

NPORT-EX 1 resf_nportex.htm PART F
INVESTMENT PORTFOLIO (unaudited)

As of March 31, 2019

NexPoint Real Estate Strategies

Shares		Amortized Cost \$(a)	Value (\$)	Principal Amount (\$)		Amortized Cost \$(a)	Value (\$)
Preferred Stock — 37.7%				Agency Collateralized Mortgage Obligations (g) — 17.8%			
FINANCIAL — 6.4%				FREMF Mortgage Trust			
19	The Crossings Inc. (b)	1,007,219	1,007,219		Series 2018-K80, Class D 0.00%, 8/25/2028 (h)	1,094,802	1,095,728
REAL ESTATE INVESTMENT TRUST (b)(c) — 31.3%				Series 2019-KF60, Class C VAR LIBOR USD 1 Month+6.000%, 8.49%, 2/25/2026			
20,113	Bluerock Residential Growth, Inc., REIT, Series D 7.13%	445,830	486,735	2,473,426			
1,508	Creek Pine Holdings, LLC, REIT 10.25%(b)(c)	1,508,333	1,622,272	1,001,615		999,999	1,000,000
2,542	Jernigan Capital, Inc., REIT 7.00%	2,542,500	2,820,427		Series 2018-K80, Class X2A 0.10%, 8/25/2050 (i)	162,186	189,475
			<u>4,929,434</u>	26,686,582			
	Total Preferred Stock (Cost \$5,503,882)		<u>5,936,653</u>	6,266,021		39,160	43,235
Common Stock — 27.8%				FREMF Trust			
CONSUMER DISCRETIONARY (d) — 1.5%				Series 2018-KW04, Class C 0.00%, 12/25/2032 (h)			
2,070	Cavco Industries, Inc.	343,166	243,287	1,491,164		418,472	372,343
REAL ESTATE — 10.9%				Series 2018-KW04, Class X2A 0.10%, 9/25/2028 (i)			
88,900	Brookdale Senior Living, Inc. (d) NRESF REIT SUB LLC (b)(e)	880,961	584,962	17,826,866		93,520	92,700
1,012,750		—	15,900		Series 2018-KW04, Class X2B 0.10%, 12/25/2032 (i)	12,891	12,725
23,917	Tremont Mortgage Trust	277,567	210,470	1,988,235			
31,595	Zayo Group Holdings, Inc. (d)	1,117,688	897,930		Total Agency Collateralized Mortgage Obligations (Cost \$2,821,030)		<u>2,806,206</u>
			<u>1,709,262</u>				
REAL ESTATE INVESTMENT TRUST — 15.4%				Convertible Preferred Stock — 8.2%			
81	Jernigan Capital, Inc., REIT	1,632	1,704	REAL ESTATE INVESTMENT TRUST — 8.2%			
36,822	NexPoint Residential Trust, REIT(e)	950,886	1,411,755	Braemar Hotels & Resorts, Inc., REIT			
62,680	Summit Hotel Properties Inc., REIT	830,972	715,179	64,516	5.50%	1,000,000	<u>1,284,514</u>
55,029	United Development Funding IV, REIT(d)	128,441	293,855	Total Convertible Preferred Stock (Cost \$1,000,000)			
			<u>2,422,493</u>				
	Total Common Stock (Cost \$4,531,313)		<u>4,375,042</u>	Corporate Bond & Note — 2.7%			
Principal Amount (\$)				REAL ESTATE (g) — 2.7%			
U.S. Senior Loans (b)(f) — 20.5%				Uniti Group L.P./Uniti Fiber Holdings, Inc./CSL Capital LLC			
REAL ESTATE — 20.5%				500,000	7.13%, 12/15/24	460,987	432,500
Bridgeview Louetta LLC, Mezzanine Term Loan, VAR LIBOR USD				Total Corporate Bonds & Notes (Cost \$460,987)			
1,000,000	3 Month+8.000%, 08/04/21	1,048,251	1,017,473	Asset-Backed Securities (g)(j) — 2.1%			
2,200,000	RCP Keystone Hotel LLC 2nd Lien Term Loan, 11/15/19	2,194,552	2,200,000	250,000	0.00%, 1/22/2031	200,050	177,500

