

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

31 March 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.

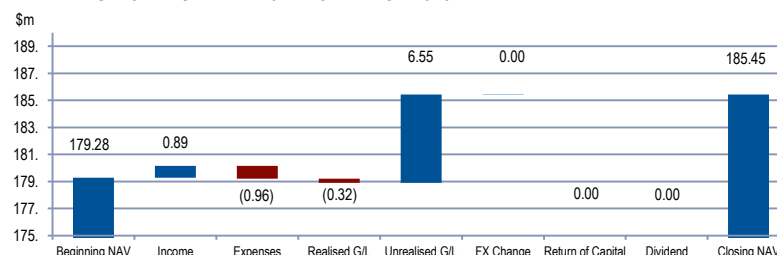
On 31 March 2015, the investment period of the Extended Life Share Class (“NBDX”) expired and the assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period. Including the \$4.2 million income distribution by way of dividend paid in Q118 and the \$16.3 million capital distribution approved in Q218 (as described below), \$210.3 million (equivalent to 61% of original capital) has been distributed / approved (income by way of dividend, capital by way of redemption and share buy-backs) 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 FACTS<sup>1</sup>

NAV Per Share:	\$1.0701
Share Price:	\$0.9240
Share Price Discount vs. NAV	(13.7)%
Market Cap.	\$160.1m
Total NAV	\$185.4m
No. of issuers	32
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: 31 DECEMBER 2017 – 31 MARCH 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 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. Post quarter-end, the Board of Directors approved a \$16.5 million distribution by way of redemption.

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 91% and 164% of the 31 March 2018 market values of these investments, with a base case of 132%. The values changed from the previous quarter mainly from an increase in NAV and changes in FX rates that affect the value of non-USD investments. 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.

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

NAV increased 3.4% in the quarter due to an increase in the value of a shipping investment as a result of increases in charter rates, an increase in Vistra public equity as the merger with Dynegy was perceived as positive by the equity market and an increase in an auto components investment due to improved operating performance. These were offset by a decrease in the market value of TORM public equity. NBDX paid an income distribution by way of dividend of \$4.2 million in January 2018 and post quarter-end received par repayment of a significant bank debt investment in an Australian power company. This cash, combined with existing cash, will be used to fund a capital distribution of \$16.3 million approved May 2018. These bring total distributions approved / paid (income distributions by way of dividends and redemption of shares) to \$210.3 million or 61% of original capital. There was one exit during the quarter that had previously been reported as partial realisation #2. The exit generated a total return of \$2.8 million and IRR of 22%.

Net cash generated during the quarter was \$5.1 million, consisting of \$2.4 million received from the principal repayment and interest of Lodging & Casino bank debt due to a cash flow sweep requirement, \$1.6 million from principal and interest payments on secured debt positions, \$0.6 million from receivables, \$0.4 million from the exit of a partial realisation investment and \$0.1 million from the tender of Linn Energy equity. There were no buy-backs during the quarter. Including the Q218 approved capital distribution, the ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital is 108%.

## Portfolio Update

NBDX ended the quarter with NAV per share of \$1.0701 compared to \$1.0345 at the end of December. At quarter-end, 95% of the NAV was invested in distressed investments (including cash of subsidiary accounts, receivables and net payables) with 5% in cash net of payables.

Data as at 31 March 2018. 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”)

31 March 2018

## 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

The current portfolio consists of 32 issuers across 13 sectors. The largest sector concentrations were in Lodging & Casinos, Shipping, Utilities, and Oil & Gas. Notable events below describe activity in the investments during the quarter<sup>1</sup>.

- Australian utilities investment – The company notified lenders of a refinancing with a repayment of all existing debt in April 2018.
- Five Point Holdings – The company's Q417 earnings report described positive developments at Newhall with the first lot sales expected in H219, one year earlier than expected. We currently expect the company to be cash-flow breakeven by 2020, potentially one year earlier than we originally forecast.

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

INDUSTRY	INSTRUMENT	Q118 TOTAL RETURN	MARKET VALUE	COMMENT
Shipping	Bank Debt / Private Equity	\$1.3 million	\$13.1 million	Charter rates improving driving vessel values
Auto Components	Private Notes	\$1.0 million	\$14.0 million	Company performing well and liquidity improving in private securities
Oil & Gas	Public Equity	\$0.9 million	\$9.0 million	Company merger with Dynegy viewed positively

## Sector Analysis

To continue the in-depth look at investments by sector, below is a review of the Utilities sector investments, which is NBDX's third largest sector, representing 9.8% of NAV. This provides a description of all investments in the sector, including their investment thesis and expected exit strategy.

