

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

31 December 2017

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.

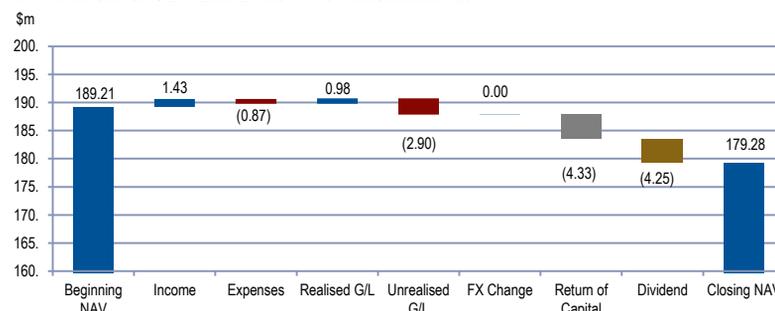
On 31 March 2015, the investment period of the Extended Life Share Class ("NBDX") expired and the assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period. Including the \$4.25 million capital distribution by way of redemption in Q417 and the \$4.25 million income dividend declared in November (as described below), \$194.0 million (equivalent to 54% of original capital) has been distributed / approved (income by way of dividend and capital by way of redemption) to shareholders since the realisation phase for this share class.

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 FACTS¹

NAV Per Share:	\$1.0345
Share Price:	\$0.8825
Share Price Discount vs. NAV	(14.7)%
Market Cap.	\$152.9m
Total NAV	\$179.3m
No. of issuers	33
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:	GG00BF52QZ26
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 30 SEPTEMBER 2017 – 31 DECEMBER 2017



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 further 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. Bancorp 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.

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. The Investment Manager currently estimates the range of the aggregated realisable value for the investments in the portfolio is between 93% and 167% of the 2017 year-end market values of these investments, with a base case of 133%. 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.

Management currently expects to distribute 50-55% of remaining NAV to shareholders in 2018, 40-45% in 2019, and the remainder in 2020. The Investment Manager will review and, where appropriate, update these ranges and expectations in the quarterly factsheets going forward.

NAV return adjusted for the income dividend (\$4.25 million or \$0.0245 / share) decreased 0.7% in the quarter. For the year, the return on adjusted NAV was 6.2%. There was an increase in value of an Auto Components investment due to improved operating performance, offset by a decrease in the market value of a Lodging & Casino investment as a sale of the property was terminated and a decline in the public equity of a Shipping investment. NBDX made a capital distribution of \$4.25 million in Q417 and approved an income dividend of \$4.25 million to be paid in January 2018, bringing total distributions to \$194.0 million or 54% of original capital.

Net cash generated during the quarter was \$2.4 million, made up of \$1.8 million received from the repayment of second lien bank debt for a shipping investment and \$1.1 million principal repayments on bank debt investments. NBDX provided funding of \$0.5 million to a super priority follow-on facility for a Surface Transportation investment to be used by lenders to enforce security rights through litigation. The cash generated during the quarter was used to partially fund the \$4.25 million income dividend. There were no exits during the quarter. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital was steady at 106%.

Portfolio Update

NBDX ended the quarter with NAV per share of \$1.0345 compared to \$1.0667 at the end of September. After accounting for the income dividend declared on 30 November 2017 of \$0.0245 / share, the adjusted NAV declined 0.7%. At quarter-end, 97% of the NAV was invested in distressed investments (including cash of subsidiary accounts, receivables and net payables) with 3% in cash net of payables. The current portfolio consists of 33 issuers across 14 sectors. The largest sector concentrations were in Lodging & Casinos, Shipping, Utilities, and Oil & Gas.

Data as at 31 December 2017. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDX.
1. Source: Bloomberg, except where otherwise stated.

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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 Sherwell

Stephen Vakil

Portfolio Update continued

Notable events below describe activity in the investments during the quarter¹.

- Eagle Bulk Shipping – The company completed a capital structure refinancing and corporate restructuring. The deal refinanced a credit facility put in place as part of the company's emergence from bankruptcy in 2014 as well as a high cost second lien PIK loan. The deal will lower interest expense and facilitate management's strategy of selectively adding new assets at attractive prices.
- Vistra – The company announced it was acquiring Dynegy. The deal allows the company to diversify into new markets, generate substantial synergies, and utilise its under levered balance sheet.
- Five Point Holdings – The company completed a \$450 million debt financing to provide funds to begin development of Newhall Ranch, a master planned community development outside of Los Angeles, CA.
- Nonferrous Metals / Minerals investment – The company's sale to a Chinese buyer was mutually terminated by both parties due to concerns raised by the Committee on Foreign Investment in the United States (CFIUS). The price of the private equity declined after the announcement. However, since the termination of the sale to the Chinese buyer, multiple parties have indicated an interest in purchasing the company and discussions are ongoing.
- Lodging & Casino investment – Purchase agreement with potential buyer was terminated due to concerns regarding the buyer's ability to obtain the necessary financing. The owners of the property continue to receive unsolicited interest in the property and are deciding next steps.

