

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

30 June 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.

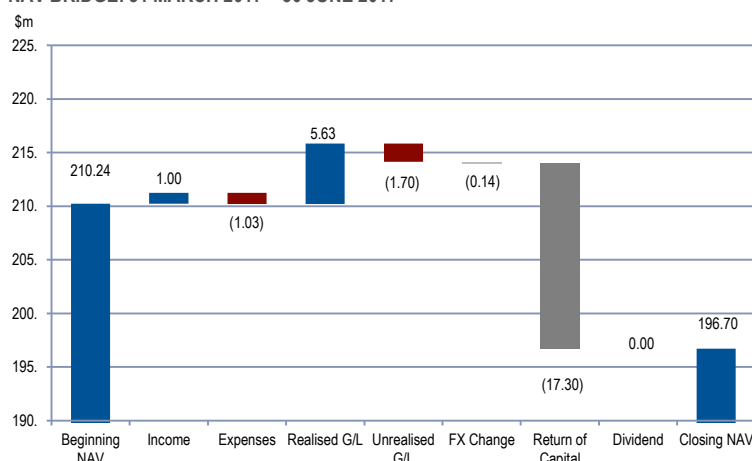
On 31 March 2015, the investment period of the Extended Life Share Class ("NBDX") expired and the assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period. Prior to the expiry of the investment period, distributions were made to reflect capital profits arising from the exit of any assets attributable to Extended Life Shares. Including the \$16.5 million capital distribution described below, \$175.1 million (equivalent to 49% of original capital) has been distributed (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:	\$1.0466
Share Price:	\$0.9000
Share Price Discount vs. NAV	(14.0)%
Market Cap.	\$169.1m
Total NAV	\$196.7m
No. of issuers	34
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:	GG00BF2B4Y78
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 31 MARCH 2017 – 30 JUNE 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 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

To aid investors' understanding of the portfolio's development and underlying value, from this quarter if any of NBDX's investments experience a partial realisation it will be reported in a new factsheet section entitled 'Partial Realisations'. A partial realisation will have occurred, among other reasons, if (i) a distribution is received that represents 75% of the cost basis of the investment at the time of the distribution; (ii) cumulative distributions received are greater than the original cost basis of the investment; (iii) a sale of the underlying asset has occurred or (iv) a debt tranche has been refinanced. These partial realisations will not be full investment exits because residual value remains unrealised and/or undistributed due to escrows or holdbacks on the sales proceeds or because tranches of debt/equity remain. IRRs and RORs are likely to be different at the time of the final exit. Partial realisations that occurred in previous quarters will also be described in this quarter's factsheet as past partial realisations.

Net Asset Value ("NAV") increased 2.1% in the quarter primarily from an increase in value due to a merger between two portfolio companies in which NBDX owned private equity interests. Low volatility in the debt and equity markets provided a supportive environment for some companies to access the capital markets during the quarter for mergers and refinancing. The investment manager's belief that the underlying value of NBDX's investments will be realised via liquidity events (i.e. sale to a strategic buyer, refinancing or IPO) was evidenced during the quarter.

NBDX had one exit and three partial realisations during the second quarter. The exit, described in more detail below, had a total return of \$6.9 million over the life of the investment but negligible income in the second quarter. The total return for the three partial realisations, also described in more detail below, was \$26.4 million as of quarter-end.

Net cash generated from portfolio activity during the quarter was \$10.8 million. NBDX received \$12.3 million cash during the quarter with \$11.1 million of capital received from the third partial realisation and \$1.2 million from the repayments on two secured bank debt positions. NBDX made one follow-on investment of \$1.6 million in the second lien convertible debt of an auto components company to protect against dilution. On 26 June, NBDX declared a \$16.5 million return of capital distribution for shareholders payable by way of redemption. Since inception, \$175.1 million (or 49% of original capital) has been distributed to shareholders. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital increased to 105% based on an increase in NAV and cash generated during the quarter.

Data as at 30 June 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)

Sarah Evans

Michael Holmberg

Christopher Sherwell

Stephen Vakil

Portfolio Update

NBDX ended the quarter with NAV per share of \$1.0466 compared to \$1.0253 at the end of March, an increase of 2.1%. At quarter-end, 98% of the NAV was invested in distressed investments with 2% held in cash, net accruals and reserves. Unrealised gains in the private equity of two packaging companies, the private notes of an auto components company and the secured debt of an Australian wind farm were offset by unrealised losses in the private equity of a power plant company and the public equity of a US building and development company. The current portfolio consists of 34 issuers across 14 sectors. The largest sector concentrations were in the lodging & casinos, shipping, utilities and oil & gas sectors. Notable events below describe activity in the investments during the quarter¹.

