

Item 1**Cover Page**

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This brochure provides information about the qualifications and business practices of Highland Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 901-761-9500 or dspivey@highlandcap.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Highland Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

In this “Material Changes” section, we discuss only the material changes made to Part 2A Form ADV since the last annual update of this form. This Brochure, dated March 10, 2020, is an amended version of the annual update, dated March 19, 2019.

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Highland Capital Management, LLC (“Highland Capital”), formed as Highland Capital Management Corp in 1987, is an investment advisory firm specializing in managing equity and fixed income portfolios for individuals, high net worth individuals, charitable organizations, state or municipal government entities, 401K, pension/profit sharing plans, trusts, and corporations & businesses. Currently, Argent Financial Group, Inc. owns 100% of the membership interest in Highland Capital. Highland Capital services clients in the private, corporate and public sector. As of 12/31/2019, Highland Capital’s discretionary assets were \$2,998,937,552.

We provide continuous advice as to the investment of client funds and tailor our advisory services to the individual needs of clients. As such, we take into consideration the nature and amount of client assets and investments, client risk tolerance, and liquidity requirements in providing individualized advisory services. Our firm does not provide personal financial planning services. Sometimes clients may impose investment restrictions on their accounts. We welcome the opportunity to accommodate any special client needs.

It is important to us that we hear from our clients often. We want to make sure that our clients’ current investment strategies meet their needs.

Highland participates in 401K employee enrollment meetings as part of the service we provide for our clients who are 401K Plan Sponsors. During these meetings, the employees are provided literature on how to enroll and access their 401K plan information and educate them about their investment options in the Plan.

Some of our clients are independently enrolled in “wrap fee programs” of unaffiliated broker-dealers (the “Program Sponsor”). Highland serves as the portfolio manager for these accounts. The wrap programs used by our clients are: Wells Fargo Private Advisor Network, Morgan Stanley, and Raymond James Ambassador. Highland manages the portfolios just like other portfolios, except we are not able to select the broker-dealer to execute the equity trades. Client also pays trade away fees on fixed income trades executed away from program’s broker-dealer. Highland Capital does not sponsor any wrap fee programs.

Each Program Sponsor may offer different services. Typically, they include:

- Providing a list of approved advisers;
- Monitoring and evaluating performance of client investment accounts;
- Executing client trades without any commissions;
- Providing performance reporting;
- Providing custody of client investments; and
- Determining if a program is suitable for you.

We do not negotiate brokerage commissions in wrap fee programs. We are not able to give any assurances that we will be able to obtain the best price or execution quality for client trades within these programs. The Program Sponsor lumps all of the services, including trades, into one fee charged to client. Our fee may or may not be included in the Program Sponsor fee. Clients should be aware that the wrap fee charged by a Program Sponsor might exceed the cost for paying for these services separately.

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Item 5 Fees and Compensation

Highland Capital calculates fees based upon the market value of client assets under management. Our fees are subject to negotiation and are payable quarterly by calculating the market value of client assets on the last day of business in a calendar quarter. Fees billed in advance are calculated on the market value of the plan's assets at the beginning of the billing period.

Clients have the option to pay their fee one quarter in advance. Upon termination of an account, the client will receive a prorated portion of their prepaid fees. The fee will be prorated based on the number of days between closing date and next billing quarter date. For example, if a client pre-paid their fees through June 30 and the account closed May 31, we would refund the portion of the fees from the closing date to June 30.

Below is the fee schedule for investment strategies offered by Highland Capital. **All fee rates and minimums are negotiable.**

- Traditional Fixed Income Accounts

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$10,000,000	0.375%
In Excess of \$10,000,000	0.25%
<i>Highland has a minimum annual fee of \$3,750</i>	

- Traditional Equity Accounts

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$5,000,000	1.00%
Next \$10,000,000	0.75%
In Excess of \$15,000,000	0.50%
<i>Highland has a minimum annual fee of \$3,750</i>	

- Institutional Equity (Large Cap Value, Large Cap Growth, International)

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$20,000,000	0.50%
Next \$36,000,000	0.375%
Over \$56,000,000	Negotiable
<i>Account minimum \$1,000,000</i>	

- Institutional Balanced

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$20,000,000	0.50%
Next \$36,000,000	0.375%
Over \$56,000,000	Negotiable
<i>Account minimum \$1,000,000</i>	

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- Multi-Cap Institutional Equity

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$25,000,000	0.85%
Next \$25,000,000	0.65%
Next \$50,000,000	0.50%
Over \$100,000,000	Negotiable
<i>Account minimum \$1,000,000</i>	

- Institutional Short-Term Fixed Income

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$50,000,000	0.250%
Next \$100,000,000	0.125%
Next \$150,000,000	0.10%
Over \$300,000,000	Negotiable
<i>Highland has a minimum annual fee of \$10,000</i>	

- SMID-Cap Core Alpha

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$20,000,000	0.85%
Over \$20,000,000	0.75%

- Core Plus strategy includes a fee of 1.00% per annum of assets under management plus a 10.00% performance fee.

Account minimum \$10,000,000

- 401K ETF Models Rate Per Annum is 0.500%

Below is an example of how we calculate a quarterly fee.