Significant Value Change (approximately 0.5% of NBDX NAV or +/- \$900,000)²

INDUSTRY	INSTRUMENT	Q417 TOTAL RETURN	MARKET VALUE	COMMENT
Auto Components	Private Notes	\$0.9 million	\$13.0 million	Operating performance improving
Shipping	Public Equity	(\$0.9 million)	\$4.7 million	Illiquid
Lodging & Casinos	Private Equity	(\$1.0 million)	\$16.9 million	Sale of property terminated

Sector Analysis

To continue the in-depth look at investments by sector, below is a review of the Shipping sector investments, which is NBDX's second largest sector, representing 11.8% of NAV. This provides a description of all investments in the sector, including their investment thesis and expected exit strategy.

Shipping (11.8% of NAV)

Investment #1 – 6.6% of NAV

NBDX originally purchased bank debt secured by six Handysize multi-purpose tweendeck dry bulk vessels at a discount to face value. The dry bulk market continued to decline in asset values and day rates. Facing a liquidity crisis, NBDX injected capital on a super-senior basis with attractive fees and interest rates. NBDX split the collateral with the rest of the lender group and foreclosed on three vessels. We formed a joint venture with an operating partner we had worked with on previous deals to manage and operate our three vessels. This operating partner has entered into attractive medium-term charters and has reduced costs by 50%. The vessels are currently operating at positive cash flow. The vessels are 34,000 deadweight tons, each contain three cranes (2x 40 ton and 1x 30 ton), and were built in 2011. Due to the large cargo holds and versatile tweendeck design, the vessels are able to carry special project cargos and access non-conventional ports. To date, the return on investment represents a 0.69x multiple on invested capital. We anticipate continued improvement in the dry bulk market from further supply reductions and consistent demand growth, which we expect to result in stronger charter rates, improved cash flow and increasing asset values.

Investment #2 TORM – 2.6% of NAV

NBDX originally purchased secured bank debt issued by a Denmark-based owner and operator of product tanker vessels. We purchased bank debt at a discount to face value with the expectation that the company would need to restructure its balance sheet and the debt would be converted to equity at an attractive valuation. In 2015, the company converted debt to equity through a Scheme of Arrangement that included merging with an entity that owned an additional 25 vessels. The combined company currently owns 76 vessels across the Handysize, MR, LR1, and LR2 segments and is one of the world's leading carriers of refined oil products such as gasoline, jet fuel, naphtha and diesel oil. To date, the return on investment represents a 0.58x multiple on invested capital. We believe the product tanker market is poised for a cyclical recovery due to continued demand growth and limited supply growth. The stock currently trades at a discount to NAV and we anticipate an improving market as the company recently announced a US exchange listing in an effort to improve liquidity.

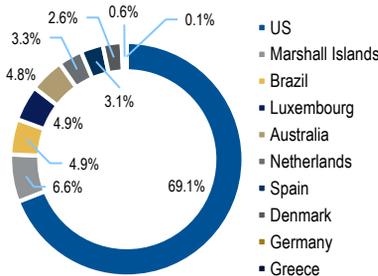
1. Notable corporate events may or may not result in an increase or decrease in the value of an NBDX investment or a change in NBDX's NAV per share. Please note that an investment may experience a change in value (positive or negative) during the quarter whether or not it was subject to a notable corporate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

2. 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.

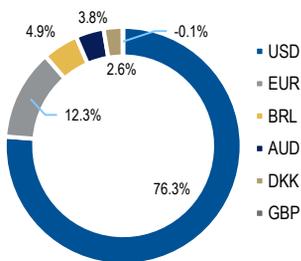
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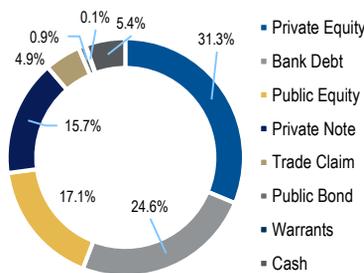
COUNTRY BREAKDOWN^{2,3} (%)



CURRENCY BREAKDOWN^{2,3} (%)



INVESTMENT TYPE⁴(%)



SECTOR BREAKDOWN⁵ (%)

Lodging & Casinos	21.1%
Shipping	11.8%
Utilities	9.8%
Oil & Gas	9.4%
Building & Development	7.3%
Auto Components	7.2%
Surface Transport	7.1%
Financial Intermediaries	6.4%
Containers and Packaging	4.9%
Nonferrous Metals / Minerals	4.5%
Commercial Mortgage	3.8%
Forest Products	0.6%
Real Estate Development	0.2%
Air Transport	0.2%
Restricted cash net of accruals	2.0%
Unrestricted cash net of accruals	3.4%

