
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS
OF REGISTERED MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number: 811-21869

NEXPOINT STRATEGIC OPPORTUNITIES FUND

(Exact name of registrant as specified in charter)

**200 Crescent Court
Suite 700
Dallas, Texas 75201**
(Address of principal executive offices)(Zip code)

**NexPoint Advisors, L.P.
200 Crescent Court
Suite 700
Dallas, Texas 75201**
(Name and Address of Agent for Service)

Registrant's telephone number, including area code: (866) 351-4440

Date of fiscal year end: December 31
Date of reporting period: September 30, 2018

Item 1: Schedule of Investments

The Schedule of Investments are attached herewith.

INVESTMENT PORTFOLIO (unaudited)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

| <u>Principal Amount (\$)</u> | | <u>Value (\$)</u> |
|--|---|-------------------|
| U.S. Senior Loans (a) - 4.7% | | |
| CHEMICALS (b)(c) - 0.3% | | |
| | Vertellus Holdings LLC | |
| 826,662 | Second Lien Term Loan, 1-week LIBOR + 12.000% 10/31/2021 | 795,745 |
| | Vertellus Specialties, Inc. | |
| 1,366,050 | DIP Term Loan, 1-week LIBOR + 9.000% 10/31/2018 | 1,367,279 |
| | | <u>2,163,024</u> |
| ENERGY - 0.2% | | |
| | Fieldwood Energy LLC | |
| 499,831 | Exit 1st Lien Term Loan, 1-month LIBOR + 5.250% 04/11/2022 | 503,955 |
| 861,558 | Exit 2nd Lien Term Loan, 1-month LIBOR + 7.250% 04/11/2023 | 838,942 |
| | | <u>1,342,897</u> |
| GAMING & LEISURE (b)(c)(l) - 1.0% | | |
| | Ginn-LA CS Borrower LLC | |
| 8,322,966 | First Lien Tranche B Term Loan | — |
| 3,883,480 | First Lien Tranche A Credit-Linked Deposit | — |
| | LLV Holdco LLC | |
| 9,677,441 | Exit Revolver (d) | 7,741,953 |
| | | <u>7,741,953</u> |
| METALS & MINERALS (b)(c) - 0.8% | | |
| | Omnimax International, Inc. | |
| 6,176,469 | Unsecured Term Loan, PIK 14.000%, Cash 2.000% 02/06/2021 | 6,114,704 |
| TELECOMMUNICATIONS (b)(c)(d) - 2.4% | | |
| | TerreStar Corporation | |
| 18,927,189 | Term Loan A, PIK 11.000% 02/27/2020 | 18,908,262 |
| 443,834 | Term Loan C, PIK 11.000% 02/27/2020 | 443,391 |
| | | <u>19,351,653</u> |
| UTILITIES (e) - 0.0% | | |
| | Texas Competitive Electric Holdings Co., LLC | |
| 92,329,417 | Non Extended Escrow Loan | 184,659 |
| | Total U.S. Senior Loans (Cost \$49,041,254) | <u>36,898,890</u> |
| Asset-Backed Securities (g)(h) - 5.9% | | |
| | Acis CLO, Ltd. | |
| 14,000,000 | Series 2013-1A, Class SUB, VRN 0.00%, 04/18/2024 | 3,873,800 |
| 7,500,000 | Series 2015-6A, Class SUB, VRN 0.00%, 05/01/2027 | 4,106,250 |
| 6,000,000 | Series 2014-3A, Class E, 3-month LIBOR + 4.750%, FRN 02/01/2026 (i) | 5,637,000 |
| 4,500,000 | Series 2013-1A, Class E, 3-month LIBOR + 5.600%, FRN 04/18/2024 (i) | 4,502,812 |
| 5,000,000 | Series 2014-3A, Class F, 3-month LIBOR + 5.600%, FRN 02/01/2026 (i) | 4,381,500 |
| 9,142,000 | Series 2013-1A, Class F, 3-month LIBOR + 6.500%, FRN 04/18/2024 (i) | 8,770,835 |
| | ALM VII R-2, Ltd. | |
| 2,250,000 | Series 2013-7R2A, Class SUBR, VRN 0.00%, 10/15/2116 | 1,480,950 |
| | CIFC Funding 2013-II, Ltd. | |
| 5,462,500 | Series 2013-2A, Class SUB, VRN 0.00%, 10/18/2030 | 2,485,438 |

INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

| | | |
|--|---|-------------|
| | CIFC Funding, Ltd. | |
| 3,000,000 | Series 2014-4A, Class SUB, VRN 0.00%, 10/17/2026 | 1,260,000 |
| 3,000,000 | Series 2015-1A, Class SUB, VRN 1.00%, 01/22/2031 | 2,385,000 |
| | Highland Loan Funding V, Ltd. | |
| 670,810 | Series 1A Class 1 3.81%, 08/01/2019 (b)(c)(f) | 503,979 |
| | Highland Park CDO, Ltd. | |
| 3,911,486 | Series 2006-1A, Class A2, 3-month LIBOR + 0.400%, FRN 11/25/2051 (f) | 3,715,912 |
| | THL Credit Wind River 2014-2 CLO, Ltd. | |
| 5,955,627 | Series 2014-2A, Class SUB, VRN 0.00%, 01/15/2031 | 2,944,313 |
| | Valhalla CLO, Ltd. | |
| 1,500,000 | Series 2004-1A, Class EIN 0.00%, 08/01/2020 | 299,700 |
| | Total Asset-Backed Securities (Cost \$53,327,989) | 46,347,489 |
| Agency Collateralized Mortgage Obligations (g)(i) - 14.6% | | |
| | FREMF 2018-K80 Mortgage Trust | |
| 1,041,773,000 | Series 2018-K80, Class X2A 0.10%, 08/25/2050 (j) | 6,722,561 |
| 244,366,905 | Series 2018-K80, Class X2B 0.10%, 08/25/2050 (j) | 1,619,664 |
| 96,460,500 | Series 2018-K80, Class D, 0.00%, 08/25/2050 (k) | 42,461,623 |
| | FREMF 2018-KC02 Mortgage Trust | |
| 912,966,000 | Series 2018-KC02, Class X2A 0.10%, 07/25/2025 (j) | 4,598,610 |
| 101,440,350 | Series 2018-KC02, Class X2B 0.10%, 08/25/2025 (j) | 529,214 |
| 76,080,350 | Series 2018-KC02, Class C 0.00%, 08/25/2025 (k) | 44,418,143 |
| | FREMF Trust | |
| 549,457,793 | Series 2018-KW04, Class X2A 0.10%, 09/25/2028 (j) | 2,802,235 |
| 61,162,105 | Series 2018-KW04, Class X2B 0.10%, 12/25/2032 (j) | 385,321 |
| 45,871,176 | Series 2018-KW04, Class C 0.00%, 12/25/2032 (k) | 12,155,862 |
| | Total Agency Collateralized Mortgage Obligations (Cost \$116,217,119) | 115,693,233 |
| Corporate Bonds & Notes - 0.4% | | |
| ENERGY (g) - 0.1% | | |
| | American Energy-Permian Basin LLC | |
| 681 | 7.38%, 11/01/2021 | 466 |
| 18,439,000 | Ocean Rig UDW, Inc. (b)(c)(l) | 1,272,291 |
| | | 1,272,757 |
| INFORMATION TECHNOLOGY (b)(c)(e)(m) - 0.0% | | |
| 43,971,250 | Avaya, Inc. | — |
| UTILITIES (e) - 0.3% | | |
| 2,879,503 | Bruce Mansfield Unit 1 2007 Pass Through Trust | 2,112,836 |
| 5,000,000 | Texas Competitive Electric Holdings Co., LLC | 22,500 |
| 24,000,000 | Texas Competitive Electric Holdings Co., LLC | 72,000 |
| | | 2,207,336 |
| | Total Corporate Bonds & Notes (Cost \$17,902,414) | 3,480,093 |
| Foreign Corporate Bonds & Notes - 0.0% | | |
| NETHERLANDS (l) - 0.0% | | |
| 93,180,354 | Celtic Pharma Phinco BV, PIK (b)(c) | — |
| | Total Foreign Corporate Bonds & Notes (Cost \$62,254,526) | — |

INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

Sovereign Bonds - 3.5%

| | | | |
|------------|---|--|------------|
| | Argentine Republic Government International Bond | | |
| 2,000,000 | 6.88%, 04/22/2021 | | 1,917,500 |
| 28,000,000 | 2.50%, 12/31/2038 (m)(n) | | 16,569,000 |
| 3,700,000 | 5.88%, 01/11/2028 (m) | | 2,937,800 |
| 5,000,000 | 6.88%, 01/11/2048 (m) | | 3,875,000 |
| 1,000,000 | 7.13%, 06/28/2117 | | 781,250 |
| | Provincia de Buenos Aires Argentina Deposit Rates Badlar Pvt Banks + 3.830%, | | |
| 40,000,000 | 05/31/2022 (h) | | 904,966 |
| | Provincia de Mendoza Argentina Argentina Deposit Rates Badlar Pvt Banks + 4.375%, | | |
| 24,085,000 | 06/09/2021 (h) | | 534,566 |
| | Total Sovereign Bonds (Cost \$34,035,056) | | 27,520,082 |

Convertible Foreign Bonds (g)(m)(n) - 0.1%

| | | | |
|-----------|--|--|---------|
| | TGLT SA | | |
| 1,000,000 | 9.00%, 08/03/2027 | | 900,000 |
| | Total Convertible Foreign Bonds (Cost \$1,000,000) | | 900,000 |

Shares**Common Stocks - 67.8%****CHEMICALS - 1.6%**

| | | |
|---------|------------------------------------|------------|
| 356,875 | MPM Holdings, Inc. (m)(o) | 10,977,475 |
| 25,250 | Venator Materials PLC (m)(o) | 227,250 |
| 661,330 | Vertellus Specialties, Inc. (b)(c) | 972,155 |
| | | 12,176,880 |

COMMERCIAL SERVICES - 1.1%

| | | |
|---------|----------------------------------|-----------|
| 869,803 | Corp. America Airports SA (m)(o) | 7,428,118 |
| 8 | Pendrell Corp. | 1,352,000 |
| | | 8,780,118 |

CONSUMER DISCRETIONARY (m)(o) - 0.0%

| | | |
|-------|--------------------|--------|
| 2,000 | Despegar.com Corp. | 33,740 |
| 3,532 | K12, Inc. | 62,516 |
| | | 96,256 |

CONSUMER STAPLES (m) - 0.0%

| | | |
|-------|------------------------|---------|
| 1,500 | Costco Wholesale Corp. | 352,320 |
|-------|------------------------|---------|

ENERGY - 5.2%

| | | |
|-----------|---|------------|
| 336 | California Resources Corp. (m)(o) | 16,306 |
| 70,300 | Continental Resources, Inc. (m)(o) | 4,800,084 |
| 15,650 | EOG Resources, Inc. (m) | 1,996,470 |
| 295,841 | Fieldwood Energy, Inc. | 15,359,029 |
| 72,839 | Fieldwood Energy, Inc. | 3,781,546 |
| 2,059,555 | NextDecade Corp. (o) | 11,636,486 |
| 25 | Ocean Rig UDW, Inc. (o) | 866 |
| 63,500 | Transportadora de Gas del Sur SA, Class B ADR (m) | 922,020 |
| 76,685 | Williams Cos., Inc. (The) (m) | 2,085,065 |
| 23,800 | YPF SA ADR (o) | 367,710 |
| | | 40,965,582 |

FINANCIAL - 5.2%

| | | |
|-----------|-----------------------------------|-----------|
| 47,354 | American Banknote Corp. (b)(c)(o) | 107,967 |
| 15,000 | Banco Macro SA ADR (m) | 620,550 |
| 100,000 | BBVA Banco Frances SA ADR (m) | 1,167,000 |
| 47,900 | CIT Group, Inc. (m) | 2,472,119 |
| 2,102,020 | Gambier Bay LLC (b)(c)(d) | 278,518 |
| 105,360 | Grupo Supervielle SA ADR (m) | 808,111 |

| | | |
|--|--|-------------------|
| 30,096,934 | Specialty Financial Products, Ltd. (b)(c)(d) | 35,538,459 |
| | | <u>40,992,724</u> |
| GAMING & LEISURE (b)(c)(d) - 0.0% | | |
| 14 | LLV Holdco LLC - Litigation Trust Units | — |
| 26,712 | LLV Holdco LLC - Series A, Membership Interest | — |
| 144 | LLV Holdco LLC - Series B, Membership Interest | — |
| | | <u>—</u> |

INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

| | | |
|--|---|--------------------|
| HEALTHCARE (m) - 1.5% | | |
| 24,600 | Celgene Corp. (o) | 2,201,454 |
| 50,000 | Paratek Pharmaceuticals, Inc. (o) | 485,000 |
| 49,500 | Patterson Cos., Inc. | 1,210,275 |
| 281,744 | Portola Pharmaceuticals, Inc. (o) | 7,502,843 |
| | | <u>11,399,572</u> |
| HOUSING (b)(c) - 0.1% | | |
| 368,150 | CCD Equity Partners LLC | 432,871 |
| INFORMATION TECHNOLOGY - 6.1% | | |
| 217,000 | Applied Materials, Inc. (m) | 8,387,050 |
| 1,900 | Arista Networks, Inc. (m)(o) | 505,134 |
| 78,271 | Avaya Holdings Corp. (m)(o) | 1,732,920 |
| 33,083 | CDK Global, Inc. (m) | 2,069,672 |
| 10,650 | Fortinet, Inc. (m)(o) | 982,676 |
| 630,650 | Intel Corp. (m) | 29,823,438 |
| 1 | Magnachip Semiconductor Corp. (o) | 10 |
| 49,600 | NXP Semiconductor NV (m) | 4,240,800 |
| | | <u>47,741,700</u> |
| MATERIALS (m) - 0.0% | | |
| 5,750 | Huntsman Corp. | 156,572 |
| MEDIA & TELECOMMUNICATIONS - 3.6% | | |
| 10,436 | Gray Television, Inc., Class A (o) | 166,454 |
| 13,722 | Loral Space & Communications, Inc. (m)(o) | 622,979 |
| 309,137 | Metro-Goldwyn-Mayer, Inc., Class A (p) | 27,010,845 |
| 29,500 | Sinclair Broadcast Group, Inc., Class A (m) | 836,325 |
| | | <u>28,636,603</u> |
| METALS & MINERALS - 0.7% | | |
| 290,500 | Loma Negra Cia Industrial Argentina SA ADR (m)(o) | 2,568,020 |
| 11,164 | Omnimax International, Inc. (b)(c) | 2,802,612 |
| | | <u>5,370,632</u> |
| PHARMACEUTICALS (o) - 1.6% | | |
| 76,400 | Aerie Pharmaceuticals, Inc. | 4,702,420 |
| 58,888 | Collegium Pharmaceutical, Inc. (m) | 868,009 |
| 184,541 | Heron Therapeutics, Inc. (m) | 5,840,723 |
| 210,000 | TG Therapeutics, Inc. (m) | 1,176,000 |
| | | <u>12,587,152</u> |
| REAL ESTATE - 1.1% | | |
| 584,895 | Allenby (b)(c)(d) | 1 |
| 857,776 | Bluerock Residential Growth REIT, Inc., REIT (m) | 8,406,205 |
| 1,874,111 | Claymore (b)(c)(d) | 2 |
| 27,800 | Cresud SACIF y A ADR (m) | 393,648 |
| 5,810 | IRSA Inversiones y Representaciones SA ADR | 98,479 |
| 1,047 | IRSA Propiedades Comerciales SA ADR | 24,997 |
| | | <u>8,923,332</u> |
| REAL ESTATE INVESTMENT TRUST - 31.0% | | |
| 47,000 | Independence Realty Trust, Inc., REIT (m) | 494,910 |
| 444,671 | Jernigan Capital, Inc., REIT (m) | 8,577,704 |
| 10,837,183 | NexPoint Real Estate Capital, LLC, REIT (b)(c)(d) | 33,896,541 |
| 108,553,543 | NexPoint Real Estate Opportunities, LLC, REIT (b)(c)(d) | 196,351,649 |
| 1,008,253 | United Development Funding IV, REIT (o) | 4,648,046 |
| | | <u>243,968,850</u> |
| RETAIL (m) - 0.2% | | |
| 294,500 | Barnes & Noble, Inc. | 1,708,100 |

INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

| | | |
|---|--|-------------|
| TELECOMMUNICATIONS (b)(c)(d)(p) - 5.6% | | |
| 132,801 | TerreStar Corporation | 44,305,070 |
| UTILITIES - 3.2% | | |
| 327,750 | Central Puerto SA ADR (m) | 3,375,825 |
| 26,220 | Entegra TC LLC, Class A (b)(c) | 216,839 |
| 58,250 | Pampa Energia SA ADR (m)(o) | 1,808,663 |
| 801,028 | Vistra Energy Corp. (m)(o) | 19,929,577 |
| | | 25,330,904 |
| | Total Common Stocks (Cost \$629,942,157) | 533,925,238 |
| Preferred Stocks - 34.3% | | |
| FINANCIAL (g)(h) - 16.8% | | |
| 14,500 | Aberdeen Loan Funding, Ltd. (f) | 3,697,500 |
| 1,200 | Brentwood CLO, Ltd. (f) | 540,000 |
| 13,800 | Brentwood CLO, Ltd. (f) | 6,210,000 |
| 5,000 | Eastland CLO, Ltd. (f) | 2,475,000 |
| 34,500 | Eastland CLO, Ltd. (f) | 17,077,500 |
| 7,750 | Gleneagles CLO, Ltd. (f) | 3,255,000 |
| 62,600 | Grayson CLO, Ltd., Series II (f) | 25,806,850 |
| 4,000 | Grayson Investors Corp. (f) | 1,649,000 |
| 39,000 | Greenbriar CLO, Ltd. (f) | 23,757,500 |
| 3,750 | Greenbriar CLO, Ltd. (f) | 2,284,375 |
| 2,500 | Liberty CLO, Ltd. (f) | 1,062,500 |
| 8,500 | Red River CLO, Ltd., Series PS-2 (f) | 2,345,093 |
| 10,500 | Rockwall CDO, Ltd. (f) | 4,305,000 |
| 6,000 | Southfork CLO, Ltd. (f) | 840,000 |
| 41,500 | Stratford CLO, Ltd. (f) | 21,918,225 |
| 35,507 | Westchester CLO, Ltd. (f) | 16,208,946 |
| | | 133,432,489 |
| REAL ESTATE - 2.5% | | |
| 18,508 | Creek Pine Holdings, LLC 10.25% (b)(c) | 18,948,675 |
| 53,794 | RAIT Financial Trust, REIT, Series C 8.875%(q) | 298,557 |
| 9,946 | RAIT Financial Trust 7.125% | 231,244 |
| | | 19,478,476 |
| REAL ESTATE INVESTMENT TRUST - 15.0% | | |
| 99,223 | Bluerock Residential Growth REIT, Inc., Series C 7.625% (m)(q) | 2,545,070 |
| 126,816 | Bluerock Residential Growth REIT, Inc., Series D 7.125% (m)(q) | 3,057,546 |
| 100,000 | Jernigan Capital, Inc. 7.00% PIK, 7.00% Cash (b)(c) | 112,602,800 |
| | | 118,205,416 |
| | Total Preferred Stocks (Cost \$291,907,301) | 269,901,551 |
| Exchange-Traded Funds - 0.1% | | |
| 2,925 | Direxion Daily Gold Miners Index Bull 3X Shares ETF | 37,879 |
| 80,100 | Global X MLP & Energy Infrastructure ETF (m) | 1,070,136 |
| | Total Exchange-Traded Funds (Cost \$3,033,782) | 1,108,015 |
| Rights - 0.2% | | |
| UTILITIES (e) - 0.2% | | |
| 1,618,542 | Texas Competitive Electric Holdings Co., LLC | 1,260,035 |
| | Total Rights (Cost \$5,007,431) | 1,260,035 |
| Warrants - 0.2% | | |
| ENERGY (o) - 0.1% | | |
| 4,071 | Arch Coal, Inc., expires 10/05/2023 | 193,373 |
| GAMING & LEISURE (b)(c)(d)(o) - 0.0% | | |
| 607 | LLV Holdco LLC - Series C, Membership Interest | — |

