

NB Distressed Debt Investment Fund Limited – Global Shares (“NBDG”)

31 December 2017

NBDG 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.

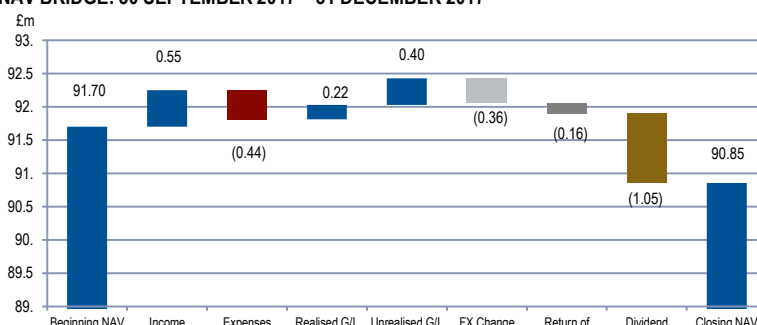
The New Global Share Class (“NBDG”) was created in March 2014 in order to capture the growing opportunity in distressed debt globally. NBDG’s investment period ended on 31 March 2017, following which the harvest period commenced. Including the £1.0 million income dividend declared in November, NBDG has paid two income dividends to investors since inception totalling £2.1 million and bought back 11% of original shares issued.

The New Global Share Class is one of three classes of shares in NBDDIF. The others are the Ordinary Share Class and the Extended Life Share Class. The Ordinary Share Class was subject to an investment period which ended on 10 June 2013 and the Extended Life Share Class was subject to an investment period which ended on 31 March 2015. Separate factsheets are produced for those share classes.

FUND FACTS¹

NAV Per Share:	92.02p
Share Price:	78.50p
Share Price Discount vs. NAV	(14.7)%
Market Cap.	£77.5m
Total NAV	£90.8m
No. of issuers	25
Launch Date:	4 March 2014
Base Currency:	GBP
NAV Frequency:	Daily
Domicile:	Guernsey
Year End:	31 December
Management Fee:	1.5%
Bloomberg Ticker:	NBDG:LN
ISIN:	GG00BH7JH183
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 NBDG 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 generally does not intend to hedge the currency exposure between the Sterling (the currency in which shares are denominated) and the currency of the investments made by the share class.

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

NBDG 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 90% and 166% of the 2017 year-end market values of these investments, with a base case of 129%. 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 60-65% of remaining NAV to shareholders in 2018, 30-35% 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 declared in November (£0.0106 / share) was 0.4%, principally due to an increase in value of a Lodging & Casino and an Auto Component investment, offset by an unrealised loss in a Shipping investment. The appreciation of Sterling against US Dollar-denominated investments also negatively impacted NAV in the quarter. For the year, the return on adjusted NAV was (1.0)%.

Net cash generated was £1.7 million during the quarter from a £1.3 million repayment of a Shipping investment second lien term loan and £0.7 million principal repayments on secured bank debt. NBDG provided £0.3 million to fund a super priority follow-on facility for a Surface Transportation investment to be used by lenders to enforce security rights through litigation. Cash generated during the quarter was used to fund the income dividend. There were no exits during the quarter. The ratio of total value (capital distributions, dividends and current NAV) to original capital was 92% at the end of the quarter.

Portfolio Update

NBDG ended the quarter with NAV per share of £0.9202 compared to £0.9268 at the end of September. After accounting for the income dividend declared on 30 November 2017 of £0.0106 / share or £1.0 million, the adjusted NAV increased 0.4% in the quarter. As of 31 December 2017, 97% of NBDG’s NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 3% held in cash and net accruals.

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

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

The current portfolio consists of 25 issuers across 11 sectors. The largest sector concentrations include Lodging & Casinos, Shipping, Oil & Gas, Utilities, and Industrials. Notable events involving NBDG's existing investments are described below¹.

- **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 regulatory concerns raised by the Committee on Foreign Investment in the United States (CFIUS). 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.
- **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 NBDG NAV or +/- £450,000)²

INDUSTRY	INSTRUMENT	Q417 TOTAL RETURN	MARKET VALUE	COMMENT
Lodging & Casinos	Private Equity	£0.7 million	£11.5 million	Private equity traded higher in secondary market
Auto Components	Private Notes	£0.5 million	£6.1 million	Operating improvements at plant
Shipping	Public Equity	(£0.8 million)	£3.9 million	Illiquid

Sector Analysis

To continue the in-depth look at investments by sector, below is a review of the Shipping sector investments, which is NBDG's second largest sector, representing 12.7% of NAV. This provides a description of all investments in the sector, including their investment thesis and expected exit strategy.

Shipping (12.7% of NAV)

Investment #1 Eagle Bulk Shipping – 4.5% of NAV

NBDG 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 1.00x 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.

