

# NB Distressed Debt Investment Fund Limited – Extended Life Shares (“NBDX”)

30 June 2019

## NBDX FUND OBJECTIVE

NB Distressed Debt Investment Fund Limited's ("NBDDIF") primary objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic stressed, distressed and special situation credit-related investments while seeking to limit downside risk.

NBDDIF's holdings are diversified across distressed, stressed and special situations investments, with a focus on senior debt backed by hard assets. The portfolio is managed by the Distressed Debt team at Neuberger Berman, which sits within what we believe is one of the largest and most experienced non-investment grade credit teams in the industry.

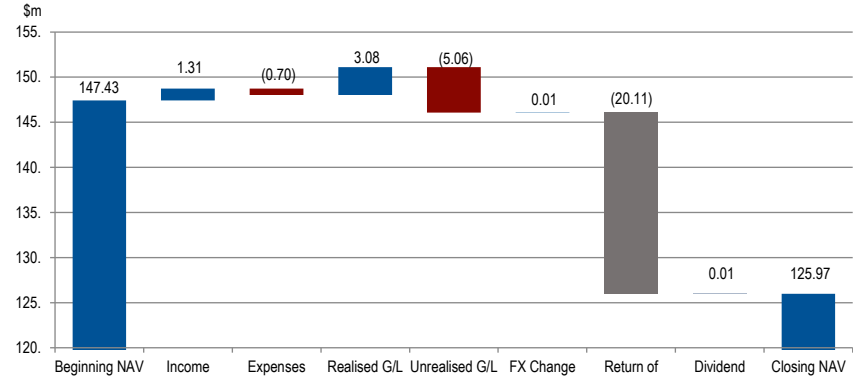
On 31 March 2015, the investment period of the Extended Life Share Class ("NBDX") expired and the assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period. Including the \$5.0 million capital distribution by way of redemption which the board approved post quarter-end (for distribution in 3Q19), \$249.5 million (equivalent to 69% of original capital) has been, or will have been distributed to shareholders (income by way of dividend, capital by way of redemption and share buy-backs), since the realisation phase for this share class began.

The Extended Life Share Class is one of three classes of shares in NBDDIF. The others are the Ordinary Share Class and the New Global Share Class. The Ordinary Share Class was subject to an investment period which ended on 10 June 2013 and the New Global Share Class was subject to an investment period which ended on 31 March 2017. Separate factsheets are produced for those share classes.

## FUND FACTS<sup>1</sup>

NAV Per Share:	\$0.9514
Share Price:	\$0.850
Share Price Discount vs. NAV	(10.7)%
Market Cap.	\$112.5m
Total NAV	\$126.0m
No. of issuers	28
Launch Date:	9 April 2013
Base Currency:	USD
NAV Frequency:	Daily
Domicile:	Guernsey
Year End:	31 December
Management Fee:	1.5%
Bloomberg Ticker:	NBDX:LN
ISIN:	GG00BDFZ6C48
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

## NAV BRIDGE: 31 MARCH – 30 JUNE 2019



Source: Neuberger Berman

Beginning NAV and Closing NAV are based on published NAVs for NBDX and not on a per share basis.

FX Changes due to share class's exposure to foreign currencies. As detailed in its prospectus, the share class may, but is not required to, engage in currency hedging in connection with investments in assets not denominated in US dollars (the currency in which shares are denominated).

Return of Capital includes distributions and buy-backs.

Figures presented are based on quarter-end published financial information and financial information provided by U.S. Bank Global Fund Services (Guernsey) Limited / U.S. Bank Global Fund Services (Ireland) Limited, as administrator to NBDDIF (the "Administrator"). This NAV bridge has not been audited and figures are subject to change.

## MANAGER COMMENTARY

NBDX is in the harvest period and the investment manager is working to restructure, reorganise, and realise exits for each investment to maximise the value of the portfolio for the shareholders. During the harvest period, the investment manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable.

