

NB Distressed Debt Investment Fund Limited – Ordinary Shares (“NBDD”)

31 December 2018

NBDD 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.

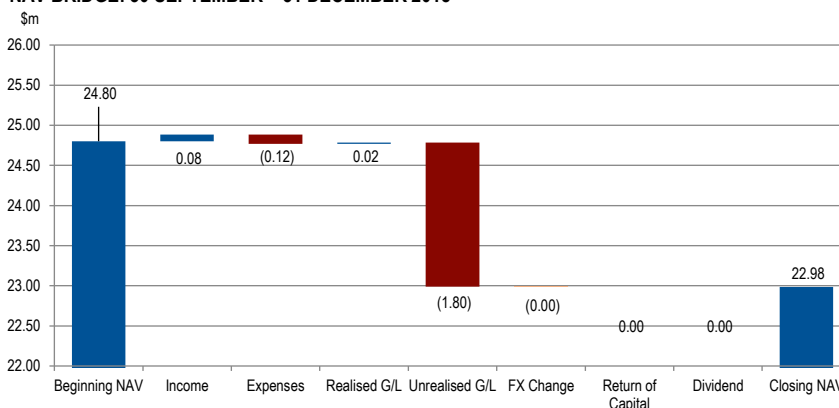
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. Inception to date, \$125 million (equivalent to 100% of original capital) has been distributed (income by way of dividend and capital by way of redemption) to shareholders since the realisation phase for this share class began.

The Ordinary Share Class is one of three classes of shares in NBDDIF. The others are the Extended Life Share Class and the New Global Share Class, which both offered exposure to new opportunities in this asset class beyond 10 June 2013. The Extended Life Share Class was subject to an investment period which ended on 31 March 2015 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 FACTS¹

NAV Per Share:	\$0.9824
Share Price:	\$0.915
Share Price Discount vs. NAV	(6.9)%
Market Cap.	\$21.4m
Total NAV	\$22.9m
No. of issuers	14
Launch Date:	10 June 2010
Base Currency:	USD
NAV Frequency:	Daily
Domicile:	Guernsey
Year End:	31 December
Management Fee:	1.5%
Bloomberg Ticker:	NBDD:LN
ISIN:	GG00BG5NC876
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 30 SEPTEMBER – 31 DECEMBER 2018



Source: Neuberger Berman

Beginning NAV and Closing NAV are based on published NAVs for NBDD 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 / Quintillion Limited, as administrator to NBDDIF (the "Administrator"). This NAV bridge has not been audited and figures are subject to change.

MANAGER COMMENTARY

NBDD 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 98% and 153% of the 31 December 2018 market values of these investments, with a base case of 127%. These ranges reflect the expected proceeds from the lodging and casino investment in February 2019 and reflect expected proceeds from the sale of all investments in 2019. 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.

There were no exits during the quarter. The ratio of total value (capital distributions, dividends and current NAV) to original capital is 119%. Post quarter-end, NBDD completed the sale of its largest holding, a lodging and casino investment in Las Vegas. Estimated cash proceeds distributed from the sale to NBDD in Q119 will be approximately \$6.9 million. The board will review the cash position to determine a distribution at the February board meeting.

Portfolio Update

NBDD ended the quarter with NAV per share of \$0.9824 compared to \$1.0601 at the end of September. The NAV decreased by 7.3% in the quarter, principally driven by unrealised losses in four equity investments. During the harvest period, a larger percentage of the fund's investments are in reorganised equities, including public equities, which were affected by the market volatility during the quarter. More detail can be found below. At quarter-end, 94% of NBDD's NAV was invested in distressed assets (including cash in subsidiary accounts, receivables and net payables) with 6% held in cash net of payables. The portfolio consists of 14 issuers across 10 sectors. The largest sector concentrations were in Lodging & Casinos, Surface Transportation, Utilities and Building & Development.

Notable events² below describe activity in the investments during the quarter and post quarter-end.

- Lodging & Casino investment – During the fourth quarter, we executed a purchase and sale agreement with one buyer. We increased the carrying value of this investment by 4% (\$0.3 million) at year-end to reflect the progress towards the transaction. Post quarter-end, the sale was executed, in February 2019. Estimated cash proceeds to NBDD are approximately \$6.9M (30% of 31 December 2018 NAV).

