

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

30 June 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.

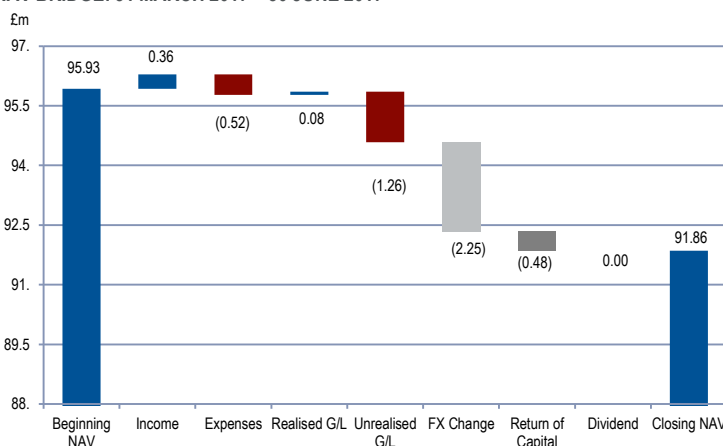
The New Global Share Class (“NBDG”) was created in March 2014 in order to capture the growing opportunity in distressed debt globally. NBDG's investment period ended on 31 March 2017, following which the harvest period commenced.

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 FACTS<sup>1</sup>

NAV Per Share:	92.28p
Share Price:	79.50p
Share Price Discount vs. NAV	(13.9)%
Market Cap.	£79.1m
Total NAV	£91.9m
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: 31 MARCH 2017 – 30 JUNE 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 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

To aid investors' understanding of the portfolio's development and underlying value, if any of NBDG's investments experience a partial realisation in future 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. There were no partial realisations in this quarter.

Net Asset Value (“NAV”) declined 3.7% in the quarter with a majority of the decline due to adverse movement in foreign exchange (“FX”) rates. US Dollar denominated investments currently represent 72% of NAV and Sterling appreciated 3.8% against the US Dollar during the quarter. On 31 March 2017, the portfolio entered its harvest period. We believe value in portfolio will be realised upon exit after a liquidity event (i.e. sale, refinancing, IPO) and we are committed to returning capital to investors as we exit investments. Given the proximity to the end of the investment period, there were no exits during the quarter.

Net cash generated from portfolio activities was negative (£1.9 million) during the quarter. NBDG made one follow-on investment of £2.3 million in the second lien convertible debt of an auto components company to protect against dilution, which was offset by £0.3 million received from principal repayment on secured bank debt on a utility company.

## Portfolio Update

NBDG ended the quarter with NAV per share of 92.28p compared to 95.78p at the end of March, a decline of 3.7%. The majority of the fall was due to the appreciation of Sterling against US dollar denominated investments. Other contributing factors include a decline in the public equity of a shipping company, a decline in the public equity of a building and development company and a decline in the private equity of eastern US lodging and casino investment.

Data as at 30 June 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)  
Sarah Evans  
Michael Holmberg  
Christopher Sherwell  
Stephen Vakil

## Portfolio Update continued

As of 30 June 2017, 97% of NBDG's NAV was invested in distressed assets with 3% held in cash, net accruals and reserves. The current portfolio consists of 25 issuers across 11 sectors. The largest sector concentrations include lodging & casinos, shipping, utilities, oil & gas, and nonferrous metals/minerals. Notable events involving NBDG's existing investments are below<sup>1</sup>:

- A building and development company announced and completed an IPO during the quarter which 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.
- A lodging and casino investment received an indicative bid for the property which is being negotiated with the buyer.
- NBDG 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 power plant investment experienced operating issues causing 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 NBDG NAV or +/- £400,000)<sup>2</sup>

INDUSTRY	INSTRUMENT	Q217 TOTAL RETURN	COMMENT
Utilities	Secured Loan	(£0.4 million)	Developments in Chapter 11 case
Lodging & Casinos	Private Equity	(£0.7 million)	No fundamental change, mostly FX loss
Building & Development	Public Equity	(£0.7 million)	Uncertainty regarding environmental approvals
Shipping	Public Equity	(£0.9 million)	Decline in price as assets have stabilised

## Distributions

There were no distributions during the quarter. Total distributions to date are £1.0 million.

## Share Buy-Backs

NBDG purchased 615,200 shares during the second quarter under the discount control policy at a total cost of £478,255 and an average discount to NAV of 17.20%<sup>3</sup>. The shares have been cancelled.

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.

3. Source: Stifel Nicolaus Europe Limited.

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## COUNTRY BREAKDOWN<sup>2,3</sup> (%)

US	65.2%
Spain	14.8%
Netherlands	6.1%
Denmark	5.1%
Australia	4.7%
Marshall Islands	4.1%

## CURRENCY BREAKDOWN<sup>2,3</sup> (%)

USD	72.0%
EUR	15.2%
DKK	5.1%
GBP	4.0%
AUD	3.7%

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

Lodging & Casinos	34.6%
Shipping	15.4%
Utilities	8.9%
Oil & Gas	8.7%
Nonferrous Metals/Minerals	6.2%
Building & Development	6.1%
Commercial Mortgage	6.1%
Auto Components	6.1%
Surface Transport	2.7%
Chemicals & Plastics	0.7%
AirTransport	0.0%
Net Restricted Cash	1.3%
Unrestricted Cash	3.3%

## INTEREST & COUPON PAYMENTS (ex cash)<sup>2</sup> (%)

Non Coupon Paying	69.6%
Coupon Paying	21.8%
PIK	8.6%

## PORTFOLIO COMPOSITION – TOP 10 HOLDINGS<sup>4</sup>

Holding	Industry	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casino	Post-Reorg Equity	Post-Reorg	US	10%	Casino
2	Lodging & Casino	Post-Reorg Equity	Post-Reorg	US	8%	Hotel/lodging real estate
3	Nonferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	6%	Manufacturing/distribution real estate
4	Shipping	Secured Loan	Post-Reorg	US	6%	Maritime vessels
5	Lodging & Casino	Secured Loan	Defaulted	Spain	6%	Hotels
6	Building & Development	Post-Reorg Equity	Post-Reorg	US	6%	Residential real estate
7	Commercial Mortgage	Secured Loan	Current	Netherlands	6%	Commercial real estate
8	Auto Components	Secured Notes	Post-Reorg	US	6%	Manufacturing plant & equipment
9	Lodging & Casino	Secured Loan	Defaulted	Spain	6%	Hotel
10	Shipping	Secured Loan	Post-Reorg	Denmark	5%	Maritime vessels
<b>Total</b>					<b>65%</b>	

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

1. Source: Bloomberg.

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

3. Includes cash and 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, NBDG’s overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

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