwriter and distributor of the Fund's shares. The Distributor receives the front-end sales charge imposed on the sale of Class A Shares and the contingent deferred sales charge ("CDSC") imposed on certain redemptions of Class A and Class C Shares. The Fund has adopted a "Shareholder Servicing Plan and Agreement" (the "Plan") under which the Fund may compensate financial industry professionals for providing ongoing services in respect of clients with whom they have distributed shares of the Fund. The Plan operates in a manner consistent with Rule 12b-1 under the 1940 Act, which regulates the manner in which an open-end investment company may directly or indirectly bear the expenses of distributing its shares. Although the Fund is not an open-end investment company, it has undertaken to comply with the terms of Rule 12b-1 as a condition of an exemptive order under the 1940 Act which permits it to have a multi-class structure, CDSCs and distribution and shareholder servicing fees. Under the Plan, the Fund may incur expenses on an annual basis equal to 0.25% of the average net assets of the Class A and Class C Shares.

Class C shares will pay to the Distributor a distribution fee that will accrue at an annual rate equal to 0.75% of the

Fund's average daily net assets attributable to Class C shares and will be payable on a quarterly basis.

Expense Limitation Agreement

The Investment Adviser and the Fund have entered into an expense limitation and reimbursement agreement (the "Expense Limitation Agreement") under which the Investment Adviser has agreed contractually to waive its fees and to pay or absorb the ordinary operating expenses of the Fund (including organizational and offering expenses, but excluding distribution fees, interest, dividend expenses on short sales, brokerage commissions and other transaction costs, acquired fund fees and expenses, taxes, expenses payable by the Fund for third party administration services, litigation expenses and extraordinary expenses), to the extent that they exceed 1.75% per annum of the Fund's average Daily Gross Assets (the "Expense Limitation"). "Daily Gross Assets" is defined in the Expense Limitation Agreement as an amount equal to total assets, less any liabilities, but excluding liabilities evidencing leverage. If the Fund incurs expenses excluded from the Expense Limitation Agreement, the Fund's expense ratio would be higher and could exceed the Expense Limitation. In consideration of the Investment Adviser's agreement to limit the Fund's expenses, the Fund has agreed to repay the Investment Adviser in the amount of any fees waived and Fund expenses paid or absorbed, subject to the limitations that: (1) the reimbursement for fees and expenses will be made only if payable not more than three years from the date of the reimbursement; and (2) the reimbursement may not be made if it would cause the Expense Limitation as of the time of waiver to be exceeded. The Expense Limitation Agreement will remain in effect until at least May 1, 2019 unless and until the Board approves its modification or termination. The Expense Limitation Agreement may be terminated only by the Board. After the expiration of the Expense Limitation Agreement, the agreement may be renewed at the discretion of the Investment Adviser and the Board.

On June 30, 2018, the amount subject to possible future recoupment under the Fund's expense limitation was \$20,411, and expires during the fiscal year ended December 31, 2021.

For the period ended June 30, 2018, the Investment Adviser did not recoup any amounts previously waived or reimbursed.

Fees Paid to Officers and Trustees

Each Trustee who is not an "interested person" of the Fund as defined in the 1940 Act (the "Independent Trustees") receives an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in

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NexPoint Healthcare Opportunities Fund

the Highland Fund Complex overseen by such Trustee based on relative net assets. The "Highland Fund Complex" consists of all of the registered investment companies advised by the Investment Adviser or its affiliated advisers and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act as of the date of this report.

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

Indemnification

Under the Fund's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

Note 6. Repurchase of Shares

Once each quarter, the Fund will offer to repurchase at NAV no less than 5% of the outstanding shares of the Fund (the "Repurchase Offer Amount"), unless such offer is suspended or postponed in accordance with regulatory requirements. The offer to purchase shares is a fundamental policy that may not be changed without the vote of the holders of a majority of the Fund's outstanding voting securities (as defined in the 1940 Act). Shareholders will be notified in writing of each quarterly repurchase offer and the date the repurchase offer ends (the "Repurchase Request Deadline"). Shares will be repurchased at the NAV per share determined as of the close of regular trading on the NYSE no later than the 14th day after the Repurchase Request Deadline, or the next business day if the 14th day is not a business day.

If shareholders tender for repurchase more than the Repurchase Offer Amount for a given repurchase offer, the Fund will repurchase the shares on a pro rata basis. However, the Fund may accept all shares tendered for repurchase by shareholders who own less than one hundred shares and who tender all of their shares, before prorating other amounts tendered. In addition, the Fund will accept the total number of shares tendered in connection with required minimum distributions from an IRA or other qualified retirement plan.

The fund did not offer to repurchase any shares during the period ended June 30, 2018.