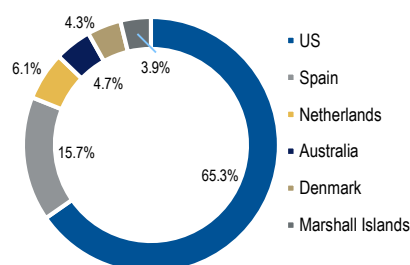
1. *Notable corporate events may or may not result in an increase or decrease in the value of an NBDG investment or a change in NBDG's NAV per share. Please note that an investment may experience a change in value (positive or negative) during the quarter whether or not it was subject to a notable corporate 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 NBDG's valuation policy, which may include fair valued investments where third party prices are not available or are not considered accurate.*

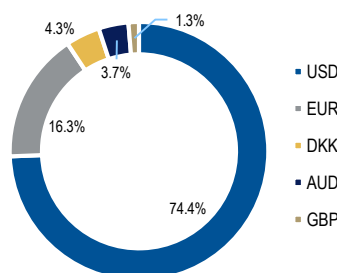
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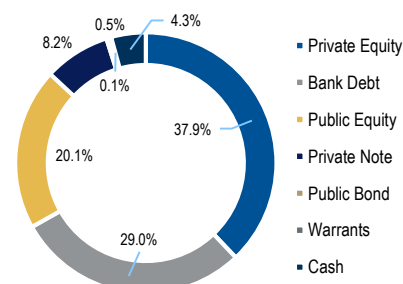
COUNTRY BREAKDOWN^{2,3} (%)



CURRENCY BREAKDOWN^{2,3} (%)



INVESTMENT TYPE⁴ (%)



SECTOR BREAKDOWN⁵ (%)

Lodging & Casinos	36.5%
Shipping	12.7%
Oil & Gas	9.2%
Utilities	9.0%
Auto Components	6.8%
Commercial Mortgage	6.1%
Building & Development	5.7%
Nonferrous Metals / Minerals	5.4%
Surface Transport	3.2%
Chemicals & Plastics	1.2%
Air Transport	0.0%
Unrestricted cash net of accruals	3.1%
Restricted cash net of accruals	1.3%

Sector Analysis continued

Investment #2 TORM – 4.3% of NAV

NBDG 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, naphta 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.

Investment #3 – 3.0% of NAV

NBDG 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, NBDG injected capital on a super-senior basis with attractive fees and interest rates. NB 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.

Exits

There were no exits during the quarter.

Distributions

NBDG declared an income dividend of £1.0 million or £0.0106 / share to investors, paid in January 2018, in accordance with NBDG'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. This brings total dividends paid to £2.0 million inception to date.

Share Buy-Backs

NBDG purchased 210,000 shares during the third quarter under the discount control policy at a total cost of £160,635 and an average discount to NAV of 18.20%¹. 11% of the original shares have been repurchased and cancelled.

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

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.

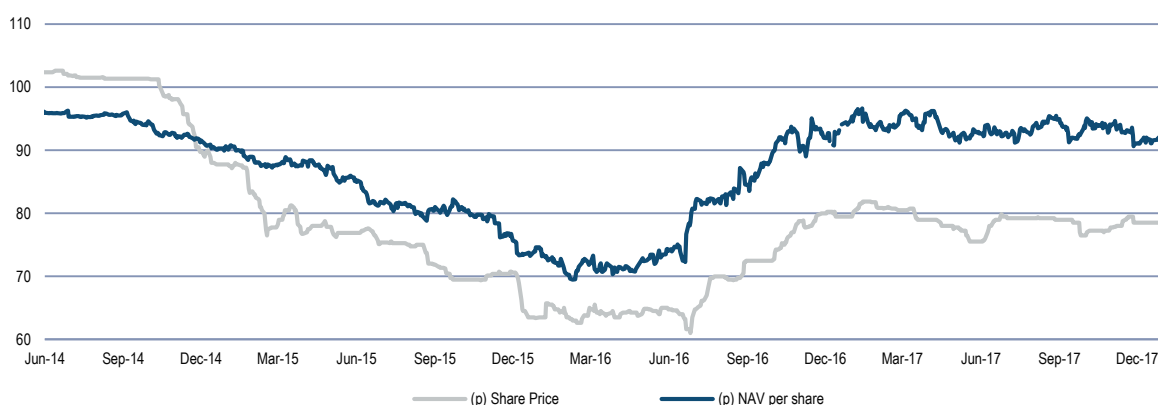
4. Cash includes restricted and unrestricted cash, receivables and net accruals.

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, NBDG'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 & Casino	Post-Reorg Equity	Post-Reorg	US	13%	Hotel / casino
2	Lodging & Casino	Secured Loan	Post-Reorg	US	7%	Hotel/lodging real estate
3	Auto Components	Secured Notes	Post-Reorg	US	7%	Manufacturing plant and equipment
4	Lodging & Casino	Secured Loan	Defaulted	Spain	6%	Hotels
5	Commercial Mortgage	Secured Loan	Current	Netherlands	6%	Commercial real estate
6	Lodging & Casino	Secured Loan	Defaulted	Spain	6%	Hotel
7	Building & Development	Post-Reorg Equity	Post-Reorg	US	6%	Residential real estate
8	Nonferrous Metals / Minerals	Post-Reorg Equity	Post-Reorg	US	5%	Manufacturing / distribution real estate
9	Utilities	Secured Loan	Current	Australia	5%	Power plants
10	Shipping	Secured Loan	Post-Reorg	US	5%	Maritime vessels
Total					66%	

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, NBDG’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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