Total U.S. Senior Loans
(Cost \$3,242,803)

3,217,473

INVESTMENT PORTFOLIO (unaudited)(continued)

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<u>Principal Amount (\$)</u>	<u>Amortized Cost (\$)(a)</u>	<u>Value (\$)</u>
Asset-Backed Securities (continued)		
CIFC Funding, Ltd., Series 2014-5A, Class SUB		
250,000	1.00%, 10/17/2031	178,679
	Total Asset-Backed Securities (Cost \$378,729)	<u>149,289</u> <u>326,789</u>
Contracts		
Purchased Call Options (k) — 0.3%		
	Total Purchased Call Options (Cost \$74,374)	<u>50,000</u>
Total Investments - 117.1% (Cost \$18,013,118)		<u>18,429,177</u>
Other Assets & Liabilities, Net - (17.1)%		<u>(2,697,495)</u>
Net Assets - 100.0%		<u>15,731,682</u>

- (a) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments
- (b) Securities with a total aggregate value of \$8,683,291, or 55.2% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Investment Portfolio for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (c) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$4,442,700, or 28.2% of net assets, were fair valued under the Fund's valuation procedures as of March 31, 2019. Please see Notes to Investment Portfolio.
- (d) Non-income producing security.
- (e) Affiliated issuer. Assets with a total aggregate market value of \$1,427,655, or 9.1% of net assets, were affiliated with the Fund as of March 31, 2019.

- (f) Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Fund invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate ("LIBOR") or (iii) the Certificate of Deposit rate. As of March 31, 2019, the LIBOR USD 1 Month and LIBOR USD 3 Month rates were 2.49% and 2.60%, respectively. Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity maybe substantially less than the stated maturity shown.
- (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 March 31, 2019, these securities amounted to \$3,565,495 or 22.7% of net assets.
- (h) 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.
- (i) 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.
- (j) 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 March 31, 2019. LIBOR, otherwise known as London Interbank Offered Rate, is the benchmark interest rate that banks charge each other for short-term loans. Current LIBOR rates include 1 month which is equal to 2.49% and 3 months equal to 2.60%.

PIK — Payment-in-Kind

REIT — REAL ESTATE INVESTMENT TRUST

USD — U.S. Dollar

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(k) Purchased options contracts outstanding as of March 31, 2019 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>
PURCHASED CALL OPTIONS:							
Uniti Group, Inc.	\$15.00	Jeffries	January 2020	500	559,500	\$74,374	\$50,000

NOTES TO INVESTMENT PORTFOLIO (unaudited)**As of March 31, 2019****NexPoint Real Estate Strategies****Organization**

NexPoint Real Estate Strategies 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 July 1, 2016. This report includes information for the nine months ended March 31, 2019. The Fund pursues its investment objective by investing, under normal circumstances, at least 80% of its assets (defined as net assets plus the amount of any borrowing for investment purposes) in real estate and real estate related securities. NexPoint Advisors, L.P. (“NexPoint” or “the Investment Adviser”), an affiliate of Highland Capital Management, L.P. (“Highland”), is the investment adviser to the Fund. Once each quarter, the Fund will offer to repurchase at net asset value (“NAV”) no less than 5% of the outstanding shares of the Fund, 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).

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 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 in the fair value hierarchy, the investment is classified in its entirety based on the

NOTES TO INVESTMENT PORTFOLIO (unaudited)

As of March 31, 2019**NexPoint Real Estate Strategies**

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 March 31, 2019, the Fund's investments consisted of REITs and other real estate investments, senior loans, corporate bonds and notes, common stocks, options, preferred stocks, mortgage-backed securities and cash equivalents. 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. 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.

The fair value of the Fund's common stocks and preferred 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. 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.

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.