| | | |
|-------|--|-------|
| 834 | LLV Holdco LLC - Series D, Membership Interest | — |
| 932 | LLV Holdco LLC - Series E, Membership Interest | — |
| 1,049 | LLV Holdco LLC - Series F, Membership Interest | — |
| 1,189 | LLV Holdco LLC - Series G, Membership Interest | — |
| | | <hr/> |
| | | — |

INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

| | | |
|--|---|----------------------|
| INFORMATION TECHNOLOGY (b)(c)(o) - 0.1% | | |
| 179,322 | Avaya Holdings Corp. | 923,508 |
| REAL ESTATE (b)(c)(o) - 0.0% | | |
| 346 | Omnimax Holdings, Inc. | 86,750 |
| | Total Warrants (Cost \$251,698) | 1,203,631 |
| Master Limited Partnerships - 0.3% | | |
| ENERGY (m) - 0.3% | | |
| 131,400 | EnLink Midstream Partners LP | 2,449,296 |
| | Total Master Limited Partnerships (Cost \$2,031,864) | 2,449,296 |
| Registered Investment Companies - 0.4% | | |
| 230,968 | Dividend and Income Fund, Common | 2,755,448 |
| | Total Registered Investment Companies (Cost \$3,279,746) | 2,755,448 |
| Cash Equivalents - 3.7% | | |
| MONEY MARKET FUND - 3.7% | | |
| | State Street Institutional U.S. Government Money Market Fund, Premier Class | |
| 28,961,380 | 2.08%, 12/31/2049 | 28,961,380 |
| | Total Cash Equivalents (Cost \$28,961,380) | 28,961,380 |
| Purchased Call Options - 0.0% | | |
| | Total Purchased Call Options (Cost \$128,131) | 3,438 |
| Purchased Put Options - 0.2% | | |
| | Total Purchased Put Options (Cost \$1,806,144) | 1,662,750 |
| Total Investments - 136.4% | | |
| | (Cost \$1,300,127,992) | 1,075,285,399 |
| Securities Sold Short - (0.8)% | | |
| Common Stocks - (0.8)% | | |
| INFORMATION TECHNOLOGY (r) - (0.8)% | | |
| (35,700) | Zillow Group, Inc., Class A | (1,577,940) |
| (99,900) | Zillow Group, Inc., Class C | (4,420,575) |
| | | (5,998,515) |
| ENERGY (e)(r) - 0.0% | | |
| (8,451) | Seventy Seven Energy, Inc. | — |
| | Total Common Stocks (Cost \$5,321,877) | (5,998,515) |
| | Total Securities Sold Short (Proceeds \$5,321,877) | (5,998,515) |
| Other Assets & Liabilities, Net - (35.6)% | | |
| Net Assets - 100.0% | | |
| | | 788,878,036 |

- (a) 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. Rate shown represents the weighted average rate at September 30, 2018. 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 may be substantially less than the stated maturity shown. Current LIBOR rates include 1 month which is equal to 2.26% and 3 months equal to 2.40%.
- (b) 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. Securities with a total aggregate value of \$484,612,021, or 61.4% of net assets, were fair valued under the Fund’s valuation procedures as of September 30, 2018.

INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

- (c) Classified as Level 3 within the three-tier fair value hierarchy. Please see Note 2 for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (d) Affiliated issuer. Assets with a total aggregate market value of \$337,463,846, or 42.9% of net assets, were affiliated with the Fund as of September 30, 2018.
- (e) Represents value held in escrow pending future events. No interest is being accrued.
- (f) Securities of collateralized loan obligations where an affiliate of the Investment Adviser serves as collateral manager.
- (g) 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, 2018, these securities amounted to \$241,095,346 or 30.6% of net assets.
- (h) Variable or floating rate security. The base lending rates are generally the lending rate offered by one or more European banks such as the LIBOR. The interest rate shown reflects the rate in effect September 30, 2018. As of September 30, 2018, LIBOR rates include 1 month which is equal to 2.26%, 3 months equal to 2.40%, and BADLAR rate of 30.38%.
- (i) As of September 30, 2018, investments with a total aggregate value of \$138,452,317 were fully or partially segregated with broker (s)/custodian as collateral for reverse repurchase agreements.
- (j) Interest only security (“IO”). These types of securities represent the right to receive the monthly interest payments on an underlying pool of mortgages. Payments of principal on the pool reduce the value of the “interest only” holding.
- (k) Principal only security (“PO”). These types of securities represent the right to receive the monthly principal payments on an underlying pool of mortgages. No payments of interest on the pool are passed through to the “principal only” holder.
- (l) The issuer is, or is in danger of being, in default of its payment obligation.
- (m) All or part of this security is pledged as collateral for short sales and written options contracts. The market value of the securities pledged as collateral was \$152,935,872.
- (n) Step coupon bond. The interest rate shown reflects the rate in effect September 30, 2018 and will reset at a future date.
- (o) Non-income producing security.
- (p) 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:

| Restricted Security | Security Type | Acquisition Date | Cost of Security | Market Value at Period End | Percent of Net Assets |
|---------------------------|---------------|------------------|------------------|----------------------------|-----------------------|
| Metro-Goldwyn-Mayer, Inc. | Common Stocks | 12/20/2010 | \$13,929,926 | \$27,010,845 | 3.4% |
| TerreStar Corporation | Common Stocks | 11/14/2014 | \$34,089,464 | \$44,305,070 | 5.6% |

- (q) Perpetual maturity. Maturity date presented represents the next call date.
- (r) No dividend payable on security sold short.