Note 7. Disclosure of Significant Risks and Contingencies

The primary risks of investing in the Fund are described below in alphabetical order:

Concentration Risk

Under normal market conditions, the Fund expects to invest at least 80% of its total assets in securities of Healthcare Companies. As a result, the Fund's portfolio will be more sensitive to, and possibly more adversely affected by, regulatory, economic or political factors or trends relating to the healthcare industries than a portfolio of companies representing a larger number of industries. As a result of its concentration policy, the Fund's investments may be subject to greater risk and market fluctuation than a fund that has securities representing a broader range of investments. The Fund may occasionally make investments in any company with the objective of controlling or influencing the management and policies of that company, which could potentially make the Fund more susceptible to declines in the value of the company's stock. The Adviser may seek control in public companies only occasionally and most often in companies with a small capitalization.

Debt Securities Risk

When the Fund invests in debt securities, the value of the investment in the Fund will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of debt securities. In general, the market price of debt securities with longer maturities will increase or decrease more in response to changes in interest rates than shorter-term securities. Other risk factors include credit risk (the debtor may default) and prepayment risk (the debtor may pay its obligation early, reducing the amount of interest payments). These risks could affect the value of a particular investment, possibly causing the Fund's share price and total return to be reduced or fluctuate more than other types of investments. This kind of market risk is generally greater for funds investing in debt securities with longer maturities.

Leverage Risk

The Fund may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Fund purchases securities with borrowed funds,

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

June 30, 2018

NexPoint Healthcare Opportunities Fund

its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Fund's use of leverage would result in a lower rate of return than if the Fund were not leveraged.

Liquidity Risk

There is currently no secondary market for the shares and the Fund expects that no secondary market will develop. Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no less than 5% of the shares outstanding at NAV. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly repurchase offer.

Note 8. Investment Transactions

Purchases & Sales of Securities

The cost of purchases and the proceeds from sales of investments, other than short-term securities, for the six months ended June 30, 2018, were as follows:

	Other Securities	
Purchases		Sales
\$5,908,308		\$1,245,146

Note 9. 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 Fund did not have any affiliated issuers as of June 30, 2018.

Note 10. Significant Shareholders

The number of shareholders each owning 5% or more of the Fund is listed below. The total percentage of the Fund held by such external shareholders as well as percentage of the Fund held by certain directly and indirectly wholly-owned subsidiaries of the Investment Adviser and their affiliates ("Highland Affiliates") at June 30, 2018 were:

Number	% of Fund Held
2	100%

Note 11. New Accounting Pronouncements

In November, 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require the statement of cash flows explain the change during the period in the total of cash, cash equivalents. Amounts

generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. For public entities this update will be effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. For all other entities, this update is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Investment Adviser is currently evaluating the impact of this new guidance on the Funds' financial statements.

In December 2016, the FASB issued Accounting Standards Update 2016-19, Technical Corrections and Improvements. The amendments in this update include an amendment to FASB ASC Topic 820, Fair Value Measurement and Disclosures to clarify the difference between a valuation approach and a valuation technique. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. For public entities, this update will be effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. For all other entities, this update is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Investment Adviser is currently evaluating the impact of this new guidance on the Funds' financial statements.

In March 2017, the FASB issued Accounting Standards Update 2017-08 — Receivables — Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in this update shorten the amortization period for certain callable debt securities held at premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public entities this update will be effective for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years. The Investment Adviser is currently evaluating the impact of this new guidance on the Funds' financial statements.

In February 2018, the FASB issued Accounting Standards Update 2018-03, Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update provide a variety of technical corrections and improvements to how entities should account for financial instruments. For public entities this update will be effective for fiscal

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NexPoint Healthcare Opportunities Fund

years beginning after December 15, 2017, and for interim periods within those fiscal years beginning after June 15, 2018. The Investment Adviser is currently evaluating the impact of this new guidance on the Fund's financial statements.

Note 12. Subsequent Events

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued, and has determined that there were no subsequent events to report which have not already been recorded or disclosed in these financial statements and accompanying notes other than as described below.

On August 27, 2018, the Board approved the liquidation of 250,050 Class Z shares worth approximately \$4,806,626 with an effective date of August 24, 2018.

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Additional Portfolio Information

The Investment Adviser and its affiliates manage other accounts, including registered and private funds and individual accounts. Although investment decisions for the Fund are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Fund, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser for other client accounts. When the Fund and one or more of such other accounts is prepared to invest in, or desires to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Fund and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Fund and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Fund, in some cases these activities may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund.

Approval of NexPoint Healthcare Opportunities Fund Investment Advisory Agreement

The Fund has retained the Investment Adviser to manage the assets of the Fund pursuant to an investment advisory agreement between the Investment Adviser and the Fund (the "Advisory Agreement"). The Advisory Agreement was approved by the Fund's Board of Trustees, including a majority of the Independent Trustees.

