

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

31 December 2018

## 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.

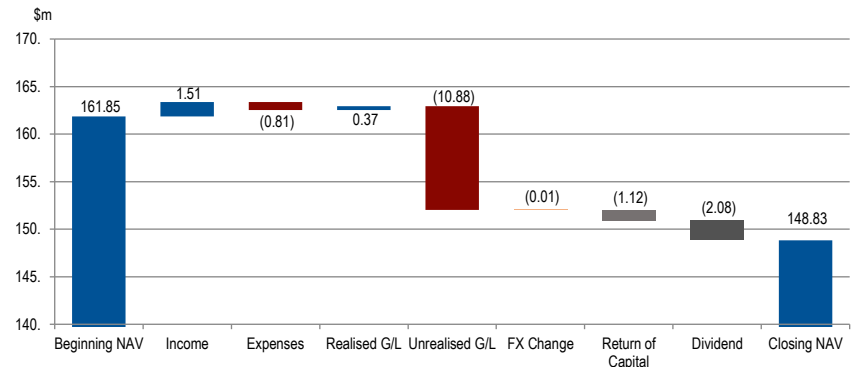
On 31 March 2015, the investment period of the Extended Life Share Class (“NBDX”) expired and the assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period. During the quarter, the Board paid an income distribution by way of dividend of \$2.1 million bringing total capital distributed (income by way of dividend, capital by way of redemption and share buy-backs) to \$222.5 million or 62% of original capital to shareholders 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:	\$0.9658
Share Price:	\$0.9020
Share Price Discount vs. NAV	(6.6)%
Market Cap.	\$139.0m
Total NAV	\$148.8m
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:	GG00BG0QZP96
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 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 / Quintillion 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. During the quarter, the Board approved a \$2.1 million (\$0.0134 / share) distribution of 2017 income by way of dividend to investors. This brings total distributions paid to 62% of original capital.

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 100% and 178% of the 31 December 2018 market values of these investments, with a base case of 142%. Estimated aggregate realisable values increased during the fourth quarter principally due to decline in NAV and an increase in the transaction price for a lodging & casino investment. 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.

NBDX had no exits during the quarter. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital is 103%. Post quarter-end NBDX completed the sale of its largest holding, a lodging and casino investment in Las Vegas. Estimated cash proceeds distributed from the sale to NBDX in Q119 will be approximately \$17.9 million. The board will review the cash position to determine a distribution at its February board meeting.

## Portfolio Update

NBDX ended the quarter with NAV per share of \$0.9658 (after the \$0.0134 per share income dividend) compared to \$1.0422 at the end of September. The NAV decreased 6.4% in the quarter principally due to decreases in six equity investments and one credit/equity investment. 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, 98% of NBDX’s NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 2% held in cash.

The current portfolio consists of 28 issuers across 13 sectors. The largest sector concentrations were in Lodging & Casinos, Shipping, Auto Components and Surface Transport.

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

- Lodging & Casino investment: During the fourth quarter, we executed a sale and purchase agreement with one buyer. We increased the carrying value of this investment by 4% (\$0.7 million) at year-end to reflect the progress with towards the transaction. Post quarter-end, the sale was executed in February 2019. Estimated cash proceeds to NBDX are approximately \$17.9M (12% of 31 December NAV).

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

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 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.

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

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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

## Portfolio Update (continued)

- Oil and Gas investment: Post quarter-end, the investment entity's directors and requisite shareholders approved the sale of one of its bio-fuel facilities with an expected closing date in early Q219. Shortly after closing, the entity will distribute proceeds to its shareholders, expected to result in approximately \$3.0 million due to NBDX, after the sale closes. We will communicate details to shareholders once they are confirmed