Type of

<u>Investment</u>	<u>Market Value</u>		<u>Rate</u>		<u>Qtr</u>		<u>Fee</u>
Equity	1,000,000	x	1.000%	÷	4	=	\$2,500.00
Fixed Income	1,000,000	x	0.375%	÷	4	=	\$ 937.50
Cash	25,000	x	0.375%	÷	4	=	\$ 23.44
Total Fee:							\$3,460.94

Clients can pay fees two different ways. Clients can send a check to Highland Capital or we can bill the client's custodian for payment from client assets. Clients may select their preferred method of fee payment. We will always send clients an invoice and an account statement each quarter.

Clients will incur other fees, in addition to the fees charged by Highland Capital. Broker-dealers will charge commissions on each investment trade, which become part of the cost of the trade. Please review **Item 12** for more information about our brokerage practices.

Some custodians charge clients a custody fee. A description of this fee is included in the custody agreement.

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Highland Capital is also a sub-investment adviser to First Tennessee Advisory Services Inc. (“FTAS”). FTAS has an agreement with their clients granting FTAS the authority to retain us to manage some or all of their clients’ assets. FTAS will review and recommend to their client an investment strategy or asset allocation. FTAS monitors client account performance to ensure that the chosen strategy is still suitable to client needs. FTAS provides all client reporting. We select the broker-dealer for all investment trades. We invoice FTAS for their sub-advisory fee each quarter for each account managed in this program. This fee is calculated on the total assets under management.

Below is our fee schedule for accounts we manage under the FTAS program.

- Ultra-Short Fixed Income (Government Only)

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$10,000,000	0.20%
Next \$5,000,000	0.175%
Next \$10,000,000	0.150%
In excess of \$25,000,000	Negotiable
<i>Account Minimum is \$1,000,000</i>	

- Fixed Income Accounts

<u>Market Value of Assets Managed</u>	<u>Rate Per Annum</u>
First \$10,000,000	0.25%
In Excess of \$10,000,000	0.20%
In excess of \$20,000,000	Negotiable
<i>Account Minimum is \$500,000</i>	

Highland Capital has a sub-advisory contract with an affiliate, Argent Trust Company (“ARGENT TRUST”) to provide investment management services to some of ARGENT TRUST’s clients. ARGENT TRUST is responsible for obtaining from client investment profile and investment guidelines. Highland will use these guidelines to invest clients’ assets. Highland receives 30% of the fee charged to the client by ARGENT TRUST.

Highland has a sub-advisory contract with ICC Capital Management Advisors (ICC). ICC provides investment recommendations for clients of Highland that are investing in the Core Plus strategy. Highland pays ICC a performance fee of 10% per annum. Highland receives 1.00% of the market value of the assets on clients managed under this contract. Highland provides back office support for ICC. ICC reimburses Highland a fixed fee for providing these services.

Item 6 Performance-Based Fees & Side-By-Side Management

Highland Capital receives Performance Based fees for the Core Plus Strategy, in addition to standard advisory fees as described in Item 5. Because we have various fee arrangements, it may raise potential conflicts of interest by creating an incentive to favor higher fee accounts. These potential conflicts may include, among others:

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- The most attractive investments could be allocated to higher fee accounts or performance fee accounts.
- The trading of higher fee accounts or performance fee accounts could be favored as to timing and/or execution price.
- The portfolio management team could focus their time on higher fee accounts or performance fee accounts.

Highland addresses this conflict by having one person handle the portfolio management and trading of performance based fee accounts. This individual is not responsible for any other accounts.

Portfolios with standard fee arrangements are grouped together in block orders. Orders are filled based on pro-rata allocation procedures. Any deviation from the pro-rata allocation procedures require approval by the CCO. Highland also discloses all fee arrangements to the client in Item 5.

Item 7 Types of Clients

Highland Capital services institutional and individual clients. Our clients are individuals, high net worth individuals, charitable organizations, state or municipal government entities, hospitals, 401K, pension and profit sharing plans, corporations, businesses and trusts.

Highland Capital has account size minimums for most of its products. See **Item 5** for a list of account minimums.

Item 8 Methods of Analysis, Investment Strategies & Risk of Loss**Equity Securities**

Highland Capital's equity investment philosophy is geared toward identifying and investing in equities that we believe will generate above market returns with below market risks. Our strategy is to:

- Focus on the larger capitalized companies within the S&P 500 with strong financial characteristics;
- Purchase shares when prices represent excellent value, selling at the lower range of historic P/E valuation; and
- Place emphasis not only on upside potential, but also protecting downside risk.

Our investment process utilizes proprietary and quantitative models in conjunction with a detailed research process to select the companies to invest in from the S&P 500 for our equity portfolios. We rely on our Research Analyst to scrutinize market segments and present in our opinion the most attractive opportunities to our Investment Committee. The Investment Committee also reviews client portfolio allocations among market sectors given the current business cycle. The process ends with the identification of approximately 50 equity securities that we call our Core Portfolio.

Our key steps to the equity selection process include:

- Screening for companies with strong financial characteristics.