- A packaging and container company announced that it was purchasing another complementary packaging and container company and completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. NBDX owned private equity interests in both the purchaser and target company. For NBDX's interest in the target company, NBDX will receive cash and newly created shares in the combined company. The transaction closed in early July. The private equity of the acquirer increased 47% following the announcement of the transaction while the private equity of the target increased 76%.
- A building and development company announced and completed an IPO during the quarter. The IPO priced at \$14.00/share and ended the quarter at \$14.76/share. The IPO allows the company to raise capital for growth and development in its highly desirable land portfolio and gives investors more liquidity in its shares.
- Our investment in the secured debt of a mixed-use residential/retail property in receivership was repaid when the receiver presiding over the estate sold the retail portion of the property, which concluded the sale of the remaining real estate securing the loan. More detail is provided in the Partial Realisation section below. The estate made a distribution to pay down the secured debt holders upon execution of the sale and NBDX's share was \$11.1 million.
- NBDX participated in an add-on financing to a second lien convertible debt position in an auto components company to protect against post-conversion equity dilution. Proceeds from the transaction will be used to increase capacity and improve operational efficiency at certain plants. The company's financial and operational performance has been improving since it emerged from bankruptcy protection in 2015 and the company is well positioned to take market share from its two primary competitors with this additional capital.
- A lodging and casino investment is reviewing an offer for the property.
- A power plant investment experienced operating issues resulting in a shut-down of the plant for 45 days during the quarter. These issues have been resolved and the plant has returned to operating as planned. The company is planning to file insurance claims to recoup losses from the shut-down.

Significant Value Change (approximately 0.5% of NBDX NAV or +/- \$1,000,000)²

INDUSTRY	INSTRUMENT	Q217 TOTAL RETURN	COMMENT
Packaging & Containers	Private equity	\$4.0 million	Company purchased competitor & balance sheet recapitalisation
Packaging & Containers	Private equity	\$1.3 million	Company purchased by competitor
Auto Components	Private notes & equity	\$1.2 million	Raised new cash for new projects
Utilities	Bank debt	\$0.9 million	Company's performance improving
Building & Development	Public equity	(\$1.0 million)	Uncertainty regarding environmental approvals
Utilities	Bank debt	(\$1.1 million)	Developments in Chapter 11 case

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.

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COUNTRY BREAKDOWN^{1,2} (%)

US	69.2%
Marshall Islands	6.2%
Luxembourg	5.6%
Brazil	4.5%
Australia	4.3%
Netherlands	2.9%
Denmark	2.7%
Spain	2.4%
United Kingdom	1.5%
Germany	0.7%
Greece	0.1%

CURRENCY BREAKDOWN^{1,2} (%)

USD	76.2%
EUR	13.2%
BRL	4.5%
AUD	3.4%
DKK	2.7%
GBP	0.1%

SECTOR BREAKDOWN³ (%)

Lodging & Casinos	19.1%
Shipping	12.4%
Utilities	8.9%
Oil & Gas	8.3%
Containers and Packaging	7.0%
Building & Development	7.0%
Financial Intermediaries	6.1%
Surface Transport	6.1%
Auto Components	5.8%
Commercial Mortgage	5.0%
Nonferrous Metals/Minerals	4.6%
Forest Products	0.7%
Real Estate Development	0.2%
Air Transport	0.2%
Net Restricted Cash and FX	6.3%
Net Unrestricted Cash	2.3%

INTEREST & COUPON PAYMENTS (ex cash)¹ (%)

Non Coupon Paying	69.4%
Coupon Paying	19.7%
PIK	10.9%

Exit 46

NBDX invested \$15.6 million to purchase a senior construction loan secured by 237 condominium units and related parking spaces located south of Downtown Chicago, Illinois. The lender group executed a deed-in-lieu with the borrower and took possession of the underlying collateral. The group engaged a nationally recognised real estate firm to act as asset manager and broker for the remaining units, invested \$1.5 million additional capital to complete the units and common areas, and rebranded the property. The remaining units were sold and the proceeds used to return capital and profits to the owners. Cash received on the investment was \$24.0 million with a total return of \$6.9 million. IRR is 10% and ROR is 38% over 79 months.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	HOLDING PERIOD	IRR	ROR
46	\$17.1 million	\$24.0 million	\$6.9 million	79 months	10%	40%

Partial Realisations

Past Partial Realisations

Partial Realisation 1: Real Estate Development investment

NBDX invested \$7.2 million to purchase a senior construction loan secured by 168 condominium units and related parking spaces located south of Downtown Chicago, Illinois. The lender group executed a deed-in-lieu with the borrower and took possession of the underlying collateral. The group engaged a nationally recognised real estate firm to act as asset manager and broker for the remaining units, invested \$0.8 million additional capital to complete the units and common areas, and rebranded the property. The remaining units were sold with proceeds being used to return capital and profits to the owners. Cash received to date is \$10.6 million and the current value of the remaining investment is \$0.5 million as of 30 June 2017. To date, the total return on the investment for NBDX is \$3.1 million over 78 months. We expect to complete an exit once certain claims against the estate are resolved. The IRR is 11% and ROR is 39% as of 30 June 2017.

Partial Realisation 2: Aircraft investment

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 the nine aircraft were sold during 2016 with proceeds used to repay the notes. The remaining aircraft is currently leased and will be sold at the end of the lease period. Cash invested is \$3.4 million and cash received to date from coupon and principal repayments is \$5.8 million. The current value of the remaining interest in the final aircraft is \$0.4 million. To date, the total return on the investment is \$2.8 million over 49 months. The IRR is 22% and ROR is 82% as of 30 June 2017.