Sector Analysis continued

Investment #3 Eagle Bulk Shipping – 2.5% of NAV

NBDX originally purchased pre-petition secured bank debt issued by a leading owner / operator of Supramax dry bulk vessels, which range in size from approximately 50,000 to 65,000 deadweight tons. The company filed for Chapter 11, converting pre-petition senior secured bank debt to equity and has since approached the capital markets for incremental liquidity to fund operations and capitalise on market dislocations by renewing the fleet with modern second-hand vessels. The company currently owns 49 vessels with vintages spanning from 2005 to 2017 and an average age of approximately eight years. We have managed our position by opportunistically participating in equity offerings at a discount to intrinsic value and trimmed our exposure when market prices exceeded fundamental value. To date, the return on investment represents a 0.49x multiple on invested capital. The equity currently trades at a discount to NAV. We anticipate continued improvement in the dry bulk market from further supply reductions and consistent demand growth, which we expect to result in stronger charter rates, improved cash flow and increasing asset values. Based on improving fundamentals, the company refinanced expensive second lien debt to lower debt service payments.

Investment #4 – Star Bulk Carriers Corp. – 0.1% of NAV

NBDX originally purchased secured bank debt in a diversified fleet of dry bulk vessels at a discount to face value. We purchased bank debt at a discount to face value with the expectation that the company would need to restructure and we would receive reorganised equity in exchange for our bank debt. The company was later acquired by a large global dry bulk company and post-petition equity holders received 45% of the acquisition value in cash and 55% in stock of the acquiring company. We expect that the dry bulk market will continue to show improving trends and investor sentiment. To date, the return on the remaining investment represents a 0.60x multiple on invested capital.

Exits

There were no exits this quarter.

Partial Realisations

There was no material partial realisation activity during the quarter.

PARTIAL REALISATION	SECTOR	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	CURRENT VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
1	Real Estate	Pre-2017	\$8.0 million	\$10.6 million	\$0.5 million	\$3.1 million	11%	39%	84
2	Aircraft	Pre-2017	\$3.4 million	\$5.8 million	\$0.4 million	\$2.8 million	22%	82%	55
3	Commercial Mortgage	Q217	\$23.1 million	\$29.8 million	\$0.8 million	\$7.5 million	10%	33%	53
4	Container & Packaging	Q217	\$5.1 million	\$5.1 million	\$1.1 million	\$2.9 million	30%	57%	60
5	Container & Packaging	Q217	\$6.6 million	\$16.7 million	\$7.7 million	\$17.8 million	60%	268%	63

Distributions

During the fourth quarter, the Board approved and paid a shareholder distribution of \$4.25 million to be paid by way of redemption. In November, the Board approved an income dividend of \$4.25 million or \$0.0245 / share, paid in January 2018, in accordance with NBDX's distribution policy which requires that all portfolio income be distributed after deducting reasonable expenses. In order to make these distributions cost effective, they are only paid once of a sufficient size and from cash available at that time, regardless of its source.

Since inception, \$201.4 million (or 56% of original capital) has been approved / distributed to shareholder 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 was steady at 106%.

Share Buy-Backs

NBDX purchased 145,000 shares during the quarter under the discount control policy at a cost of \$126,404.50 and average discount of 17.33%¹. Total shares repurchased since inception to date is 7,616,313 or 2% of original shares. All shares have been cancelled.

Data as at 31 December 2017. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDX.

1. Source: Stifel Nicolaus Europe Limited.

2. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 31 December 2017.

3. Includes cash and accruals.

4. Cash includes restricted and unrestricted cash, receivables and net accruals.

5. 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 PERFORMANCE¹



PORTFOLIO COMPOSITION – TOP 10 HOLDINGS²

Holding	Industry	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	9%	Hotel / lodging real estate
2	Auto Components	Secured Notes	Post-Reorg	US	7%	Manufacturing plant and equipment
3	Building & Development	Post-Reorg Equity	Post-Reorg	US	7%	Residential real estate
4	Shipping	Secured Loan	Post-Reorg	Marshall Islands	7%	Maritime vessels
5	Financial Intermediary	Secured Notes	Defaulted	US	6%	Cash & Securities
6	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	6%	Bio-fuel plant
7	Lodging & Casinos	Secured Loan	Current	US	5%	Hotel / casino
8	Surface Transport	Trade Claim	Defaulted	Brazil	5%	Municipal claim
9	Utilities	Secured Loan	Current	Australia	5%	Power plants
10	Utilities	Secured Loan	Post-Reorg	US	5%	Power plants
Total					62%	

1. Source: Bloomberg

2. 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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Neuberger Berman Europe Limited (“NBEL”), the Company's Manager, is authorised and regulated by the Financial Conduct Authority (“FCA”) and is registered in England and Wales, at Lansdowne House, 57 Berkeley Square, London, W1J 6ER and is also a Registered Investment Adviser with the Securities and Exchange Commission (“SEC”) in the U.S. and regulated by the Dubai Financial Services Authority.

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