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- Our goal is to own companies that have proven over time to be better at growing their business than the average company in the S&P 500.
- We make use of a proprietary quantitative screening process, which measures a variety of financial characteristics, including:
 - Sales per share growth;
 - Operating margins;
 - Earnings per share growth;
 - Return on Invested Capital;
 - Excess Cash Flow utilization;
 - Earnings Estimate Revision; and
 - Price Momentum.
- We analyze a full decade of financial statistics to determine how a company performs in both good and bad economic periods. Key metrics include:
 - Solid business models or proprietary franchise positions;
 - Deep and adept management;
 - Strong balance sheets;
 - Financial flexibility; and
 - Strong end product markets.
- Qualitative factors (analysis that goes beyond the numbers).
 - We focus on those companies where our research strengths can add the greatest incremental value.
 - We also look for companies where management's financial interest is aligned with its investors.
 - Companies with market capitalizations less than \$2 billion will usually be eliminated from consideration, unless trading liquidity is adequate.
- Relative Valuation
 - Focus on identifying investment opportunities with favorable risk/reward characteristics. Our entry point is determined by:
 - Tracking 3 & 6-year range of relative price/earnings, relative price/cash flow, price/sales and price/book;
 - Historical stock valuation on an absolute and relative basis;
 - Analyzing downside risk as well as upside potential; and
 - Developing return and risk parameters based on current earnings per share forecasts.
- Core Portfolio
 - A majority of the Investment Committee must vote in the affirmative for a stock idea to make it into the clients' portfolio.
 - Approximately 50 stocks comprise an equity portfolio.
 - Over-weight sectors exist in higher quality groups.
 - Multi-year holding periods allow earnings growth to compound, with historic average annual turnover below 35%

- Monitoring stocks to determine if they still meet the investment criteria of the Core Portfolio. We sell stocks when:
 - Better alternative opportunities are identified;
 - Stocks becomes overpriced;
 - Stock weighting becomes excessive; and
 - Company or sector fundamentals begin to deteriorate.

Fixed Income Securities

Highland Capital's objective is achieving returns that are above the market average while holding volatility at or below that of the market over an interest rate cycle. Although we believe that accurately forecasting interest rates is very difficult, we recognize that there are broad, recurring trends which are identifiable and which closely follow the economic cycle. These trends occur because interest rates reflect the supply and demand for money, which ebbs and flows over a business cycle. Bond yields are most likely to decline during recessions when business activity is contracting and competition for money is weak. Conversely, rates rise during expansions when increased demand for money and concerns about inflation start to emerge. Portfolio maturity and duration (risk) are monitored and adjusted to reflect the appropriate stage of the business cycle. Our strategy seeks to have the most exposure to the bond market in terms of maturity and duration when rates are high on a cyclical basis and when a recession is either imminent or underway. Likewise, portfolio maturity and duration are reduced in the expansion phase when rates are most likely to rise. The range of portfolio maturities and duration is flexible, varying with the relative value of the bond market and with specific needs and risk tolerances of our clients.

Managing income is an important ingredient in our fixed income philosophy. While movements in bond prices are important in the short run, income is the major component of return in the long term. Our strategy strives to construct and maintain portfolios with yields in excess of the market. This enables our clients to maximize the benefits from compounding of interest. In addition, the higher yields serve to cushion the impact of price declines in periods of rising interest rates. Our strategy implies an overweighting in non-government fixed-income securities and requires that all segments of the capital markets be monitored in order to capitalize on yield differentials that develop because of market inefficiencies.

Credit quality is a necessary consideration in our fixed income decision-making process. While most managers consider bonds as investments, in truth they are loans for fixed periods of time at fixed rates of interest. No sound lending institution should provide loans without making informed judgments concerning the credit worthiness of the borrower and the appropriate rate of interest to charge. We feel the same way about "lending" our clients' money. In addition, we believe that there is no reasonable rate of interest that will compensate for the loss of principal through default. As a result, we focus the majority of our credit attention on investment grade securities. This provides greater security against credit risks and enhances market liquidity. As with any investment strategy, there is a risk of loss that clients should be prepared to bear.

Strategies Offered

Large Cap Core:

The Large Cap Core strategy focuses on large capitalization companies with strong financial characteristics. We use a combination of “top-down” macroeconomic analysis combined with traditional “bottom-up” fundamental research.

Large Cap Value:

The Large Cap Value strategy utilizes a quantitative approach to investing with a fundamental overlay. We seek to eliminate human bias as much as possible. Under this approach, our investment professionals evaluate current market environments, create assumptions regarding future market conditions, and adjust portfolios accordingly. This strategy seeks capital appreciation and long-term growth through investing in U.S. and foreign “value” stocks of any size capitalization.

Multi-Cap:

The investment philosophy for the Multi-Cap Equity strategy is driven by Highland’s belief that although asset markets are highly efficient over the long run, due to behavioral factors asset prices are often highly inefficient in short and intermediate term cycles. As a result, Highland’s investment process focuses specifically on identifying these inefficiencies, concentrating portfolio exposure within broad market sectors and securities, which exhibit this condition of pricing inefficiency, and attempting to capitalize upon the inefficiency before it reverts to a condition of rational pricing. The strategy is characterized as an active, high alpha approach, which places specific emphasis on rotation across market-cap strata, investment style, and broad market sectors. This strategy seeks capital appreciation and long-term growth through investing in U.S. and foreign “value and growth” stocks of any size capitalization.