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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. A summary of the inputs used to value the Fund's assets as of March 31, 2019 is as follows:

	<u>Total value at March 31, 2019</u>	<u>Level 1 Quoted Price</u>	<u>Level 2 Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Assets				
Preferred Stock				
Financial	\$ 1,007,219	\$ —	\$ —	\$ 1,007,219
Real Estate Investment Trust	4,929,434	—	486,735	4,442,699
Common Stock				
Consumer Discretionary	243,287	243,287	—	—
Real Estate	1,709,262	1,693,362	—	15,900
Real Estate Investment Trust	2,422,493	2,422,493	—	—
U.S. Senior Loans				
Real Estate	3,217,473	—	—	3,217,473
Agency Collateralized Mortgage Obligations	2,806,206	—	2,806,206	—
Convertible Preferred Stock	1,284,514	—	1,284,514	—
Corporate Bonds & Notes	432,500	—	432,500	—
Asset-Backed Securities	326,789	—	326,789	—
Purchased Call Options	50,000	50,000	—	—
Total Assets	<u>18,429,177</u>	<u>4,409,142</u>	<u>5,336,744</u>	<u>8,683,291</u>
Total	<u>\$ 18,429,177</u>	<u>\$ 4,409,142</u>	<u>\$ 5,336,744</u>	<u>\$ 8,683,291</u>

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 March 31, 2019.

	<u>Balance as of 12/31/2018</u>	<u>Transfers into Level 3</u>	<u>Transfers Out of Level 3</u>	<u>Net Amortization (Accretion) of Premium/ (Discount)</u>	<u>Net Realized Gains/ (Losses)</u>	<u>Net Unrealized Gains/ (Losses)</u>	<u>Net Purchase</u>	<u>Net (Sales)</u>	<u>Balance as of March 31, 2019</u>
Nexpoint Real Estate Strategies									
U.S. Senior Loan	\$3,223,347	—	—	(3,109)	—	(2,765)	—	—	3,217,473
Preferred Stock	4,389,514	—	—	—	—	15,070	2,629,491	(1,584,157)	5,449,918
Common Stock	21,268	—	—	—	—	(13,368)	—	—	15,900
Total	<u>7,634,129</u>	<u>—</u>	<u>—</u>	<u>(3,109)</u>	<u>—</u>	<u>(3,984)</u>	<u>—</u>	<u>—</u>	<u>8,683,291</u>

NOTES TO INVESTMENT PORTFOLIO (unaudited)**As of March 31, 2019****NexPoint Real Estate Strategies**

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 March 31, 2019, there were no transfers between Levels.

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

<u>Category</u>	<u>Market Value at 3/31/2019</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Input Value(s)</u>
Preferred Stock	\$ 5,449,918	Discounted Cash Flow	Discount Rate	8.50% - 12.75%
		Net Asset Value	N/A	N/A
U.S. Senior Loans	3,217,473	Broker Opinion of Value	Cap Rate	7.75% - 8.25%
		Discounted Cash Flow	Discount Rate	12.00%
Common Stock	15,900	Net Asset Value	N/A	N/A
Total	\$ 8,683,291			

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 input used in the fair value measurement of the Fund's bank loans securities is the capitalization rate. Significant decreases (increases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement.

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 Investment Portfolio for the Fund.

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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.

Affiliated Issuers

Under Section 2 (a)(3) of the Investment Company Act of 1940, as amended, a portfolio company is defined as “affiliated” if a fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Fund for the period ended March 31, 2019:

<u>Issuer</u>	<u>Shares at December 31, 2018</u>	<u>Beginning Value as of December 31, 2018</u>	<u>Purchases at Cost</u>	<u>Proceeds from Sales</u>	<u>Net Realized Gain/(Loss) on Sales of Affiliated Issuers</u>	<u>Change Unrealized Appreciation/ Depreciation</u>	<u>Ending Value as of March 31, 2019</u>	<u>Shares at March 31, 2019</u>	<u>Affiliated Income</u>
Majority Owned, Not Consolidated									
NRESF REIT Sub, LLC (Common Stocks)	1,012,750	\$ 21,268	\$ —	\$ —	\$ —	\$ (5,368)	\$ 15,900	1,012,750	\$ —
Other Affiliates									
NexPoint Residential Trust, Inc., REIT (Common Stocks)	36,539	1,280,692	10,048	(7,154)	17	128,152	1,411,755	36,822	2,972
Total	<u>1,049,289</u>	<u>\$1,301,960</u>	<u>\$10,048</u>	<u>\$ (7,154)</u>	<u>\$ 17</u>	<u>\$ 122,784</u>	<u>\$1,427,655</u>	<u>1,049,572</u>	<u>\$ 2,972</u>