Following an initial two-year term, the Advisory Agreement continues in effect from year-to-year, provided that such continuance is specifically approved at least annually by the vote of holders of at least a majority of the outstanding shares of the Fund or by the Board of Trustees and, in either event, by a majority of the Independent Trustees of the Fund casting votes in person at a meeting called for such purpose.

NexPoint Healthcare Opportunities Fund

At an in-person meeting held on August 17, 2017 the Board of Trustees gave preliminary consideration to information bearing on the continuation of the Advisory Agreement for a one-year period commencing November 1, 2017. The primary purpose of the meeting was to ensure that the Trustees had the opportunity to consider matters they deemed relevant in evaluating the continuation of the Advisory Agreement, and to request any additional information they considered reasonably necessary for their deliberations.

At an in-person meeting held on September 14-15, 2017, the Board of Trustees, including the Independent Trustees, approved the continuance of the Advisory Agreement for a one-year period commencing on November 1, 2017. As part of its review process, the Board of Trustees requested, through its Fund and independent Board of Trustees counsel, and received from the Investment Adviser, various information and written materials, as well as confirmation that relevant information provided at previous meetings had not changed as the Fund was not yet operational, in connection with the meetings of the Board of Trustees held on August 17, 2017 and September 14-15, 2017, including: (1) information regarding the financial soundness of the Investment Adviser and the projected profitability of the Advisory Agreement to the Investment Adviser, as previously provided to the Board of Trustees on March 22, 2016; (2) information on the advisory and compliance personnel of the Investment Adviser, including compensation arrangements; (3) information on the internal compliance procedures of the Investment Adviser; (4) comparative information previously provided on March 22, 2016 to the Board of Trustees showing how the Fund's proposed fees and operating expenses compare to those of comparable funds managed by unaffiliated advisers that follow investment strategies similar to those of the Fund; (5) information previously provided on March 22, 2016 to the Board of Trustees regarding the investment performance of comparable funds managed by unaffiliated advisers that follow investment strategies similar to the Fund; and (6) information on any legal proceedings or regulatory audits or investigations affecting the Investment Adviser. After the August 17, 2017 meeting, the Trustees requested that the Investment Adviser provide additional information regarding various matters. The Trustees also relied on information provided at periodic meetings of the Board of Trustees over the course of the year. The Trustees reviewed various factors discussed in counsel's legal memoranda regarding their responsibility in considering the Advisory Agreement, the detailed information provided by the Investment Adviser and other relevant information and factors. The Trustees' conclusion as to the approval of the Advisory Agreement was based on a comprehensive consideration of all information provided

ADDITIONAL INFORMATION (unaudited) (continued)

June 30, 2018

to the Trustees without any single factor being dispositive in and of itself. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors.

The nature, extent, and quality of the services to be provided by the Investment Adviser.

The Board of Trustees considered the portfolio management services to be provided by the Investment Adviser under the Advisory Agreement and the activities related to portfolio management, including use of technology, research capabilities, and investment management staff. The Trustees discussed the relevant experience and qualifications of the personnel providing advisory services, including the background and experience of the members of the Fund's portfolio management team. The Trustees reviewed the management structure, assets under management and investment philosophies and processes of the Investment Adviser. The Trustees also reviewed and discussed information regarding the Investment Adviser's compliance policies, procedures and personnel, including portfolio manager compensation arrangements. The Trustees concluded that the Investment Adviser had the quality and depth of personnel and investment methods essential to performing its duties under the Advisory Agreement, and that the nature and the quality of such advisory services were satisfactory.

The Investment Adviser's historical performance in managing the Fund.

As the Fund did not yet have a performance record, the Board considered the historical performance of the Investment Adviser in managing other funds subject to the Board's oversight and reflected on previous discussions regarding matters bearing on the Investment Adviser's performance at their meetings throughout the year. The Board also considered the historical performance, which had been previously provided to the Board on March 22, 2016, of a peer group of funds utilizing strategies similar to the Fund's strategy.

The costs of the services to be provided by the Investment Adviser and the profits to be realized by the Investment Adviser and its affiliates from their relationship with the Fund.

The Board gave consideration to the advisory fee to be paid by the Fund under the Advisory Agreement and considered the financial condition of the Investment Adviser. The Independent Trustees also examined the advisory fees to be paid by the Fund in light of fees paid to other investment

NexPoint Healthcare Opportunities Fund

managers by comparable funds as previously provided to the Board on March 22, 2016. The Board considered the Fund's proposed total expenses as compared to a peer group of funds that had been previously provided to the Board on March 22, 2016. The Board took note that the Fund, as a closed-end interval fund, differs from certain types of funds selected as part of the composite group, such as exchanged-traded closed-end funds, with respect to the level of attention and resources required in day-to-day management and oversight because, among other differences, an interval fund is continuously offered and conducts periodic repurchase offers, which requires management of asset inflows and outflows that generally do not apply to exchange-traded closed-end funds.