Q217 Partial Realisations

Partial Realisation 3: Commercial Mortgage investment

NBDX purchased a 32.5% interest in a holding company formed with a partner to purchase a senior construction loan that was secured by 107 residential condominiums and a 140,000 square feet mixed-use retail space in Greenwood Village, Colorado. The lenders successfully petitioned the court to install a nationally recognised real estate company to act as receiver, refurbish and complete the remaining condominiums for sale, rebrand and lead marketing of the residential units, and lead leasing efforts for the retail space. All of the condominiums and retail space were sold as of 30 June 2017. Certain reserves remain relating to warranties and other miscellaneous potential claims. Cash invested in the project is \$23.1 million and repayments on the loan to date are \$29.8 million over 47 months. The current value of the remaining investment is \$0.7 million. To date, the total return is \$7.4 million. Once certain reserves expire and any potential claims are resolved, we expect to exit fully this investment. The IRR is 10% and ROR is 32% as of 30 June 2017.

Data as at 30 June 2017. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDX.

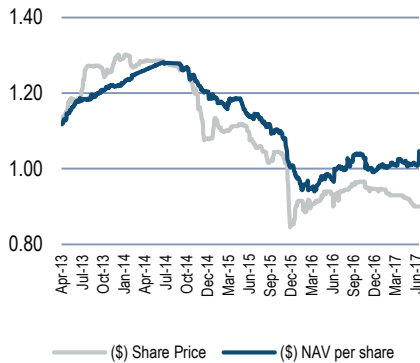
1. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 June 2017.
2. Includes cash and accruals.

3. 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 PERFORMANCE²



Partial Realisations continued

Partial Realisation 4: Container and Packaging investment

NBDX invested \$5.1 million to purchase first lien secured bank debt with attached private equity of an international packaging company. The debt was repaid in full shortly after the purchase with the receipt of \$4.2 million and the fund retained the equity, receiving dividends of \$0.9 million during the holding period. During the second quarter the company's sale to a complementary packaging company was announced. NBDX elected to receive sale proceeds in cash and newly created shares in the acquirer for a combined value of \$2.9 million. Total return on the investment as of 30 June 2017 was \$2.9 million. IRR is 29% and ROR is 57% with a holding period of 54 months at quarter-end.

Partial Realisation 5: Container and Packaging investment

NBDX invested \$6.6 million in preferred equity certificates (“PECs”) and private equity in a European packaging company. The PECs were retired in full in 2015 and the company paid dividends on the equity during the holding period. Cash received to date is \$11.7 million. In the second quarter, the company announced it was purchasing another complementary packaging company (Partial Realisation 4, above) and completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. Current value of the private equity position is \$10.9 million, generating a total return of \$16.0 million as of 30 June 2017. IRR is 60% and ROR is 242% with a holding period of 57 months at quarter-end.

PARTIAL REALISATION	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
1	Prior	\$8.0 million	\$10.6 million	\$0.5 million	\$3.1 million	11%	39%	78
2	Prior	\$3.5 million	\$5.8 million	\$0.4 million	\$2.8 million	22%	81%	49
3	Q217	\$23.1 million	\$29.8 million	\$0.7 million	\$7.4 million	10%	32%	47
4	Q217	\$5.1 million	\$5.1 million	\$2.9 million	\$2.9 million	29%	57%	54
5	Q217	\$6.6 million	\$11.7 million	\$10.9 million	\$16.0 million	60%	242%	57

Distributions

During the second quarter, the Board approved a shareholder distribution of \$16.5 million to be paid on 10 July 2017 by way of redemption. Since inception, \$175.1 million (or 49% of original capital) has been distributed to shareholders. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital increased to 106% based on gains in NAV and cash generated during the quarter.

Share Buy-Backs

NBDX purchased 890,000 shares during the quarter under the discount control policy at a cost of \$808,915 and average discount of 10.3%¹. The shares have been cancelled.

PORTFOLIO COMPOSITION – TOP 10 HOLDINGS³

Holding	Industry	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	9%	Hotel/lodging real estate
2	Building & Development	Post-Reorg Equity	Post-Reorg	US	7%	Residential real estate
3	Shipping	Secured Loan	Post-Reorg	Marshall Islands	6%	Maritime vessels
4	Financial Intermediary	Secured Notes	Defaulted	US	6%	Cash & securities
5	Auto Components	Secured Notes	Post-Reorg	US	6%	Manufacturing plant & equipment
6	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	6%	Bio-fuel plant
7	Containers & Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	6%	Manufacturing/distribution/real estate
8	Lodging & Casinos	Secured Loan	Current	US	5%	Hotel/casino
9	Nonferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	5%	Manufacturing plant & equipment
10	Surface Transport	Trade Claim	Defaulted	Brazil	4%	Municipal claim
Total					60%	

1. Source: Stifel Nicolaus Europe Limited.

2. Source: Bloomberg.

3. 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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