### Utilities (9.8% of NAV)

#### Investment #1 – 4.3% of NAV

NBDX purchased a performing secured loan at a discount to par value issued by the largest owner of wind farms in Australia. Collateral for the loan includes six large-scale wind farms and a solar farm with combined installed capacity of 557 megawatts. At the time of the investment, the company also owned interests in US and German wind farms. The US and German assets were sold and the proceeds were used to partially pay down the secured loan at par. The company's operating assets generate enough power to meet the needs of over 250,000 homes annually, saving over a million tons of carbon dioxide emissions per year. All of the company's assets generate electricity from renewable sources and are eligible to sell Large-Scale Generation Certificates (LGCs) under the Renewable Energy Target and the Renewable Energy Act (2000). Post quarter-end, the company repaid their bank debt facility at par. At quarter-end, the estimated return on investment represents a 1.2x multiple on invested capital.

#### Investment #2 Vistra – 4.9% of NAV

NBDX originally purchased pre-petition secured bank debt on the generating assets and retail operations of TXU, the largest electricity generator, distributor, and retail electricity provider in Electric Reliability Council of Texas (ERCOT). The company filed for bankruptcy due to depressed power and natural gas prices and an over levered balance sheet. Pre-petition secured lenders converted their interests into reorganised equity of the generation and retail businesses. The reorganised company trades at a discount to other public comps despite a high value retail business, high quality nuclear and CCGT (high efficiency gas) assets, and the lowest leverage in the industry. Equity holders will benefit from recently announced coal plant closures in ERCOT, which, along with growing demand, supports a tightening reserve margin and rising power prices. The company also recently announced an agreement to acquire a diversified competitor, Dynegy, which would generate significant synergies and tax savings. To date, the estimated return on investment represents a 0.9x multiple on invested capital.

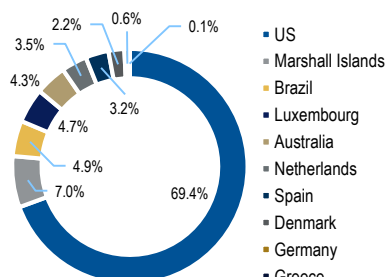
<sup>1</sup> Notable corporate events may or may not result in an increase or decrease in the value of an NBDX investment or a change in NBDX's NAV per share. Please note that an investment may experience a change in value (positive or negative) during the quarter whether or not it was subject to a notable 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>2</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.

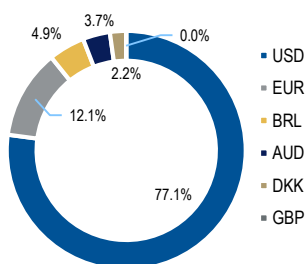
# NB Distressed Debt Investment Fund Limited – Extended Life Shares (“NBDX”)

31 March 2018

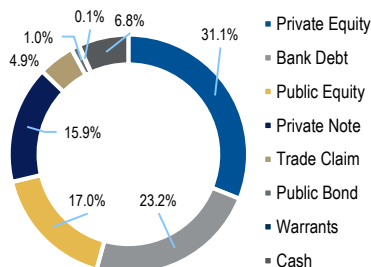
## COUNTRY BREAKDOWN<sup>1,2</sup> (%)



## CURRENCY BREAKDOWN<sup>1,2</sup> (%)



## INVESTMENT TYPE<sup>3</sup>(%)



## SECTOR BREAKDOWN<sup>4</sup> (%)

Lodging & Casinos	20.3%
Shipping	12.0%
Utilities	9.8%
Oil & Gas	8.7%
Auto Components	7.5%
Building & Development	7.1%
Surface Transport	7.1%
Financial Intermediaries	6.2%
Containers and Packaging	4.7%
Nonferrous Metals / Minerals	4.7%
Commercial Mortgage	3.9%
Forest Products	0.6%
Real Estate Development	0.2%
Air Transport	0.0%
Restricted cash net of accruals	1.9%
Unrestricted cash net of accruals	4.8%

## Sector Analysis continued

### Investment #3 – 0.2% of NAV

NBDX initially purchased first lien debt in a 695 MW single-unit supercritical cycle pulverized coal-fired mine-mouth generating facility located in West Virginia, approximately 70 miles south of Pittsburgh. At the time of our purchases we believed the plant benefitted from significant collateral coverage: the first lien debt traded at \$783/kW, a discount to estimated replacement cost (~\$2,000/kW) and to the construction cost (~\$2,600/kW). We also believed that the decommissioning of coal plants in the PJM Interconnection would improve the plant’s position in the dispatch curve and significantly improve energy margins. The plant struggled operationally and ultimately filed for bankruptcy where the bank debt was exchanged for private equity. In 2017, due to lower than projected realized power prices caused by excess gas supply in the Marcellus basin, the company approached equity holders for a cash infusion in the form of an unsecured loan. NBDX currently holds the post-reorganized equity units and a portion of this unsecured loan. In 2017, due to further operational issues and continued low power prices, projected cash flow did not materialize as expected. The plant is facing a projected liquidity shortfall in 2018 and will likely need new capital and a negotiated solution between debt and equity holders. We believe the plant has long-term value provided the recent operational issues are only temporary and that potential gas transmission projects and coal-fired retirements come to fruition. We are working with other equity holders to determine a solution. To date, the return on investment represents an estimated 0.4x multiple on invested capital.