The investment manager uses economic, industry and issuer specific data to estimate the gross realisable value in downside, base case and upside scenarios for each investment in the portfolio. It currently estimates the range of the aggregated realisable value for the investments in the portfolio is between 94% and 180% of the 30 June 2019 market values of these investments, with a base case of 141%. Shareholders should, however, note that: (i) the realisable values of the investments are calculated on a gross basis and, in particular, do not reflect the investment manager's management fee and investment-related expenses; and (ii) this range of aggregate realisable values is an estimate only, and there is no guarantee that the value actually realised will be within this range. Further details on the risks relating to "forward looking information" are set out at the end of this factsheet.

Post quarter-end, the board approved a \$5.0 million (\$0.0378 /share) capital distribution by way of redemption bringing total distributions approved/distributed to \$249.5 million. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital is 103%. NBDX had no exits during the quarter.

## Portfolio Update

NBDX ended the quarter with NAV per share of \$0.9514 compared to \$0.9623 at the end of March 2019. NAV decreased 1.1% during the quarter as a result of unrealised losses in Vistra public equity and an auto component debt/equity instrument. During the harvest period, reorganised equities, including public equities, represent a larger percentage of the fund's investments. More detail can be found below on public equity positions in the portfolio. At quarter-end, 94% of NBDX's NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 6% held in cash.

The current portfolio consists of 28 issuers across 12 sectors. The largest sector concentrations were in shipping, lodging & casinos, auto components and utilities.

Data as at 30 June 2019. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDX.

1. Source: Bloomberg, except where otherwise stated

# NB Distressed Debt Investment Fund Limited – Extended Life Shares (“NBDX”)

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## FUND MANAGERS

**Michael Holmberg**  
30 years' investment experience

**Brendan McDermott**  
15 years' investment experience

**Ravi Soni**  
14 years' investment experience

### Directors:

John Hallam (Chairman)  
Michael Holmberg  
Christopher Legge  
Christopher Sherwell  
Stephen Vakil

## Portfolio Update (continued)

### Public Equity

In the harvest period the public equity portion of the portfolio is increased as the result of debt-for-equity conversions. The NBDX portfolio currently includes the following public equity holdings:

ISSUER	MARKET VALUE AT 30 JUNE 2019 (\$ millions)	% NAV
Vistra Energy Corp	9.6	7.6%
Twin River	7.5	6.0%
Five Point Holdings LLC	6.9	5.5%
Eagle Bulk Shipping Inc	5.3	4.2%
Torm A/S	4.8	3.8%
Rivera Resources	0.4	0.3%
Star Bulk	0.2	0.1%
Sandridge Energy Inc	0.2	0.1%
Roan Resources	0.04	0.0%
<b>Total</b>	<b>34.8</b>	<b>27.6%</b>

Notable events<sup>2</sup> below describe activity in the investments during the quarter and post quarter-end.

- Financial Intermediary - Industry turmoil and illiquidity in the private notes negatively impacted pricing despite positive regulatory developments – including the approval of a distribution to noteholders received in 3Q19.
- Auto Components – During the quarter the company completed a recapitalisation. It issued \$150mm of super priority notes, completed coercive exchange offers for its existing First Lien and Second Lien Notes and amended its credit facilities. The company increased its current liquidity by \$125 million, converted nearly \$175 million of debt into equity, reduced its ongoing cash interest burden and extended its maturity profile.
- Post quarter-end, Twin River conducted a Dutch auction tender. NBDX participated in the tender with approximately 6.2% of our shares accepted for tender. The proceeds were received in 3Q19.

### Significant Value Change (approximately 0.5% of NBDX NAV or +/- \$630,000)<sup>3</sup>

INDUSTRY	INSTRUMENT	2Q19 TOTAL RETURN (\$ in millions)	MARKET VALUE (\$ in millions)	QUARTERLY PRICE CHANGE	COMMENT
Vistra	Public Equity	(\$1.4)	\$9.9	-13%	Mild weather weighed on power prices
Auto Components	Various	(\$0.9)	\$13.4	-10%	New financing transaction and coercive distressed exchange offer decreased valuation of existing securities

## Exits

There were no exits during the quarter.

Inception to date, NBDX has experienced 52 exits with a total return of \$118.1 million, IRR of 15% and ROR of 28%

## Partial Realisations

There was no material partial realisation activity during the quarter. The table below has been updated with current values.

