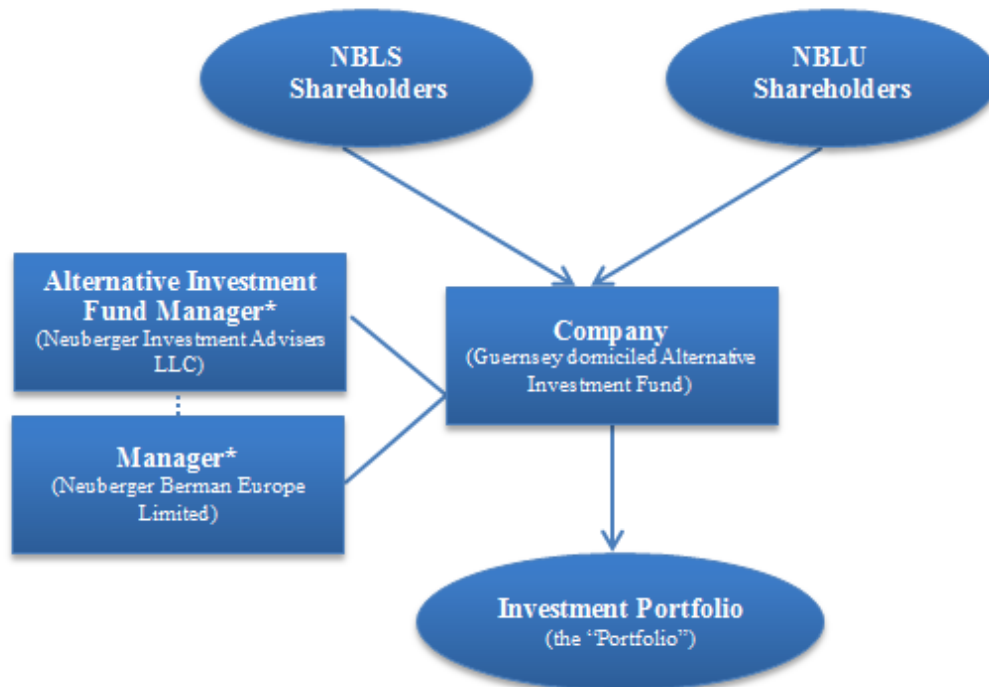
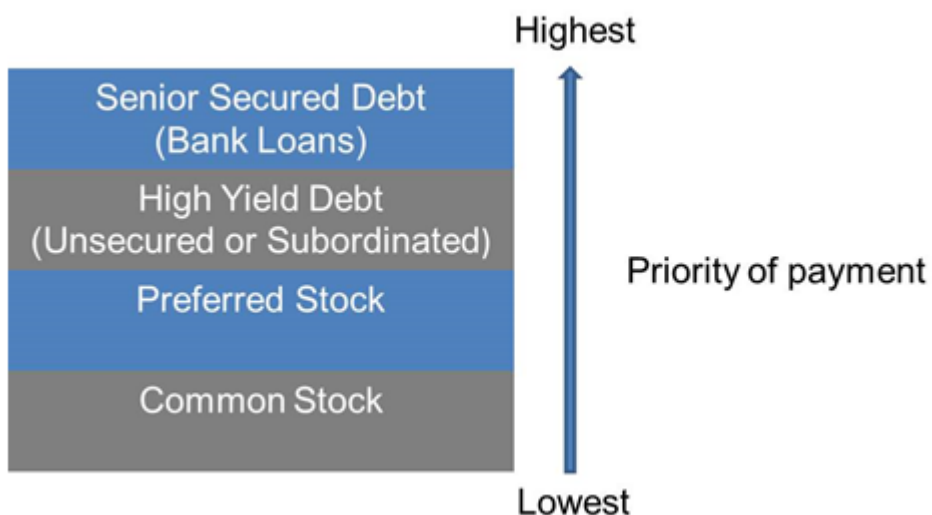


