

Tax Information Regarding the Spin-Off of NXRT

April 20, 2015

The spin-off of NexPoint Residential Trust (NYSE: NXRT) stock by NexPoint Credit Strategies Fund (NYSE: NHF) to NHF shareholders at the close of business on March 31, 2015 was a taxable event for U.S. federal income tax purposes. In the spin-off, NHF shareholders received one share of NXRT common stock plus cash in lieu of fractional amounts of NXRT stock for every three shares of NHF common stock held as of March 31, 2015 (the "Distribution"). The value of the Distribution is expected to be treated as a taxable dividend to NHF shareholders to the extent of NHF's earnings and profits as defined in the Internal Revenue Code.

Based on a value of \$14.00 per share of the NXRT common stock at the close of business on March 31, 2015, the results of NHF's operations to date as well as other factors, NHF estimates the taxability of the Distribution to NHF shareholders to be:

Estimated Components of NXRT Spin-Off		Estimate per NHF Share
Non-taxable Return of Capital*	69%	\$3.22
Taxable Dividend Distribution	31%	\$1.45

*To the extent a shareholder's basis is reduced to zero through the return of capital, any excess return of capital may result in additional taxable income. Please consult your tax advisor to determine the basis in your NHF shares post-spin.

The following illustrates how the above estimates may be used to determine an estimate of the tax impact from the spin-off transaction:

Assume you own 3,000 shares of NHF common stock prior to the spin-off and were a record holder on record date for the distribution (March 23, 2015), entitling you to 1,000 shares of NXRT common stock. In this example, the distribution equaled \$4.67 per NHF share, or \$14,010 of total value. The taxable portion of the distribution, as stated above, is estimated to be 31% of the value of the distribution, or \$4,343 or \$1.45 per NHF share. It is expected this will be taxed as ordinary income. The remaining \$3.22 per share of the distribution we estimate will be treated as a non-taxable return of capital to the extent the shareholder has \$3.22 of basis remaining in NHF shares. The basis in NXRT shares on March 31, 2015 is the \$14.00 per share as represented by NXRT's closing price on March 31, 2015.

NHF shareholders should note that these figures are estimates for NHF's 2015 calendar fiscal year and are subject to change. Any such change to these figures may be material as they will depend upon NHF's fiscal 2015 operations and its resulting earnings and profits that would be reported after the close of its 2015 fiscal year.

This notice represents our understanding of existing U.S. federal tax law and regulations and does not constitute tax advice. Moreover, this information does not purport to be complete or to describe tax consequences that may apply to a particular NHF shareholder. NHF shareholders should consult their tax advisors with respect to U.S. federal, state and local and foreign tax consequences of the Distribution,

including the potential imposition of withholding taxes on the Distribution and the impact of any changes in tax law that affect the information set forth above. We are unable to provide tax or legal advice.

Certain Other Information about the Distribution

NHF will report the actual tax characteristics of its distributions, including the Distribution, to NHF shareholders in early 2016 on Form 1099-DIV. NHF's payment of future distributions on shares of its common stock will be made at the discretion of its board of directors and will depend on applicable legal restrictions. Therefore, NHF cannot offer any assurances as to the amount or timing of future distributions.

NHF may fund its cash distributions to shareholders from any sources of funds legally available, including the reimbursement of certain expenses by NHF's investment adviser, offering proceeds, borrowings, net investment income from operations, capital gains proceeds from the sale of assets or non-capital gains proceeds from the sale of assets. If distributions exceed NHF's net investment income or earnings, a portion of the distributions NHF makes may represent a return of capital for tax purposes. There can be no assurance that NHF will be able to sustain the current level of distributions in the future or pay distributions at all.

Finally, the figures in this document were prepared with estimated data and are being provided for information purposes only. **Actual results will vary and may be materially different from the data presented in this document.**