PARTIAL REALISATION	SECTOR	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	CURRENT VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
3	Commercial Mortgage	2Q17	\$23.1 million	\$29.8 million	\$0.7 million	\$7.4 million	10%	32%	71
4	Containers & Packaging	2Q17	\$5.1 million	\$7.2 million	\$0.5 million	\$2.6 million	26%	51%	78
5	Containers & Packaging	2Q17	\$6.6 million	\$16.7 million	\$3.6 million	\$13.7 million	53%	206%	81

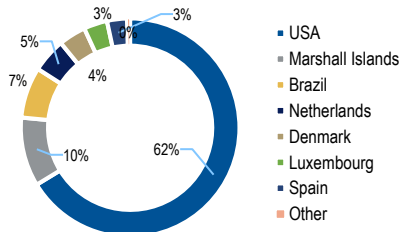
<sup>2</sup> Notable corporate events may or may not result in an increase or decrease in the value of an NBDX investment or a change in NBDX's NAV per share. Please note that an investment may experience a change in value (positive or negative) during the quarter whether or not it was subject to a notable corporate event. Not all events involving existing investments are disclosed. In addition, certain corporate events may not have been disclosed due to confidentiality obligations.

<sup>3</sup> Industry categorisations determined by Neuberger Berman. Total Return determined by the Administrator and includes realised and unrealised gains and losses, expenses, FX gains and losses, and all income on investments according to US GAAP accounting. References in this factsheet to the market value of specific fund investments refers to the value determined in accordance with NBDX's valuation policy, which may include fair valued investments where third party prices are not available or are not considered accurate

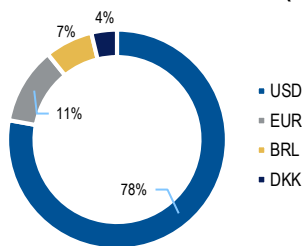
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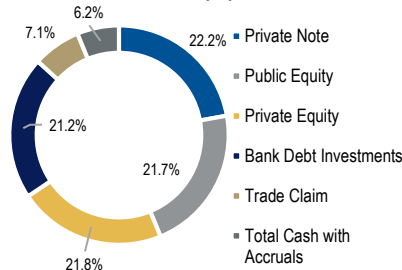
## COUNTRY BREAKDOWN<sup>4,5</sup> (%)



## CURRENCY BREAKDOWN<sup>4,5</sup> (%)



## INVESTMENT TYPE<sup>6</sup> (%)



## SECTOR BREAKDOWN<sup>7</sup> (%)

Shipping	17.7%
Lodging & Casinos	13.5%
Auto Components	10.6%
Surface Transport	9.8%
Utilities	8.7%
Financial Intermediaries	7.7%
Oil & Gas	6.0%
Building & Development	5.6%
Commercial Mortgage	5.3%
Nonferrous Metals/Minerals	5.2%
Containers and Packaging	3.3%
Forest Products	0.4%
Air Transport	0.0%
Net Cash and Accruals	5.7%
Restricted Cash	0.5%

## Distributions

The investment manager’s current expectation is to distribute 3-5% of 30 June 2019 NAV in 2019 (including the approved distribution of \$5 million), 65-70% of 30 June 2019 NAV in 2020 and the remainder in 2021. Significant changes to timing of realisations based on current analysis are summarised below. For regulatory reasons, the final 10% of total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all of the outstanding shares of that class. In the harvest period, we continue to focus on restructuring and monetising our investments, balancing timely realisations with maximising proceeds to our investors. Changes to timing are expected based on market conditions and investment developments and will continue to be updated in the quarterly factsheets.

## Significant Investments Experiencing Exit Timing Changes

INDUSTRY / ISSUER	INSTRUMENT	MARKET VALUE	COMMENT
Monoline Insurance	Surplus Notes	\$9.7 million	Industry turmoil likely delays exit by sale opportunities, however, the regulator approved distribution to surplus note holders and release of contingency reserve
Eagle Bulk Shipping	Public Equity	\$5.3 million	Catalyst from new International Maritime Organization (IMO) 2020 emissions regulations coming to fruition and we expect valuation and liquidity improvements in 2020
Torm	Public Equity	\$4.8 million	Catalyst from IMO 2020 emissions regulations coming to fruition and we expect valuation and liquidity improvements in 2020
Packaging	Private Equity	\$3.6 million	Higher freight & energy expenses offset pricing improvement to EBITDA, pushing out the likelihood of an exit through a sale or IPO

Post quarter-end, the board approved a \$5.0 million (\$0.0378/share) capital distribution by way of redemption bringing total distributions approved/distributed to \$249.5 million or 69% of original capital.