Large Cap Growth:

The Large Cap Growth strategy is designed to exploit benchmark abnormalities by overweighting or underweighting the sectors included in the benchmark. We use proprietary quantitative modeling techniques to analyze benchmarks according to periodicity, skewing and other descriptive measures that point out exploitable opportunities. The multi-factor modeling process is utilized to evaluate sectors and individual stocks. The relative “score” of each stock within any benchmark is calculated weekly, and then we aggregate all the individual scores to obtain an overall “score” for each sector. When all factors are pointing to opportunity within a sector, we overweight portfolios to reflect this signal, utilizing optimization techniques against the benchmark for the final selection and security weight within the portfolio. This strategy seeks capital appreciation and long-term growth through investing in U.S. and foreign “growth” stocks of any size capitalization.

International Equity:

The International Equity philosophy starts with a top-down analysis that monitors regional and country specific conditions to judge a country’s overall attractiveness for investment and drives country allocation bets relative to the Bank of NY ADR Index based upon a particular country’s rating in Highland’s model. Once country weights are established, our analysis turns to individual securities where Highland relies on its proprietary model to objectively compile and sort data on all of the securities available for investment

within a particular country. This data is gathered and analyzed on a weekly basis and is utilized within a multi-factor model that weights those factors that Highland has researched to be relevant for foreign investment. A fundamental overlay of the top scoring companies within the multi-factor model is then applied to help determine final stock selection as well as position weighting.

Fixed Income-Ultra Short, 1-3 Year, Muni and Intermediate, Core:

These strategies are a reflection of Highland philosophical foundation that income rather than price drives fixed income returns. Building a portfolio with an average coupon higher than the index reduces the risk of underperforming the market. Highland believes this objective can be attained without compromising portfolio quality by focusing in spread sectors such as the government backed, government agency, and high quality corporate sectors.

Portfolios are constructed to maximize yield while allowing the opportunity for capital appreciation via appropriate duration, issue, and yield curve deployment. Portfolio duration is established and dynamically monitored via top down/bottom up inputs e.g. monetary and fiscal policy, investor sentiment, and relative value considerations. Bond yields are forecast three months forward and subject to ongoing scrutiny. Once this forecast is established a duration target is set. Yield curve analysis is then used to uncover profitable deployment options. Sector and issue decisions are relative value based and are consistent with overall interest rate views.

Core Plus:

A market neutral credit fund, whose strategy is to achieve higher total returns over the long-term.

Multi-Cap Balanced Global:

This strategy is designed to provide a mix of stocks and bonds that provide a diversified equity portfolio that spans the capitalization range of large cap, mid-cap, and small cap sectors, with a limited international equity exposure to developed markets. The overall target asset allocation is 60% equity and 40% fixed income. The equity allocation can vary from 50-70% of the portfolio based on our economic and market outlook. Large capitalization equities will make up the largest percentage of the equity weighting to provide greater stability and dividend income flow. The fixed income component is a mix of short and intermediate US government bonds, agencies and corporate bonds. For comparison purposes, the composite is measured against a blend of the following indexes: 39% of the S&P 500, 8% MSCI EAFE, 7% Russell MidCap, 6% Russell 2000, 32% Barclays Capital 1-3 Year U.S. Gov/Credit and 8% Barclays Intermediate Government/Credit index.

SMIDCap Core Alpha:

The SMIDCap Core Alpha strategy utilizes a quantitative investment strategy; seeking returns superior to the Russell 2500 index. The strategy generally holds between 80 – 100 positions and seeks to generate alpha through broad stock selection; minimizing large individual stock or sector bets. The Russell 2500 index is composed of the smallest 2500 securities in the Russell 3000 Index. The index is a barometer for the small to mid-cap segment of the U.S. equity universe.

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401K ETF:

Highland offers risk-based 401K model portfolios for plan sponsors. The models utilize ETFs and run the risk spectrum from very conservative to ultra aggressive.

The material risks of investing in each strategy is summarized in the table below. Detailed descriptions of each risk are listed after the table.

Table 1 – Summary of Material Risks Per Strategy

Risk Type	Large Cap Core Equity	Large Cap Value	Multi-Cap Equity	Large Cap Growth	Inter-national Equity	Inter-mediate Fixed Income	Core Plus
A. Market	X	X	X	X	X	X	X
B. Interest Rate						X	X
C. Credit						X	X
D. Foreign Securities	X	X	X	X	X		X
E. Short Sales							X
F. High Portfolio Turnover							X
G. Quantitative Investment Approach	X	X		X	X		
H. Value Investing	X	X	X				X
I. Growth Investing	X	X	X	X	X		
J. Smaller & Medium Capitalization Companies		X	X	X	X		
K. Manager	X	X	X	X	X	X	X
L. Sector & Industry	X	X	X	X	X	X	X
M. Emerging Market Securities	X				X		X
N. Rising Stock/Bond Market							X

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Risk Type	Core Fixed Income	Liquid -ity	1-3 Year Fixed Income	Ultra-Short Term Fixed Income	Muni-cipal Fixed Income	Multi-Cap Balanced Global	Smid-Cap Core Alpha	401K ETF
A. Market	X	X	X	X	X	X	X	X
B. Interest Rate	X	X	X		X	X		
C. Credit	X	X	X	X	X	X		
D. Foreign Securities						X		
E. Short Sales								
F. High Portfolio Turnover		X		X				
G. Quantitative Investment Approach								
H. Value Investing							X	X
I. Growth Investing						X	X	X
J. Smaller & Medium Capitalization							X	X
K. Manager	X	X	X	X	X	X	X	X
L. Sector & Industry	X	X	X	X	X	X	X	X
M. Emerging Market Securities								X
N. Rising Stock/Bond Price								

Please note that investing in any of the above strategies involves risk of loss that clients should be prepared to bear.