Data as at 31 December 2018. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDD.

1. Source: Bloomberg, except where otherwise stated.

2. Notable corporate events may or may not result in an increase or decrease in the value of an NBDD investment or a change in NBDD'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.

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FUND MANAGERS

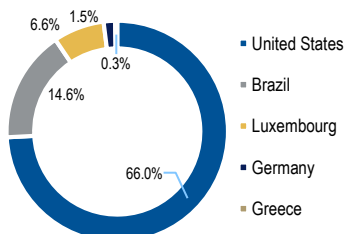
Michael Holmberg
28 years' investment experience

Brendan McDermott
13 years' investment experience

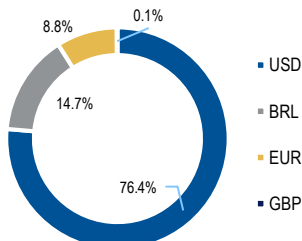
Ravi Soni
12 years' investment experience

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

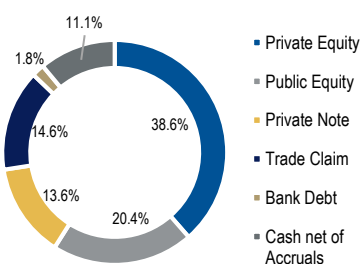
COUNTRY BREAKDOWN^{4,5} (%)



CURRENCY BREAKDOWN^{4,5} (%)



INVESTMENT TYPE⁶ (%)



SECTOR BREAKDOWN⁷ (%)

Lodging & Casinos	30.3%
Surface Transport	14.6%
Utilities	11.8%
Building & Development	9.7%
Auto Components	9.4%
Containers and Packaging	6.6%
Financial Intermediaries	3.9%
Forest Products	1.5%
Shipping	1.1%
Real Estate Development	0.0%
Restricted cash net of accruals	4.6%
Unrestricted cash net of accruals	6.4%

Significant Value Change (approximately 0.5% of NBDD NAV or +/- \$150,000)³

INDUSTRY	INSTRUMENT	Q418 TOTAL RETURN (\$ in millions)	MARKET VALUE (\$ in millions)	QUARTERLY PRICE CHANGE	COMMENT
Lodging & Casino	Private Equity	\$0.3	\$7.0	4%	Progress towards a completed transaction in 1Q 2019.
Vistra	Public Equity	(\$0.2)	\$2.4	-8%	Lower power and energy prices put pressure on public equity markets
Industrials	Private Notes/ Private Equity	(\$0.2)	\$2.2	-12%	Management changes and volatility in debt and equity markets negatively impacted value of securities
Containers & Packaging	Private Equity	(\$0.7)	\$1.3	-32%	Higher input prices continued to pressure margins
Five Point Holdings	Public Equity	(\$0.8)	\$2.2	-26%	Interest rate speculation and macro-economic concerns on US housing pressured equity prices into year-end

Exits

There were no exits during the quarter. Inception to date, NBDD has had 41 exits with a total return of \$41.0 million, IRR of 15% and ROR of 27%.

Partial Realisations

There was no 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	Containers & Packaging	Q217	\$2.0 million	\$2.8 million	\$0.2 million	\$1.0 million	26%	50%	72
4	Containers & Packaging	Q217	\$2.6 million	\$6.5 million	\$1.3 million	\$5.2 million	54%	204%	75

Distributions

The investment manager's current expectation is that we will realise 100% of 31 December 2018 NAV in 2019 and to distribute the proceeds in the shortest possible time after realisation. Upheaval in financial markets and global trade uncertainty affected the timing of some investments, pushing estimated exits into 2019. Changes to timing are expected and will continue to be updated in the quarterly factsheets. For regulatory reasons, the final 10% of the 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.

There were no distributions during the quarter. Since inception, \$124.8 million (or 100% of original capital) has been approved / distributed to shareholders in the form of capital distributions and income dividends. The ratio of total value (capital distributions, income dividends and current NAV) to original capital is 119%.