## BUSINESS MODEL

### Principal Activities and Structure



### Sample Capital Structure



## BUSINESS MODEL

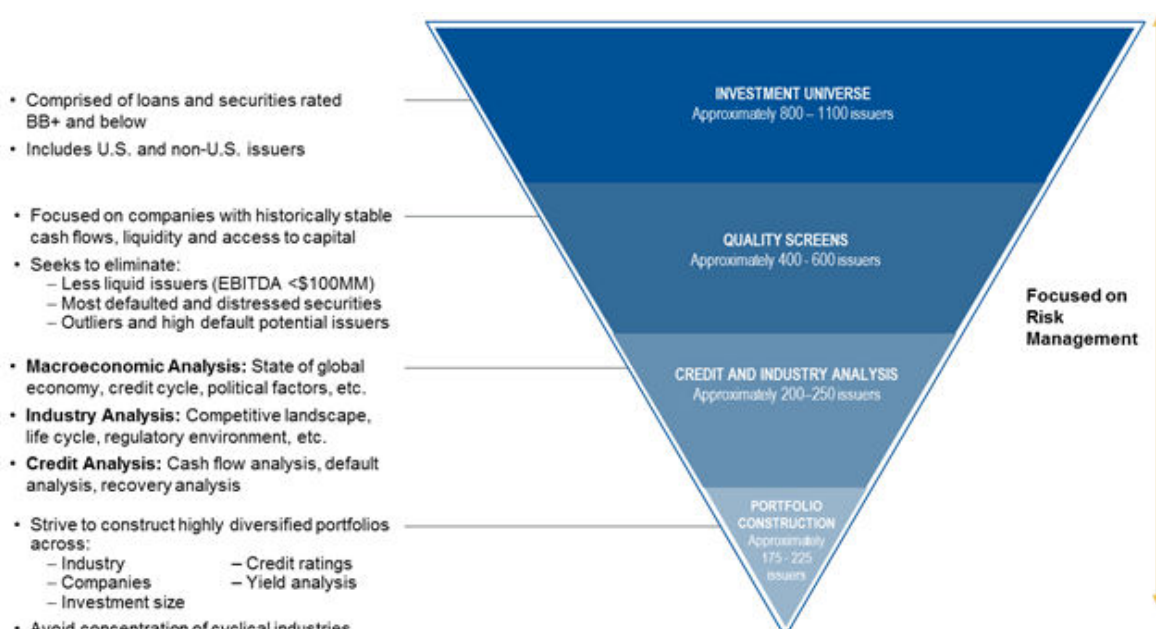
### Indicative Breakdown of Senior Secured Loan returns

Total

LIBOR Floor	Credit Spread	Discount <sup>1</sup>
The minimum base rate of LIBOR, even if LIBOR falls below that level	The amount of interest paid over LIBOR to compensate an investor for the associated credit risk	The amount a loan is priced below par in the primary or secondary market e.g. if a loan is priced at 97 this equals a 3 per cent. discount.

1. New issues are typically sold at a discount to par.

### Investment Process



The credit ratings noted above are those of Standard & Poor's. Ratings of BB and below are considered non-investment grade (junk bonds). Credit ratings are subject to change at any time. **This material is intended as a broad overview of the portfolio managers' style, philosophy and investment process and is subject to change without notice.** The portfolio managers' views may differ from those of other portfolio managers as well as the views of Neuberger Berman.

# BUSINESS MODEL

## Investment Discipline

### Top-Down Analysis

#### ECONOMY: KEY DATA POINTS

- Direction of Global Economy:
  - Economic indicators
- Globalization trends
  - Regional GDP/economic forecasts
  - Global equity market movements
  - Currency fluctuations
- Credit Cycle:
  - Degree of cyclicalilty
  - Spreads relative to historic levels
  - Banking industry
- Political Factors:
  - Budget surplus/deficit
  - Election/wars

#### INDUSTRY: KEY DATA POINTS

- Where are we in industry life cycle?
- Competitive landscape
- Trend for industry consolidation
- Capacity levels
- Regulatory environment
- Competitor analysis
- Industry value chain
- Industry size and growth
- Rating agency trends
- Industry model/return
- Sensitivity to exogenous factors