A. Market Risk:

The prices of the securities, particularly the common stocks in which the strategy invests, may decline for a number of reasons. The price declines of common stocks, in particular, may be steep, sudden, and/or prolonged.

B. Interest Rate Risk:

In general, the value of bonds and other debt securities falls when interest rates rise. Longer term obligations are usually more sensitive to interest rate changes than shorter term obligations. While bonds and other debt securities normally fluctuate less in price than common stocks, there have been extended periods of increases in interest rates that have caused significant declines in bond prices.

C. Credit Risk:

The issuers of the bonds and other debt securities held by the strategy in which the strategy invests may not be to make interest or principal payments. Even if these issuers are able to make interest or principal payments, they may suffer adverse changes in financial condition that would lower the credit quality of the security, leading to greater volatility in the price of the security.

D. Foreign Securities Risk:

The securities of foreign issuers may be less liquid and more volatile than securities of comparable U.S. issuers. The costs associated with securities transactions are often higher in foreign countries than the U.S. The U.S. dollar value of foreign securities traded in foreign currencies (and any dividends and interest earned) held by the strategy in which the strategy invests may be affected favorably or unfavorably by changes in foreign currency exchange rates. An increase in the U.S. dollar relative to these other currencies will negatively impact the strategy. Additionally, investments in foreign securities, even those publicly traded in the United States, may involve risks which are in addition to those associated with domestic investments. Foreign companies may not be subject to the same regulatory requirements of U.S. companies, and as a consequence, there may be less publicly available information about such companies. Also, foreign companies may not be subject to uniform accounting, auditing, and financial reporting standards and requirements comparable to those applicable to

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U.S. companies. Foreign governments and foreign economies often are less stable than the U.S. Government and the U.S. economy.

E. Short Sales Risk:

The strategy will suffer a loss if it sells a security short and the value of the security rises rather than falls. It is possible that the strategy's long positions will decline in value at the same time that the value of its short positions increase, thereby increasing potential losses to the strategy. Short sales expose the strategy to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the strategy. The strategy's investment performance will also suffer if it is required to close out a short position earlier than it had intended. In addition, the strategy may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with the strategy's open short positions. These expenses may negatively impact the performance of the strategy. Short positions introduce more risk to the strategy than long positions (purchases) because the maximum sustainable loss on a security purchased (held long) is limited to the amount paid for the security plus the transaction costs, whereas there is no maximum attainable price of the shorted security. Therefore, in theory, securities sold short have unlimited risk.

F. High Portfolio Turnover Risk:

The strategy's annual portfolio turnover rate generally exceeds 100%. (Generally speaking, a turnover rate of 100% occurs when the strategy replaces securities valued at 100% of its average net assets within a one year period.) High portfolio turnover (100% or more) will result in the strategy incurring more transaction costs such as brokerage commissions or mark-ups or mark-downs. Payment of those transaction costs reduces total return.

G. Quantitative Investment Approach Risk:

Some strategies utilize a quantitative investment approach. While Highland continuously reviews and refines, if necessary, its investment approach, there may be market conditions where the quantitative investment approach performs poorly. As a result, the strategies are suitable only for those investors who have medium to long-term investment goals. Prospective investors who are uncomfortable with an investment that may decrease in value should not invest in the Strategy.

H. Value Investing Risk:

The strategy invests in "value" stocks of companies of all sizes and industries. The strategy's portfolio managers may be wrong in their assessment of a company's value and the stocks the strategy holds may not reach what the portfolio managers believe are their full values. From time to time "value" investment approaches fall out of favor with investors. During those periods, the strategy's relative performance may suffer.

I. Growth Investing Risk:

The strategy invests in "growth" stocks of companies of all sizes and industries. The strategy's portfolio managers may be wrong in their assessment of a company's growth potential and the stocks the strategy holds may not reach what the portfolio managers believe are their full growth. From time to time "growth" investment approaches fall out of favor with investors. During those periods, the Strategy's relative performance may suffer.

J. Smaller and Medium Capitalization Companies Risk:

The securities of smaller capitalization companies are generally riskier than larger capitalization companies since they do not have the financial resources or the well-established businesses of the larger companies. Generally, the share prices of stocks of smaller capitalization companies are more volatile than those of larger capitalization companies. The returns of stocks of smaller capitalization companies may vary, sometimes significantly, from the returns of the overall market. Smaller capitalization companies tend to perform poorly during times of economic stress. Finally, relative to large company stocks, the stocks of smaller capitalization companies may be thinly traded, and purchases and sales may result in higher transaction costs. The securities of medium capitalization companies generally trade in lower volumes than those of large capitalization

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companies and tend to be more volatile because mid-cap companies tend to be more susceptible to adverse business or economic events than larger more established companies.