Purchased options contracts outstanding as of September 30, 2018 were as follows:

| Description | Exercise Price | Counterparty | Expiration Date | Number of Contracts | Notional Value | Premium | Value |
|--|----------------|-----------------------|-----------------|---------------------|----------------|--------------------|--------------------|
| PURCHASED CALL OPTIONS: | | | | | | | |
| Euro Currency 2PM | \$ 1.21 | Goldman Sachs | October 2018 | 550 | 59,250,000 | \$ 128,131 | \$ 3,438 |
| PURCHASED PUT OPTIONS: | | | | | | | |
| Euro Currency 2PM | \$ 1.19 | Goldman Sachs | November 2018 | 450 | 48,470,000 | \$ 712,926 | \$1,203,750 |
| Euro Currency 2PM | 1.15 | Goldman Sachs | October 2018 | 240 | 25,850,000 | 164,321 | 12,000 |
| iShares Russell 2000 Index Fund ETF | 168.00 | Jefferies & Co., Inc. | October 2018 | 3,000 | 50,400,000 | 928,897 | 447,000 |
| | | | | | | <u>1,806,144</u> | <u>1,662,750</u> |
| Total Purchased Options Contracts | | | | | | <u>\$1,934,275</u> | <u>\$1,666,188</u> |

Written options contracts outstanding as of September 30, 2018 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> |
|--|-----------------------|-----------------------|------------------------|----------------------------|-----------------------|-----------------------------|-----------------------------|
| WRITTEN CALL OPTIONS: | | | | | | | |
| Euro Currency 2PM | \$ 1.19 | Goldman Sachs | November 2018 | 400 | 43,090,000 | \$ (601,794) | \$ (230,000) |
| iShares Russell 2000 Index Fund ETF | \$166.00 | Jefferies & Co., Inc. | November 2018 | 2,500 | 41,500,000 | <u>(1,171,774)</u> | <u>(1,272,500)</u> |
| Total Written Options Contracts | | | | | | <u><u>\$(1,773,568)</u></u> | <u><u>\$(1,502,500)</u></u> |

INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

The Fund had the following futures contracts open at September 30, 2018:

| Description | Expiration Date | Number of Contracts | Notional Value | Unrealized Appreciation (Depreciation) |
|-----------------------|-----------------|---------------------|----------------|--|
| Short Futures: | | | | |
| DAX Index | December 2018 | 88 | \$ 31,280,693 | \$ (375,738) |
| S&P 500 E-Mini Index | December 2018 | 865 | 126,246,750 | (1,110,919) |
| | | | | <u>\$ (1,486,657)</u> |

The average amount of borrowing by the Fund on reverse repurchase agreements outstanding during the period ended September 30, 2018 was \$16,650,948 at a weighted average interest rate of 3.52%.

Reverse Repurchase Agreements outstanding as of September 30, 2018 were as follows:

| Counter-party | Collateral Pledged | Interest Rate | Trade Date | Maturity Date | Repurchase Amount | Principal Amount | Value |
|--|---|---------------|------------|---------------|-------------------|------------------------|------------------------|
| BNP | Acis CLO, Ltd., Series 2014-3A, Class E, 3-month LIBOR + 4.750%, FRN 2/1/2026 | 3.715 | 9/17/2018 | 10/17/2018 | \$ 4,352,383 | \$ 6,000,000 | \$ (4,347,000) |
| BNP | Acis CLO, Ltd., Series 2014-3A, Class F, 3-month LIBOR + 5.60%, FRN 2/1/2026 | 3.915 | 9/17/2018 | 10/17/2018 | 3,199,169 | 5,000,000 | (3,195,000) |
| BNP | Acis CLO, Ltd. Series 2013-1A, Class E, 3-month LIBOR + 5.60%, FRN 4/18/2024 | 3.715 | 9/17/2018 | 10/17/2018 | 3,396,751 | 4,500,000 | (3,392,550) |
| BNP | Acis CLO, Ltd. Series 2013-1A, Class F, 3-month LIBOR + 6.50%, FRN 4/18/2024 | 3.915 | 9/17/2018 | 10/17/2018 | 5,809,084 | 9,142,000 | (5,801,513) |
| Mizuho | FREMF Mortgage Trust Series 2018-K80, Class X2A 0.10%, 08/25/2050 | 3.530 | 9/27/2018 | 10/25/2018 | 5,043,483 | 1,041,773,000 | (5,042,000) |
| Mizuho | FREMF Mortgage Trust Series 2018-K80, Class X2B 0.10%, 08/25/2050 | 3.530 | 9/27/2018 | 10/25/2018 | 1,215,357 | 244,366,905 | (1,215,000) |
| Mizuho | FREMF Mortgage Trust Series 2018-K80, Class D, 0.00%, 08/25/2050 | 3.530 | 9/27/2018 | 10/25/2018 | 31,920,387 | 96,460,500 | (31,911,000) |
| Mizuho | FREMF Mortgage Trust Series 2018-KC02, Class X2B 0.10%, 08/25/2025 | 3.530 | 9/28/2018 | 10/25/2018 | 397,117 | 101,440,350 | (397,000) |
| Mizuho | FREMF Mortgage Trust Series 2018-KC02, Class X2A 0.10%, 07/25/2025 | 3.530 | 9/28/2018 | 10/25/2018 | 3,450,015 | 912,966,000 | (3,449,000) |
| Mizuho | FREMF Mortgage Trust Series 2018-KC02, Class C 0.00%, 08/25/2025 | 3.530 | 9/28/2018 | 10/25/2018 | 33,323,800 | 76,080,350 | (33,314,000) |
| Mizuho | FREMF Trust Series 2018-KW04, Class C 0.00%, 12/25/2032 | 3.530 | 9/26/2018 | 10/26/2018 | 8,929,501 | 45,871,176 | (8,926,000) |
| Mizuho | FREMF Trust Series 2018-KW04, Class X2A 0.10%, 09/25/2028 | 3.530 | 9/26/2018 | 10/25/2018 | 2,225,873 | 550,452,099 | (2,225,000) |
| Mizuho | FREMF Trust Series 2018-KW04, Class X2B 0.10%, 12/25/2032 | 3.530 | 9/26/2018 | 10/25/2018 | 289,113 | 61,162,105 | (289,000) |
| Total Reverse Repurchase Agreements | | | | | | <u>\$3,155,214,485</u> | <u>\$(103,504,063)</u> |

INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

Foreign Denominated or Domiciled Senior Loans and Foreign Corporate Bonds & Notes
Industry Concentration Table:
(% of Net Assets)

| | |
|------------|--------------------|
| Healthcare | 0.0% |
| Utilities | <u>0.1%</u> |
| Total | <u><u>0.1%</u></u> |

NOTES TO INVESTMENT PORTFOLIO (unaudited)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

Organization

NexPoint Strategic 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. This report includes information for the nine months ended September 30, 2018. The Fund trades on the New York Stock Exchange (“NYSE”) under the ticker symbol NHF. The Fund may issue an unlimited number of common shares, par value \$0.001 per share (“Common Shares”). The Fund commenced operations on June 29, 2006. NexPoint Advisors, L.P. (“NexPoint” or “the Investment Adviser”), an affiliate of Highland Capital Management Fund Advisors, L.P. (“Highland”), is the investment adviser and administrator to the Fund.