## Share Buy-Backs

The company repurchased 145,000 shares in NBDX during the quarter at a weighted average discount of 12.9% and a cost of \$121,800. Inception to date, a total of 9,886,313 or 3% of the original NBDX shares, have been repurchased and cancelled.

4. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 June 2019.

5. Includes cash and accruals.

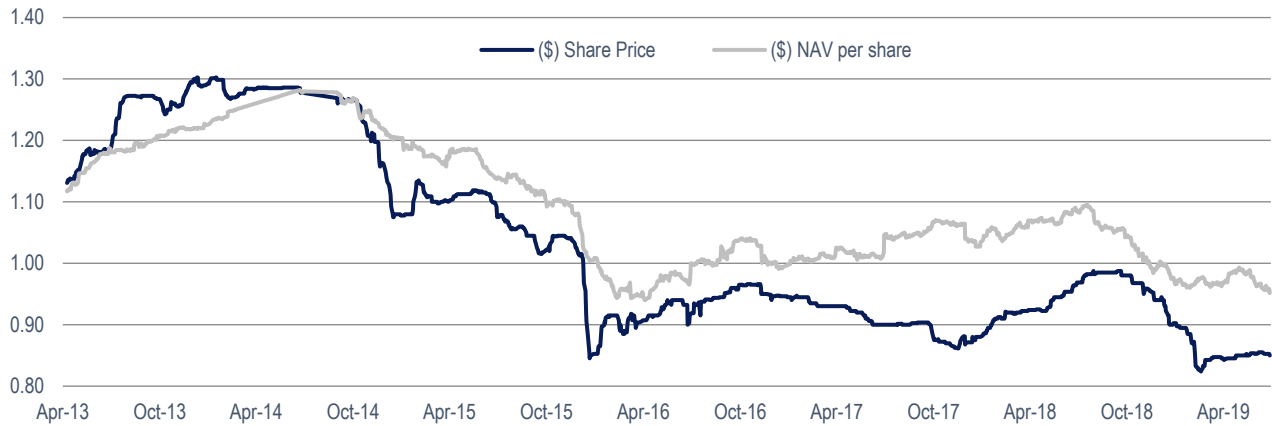
6. Cash includes restricted and unrestricted cash, net accruals.

7. Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and the Administrator. Please note that irrespective of the “sector” in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDX’s overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

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## FUND PERFORMANCE<sup>8</sup>



## PORTFOLIO COMPOSITION – TOP 10 HOLDINGS<sup>9</sup>

Holding	Industry	Current Instrument	Status	Country	% of NAV	Primary Assets
1	Auto Components	Secured Notes/Private Equity	Post-Reorg	US	11%	Manufacturing plant and equipment
2	Shipping	Secured Loan/Private Equity	Post-Reorg	Marshall Islands	10%	Maritime vessels
3	Utilities	Public Equity	Post-Reorg	US	8%	Power plants
4	Financial Intermediary	Secured Notes	Defaulted	US	7%	Cash & securities
5	Surface Transport	Trade Claim	Defaulted	Brazil	6%	Municipal claim
6	Lodging & Casinos	Public Equity	Post-Reorg	US	5%	Hotel/lodging real estate
7	Building & Development	Public Equity	Post-Reorg	US	5%	Residential real estate
8	Nonferrous Metals/Minerals	Private Equity	Post-Reorg	US	5%	Manufacturing/distribution real estate
9	Oil & Gas	Private Equity	Post-Reorg	US	5%	Bio-fuel plant
10	Commercial Mortgage	Secured Loan	Defaulted	Netherlands	5%	Commercial real estate
<b>Total</b>					<b>67%</b>	

8. Source: Bloomberg

9. Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and the Administrator. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDX's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

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