K. Manager Risk:

All the strategies are actively managed and their performance therefore will reflect in part the ability of the strategy's portfolio managers to make investment decisions that are suited to achieving the stated investment objective.

L. Sector and Industry Risk:

For each strategy overall risk level will depend in part on the market sectors and industries in which the strategy is invested. The strategy may overweight or underweight certain companies, sectors, or industries, which may cause the strategy's performance to be more or less sensitive to developments affecting those companies, sectors, or industries.

M. Emerging Market Securities Risk:

The strategy may invest in foreign securities issued by companies located in developing or emerging countries. Investing in emerging market securities imposes risks different from, or greater than, risks of investing in foreign developed countries. These risks include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible repatriation of investment income and capital. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. Additional risks of emerging markets securities may include: greater social, economic, and political uncertainty and instability; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organized and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition, emerging securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions. Settlement problems may cause the strategy to miss attractive investment opportunities, hold a portion of its assets in cash pending investment, or be delayed in disposing of a portfolio security. Such a delay could result in possible liability to a purchaser of the security.

N. Rising Stock/Bond Market Risk:

One strategy typically will be approximately "0% -100% short." Accordingly, in rising stock/bond markets its risk of loss will be greater than in declining stock/bond markets. Over time stock/bond markets have risen more often than they have declined.

Item 9 Disciplinary Information

There are no legal or disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Highland has an affiliate who is a Trust Company. They are a subsidiary of Argent Financial Group, Inc., Argent Trust Company ("ARGENT TRUST"). Highland may accept clients whose assets are in custody at this institution. Highland and ARGENT TRUST are controlled by the same parent company, but are operationally independent of each other. Highland has a sub-advisory agreement with Argent Trust. Review item 5 for more information about the agreement.

Highland may recommend Argent Trust to serve as custodian for clients' assets. Highland does not receive referral fee from Argent Trust.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Highland Capital maintains a Code of Ethics that requires our employees to pre-clear all personal security. The code allows our employees to buy and sell securities we are buying and selling for our client accounts. It also allows them to buy and sell other securities not on our list. If our employees choose to trade opposite of what we are trading for our client accounts, special circumstances must be present before such a trade is approved. Examples include:

1. No client is harmed as a result of the transaction;
2. Not approving the sale would result in a significant financial detriment to the employee; and
3. The employee is not unfairly advantaged as a result of the transaction.

Each personal trade is evaluated individually before approval to ensure this employee trade will not harm our clients. Our code also requires each of our employees to report each quarter all of their personal security trades to the designated compliance officer. Any violations of the code are reported to the President of Highland.

Clients may request a copy of our Code of Ethics by contacting the Chief Compliance Officer at 901.761.9500.

We also have a policy in place to discourage our employees from contributing to political campaigns in return for business from political entities. The policy limits the contribution amount and requires reporting of these contributions to our Chief Compliance Officer. Any contributions exceeding the amount allowed by the SEC's Investment Adviser Act Rule 206(4)-5 would be grounds for termination. This policy also prevents us from receiving adviser fees from clients that would have benefited from this political contribution.

Item 12 Brokerage Practices

Highland Capital submits all security trades through established and reputable brokers at commissions comparable to those normally charged by other brokers. In selecting broker-dealers, we consider factors such as execution capability, the broker's perceived financial stability, the broker's responsiveness to our transaction requests and the broker's clearance and settlement capability.

Research services provided by the broker for the benefit of our clients may also be considered. Brokers provide research services in the form of software and research reports on economic trends, industries, and individual firms. When we obtain research services through client commissions, we receive a benefit because we do not have to produce or pay for the research, products or services. We may pay a broker who provides research services commissions that are higher than another broker might have charged, but that ordinarily will not be higher than the generally prevailing rate if we determine in good faith that the commissions are reasonable in relation to the research services provided. The research services may be useful in servicing any of our accounts, but not all of the research may be useful to the account for which the particular transaction was effected.

The commissions paid to the brokers are used to pay third parties and/or brokers for the research products

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identified in the table below. Some of the products are used for both investment research and for client record keeping purposes and other non-research purposes. We make a good faith effort to determine the percentage of such products and services that are considered research. The portion of the costs of such products or services attributable to research services may be paid through brokerage commission generated by client transactions. Our firm pays the portion of the costs attributable to non-research usage.

Below is a table of products/services purchased with soft dollars.

Product Name	Product Description
Revinitiv Eikon	Provides financial data, analytic information and research on companies.
Factset	Provides financial data, analytic information and research on companies.
Frank Russell	Provides US Equity benchmarks used to track current and historical market performance by specific size, investment style and other market characteristics.
Bloomberg	Provides real-time financial data, analytic information, and business news to issuers, investors, and intermediaries in every country with capital markets.
ICE Data Pricing & Reference Data	Provides pricing on securities held in clients' portfolios.
DTCC ALERT	Communicating of settlement instructions to Broker/Dealers and custodian.
New York Stock Exchange	Receive NYSE market data.
Options Price Reporting	Last sale and market quotes from the five U.S. Exchanges that trade options.
Advent Software, Inc	Software is used for asset allocation decision making, investment analysis, performance and portfolio accounting. A portion of this software is paid for with hard and soft dollars.

Highland may recommend to clients custodians, who are brokers. As a result, Highland may be provided access to their brokerage platform and access to view client holdings. Highland does not receive any compensation for these referrals.

