

NB Distressed Debt Investment Fund Limited Extended Life Shares

NEUBERGER BERMAN

31 March 2016

FUND OBJECTIVE

NB Distressed Debt Investment Fund Limited ("NBDDIF") is a Guernsey-incorporated closed-ended investment company launched in June 2010. NBDDIF's 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 owns holdings 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. The assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period following the expiry of the investment period. Prior to the expiry of the investment period, distributions were made to reflect capital profits only arising from the exit of any assets attributable to Extended Life Shares. Including the distribution during the quarter described on the next page, the total amount distributed (including share buy-backs) to investors is approximately \$113 million or 31% of original capital up to 31 March 2016.

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 is subject to an investment period which will end on 31 March 2017. Separate factsheets are produced for those share classes.

MANAGER COMMENTARY

Summary

In the first quarter, challenging market conditions continued as a lack of liquidity and potential sellers put pressure on pricing. We believe that the fundamental value of our positions will be realised over time.

NBDX has 46 remaining investments in various stages of restructuring. We continue to see upside potential in the remaining investments, which have suffered from mark-to-market write-downs. We believe our portfolio to be intrinsically undervalued and we continue to focus on returning capital to investors while also ensuring that we maximise the values of all assets in the portfolio.

During the quarter, capital markets experienced significant volatility as commodity prices rebounded in the second half of the quarter to recoup the losses at the beginning of the period. Without a bid, credit and equity markets experienced a steep decline during January and early February. Mid-February was the low point for most markets after which the equity and liquid credit markets began to recover. However, the markets for distressed credit and post-reorganisation equities continue to experience a lack of liquidity as funds remain cautious and investment banks continue to pull back their proprietary investing activities due to regulatory changes.

To date, NBDX has returned 31% of original capital to investors, including share buy-backs and the \$20 million distributed to investors in February 2016. In April 2016, the Board of Directors approved an \$11 million distribution (3% of original capital) bringing total capital approved for distributions to 34% of original capital. Through the end of the first quarter of 2016, an additional 1% was returned to investors through share buy-backs. NBDX received cash distributions from the sale of an east coast power plant, payment of debt collateralised by residential real estate in the western U.S. and the release of escrowed cash held back from the sale of a power plant investment announced in Q315.

Portfolio

As of 31 March 2016, 97.1% of NBDX's NAV was invested in distressed assets. Cash available for distributions and working capital ended the quarter at 2.9% of NAV.

NBDX's NAV per share decreased 4.8% in the first quarter, to \$0.9523 from \$1.0003 (adjusted 31/12/15 NAV). Reduced liquidity in private investments took its toll on the portfolio during the quarter as the largest mark-to-market declines were on private equity investments. Private equity positions in commodity-related companies and shipping suffered from a lack of investor interest and volatile commodity markets.

We believe that performance versus other distressed debt managers can be indicated by relevant distressed market indices including the HFRI Distressed/Restructuring Index², which declined 1.3% in the first quarter, and the performance of defaulted loans in the S&P/LSTA Index³, which declined 5.7% in the first quarter. An indicator of the disruption in lower quality credit markets is that the Credit Suisse⁴ and BofA Merrill Lynch⁵ U.S. distressed high yield indices returned (7.1%) and 3.4%, respectively, during the first quarter.

KEY STATISTICS (as at 31 March 2016)¹

NAV Per Share:	\$0.9523
Share Price:	\$0.9075
Share Price (Discount) / Premium vs. NAV	(4.71)%
Market Cap	\$225.48m

KEY INFORMATION

Fund Type:	Closed-ended Investment Company
Launch Date:	10 June 2010
Base Currency:	USD
NAV Frequency:	Daily
Domicile:	Guernsey
Year End:	31 December
Management Fee:	1.5%
Bloomberg Ticker:	NBDX
ISIN:	GG00BYVJWF24
Website:	www.nbddif.com

FUND MANAGERS



MICHAEL HOLMBERG

27 years investment
experience



BRENDAN MCDERMOTT

12 years investment
experience



RAVI SONI

11 years investment
experience

DIRECTORS

John Hallam (Chairman)

Sarah Evans

Michael Holmberg

Christopher Sherwell

Stephen Vakil

Data as at 31 March 2016. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDX.

1. Source: Bloomberg, except where otherwise stated.

2. The HFRI Distressed/Restructuring Index reflects distressed restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceedings or financial market perception of near term proceedings (provided by Hedge Fund Research, Inc.).

3. This refers to the D-rated cohort of the S&P/LSTA Leveraged Loan Index indicating defaulted loans. The S&P/LSTA Leveraged Loan Index is designed to mirror the investible universe of the \$US-denominated leveraged loan market.

4. Credit Suisse High Yield Index is designed to mirror the investible universe of the \$US-denominated high yield debt market. The distressed/default rating index includes issuers who have filed for bankruptcy protection or missed a coupon payment and the grace period has expired; Standard & Poor rating is D, CC or C and/or Moody's rating is Ca or C (provided by Credit Suisse).

5. The BofA Merrill Lynch US Distressed High Yield Index is a subset of the BofA Merrill Lynch US High Yield Index including all securities with an option-adjusted spread greater than or equal to 1,000 basis points. The BofA Merrill Lynch US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market (Data source: Bloomberg).