The Board considered the projected profitability to the Investment Adviser resulting from its relationship with the Fund, which had been previously provided to the Board on March 22, 2016. The Board also considered that the Investment Adviser would enter into an expense limitation agreement with the Fund, pursuant to which the Investment Adviser would agree to waive a portion of its advisory fee and/or reimburse certain expenses as a means of limiting the Fund's annual ordinary operating expenses, as defined in the expense limitation agreement. The Board also took into consideration the estimated amounts to be waived and/or reimbursed, and the fact that the expense limitation agreement requires the Investment Adviser to reimburse the Fund directly for any excess ordinary operating expenses if the advisory fees foregone are insufficient to reimburse the excess ordinary operating expenses. The Board also noted that these excess ordinary operating expenses to be waived and/or reimbursed included expenses incurred by the Fund in order to permit the Fund to be declared effective by the Securities and Exchange Commission and to commence operations.

After such review, the Trustees determined that the anticipated profitability to the Investment Adviser pursuant to and resulting from the Advisory Agreement was reasonable.

The indirect or "fall-out" benefits to be received by the Investment Adviser with respect to its relationship with the Fund.

The Board also considered the so-called "fall-out benefits" to the Investment Adviser with respect to the Fund, such as the reputational value of serving as the investment adviser to the Fund, potential fees paid to the Investment Adviser's affiliates by the Fund or portfolio companies for services provided and the benefits of research made available to the Investment Adviser by reason of brokerage commissions, if any, generated by the Fund's securities transactions.

June 30, 2018

NexPoint Healthcare Opportunities Fund

The extent to which economies of scale would be realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of shareholders.

The Board considered the potential effect that economies of scale might have in the future on the Fund's expense ratio and the total advisory fee that would be paid under the Advisory Agreement. The Board considered the Investment Adviser's representation that breakpoints resulting from economies of scale were not applicable at this time, particularly in light of the Investment Adviser's intent to waive and/or reimburse fees pursuant to the expense limitation agreement. The Board and the Investment Adviser determined to continue to review ways, and the extent to which, economies of scale might be shared between the Investment Adviser on the one hand and shareholders of the Fund on the other.

Conclusion.

Throughout the process, the Board of Trustees was advised by Fund and independent Board of Trustees counsel, and was empowered to engage such other third parties or request additional information as it deemed appropriate. Following a further discussion of the factors above and the merits of the Advisory Agreement and its various provisions, it was noted that in considering the approval of the Advisory Agreement, no single factor was determinative to the decision of the Board of Trustees. Rather, after weighing all of the factors and reasons discussed above, the Trustees, including the Independent Trustees, unanimously agreed that the Advisory Agreement, including the advisory fees to be paid to the Investment Adviser, is fair and reasonable to the Fund in light of the services that the Investment Adviser provides, the expenses that it incurs and the reasonably foreseeable asset levels of the Fund.

IMPORTANT INFORMATION ABOUT THIS REPORT

Investment Adviser

NexPoint Advisors, L.P.
200 Crescent Court, Suite 700
Dallas, TX 75201

Transfer Agent

DST Systems, Inc.
210 W 10th, 8th Floor
Kansas City, MO 64105

Custodian

State Street Bank and Trust Company
One Lincoln Street
Boston, Massachusetts 02111

Independent Registered Public Accounting Firm

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Fund Counsel

Stradley Ronon Stevens & Young, LLP
1250 Connecticut Avenue, N.W.,
Suite 500
Washington, DC 20036-2652

This report has been prepared for shareholders of NexPoint Healthcare Opportunities Fund (the "Fund"). The Fund mails one shareholder report to each shareholder address. If you would like more than one report, please call shareholder services at 1-844-485-9167 to request that additional reports be sent to you.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities, and the Fund's proxy voting records for the most recent 12-month period ended June 30, are available (i) without charge, upon request, by calling 1-844-485-9167 and (ii) on the SEC's website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and also may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the Public Reference Room may be obtained by calling 1-800-SEC-0330. Shareholders may also obtain the Form N-Q by visiting the Fund's website at www.NexPointAdvisors.com.

As required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive officer and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Fund's disclosure controls and procedures and internal controls over financial reporting, as applicable.

The Statement of Additional Information includes additional information about the Fund's Trustees and is available upon request without charge by calling 1-844-485-9167.

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NEXPOINT

ADVISORS

NexPoint Healthcare Opportunities Fund
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P.O. Box 219630
Kansas City, MO 64121-9630

NexPoint Healthcare Opportunities Fund

Semi-Annual Report, June 30, 2018

www.nexpointadvisors.com

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