To help better understand changes to our expected timeline for realising proceeds and distributions, below we highlight significant investments and rationale for changes within the portfolio.

Significant Investments Experiencing Exit Timing Changes

INDUSTRY	INSTRUMENT	MARKET VALUE	COMMENT
Vistra Energy	Public Equity	\$2.4 million	Positives from the tightening Texas market, Dynegy integration, increased 2019 guidance and commencement of a dividend have increased realisation expectations
Containers & Packaging	Private Equity	\$1.5 million	Raw material headwinds negatively impacted profitability and delayed a liquidity event

3. 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 NBDD's valuation policy, which may include fair valued investments where third party prices are not available or are not considered accurate.

4. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 31 December 2018.

5. Includes cash and accruals.

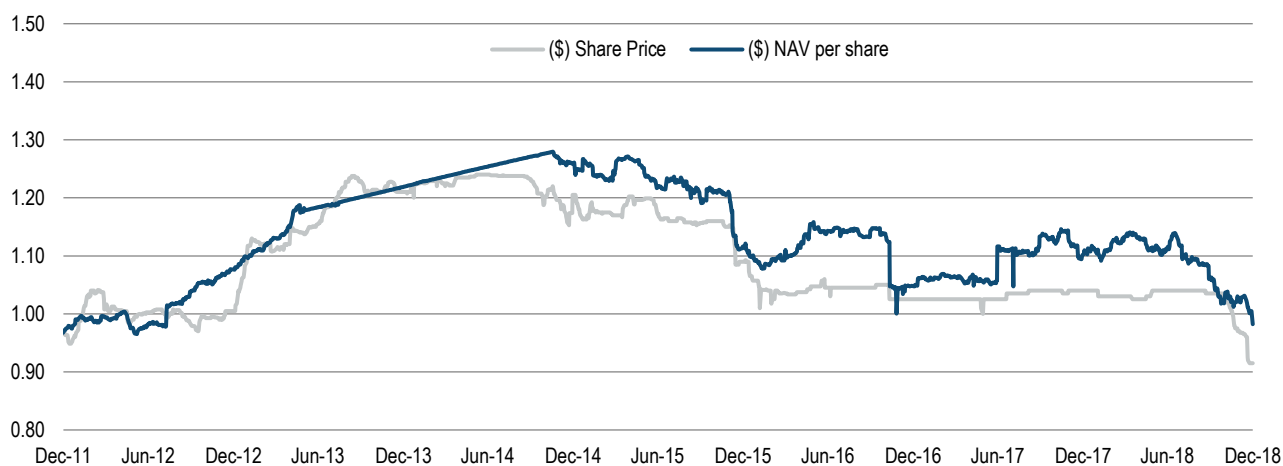
6. Cash includes restricted and unrestricted cash, net accruals.

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, NBDD's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

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FUND PERFORMANCE⁸



PORTFOLIO COMPOSITION – TOP 10 HOLDINGS⁹

Holding	Industry	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	30%	Hotel/lodging real estate
2	Surface Transportation	Trade Claim	Defaulted	Brazil	15%	Municipal claim
3	Utilities	Secured Loan	Post-Reorg	US	10%	Power plants
4	Auto Components	Secured Notes	Post-Reorg	US	9%	Manufacturing plant
5	Building & Development	Post-Reorg Equity	Post-Reorg	US	9%	Residential real estate
6	Containers and Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	6%	Manufacturing/distribution/real estate
7	Financial Intermediaries	Secured Notes	Defaulted	US	4%	Cash and securities
8	Utilities	Post-Reorg Equity	Post-Reorg	US	2%	Power plants
9	Forest Products	Secured Notes	Post-Reorg	Germany	1%	Manufacturing plant
10	Containers and Packaging	Post-Reorg Equity	Post-Reorg	UK	1%	Manufacturing/distribution/real estate
Total					87%	

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, NBDD’s overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

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Past performance is not a reliable indicator of current or future results. The value of investments may go down as well as up and investors may not get back any of the amount invested. The performance data does not take account of the commissions and costs incurred on the issue and redemption of units.

The value of investments designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

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