### Investment #4 – 0.4% of NAV

NBDX began purchasing second lien debt and subsequently added to the position by purchasing a portion of mezzanine debt and units of reorganised equity in a 1000MW combined-cycle gas turbine power plant in central California. The second lien debt was refinanced and only equity and mezzanine loan remain in the portfolio. At the time of our purchases we believed the plant benefitted from significant collateral coverage: the second lien traded at \$366/kW while the equity traded at \$467/kW; both deep discounts to replacement value (~\$1,000/kW) and the original construction cost of the plant (~\$800/kW). Increased investment in renewable energy sources (specifically, solar, wind, and hydro) has had a negative effect on California power prices and significantly impacted cash flow and liquidity. The company hired restructuring advisors and filed for Chapter 11 bankruptcy protection. As the bankruptcy process progressed it was clear that no value would accrue to the junior securities so we have written down the value of the mezzanine debt and equity to zero. To date, the estimated return on investment represents a 0.5x multiple on invested capital.

## Exits

There was one exit during the quarter.

NBDX purchased \$5.7 million of senior notes at a price of 62% of face value, secured by a portfolio of nine aircraft leased to various operators. Eight of these were sold during 2016 with proceeds used to repay the notes. The remaining aircraft was sold during the quarter and the final payment was received. Cash invested was \$3.4 million and cash received from coupon and principal repayments was \$6.3 million. The total return on the investment was \$2.8 million over 56 months. The IRR was 22% and ROR was 83%.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	HOLDING PERIOD	IRR	ROR
48	\$3.4 million	\$6.3 million	\$2.8 million	56 months	22%	83%

## 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
1	Real Estate	Pre-2017	\$8.0 million	\$10.6 million	\$0.5 million	\$3.1 million	11%	39%	87
3	Commercial Mortgage	Q217	\$23.1 million	\$29.8 million	\$0.8 million	\$7.5 million	10%	33%	56
4	Container & Packaging	Q217	\$5.1 million	\$6.9 million	\$1.1 million	\$2.9 million	30%	57%	63
5	Container & Packaging	Q217	\$6.6 million	\$16.7 million	\$7.7 million	\$17.8 million	60%	269%	66

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

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

2. Includes cash and accruals.

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

4. 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.

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

31 March 2018

## Distributions

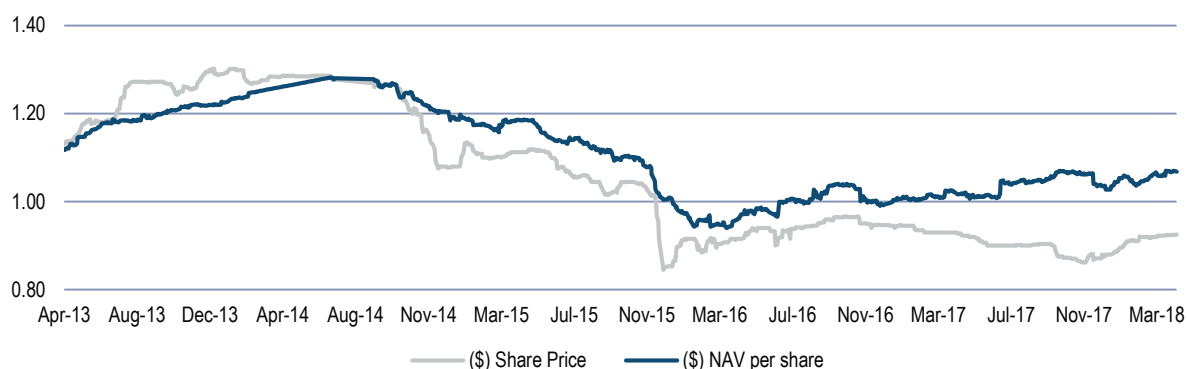
During the quarter, the Board paid an income distribution by way of dividend of \$4.2 million or \$0.0245 / share in accordance with NBDX’s distribution policy which requires that all portfolio income be distributed after deducting reasonable expenses. In order to make these distributions cost effective, they are only paid once of a sufficient size and from cash available at that time, regardless of its source. Post quarter-end, NBDX received par repayment of a significant bank debt investment in an Australian power company. This cash, combined with existing cash, will fund a capital distribution of \$16.3 million as approved on 8 May 2018.

Since inception, \$217.7 million (or 61% of original capital) has been approved / 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 108%.