### Bottom-Up Analysis

#### ISSUER: KEY CONSIDERATIONS

Business Fundamentals	Quality of Cash Flow	Scenario Analysis	Capital Structure	Liquidity	Management/ Ownership
<ul style="list-style-type: none"> <li>• Established businesses with longer-term track records</li> <li>• Ability to de-lever</li> <li>• Origination (roll-up vs. organic)</li> <li>• Understand business and products</li> </ul>	<ul style="list-style-type: none"> <li>• Offset business risk</li> <li>• Cautious of large, transforming acquisitions</li> <li>• Quantify/evaluate CAPEX</li> <li>• Ability to delay commitments</li> <li>• Accounting practices</li> </ul>	<ul style="list-style-type: none"> <li>• Understand upside/downside potential in terms of credit ratios, spreads and ratings</li> <li>• Benchmark company vs. industry and its own history</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate management's intention and ability to right size the capital structure</li> <li>• Focus on senior structures in tight capital markets and slow growth periods</li> </ul>	<ul style="list-style-type: none"> <li>• Cash</li> <li>• Bank lines</li> <li>• Covenants</li> <li>• Non-core asset sales</li> <li>• Other sources of cash</li> </ul>	<ul style="list-style-type: none"> <li>• Understand any unusual equity ownership</li> <li>• Evaluate management's abilities and incentives</li> <li>• Consider turnover of senior management</li> </ul>

## Investment Philosophy and Selection Process

#### Proactive Investment Process

- Develop investment thesis and benchmark the drivers
- Proprietary fundamental research
- Disciplined and repeatable process
- We endeavor to add value throughout all market cycles

#### Generate Added Value

- We seek to capitalize on market opportunities and generate added value through
  - Efforts to reduce credit deterioration
  - Industry and quality rotation
  - Relative value analysis

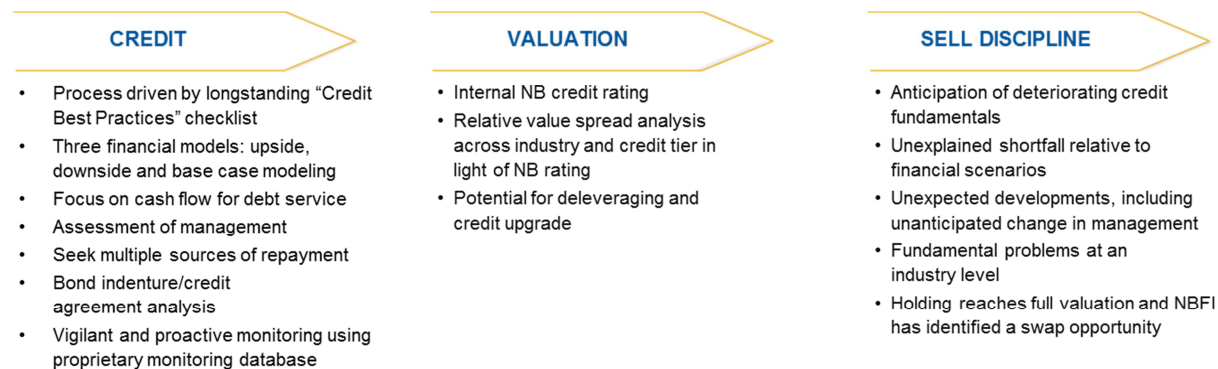
#### Risk Management

- We have developed proprietary systems to manage risk in accordance with client objectives and constraints
- Oversight provided by independent NB risk management committee

# BUSINESS MODEL

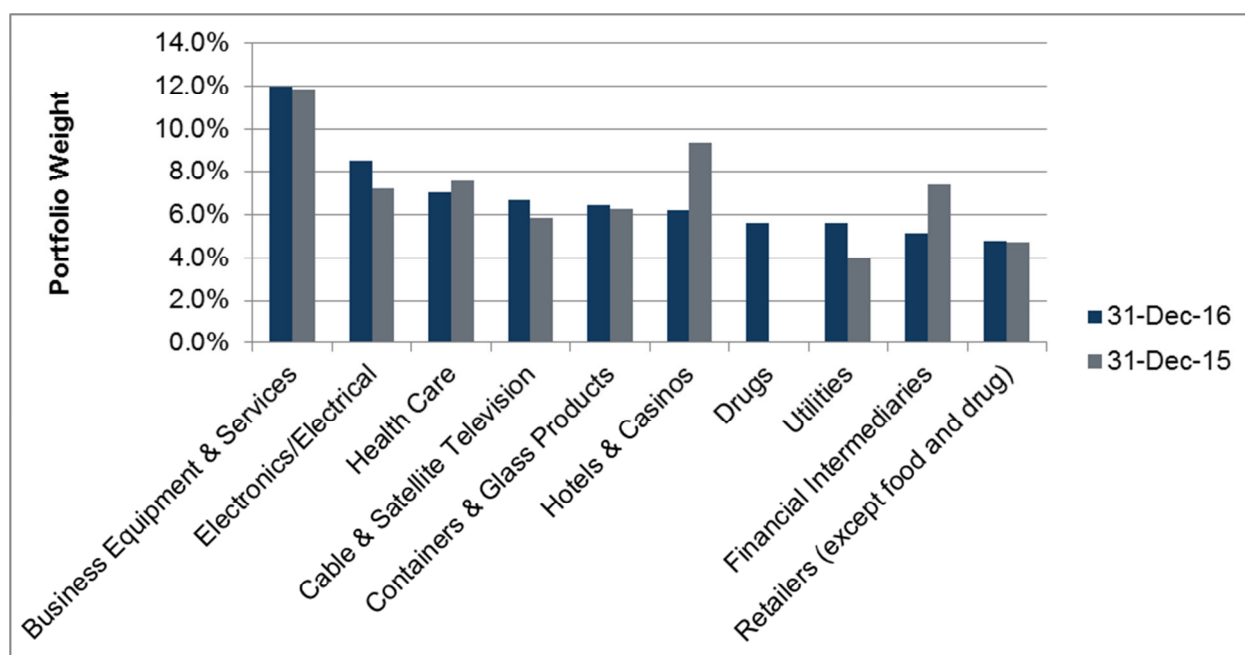
## Investment Philosophy and Selection Process