## Significant Value Change (approximately 0.5% of NBDX NAV or +/- \$800,000)<sup>3</sup>

INDUSTRY	INSTRUMENT	Q418 TOTAL RETURN (\$ in millions)	MARKET VALUE (\$ in millions)	QUARTERLY PRICE CHANGE	COMMENT
Lodging & Casino	Private Equity	(\$0.8)	\$7.6	-10%	Volatility in equity markets negatively impacted share price due to proposed merger and conversion to public company
Vistra	Public Equity	(\$0.9)	\$9.9	-8%	Volatility in power prices put pressure on public equity markets
Eagle Bulk	Public Equity	(\$1.0)	\$4.7	-18%	Global trade concerns and volatility in public equity markets impacted valuation
Oil & Gas	Private Equity	(\$1.0)	\$10.5	-5%	Volatility in energy markets impacted valuation
Industrials	Private Notes/ Private Equity	(\$1.3)	\$12.7	-12%	Management changes and volatility in debt and equity markets negatively impacted value of securities
Containers & Packaging	Private Equity	(\$1.8)	\$3.4	-32%	Higher input prices continued to pressure margins
Five Point Holdings	Public Equity	(\$2.3)	\$6.4	-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, NBDX has experienced 52 exits with a total return of \$112.8 million, IRR of 15% and ROR of 27%.

## 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	Q217	\$23.1 million	\$29.8 million	\$0.7 million	\$7.4 million	10%	32%	65
4	Containers & Packaging	Q217	\$5.1 million	\$6.9 million	\$0.5 million	\$2.3 million	26%	45%	72
5	Containers & Packaging	Q217	\$6.6 million	\$16.7 million	\$3.4 million	\$13.5 million	54%	204%	75

## Distributions

The investment manager's current expectation is that we will distribute 55-60% of 31 December 2018 NAV in 2019, and the remainder in 2020. Upheaval in financial markets and global trade uncertainty affected the timing of some investments, pushing estimated exits from 2019 to 2020. 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 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

During the fourth quarter, NBDX paid a \$2.1 million income distribution by way of dividend. Since inception, \$222.5 million (or 62% of original capital) has been distributed to shareholders in the form of share redemptions, income dividends and share buy-backs. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital is 103%.

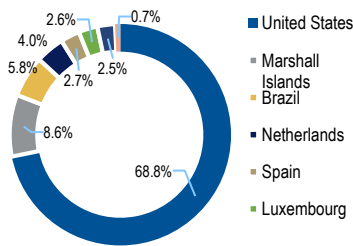
To help better understand changes to our expected timeline for realising proceeds and distributions, overleaf we highlight significant investments and rationale for changes within the portfolio.

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

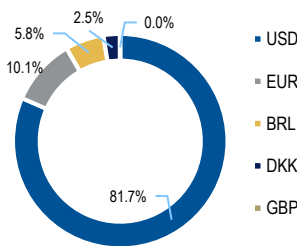
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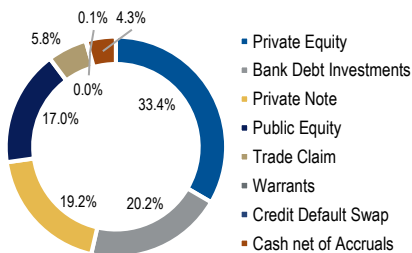
## COUNTRY BREAKDOWN<sup>4,5</sup> (%)



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



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



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

Lodging & Casinos	24.4%
Shipping	14.3%
Auto Components	8.5%
Surface Transport	8.5%
Oil & Gas	8.5%
Utilities	7.5%
Financial Intermediaries	7.5%
Commercial Mortgage	4.5%
Building & Development	4.4%
Nonferrous Metals/Minerals	4.3%
Containers and Packaging	2.6%
Forest Products	0.6%
Air Transport	0.0%
Real Estate Development	0.0%
Net Cash and Accruals	2.4%
Restricted Cash	2.0%