Effective March 19, 2018, the Fund changed its name from NexPoint Credit Strategies Fund. The Fund’s investment objective of providing both current income and capital appreciation remains the same and the Fund will continue to invest in the following categories of instruments: (i) secured and unsecured floating and fixed rate loans; (ii) bonds and other debt obligations; (iii) debt obligations of stressed, distressed and bankrupt issuers; (iv) structured products, including but not limited to, mortgage-backed and other asset-backed securities and collateralized debt obligations; and (v) equities; however, the Fund will no longer be required to invest at least 80% of its assets in categories (i)-(iv).

Valuation of Investments

In computing the Fund’s net assets attributable to its common 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 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 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

NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

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 September 30, 2018, the Fund's investments consisted of senior loans, asset-backed securities, corporate bonds and notes, foreign bonds, sovereign bonds, common stocks, preferred stocks, exchange-traded funds, warrants, and securities sold short. The fair value of the Fund's loans, bonds and asset-backed securities 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. Senior loans, bonds and asset-backed securities 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, preferred stocks, exchange-traded funds, 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. The Fund's real estate investments include equity interests in limited liability companies and equity issued by Real Estate Investment Trusts ("REITs") that invest in commercial real estate. The fair value of real estate investments that are not actively traded on national exchanges are based on internal models developed by the Investment Adviser. The significant inputs to the models include cash flow projections for the underlying properties, capitalization rates and appraisals performed by independent valuation firms. These inputs are not readily observable, and the Fund has classified the investments as Level 3 assets. 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 INVESTMENT PORTFOLIO (unaudited) (continued)
As of September 30, 2018
NexPoint Strategic Opportunities Fund

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 September 30, 2018 is as follows:

| | <u>Total value at September 30, 2018</u> | <u>Level 1 Quoted Price</u> | <u>Level 2 Significant Observable Inputs</u> | <u>Level 3 Significant Unobservable Inputs</u> |
|--|--|---------------------------------|--|--|
| Assets | | | | |
| U.S. Senior Loans | | | | |
| Chemicals | \$ 2,163,024 | \$ — | \$ — | \$ 2,163,024 |
| Energy | 1,342,897 | — | 1,342,897 | — |
| Gaming & Leisure | 7,741,953 | — | — | 7,741,953 |
| Metals & Minerals | 6,114,704 | — | — | 6,114,704 |
| Telecommunications | 19,351,653 | — | — | 19,351,653 |
| Utilities | 184,659 | — | 184,659 | — |
| Asset-Backed Securities | 46,347,489 | — | 45,843,510 | 503,979 |
| Agency Collateralized Mortgage Obligations | 115,693,233 | — | 115,693,233 | — |
| Corporate Bonds & Notes | | | | |
| Energy | 1,272,757 | — | 466 | 1,272,291 |
| Telecommunications | — | — | — | — (3) |
| Utilities | 2,207,336 | — | 2,207,336 | — |
| Foreign Corporate Bonds & Notes | — | — | — | — (3) |
| Sovereign Bonds | 27,520,082 | — | 27,520,082 | — |
| Convertible Foreign Bonds | 900,000 | — | 900,000 | — |
| Common Stocks | | | | |
| Chemicals | 12,176,880 | 11,204,725 | — | 972,155 |
| Commercial Services | 8,780,118 | 8,780,118 | — | — |
| Consumer Discretionary | 96,256 | 96,256 | — | — |
| Consumer Staples | 352,320 | 352,320 | — | — |
| Energy | 40,965,582 | 40,965,582 | — | — |
| Financial | 40,992,724 | 5,067,780 | — | 35,924,944 |
| Gaming & Leisure | — | — | — | — (3) |
| Healthcare | 11,399,572 | 11,399,572 | — | — |
| Housing | 432,871 | — | — | 432,871 |
| Information Technology | 47,741,700 | 47,741,700 | — | — |
| Materials | 156,572 | 156,572 | — | — |
| Media & Telecommunications | 28,636,603 | 1,625,758 | 27,010,845 | — |
| Metals & Minerals | 5,370,632 | 2,568,020 | — | 2,802,612 |
| Pharmaceuticals | 12,587,152 | 12,587,152 | — | — |
| Real Estate | 8,923,332 | 8,923,329 | — | 3 |
| Real Estate Investment Trust | 243,968,850 | 13,720,660 | — | 230,248,190 |
| Retail | 1,708,100 | 1,708,100 | — | — |
| Telecommunications | 44,305,070 | — | — | 44,305,070 |
| Utilities | 25,330,904 | 25,114,065 | — | 216,839 |
| Preferred Stocks | | | | |
| Financial | 133,432,489 | — | 133,432,489 | — |
| Real Estate | 19,478,476 | 529,801 | — | 18,948,675 |
| Real Estate Investment Trust | 118,205,416 | 5,602,616 | — | 112,602,800 |
| Exchange-Traded Funds | 1,108,015 | 1,108,015 | — | — |
| Rights | 1,260,035 | — | 1,260,035 | — |
| Warrants | | | | |
| Energy | 193,373 | 193,373 | — | — |
| Gaming & Leisure | — | — | — | — (3) |
| Information Technology | 923,508 | — | — | 923,508 |
| Real Estate | 86,750 | — | — | 86,750 |

| | | | | |
|---------------------------------|----------------------|--------------------|--------------------|--------------------|
| Master Limited Partnerships | 2,449,296 | 2,449,296 | — | — |
| Registered Investment Companies | 2,755,448 | 2,755,448 | — | — |
| Cash Equivalents | 28,961,380 | 28,961,380 | — | — |
| Other Financial Instruments | | | | |
| Purchased Call Options | 3,438 | 3,438 | — | — |
| Purchased Put Options | 1,662,750 | 1,662,750 | — | — |
| Total Assets | <u>1,075,285,399</u> | <u>235,277,826</u> | <u>355,395,552</u> | <u>484,612,021</u> |

NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

| Liabilities | | | | | |
|--------------------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Securities Sold Short ⁽¹⁾ | | (5,998,515) | (5,998,515) | — | — |
| Other Financial Instruments | | | | | |
| Written Call Options | | (1,502,500) | (1,502,500) | — | — |
| Short Futures ⁽²⁾ | | (1,486,657) | (1,486,657) | — | — |
| Reverse Repurchase Agreements | | (103,504,063) | — | (103,504,063) | — |
| Total Liabilities | | (112,491,735) | (8,987,672) | (103,504,063) | — |
| Total | | \$ 961,045,771 | \$ 226,290,154 | \$ 250,143,596 | \$ 484,612,021 |

(1) See Investment Portfolio detail for industry breakout.