## Share Buy-Backs

There were no buy-backs in the quarter. Total shares repurchased since inception to date is 7,616,313 or 2% of the original NBDX shares. All shares have been cancelled.

## FUND PERFORMANCE<sup>1</sup>



## PORTFOLIO COMPOSITION – TOP 10 HOLDINGS<sup>2</sup>

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	8%	Manufacturing plant & equipment
3	Shipping	Secured Loan	Post-Reorg	Marshall Islands	7%	Maritime vessels
4	Building & Development	Post-Reorg Equity	Post-Reorg	US	7%	Residential real estate
5	Financial Intermediary	Secured Notes	Defaulted	US	6%	Cash & securities
6	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	6%	Bio-fuel plant
7	Surface Transport	Trade Claim	Defaulted	Brazil	5%	Municipal claim
8	Utilities	Secured Loan	Post-Reorg	US	5%	Power plants
9	Nonferrous Metals / Minerals	Post-Reorg Equity	Post-Reorg	US	5%	Manufacturing / Distribution real estate
10	Utilities	Secured Loan	Current	Australia	4%	Power plants
<b>Total</b>					<b>62%</b>	

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.

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

31 March 2018

*This document has been issued by NB Distressed Debt Investment Fund Limited (the “Company”), and should not be taken as an offer, invitation or inducement to engage in any investment activity and is solely for the purpose of providing information about the Company. This document does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any share in the Company or securities in any other entity, in any jurisdiction.*

*The Company is a closed-ended investment company incorporated and registered in Guernsey and is governed under the provisions of the Companies (Guernsey) Law, 2008 (as amended), and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission (“GFSC”). It is a non-cellular company limited by shares and has been declared by the GFSC to be a registered closed-ended collective investment scheme. The Company’s shares are admitted to trading on the Specialist Fund Segment of the London Stock Exchange’s Main Market for listed securities.*

*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.*

*This document is presented solely for information purposes and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. We do not represent that this information, including any third party information, is accurate or complete and it should not be relied upon as such. Any views or opinions expressed may not reflect those of the Company or NBEL as a whole. All information is current as of the date of this material and is subject to change without notice. No part of this document may be reproduced in any manner without prior written permission of the Company and NBEL.*

*There is no guarantee that any of the goals, targets or objectives described in this factsheet will be achieved. This factsheet may contain “forward-looking information” which can be identified by the use of forward looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Such statements are not purely historical in nature, and may include, among other things, projections, forecasts or estimates of cash flows, yields or returns, scenario analyses and proposed or expected portfolio composition. The forward-looking information contained herein is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which will be specified herein). Not all relevant events or conditions may have been considered in developing such assumptions. The success or achievement of various results and objectives is dependent on a multitude of factors, many of which are beyond the control of the Company and Neuberger Berman. Actual volatility and returns will depend on a variety of factors including overall market conditions and the ability of the Company and Neuberger Berman to implement its process, investment strategy and risk management policies. No representations are made as to the accuracy of such estimates or projections or that such projections will be realised. Actual events or conditions are unlikely to be consistent with, and may differ materially from, those assumed.*

*An investment in the Company involves risks, with the potential for above average risk, and is only suitable for people who are in a position to take such risks. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of any investment, and should consult its own legal counsel and financial, actuarial, accounting, regulatory and tax advisers to evaluate any such investment. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. Investment in the Company should not constitute a substantial proportion of an investor’s portfolio and may not be appropriate for all investors. Diversification and asset class allocation do not guarantee profit or protect against loss.*

*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.*

*Tax treatment depends on the individual circumstances of each investor and may be subject to change, investors are therefore recommended to seek independent tax advice.*

*This document, and the information contained therein, is not for viewing, release, distribution or publication in or into the United States, Canada, Japan, South Africa or any other jurisdiction where applicable laws prohibit its release, distribution or publication, and will not be made available to any national, resident or citizen of the United States, Canada, Japan or South Africa. The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes must inform themselves about, and observe, any such restrictions. Any failure to comply with the restrictions may constitute a violation of the federal securities law of the United States and the laws of other jurisdictions.*

*The Company’s shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”), or with any securities regulatory authority of any state or other jurisdiction of the United States. The shares may not be offered, sold, resold, pledged, delivered, distributed or otherwise transferred, directly or indirectly, into or within the United States, or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act). No public offering of the shares is being made in the United States.*

*The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “Investment Company Act”) and, as such, holders of the shares will not be entitled to the benefits of the Investment Company Act. No offer, sale, resale, pledge, delivery, distribution or transfer of the shares may be made except under circumstances that will not result in the Company being required to register as an investment company under the Investment Company Act. In addition, the shares are subject to restrictions on transferability and resale in certain jurisdictions and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.*

*The “Neuberger Berman” name and logo are registered service marks of Neuberger Berman Group LLC.*

© 2018 Neuberger Berman Group LLC. All rights reserved.