

Thomas J. Herzfeld Advisors, Inc.

**Urges Shareholders to Vote AGAINST The Highland Income Fund (NYSE: HFRO)
Proposal**

MIAMI BEACH, FLA., August 26, 2021 – Thomas J. Herzfeld Advisors, Inc. (the “TJH”) today announced that it has submitted written materials pursuant to Rule 14a-6(g)(1) promulgated under the Securities Exchange Act of 1934. Those written materials consist of an open letter to shareholders of The Highland Income Fund (NYSE: HFRO) urging shareholders of HFRO to vote AGAINST a management proposal to convert the closed end fund into an unregulated holding company.

HFRO is a closed-end fund managed by Highland Capital Management Fund Advisors, L.P. On June 14, 2021, Highland Capital announced its proposal to convert the HFRO from a registered investment company to a diversified holding company.

The full text of TJH’s letter to HFRO shareholders is presented here:

Dear Fellow Stockholders of Highland Income Fund (HFRO):

Thomas J. Herzfeld Advisors, Inc. (“TJH”) is the second largest shareholder of Highland Income Fund (HFRO) with 2,502,335 shares. We have held shares in HFRO since February, 2018 and have been a staunch advocate for the closed-end fund (CEF) industry since 1984. One of the principal reasons our firm invests in CEFs is the fact that CEFs are regulated by the US Securities and Exchange Commission under the Investment Company Act of 1940 (the “1940 Act”). The 1940 Act provides investors with a high degree of protection including accurate and timely financial disclosure requirements, limits on use of leverage and corresponding adherence to important financial ratios, important disclosure obligations for CEF management and board of directors members, and other key investor friendly protections.

We are dismayed by the current proposal by HFRO management and its Board of Directors to change the legal structure of the company from CEF regulated under the 1940 Act to a holding company outside the scope of those important 1940 Act protections. In addition, management desires to change the investment strategy of the company, from a focus on income production and capital preservation to a non-income producing growth strategy. This is contrary to the original investment rationale for most long-term holders.

We agree with many of the concerns that have been brought to light by Phil Goldstein of Bulldog Investors, Mike Taggart of Taggart Fund Intelligence (and former head of closed-end fund research at Morningstar), and Institutional Shareholder Services (ISS), a respected independent industry watchdog. All have recommended voting against the proposal to convert the fund into a holding company.

We disagree with HFRO’s attempt to paint Phil Goldstein as an activist solely out for his own gain and without the interest of long-term shareholders at heart. Throughout our long history, we have often disagreed with many activist campaigns, including campaigns brought by Mr.

Goldstein, particularly when those campaigns seek change benefiting short-term investors at the expense of long-term holders. However, this is not one of those situations. Shareholders of HFRO are predominantly individuals that purchased shares based on HFRO's stated investment objectives and the protections afforded investors under the 1940 Act. Our firm holds the second largest position in HFRO on behalf of our clients as long-term investors. It is our clients and the many individual investors who will lose important shareholder protections if the proposal by HFRO management and its Board is approved.

We urge shareholders to listen to the AICA Podcast from August 13th in which Mike Taggart discusses why he believes that this proposal is "... a deal that's great for the managers and bad for shareholders." See <https://aicalliance.org/taggart-says-investors-can-find-the-devil-is-in-merger-details/>.

We note that since management introduced its proposal, the Price/NAV discount in HFRO has widened from -13.97% to -23.08% ahead of the August 20th Special Meeting, further reducing options for any shareholders who would like to exit this security.

Management claims that they have instituted measures to reduce this discount. In our opinion, these efforts have been woefully inadequate. For example, the Board approved a buyback of 10% of outstanding shares in April of 2020, but then repurchased only 544,508 shares which is less than 1% of the outstanding issue all while the discount averaged -26.40% over the buyback period.

We also take issue with several statements in the proxy materials, including statements regarding increasing shareholder transparency with holding company quarterly earnings calls and "other...periodic reports". The company currently strikes a daily NAV, the ultimate transparency for investors. The company can institute a quarterly investor call now, without changing its corporate structure and removing the 1940 Act investor protections. Why not just implement those transparency measures now?

We strongly urge shareholders to vote AGAINST the proposal. If you have already voted FOR the proposal, we encourage you to revoke your proxy and vote AGAINST the proposal.

In our opinion, the proposal takes away important shareholder protections while offering absolutely no positive rewards for shareholders. We believe that it is only management alone that benefits from this proposal, allowing them to control our money with less oversight from regulators and investors. As shareholders standing alongside all of you, we do not see any benefits to the proposal.

About Thomas J. Herzfeld Advisors, Inc.

Thomas J. Herzfeld Advisors, Inc., founded in 1984, is an SEC registered investment advisor, specializing in investment analysis and account management in closed-end funds. More information about the advisor can be found at www.herzfeld.com.

Forward-Looking Statements

This press release, and other statements that TJH may make, may contain forward looking statements within the meaning of the Private Securities Litigation Reform Act, with respect to the TJH's future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend," "potential," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" or similar expressions. TJH cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and TJH assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance. The information contained on TJH's website is not a part of this press release.

This is not a solicitation of authority to vote your proxy. Proxy cards will not be accepted by Thomas J. Herzfeld Advisors, Inc. TJH is not able to vote your proxies, nor does this communication contemplate such an event.

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