Highland Capital participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14. Below.)

Highland Capital has an employee who also works with an unaffiliated broker, Americas Executions, LLC as an Investment Banking Advisor. To ensure no conflict of interest, Highland does not use this broker for any client trades. Additionally the position held by employee is unrelated to his current job position at Highland.

Directed Brokerage

Some of our clients have established relationships with particular brokers or brokerage firms when they become advisory clients. Clients may use the investment consulting services of these brokers and brokerage firms for the purpose of manager evaluation, asset allocation advice, establishment of objectives and risk parameters, performance monitoring, participating in account review meetings and other similar services. In addition, the

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brokerage firm may also provide custody of client assets. In these circumstances, the negotiation of brokerage fees is typically a matter of negotiation between the client and the client's broker.

The execution costs for such client directed accounts might be higher than what our other clients pay. It may also prevent our clients from achieving a better execution of their trade. Typically, we are able to receive a better price and execution on security trades. We are able to do this by grouping all of our client trades together and submitting one large batch order. This gives us an advantage on price negotiation.

If clients want to continue using their specified broker and want better pricing, we will be happy to contact their broker and try to negotiate better pricing.

Cross-Trading

Sometimes we are asked to liquidate fixed income securities for our clients. When a liquidation request is received, our portfolio managers look at the securities they are going to sell to determine if it would be appropriate for another existing account. If it is deemed a fit for another account, the security is placed out to bid with broker-dealers. Once the highest bid is obtained, the security is sold out of liquidating account at the highest bid rate and sold to the other account. The security is transferred between the two accounts.

If the accounts have different custodians, or if the custodian is unable to transfer securities as described above, the portfolio manager will obtain three bids for the security from unaffiliated dealers. The portfolio manager will sell the security to the dealer with the highest bid and repurchase the security from the same dealer for the purchasing account, plus a mark-up.

Aggregating Orders

We may execute securities transactions on behalf of a number of accounts at the same time, generally referred to as "block trades". When executing block trades, securities are allocated among accounts using procedures that we consider fair and equitable. Participation of an account in the allocation is based on considerations such as investment objectives, restrictions and time horizon, availability of cash and the amount of existing holdings of the securities (or substitutes) in the account. Generally, various forms of pro rata allocations are used, however, certain factors may result in an account receiving more or less than its pro rata share due to factors such as cash availability, diversification requirements and investment objectives, time horizons and particular restrictions on an account. If multiple trades for a specific security are made with the same broker in a single day, each account participating in the portfolio manager's trade order will be allocated an average weighted price obtained from the executing broker. Accounts with directed brokerage instructions will be excluded from block trades. When a small number of shares in a public offering are allocated to Highland Capital, it may allocate disproportionately taking into consideration the performance of the accounts and the account sizes.

Item 13 Review of Accounts

Highland Capital's portfolio managers review each investment advisory account to tailor its asset mix, diversification, and income to the client's current needs. In addition, individual meetings with our clients are held at regular intervals selected by the client, or at irregular intervals at the request of the client, to discuss individual portfolio results and objectives. Our portfolio managers attempt to meet with each client at least

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once each year. The securities in each portfolio are checked each business day in respect to price fluctuations and news events in which our clients have an interest. The advisor also looks at broad economic trends and monetary policy. Managers routinely review investment requirements and investment conditions. Significant changes in market conditions, the economic environment, and the outlook for industry or stock groups will trigger the review of accounts.

In the event of a turbulent market, we will increase the frequency of our reviews of client portfolios. Any material adverse information concerning securities held in a portfolio will result in a careful examination and possible sale of said securities. Any materially favorable information concerning securities will be a factor in determining the purchase of those securities provided the other fundamental and technical factors support a purchase of those securities.

We also send investment holdings and transaction statements to our clients at least four times a year. The statements are sent to clients after each calendar quarter-end.

Item 14 Client Referrals and Other Compensation

As disclosed under Item 12. Above, Highland participates in TD Ameritrade's institutional customer program and Highland may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice Highland gives to its Clients, although Highland receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmation; research related products and tools; consulting services; access to a trading desk serving Highland Capital participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Highland Capital by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Highland's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Highland, but may not benefit its Client accounts. These product or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Highland or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Highland endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Highland or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Highland Capital may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Highland Capital may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD

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Ameritrade is a discount broker-dealer independent of and unaffiliated with Highland Capital and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Highland Capital and has no responsibility for Highland Capital's management of client portfolios or Highland Capital's other advice or services. Highland Capital pays TD Ameritrade an on-going fee for each successful client referral. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to Highland ("Solicitation Fee"). For referrals that occurred through AdvisorDirect on or after June 9, 2017 the Solicitation Fee is annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. Highland Capital will also pay TD Ameritrade the Solicitation Fee on any assets received by Highland Capital from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Highland Capital on the recommendation of such referred client. Highland Capital will not charge clients referred through Advisor Direct any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Highland's participation in Advisor Direct raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Highland may have an incentive to recommend to clients that the assets under management by Highland Capital be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Highland has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Highland's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Highland Capital had a solicitation agreement with the Trust Division of First Tennessee Bank National Association (the "Bank"), formerly a related entity to Highland Capital by common ownership, which terminated on April 29, 2011, in connection with the change of control of Highland. Under the terminated agreement, Highland Capital continues to pay certain eligible Bank Trust Division employees an incentive for referred clients to Highland Capital. The amount of the referral fee paid is 5% of annual fees received by Highland Capital from the client's account established pursuant to the referral.