### Selection Process



## PORTFOLIO INFORMATION

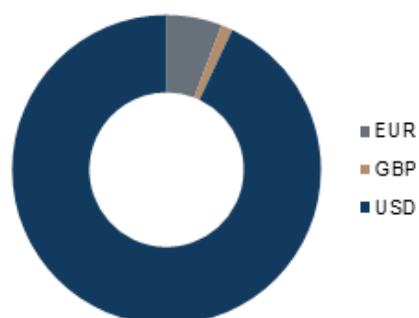
### Top 10 S&P Sector Breakdown (ex Cash)



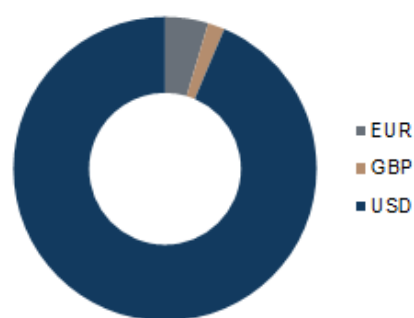
## PORTFOLIO INFORMATION

### Currency Breakdown

31 December 2016

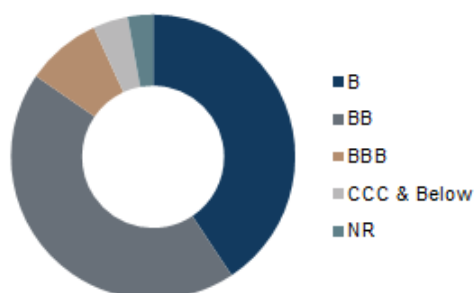


31 December 2015

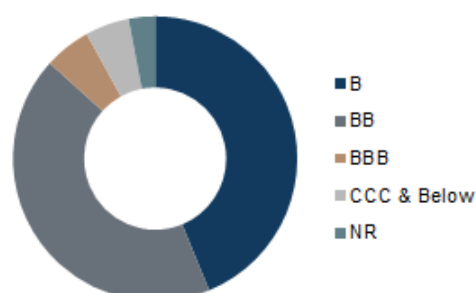


### Rating Breakdown

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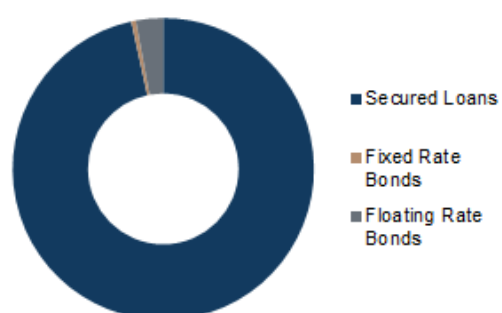


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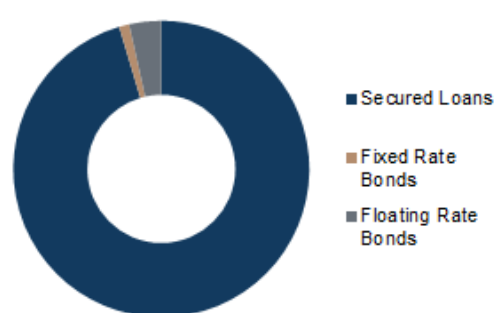