## Significant Investments Experiencing Exit Timing Changes

INDUSTRY	INSTRUMENT	MARKET VALUE	COMMENT
Auto Components	Secured Notes/Private Equity	\$12.5 million	Slower than expected turnaround resulted in a CEO change and likely pushed back a liquidity event for the company
Shipping	Secured Loan	\$12.4 million	Softness in related dry bulk sectors / markets and long-term charters paying more attractive rates than short-term charters has pushed off near term asset sale potential
Oil & Gas	Post-reorg Equity	\$10.5 million	Strategic alternatives process, which could push out a liquidity / realisation event, still in progress
Vistra Energy	Public Equity	\$10.0 million	Positives from the tightening Texas market, Dynegey integration, increased 2019 guidance and commencement of a dividend have increased realisation expectations
Lodging & Casino	Post-reorg Equity	\$7.6 million	Announced transaction to merge with listed entity versus sale of company to a strategic buyer has pushed out timing of ultimate realisation
Five Point Holdings	Public Equity	\$6.4 million	Uncertainty around timing of Shipyard environmental testing by US Navy has delayed catalyst for development in San Francisco; Company working towards initial lot deliveries at Newhall in 4Q19
Non-ferrous Metals	Post-reorg Equity	\$6.3 million	Rejection of original transaction by US government resulted in a delay; have since agreed to sell equity to a new buyer, approved by US this month. Transaction expected to close in 2019
Commercial Mortgage	Secured Loan	\$6.0 million	Company conducted limited offering that did not meet the lenders' expectations; will approach broader market to conduct formal sales process
Containers & Packaging	Private Equity	\$3.9 million	Raw material headwinds negatively impacted profitability and delayed a liquidity event

## Share Buy-Backs

There were buybacks of 1,195,000 shares during the quarter at a weighted average discount of 6.11% and a cost of \$1,122,604.40. Total shares repurchased since inception to date is 8,836,313 or 3% of the original NBDX shares. All shares have been cancelled.

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.

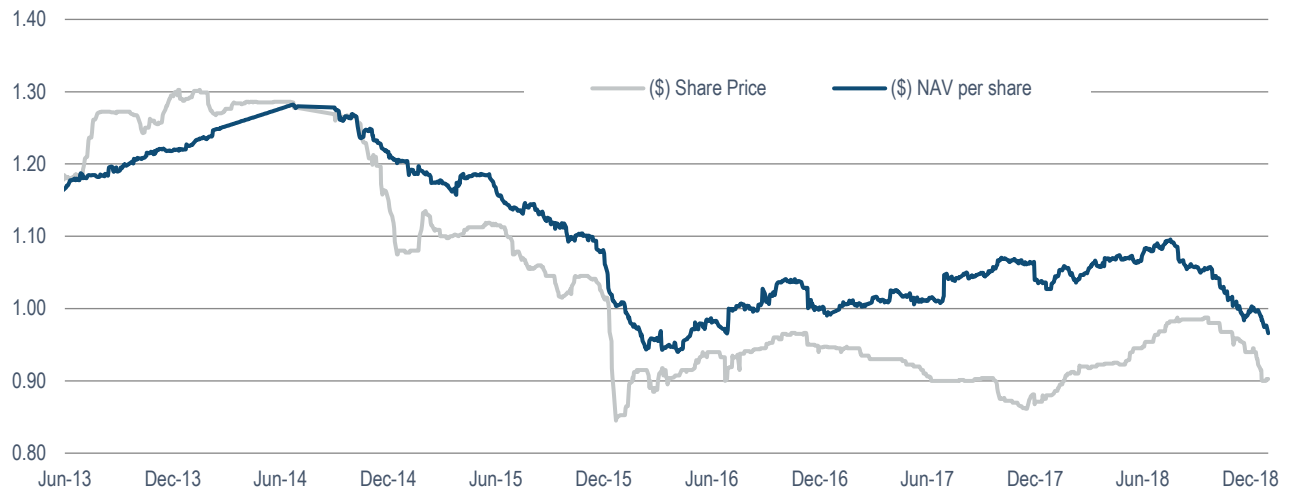
6. Cash includes restricted and unrestricted cash, net accruals.

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, 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	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	12%	Hotel/lodging real estate
2	Shipping	Secured Loan	Post-Reorg	Marshall Islands	9%	Maritime vessels
3	Auto Components	Secured Notes	Post-Reorg	US	9%	Manufacturing plant and equipment
4	Financial Intermediary	Secured Notes	Defaulted	US	7%	Cash & securities
5	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	7%	Bio-fuel plant
6	Utilities	Secured Loan	Post-Reorg	US	7%	Power plants
6	Surface Transport	Trade Claim	Defaulted	Brazil	6%	Municipal claim
8	Lodging & Casinos	Post-Reorg Equity	Post-Reorg	US	5%	Hotel/lodging real estate
9	Nonferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	4%	Manufacturing/distribution real estate
10	Building & Development	Post-Reorg Equity	Post-Reorg	US	4%	Residential real estate
<b>Total</b>					<b>70%</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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