Highland Capital also had a solicitation agreement with First Tennessee Brokerage, Inc. (FTBR), formerly a related entity to Highland Capital by common ownership, which terminated on April 29, 2011, in connection with a change of control of Highland Capital. Under the terminated agreement, Highland Capital continues to pay FTBR employees 25% of the annual investment advisory fee received by our firm from the client account.

Robert Page is an independent associated person and shareholder of Stoneridge Investment Partners, LLC. He serves in a client servicing capacity at Stoneridge. He also is an independent associated person to Highland. Mr. Page services some existing institutional clients for Highland. Highland pays Mr. Page a fixed annual fee for these services.

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Joseph Ramaglia Consulting Corp. has an independent agreement with Highland to solicit and service institutional clients. The firm is paid a fixed annual fee.

Item 15 Custody

Highland Capital is not a qualified custodian. Highland's intent is not to have custody of client funds or investment securities. All client assets are in control of the client's qualified custodian. Clients will receive account statements directly from their custodian at least quarterly. The statements will include all the activity in the account, plus a detailed list of all the client assets.

Each quarter Highland Capital provides clients with statements outlining the transactions that occurred in their account during the quarter in addition to a listing of their investment holdings. We encourage our clients to compare the account statements received from us to the statements they receive from the client's custodian for accuracy.

Each of our clients has separate contracts with their respective qualified custodians. Some of our clients have custodian agreements, which indicate the custodian will accept instructions from Highland to pay invoices from the client's funds. The SEC believes this language gives Highland authority to obtain possession of the client funds or assets. Because of this, Highland has hired Ashland Partners to conduct a Surprise Custody Audit. Ashland is an independent public accountant, not affiliated with Highland.

Other custodian agreements do not contain the language discussed above. The custodians have procedures in place to ensure Highland does not have the authority to obtain possession of client funds or assets.

One of our affiliates, Argent Trust Company maintain some of our clients' assets. Since our affiliates are considered to be qualified custodians, we are required to obtain a written internal control report that addresses the effectiveness of controls over their custodial services at least annually. Independent public accountants issue these reports. Highland's operations are managed independently of the operations of our affiliate custodian.

Item 16 Investment Discretion

Highland Capital's advisory contracts give us discretion to supervise and direct, on a continuing basis, as agent and attorney-in-fact on behalf of the client, without prior consultation with the client, the investment, and reinvestment of all assets.

If a client has specific investment policies or restrictions, that information should be provided to us.

All new clients are required to sign our advisory contract, which describes our responsibilities for managing the client's portfolio.

Item 17 Voting Client Securities

Highland Capital has been given the authority to vote proxies on behalf of our clients under the terms of our Investment Management Agreement. We maintain proxy voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6, to ensure that proxies are voted in the best interests of our clients. Our proxy voting guidelines address, but are not limited to, the following issues:

- Ensuring the Board of Directors serves the interest of shareholders;
- Transparency and integrity of financial reporting;
- The link between executive compensation and performance;
- Governance structure and the shareholder franchise; and
- Compensation, environmental, social and governance shareholder initiatives.

Clients may obtain a complete copy of our proxy voting policy and information on how we voted their securities by contacting the Compliance Officer at 901-761-9500, or by email at dspivey@highlandcap.com.

Currently, Highland uses a third party vendor, Broadridge to vote our clients' proxies in compliance with client or Highland's approved guidelines. Vendor maintains the proxy voting record for each of our client accounts. Some of our clients' custodians do not have a relationship with Broadridge. Highland will be responsible for voting those shares manually and maintaining the record of these votes. These shares will be voted in line with other shares voted by vendor, Broadridge.

Clients that want certain proxies to be voted against our guidelines must forward this request to their portfolio manager.

Sometimes there may be proxy issues that create a conflict of interest. Each year, we identify any issues that might create a conflict of interest during the proxy voting process. Examples of conflicts of interest include:

- Highland Capital manages an account for a company whose management is soliciting proxies.
- Highland Capital has a material relationship with a proponent of a proxy proposal and this business relationship may influence how the proxy vote is cast.
- Highland Capital or its principals have a business or personal relationship with participants in a proxy contest, corporate directors or candidates for directorships.

Since we allow Broadridge to vote all the proxies, potential conflicts of interest are reduced. We do have the ability to over-ride the proxy votes if we choose. If this occurs, the Chief Compliance Officer would be notified of the request and would research the issue and make a determination regarding the presence or absence of any actual or potential conflict of interest. If a conflict of interest exists, the client's consent would be obtained before voting in a manner other than specified in the guideline. We will provide the client with sufficient information regarding the shareholder vote and our conflict so that the client can make an informed decision whether or not to consent.

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Highland Capital does not require or solicit prepayment of client fees six months or more in advance. We do offer clients the option of prepaying fees one quarter in advance, as described in Item 5.

Highland Capital has no financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 Requirements for State-Registered Advisers

Because Highland Capital is registered with the SEC, this Item is not applicable.