### Security Breakdown

31 December 2016

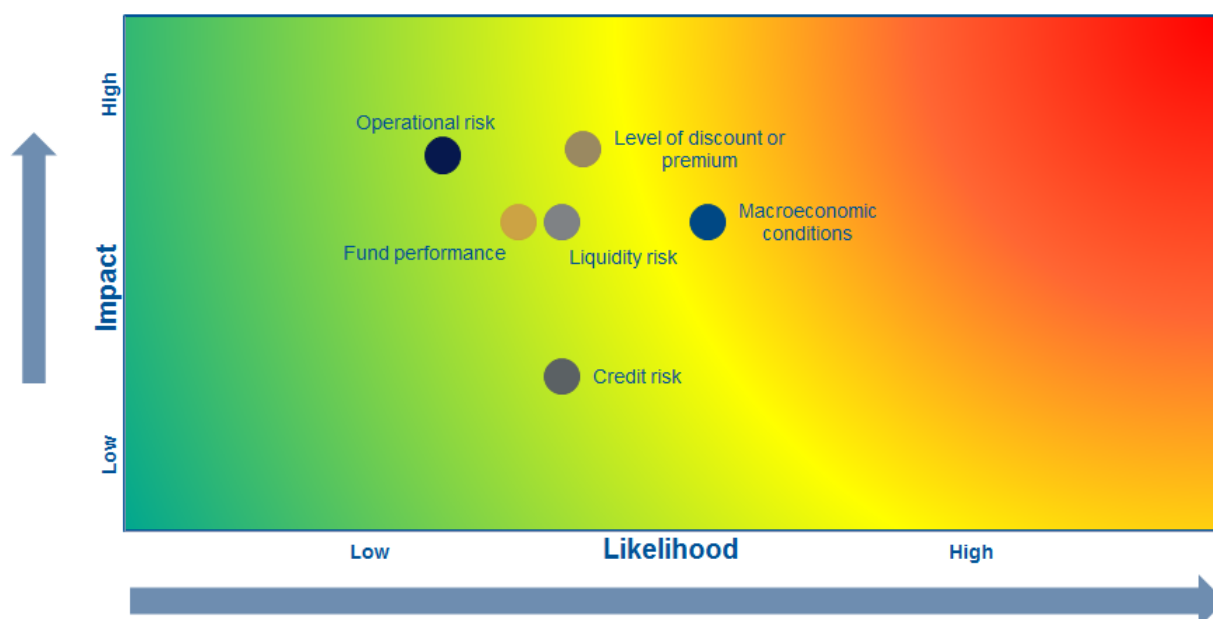


31 December 2015



## STRATEGIC REPORT

### Heat Map of Principal Risks



### Principal Risks' Expected Direction of Change

Risk Category	Expected direction of change of risk	Rationale
Macroeconomic Conditions		No expected change. The Board expects continued volatility as the market reacts, amongst other things, to the implementation of President Trump's policy measures as well as any developments in Brexit negotiations. The Trump Administration's anticipated stimulus measures are expected to contribute to US GDP growth and this in turn should translate to future rate rises, albeit on a gradual trajectory.
Credit Risk		No expected change. Default rates are expected to remain low in 2017 and focused primarily on specific sectors.
Liquidity Risk		No expected change. Liquidity risk is managed by the Investment Manager to ensure that the Company maintains sufficient working capital in cash or near cash form so as to be able to meet the Company's ongoing requirements as these are budgeted for.
Fund Performance		The Board believes a rising rate and low default environment is favourable to a loans portfolio and could result in additional income as portfolio investments break through their LIBOR floors.
Level of Discount/Premium		The Board believes the Company continues to be an attractive risk-adjusted investment proposition and expects the level of discount/premium to reflect this as demand for shorter duration assets, such as loans, increases in light of the macroeconomic environment. The Company's ability to issue and repurchase shares, the Redemption Offer (if the Company's shares trade wider than a 5% discount in the 3 months to 31 December each year) and an annual continuation vote (effective from this year) all contribute to effective management of the discount or premium at which the Company's shares trade.
Operational Risk		No expected changes.