(2) Includes cumulative appreciation/(depreciation) of future contracts reported in the Investment Portfolio.

(3) This category includes securities with a value of zero.

The table below sets forth a summary of changes in the Fund's Level 3 assets (assets measured at fair value using significant unobservable inputs) for the period ended September 30, 2018.

| | Balance as of December 31, 2017 | Transfers Into Level 3 | Transfers Out of Level 3 | Net Amortization (Accretion) of Premium/ Discount | Net Realized Gain/(Loss) | Net Unrealized Appreciation/ (Depreciation) | Net Purchases | Net (Sales) | Balance as of September 30, 2018 | Change in Unrealized Appreciation (Depreciation) from Investments Held at September 30, 2018 |
|---|---------------------------------------|---------------------------|-----------------------------|---|-----------------------------|---|----------------------|------------------------|--|--|
| U.S. Senior Loans | | | | | | | | | | |
| Chemicals | \$ 2,183,394 | \$ — | \$ — | 23,789 | \$ — | \$ (44,159) | \$ — | \$ — | \$ 2,163,024 | \$ — |
| Gaming & Leisure | 7,071,528 | — | — | — | — | 234,395 | 436,030 | — | 7,741,953 | 234,395 |
| Metals & Minerals | 5,543,643 | — | — | 200,548 | 344 | (229,194) | 601,458 | (2,095) | 6,114,704 | (229,194) |
| Telecommunications | 17,771,215 | — | — | (1,749) | — | 17,175 | 1,565,012 | — | 19,351,653 | 17,175 |
| Asset-Backed Securities | 461,182 | — | — | — | — | 42,797 | — | — | 503,979 | 42,797 |
| Corporate Bonds & Notes Energy | 1,272,291 | — | — | — | — | — | — | — | 1,272,291 | — |
| Common Stocks | | | | | | | | | | |
| Chemicals | 1,355,726 | — | — | — | — | (383,571) | — | — | 972,155 | (383,571) |
| Financial | 21,390,070 | 278,518 | — | — | — | 2,503,181 | 11,753,175 | — | 35,924,944 | 2,503,181 |
| Housing | 765,752 | — | — | — | — | 958,872 | — | (1,291,753) | 432,871 | 958,872 |
| Metals & Minerals | 4,276,983 | — | — | — | — | (1,474,371) | — | — | 2,802,612 | (1,474,371) |
| Real Estate | 3 | — | — | — | — | (313,322) | 313,322 | — | 3 | (313,322) |
| Real Estate Investment Trust | 156,715,028 | — | — | — | — | 1,935,739 | 180,146,661 | (108,549,238) | 230,248,190 | 1,935,739 |
| Telecommunications | 34,612,021 | — | — | — | — | 7,193,143 | 2,499,906 | — | 44,305,070 | 7,193,143 |
| Utilities | 410,867 | — | — | — | — | 35,453 | — | (229,481) | 216,839 | 35,453 |
| Preferred Stocks | | | | | | | | | | |
| Real Estate | — | — | — | — | — | 440,342 | 18,508,333 | — | 18,948,675 | 440,342 |
| Real Estate Investment Trust | — | — | — | — | — | 9,255,700 | 103,347,100 | — | 112,602,800 | 9,255,700 |
| Warrants | | | | | | | | | | |
| Information Technology | 432,166 | — | — | — | — | 491,342 | — | — | 923,508 | 491,342 |
| Real Estate | 132,387 | — | — | — | — | (45,637) | — | — | 86,750 | (45,637) |
| Total | \$254,394,256 | \$ 278,518 | \$ — | \$ 222,588 | \$ 344 | \$20,617,885 | \$319,170,997 | \$(110,072,567) | \$484,612,021 | \$ 20,662,044 |

NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)
As of September 30, 2018
NexPoint Strategic Opportunities Fund

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, 2018, \$278,518 of the Fund's portfolio investments were transferred from Level 2 to Level 3. Determination of fair values is uncertain because it involves subjective judgements and estimates that are unobservable. Transfers from Level 2 to Level 3 were due to a decline in market activity (e.g. frequency of trades), which resulted in a reduction of available market inputs to determine price.

The following is a summary of significant unobservable inputs used in the fair valuation of assets and liabilities categorized within Level 3 of the fair value hierarchy:

| Category | Market Value at 9/30/2018 | Valuation Technique | Unobservable Inputs | Input Value(s) | |
|-------------------------|----------------------------------|----------------------------|------------------------------|---------------------------|----------------|
| Common Stock | 314,902,684 | Multiples Analysis | Price/MHz-PoP | \$0.077 - \$0.625 | |
| | | | Risk Discount | 33.0% - 35.8% | |
| | | | Multiple of EBITDA | 5.0x - 9.0x | |
| | | | Liquidity Discount | 10% - 25% | |
| | | | Size Adjustment | 10% | |
| | | | Equity Value Indications | Weightings | 25% - 50% |
| | | | Discounted Cash Flow | Discount Rate | 12% - 17% |
| | | | | Terminal Multiple | 6.75x |
| | | | Third-Party Valuation | Scenario Probabilities | 15% - 70% |
| | | | | Illiquidity Discount | 10% |
| Net Asset Value | Capitalization Rates | 5.50% - 8.75% | | | |
| | | N/A | N/A | | |
| Preferred Stock | 131,551,475 | Discounted Cash Flow | Discount Rate | 8.5% | |
| | | | Net Asset Value | N/A | |
| U.S. Senior Loans | 35,371,334 | Discounted Cash Flow | Discount Rate | 11.1% - 16.5% | |
| | | | Adjusted Appraisal | Spread Adjustment | 0.1% - 0.5% |
| | | | | Liquidity Discount | 10% |
| | | | Debt-Loan Spread | Asset Specific Adjustment | 10% |
| | | | | Adjusted Yield | 9.83% - 10.52% |
| Swap Rate | 2.39% - 3.07% | | | | |
| Corporate Bonds | 1,272,291 | Liquidation Analysis | Claim Amount: Percent of Par | 6.9% | |
| Warrants | 1,010,258 | Multiples Analysis | Multiple of EBITDA | 6.75x - 8.25x | |
| | | | Discounted Cash Flow | Discount Rate | 12% |
| | | Black-Scholes | Terminal Multiple | 6.75x | |
| | | | Volatility | 32.80% | |
| Asset-Backed Securities | 503,979 | Discounted Cash Flow | Discount Rate | 9.1% | |
| Total | \$484,612,021 | | | | |

In addition to the unobservable inputs utilized for various valuation methodologies, the Investment Adviser frequently uses a combination of two or more valuation methodologies to determine fair value for a single holding. In such instances, the Investment Adviser assesses the methodologies and ascribes weightings to each methodology. The weightings ascribed to any individual methodology ranged from as low as 16.7% to as high as 80% as of September 30, 2018. 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.

NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

The significant unobservable input used in the fair value measurement of the Fund's REIT assets is the capitalization rate. Significant decreases (increases) in any of those inputs in isolation could result in a significantly higher (lower) fair value measurement. The significant unobservable input used in the fair value measurement of the Fund's preferred stock asset is the discount rate. 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: liquidity discount, asset specific discount, discount rate, spread adjustment, adjusted yield and swap rate. 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 EBITDA, price/MHz-PoP multiple, risk discount, illiquidity discount, size adjustment, discount rate and terminal multiple. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the risk discount is accompanied by a directionally opposite change in the assumption for the price/MHz-PoP multiple.

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.

When securities are sold short, the Fund intends to limit exposure to a possible market decline in the value of its portfolio securities through short sales of securities that the Investment Adviser believes possess volatility characteristics similar to those being hedged. In addition, the Fund may use short sales for non-hedging purposes to pursue its investment objective. Subject to the requirements of the 1940 Act and the Internal Revenue Code of 1986, as amended (the "Code"), the Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short by the Fund exceeds 25% of the value of its total assets. The Fund may make short sales "against the box" without respect to such limitations.

Derivative Transactions

The Fund is subject to interest rate 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.

Options

The Fund may utilize options on securities or indices to varying degrees as part of their principal investment strategy. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an

option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. The Fund may hold options, write option contracts, or both.

If an option written by the Fund expires unexercised, the Fund realizes on the expiration date a capital gain equal to the premium received by the Fund at the time the option was written. If an option purchased by the Fund expires unexercised, the Fund realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, underlying security, exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when the Fund desires. The Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if the cost of the closing option is more than the premium received from writing the option, a capital loss. The Fund will realize a capital gain from a closing sale transaction if the premium received from the sale is more than the original premium paid when the option position was opened, or a capital loss, if the premium received from a sale is less than the original premium paid.

NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

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.

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 as of September 30, 2018:

| Issuer | Shares at December 31, 2017 | Beginning Value as of December 31, 2017 | Purchases at Cost | Proceeds from Sales | Net Realized Gain/(Loss) on Sales of Affiliated Issuers | Change Unrealized Appreciation/ Depreciation | Ending Value as of September 30, 2018 | Shares at September 30, 2018 | Affiliated Income |
|--|-----------------------------------|--|----------------------|------------------------|---|---|--|------------------------------------|----------------------|
| Majority Owned, Not Consolidated | | | | | | | | | |
| NexPoint Real Estate Capital, REIT (Common Stocks) | 8,271,300 | \$ 78,119,949 | \$ 22,299,583 | \$ (56,126,876) | \$ — | \$(10,396,115) | \$ 33,896,541 | 10,837,183 | \$2,712,500 |
| NexPoint Real Estate Opportunities, LLC, REIT (Common Stocks) | 29,869,296 | 78,595,079 | 157,847,078 | (52,422,362) | — | 12,331,854 | 196,351,649 | 108,553,543 | 3,275,000 |
| Specialty Financial Products, Ltd. (Common Stocks) | 19,450,201 | 21,261,015 | 11,752,993 | — | — | 2,524,451 | 35,538,459 | 30,096,934 | — |
| Other Affiliates | | | | | | | | | |
| Gambier Bay LLC ⁽¹⁾ | 2,102,020 | 183,927 | — | — | — | 94,591 | 278,518 | 2,102,020 | — |
| LLV Holdco LLC (U.S. Senior Loans, Common Stocks & Warrants) | 9,272,856 | 7,071,528 | 436,030 | — | — | 234,395 | 7,741,953 | 9,708,922 | — |
| TerreStar Corp. (U.S. Senior Loans & Common Stocks) | 17,916,883 | 52,383,236 | 4,063,171 | — | — | 7,210,316 | 63,656,723 | 19,503,825 | 1,565,012 |
| Other Controlled | | | | | | | | | |
| Allenby (Common Stocks) | 509,658 | 1 | 75,237 | — | — | (75,237) | 1 | 584,895 | — |
| Claymore (Common Stocks) | 1,636,026 | 2 | 238,085 | — | — | (238,085) | 2 | 1,874,111 | — |

| | | | | | | | | | |
|-------|-------------------|----------------------|----------------------|------------------------|-------------|----------------------|----------------------|--------------------|--------------------|
| Total | <u>89,028,240</u> | <u>\$237,614,737</u> | <u>\$196,712,177</u> | <u>\$(108,549,238)</u> | <u>\$ —</u> | <u>\$ 11,686,170</u> | <u>\$337,463,846</u> | <u>183,261,433</u> | <u>\$7,552,512</u> |
|-------|-------------------|----------------------|----------------------|------------------------|-------------|----------------------|----------------------|--------------------|--------------------|

(1) Includes the value of iHeart Communications, Inc. bonds as of December 31, 2017 and subsequent activity.

NOTES TO INVESTMENT PORTFOLIO (unaudited) (continued)

As of September 30, 2018

NexPoint Strategic Opportunities Fund

For more information with regard to significant accounting policies, see the most recent semi-annual report filed with the U.S. Securities and Exchange Commission.

Item 2. Controls and Procedures.

(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3 (c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3 (b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that have materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEXPOINT STRATEGIC OPPORTUNITIES FUND

By: /s/ James Dondero
James Dondero
President and Principal Executive Officer

Date: November 28, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ James Dondero
James Dondero
President and Principal Executive Officer

Date: November 28, 2018

By: /s/ Frank Waterhouse
Frank Waterhouse
Treasurer, Principal Accounting Officer and
Principal Financial Officer

Date: November 28, 2018

**Certification Pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the
Sarbanes-Oxley Act**

I, James Dondero, certify that:

1. I have reviewed this report on Form N-Q of NexPoint Strategic Opportunities Fund;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the schedules of investments included in this report fairly present in all material respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ James Dondero
James Dondero
President and Principal Executive Officer

Date: November 28, 2018

**Certification Pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the
Sarbanes-Oxley Act**

I, Frank Waterhouse, certify that:

1. I have reviewed this report on Form N-Q of NexPoint Strategic Opportunities Fund;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the schedules of investments included in this report fairly present in all material respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Frank Waterhouse
Frank Waterhouse
Treasurer, Principal Accounting Officer and
Principal Financial Officer

Date: November 28, 2018