Portfolio (continued)

The primary drivers of NBDX's NAV decrease were secondary market price declines of positions in utilities, shipping, financial intermediaries, and building and development investments partially mitigated by unrealised gains in container and packaging, utility and casino investments.

Certain notable corporate events involving NBDX's existing investments during the quarter are highlighted below¹:

- As previously reported, an east coast power plant investment announced that it reached an agreement to sell its core asset. The sale closed in the first quarter and we received the first payment from the sales proceeds. We expect a second payment in February 2017 from escrow releases.
- An equity investment in a shipping company completed a balance sheet recapitalisation whereby existing shareholders provided a new second lien facility to give the company incremental liquidity.
- Negotiations within different equity classes were resolved for an east coast lodging and casino equity investment. The company is close to finalising a corporate recapitalisation to simplify its financial structure to move closer to a sale of the property.
- A shipping company announced it is undertaking corporate changes to improve liquidity in its public shares. The equity is currently listed on the Danish stock exchange and the company is contemplating a US equity listing which would be a positive event for the liquidity of the shares.

We continue to manage actively the investments in our portfolio in order to generate profitable realisations through events (asset sales, legal outcomes, foreclosures, etc.), which to a certain extent are not dependent on the liquidity of the credit markets, and ultimately to return capital to investors through consistent distributions.

Exits

There were no exits in the quarter.

Share Buy-Backs

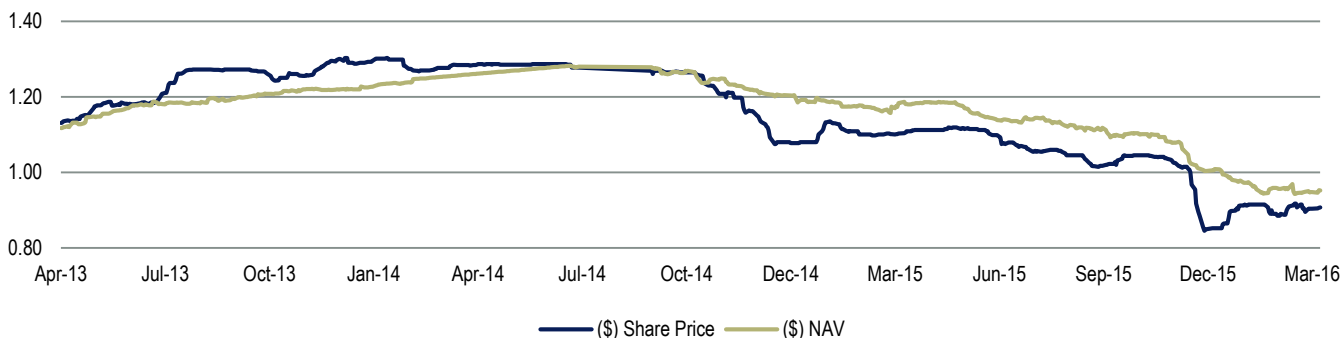
During the quarter, NBDX purchased 1,114,000 shares in the market at a total cost of \$1,007,560. The average discount to NAV during the first quarter was 6.36%. The shares have been retired.

Capital Return

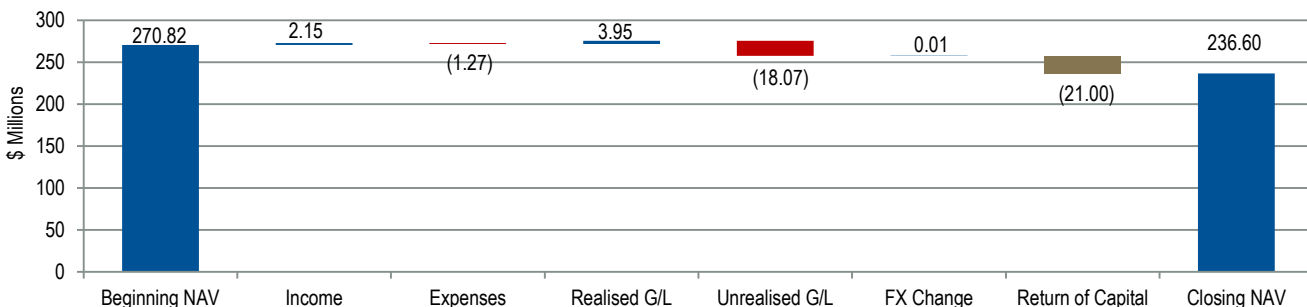
In the first quarter, \$20 million was distributed to shareholders bringing total cash distributed to 31% of original capital. Post quarter-end, the Board of Directors approved an \$11 million distribution. This brings total capital approved for distributions to investors to \$121.4 million or 34% of original capital.

See www.nbddif.com for further information.

SHARE PRICE / NAV³



NAV BRIDGE – 31 DECEMBER 2015 TO 31 MARCH 2016



Source: Neuberger Berman.

Beginning NAV is based on adjusted NAV from Audited Financials year-end figures.

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 to date financial information. This NAV bridge has not been audited and figures are subject to changes.

Data as at 31 March 2016. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDX.

1. Notable corporate events may or may not result in an increase or a decrease in the value of an NBDX investment or a change in NBDX's NAV per share. Please note 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 above. In addition, certain corporate events may not have been disclosed due to confidentiality obligations.

2. Source: Stifel Nicolaus Europe Limited.

3. Source: Bloomberg

TOP 10 HOLDINGS¹

Holding	Industry	Purchased Instrument	Status	Country	% of NAV	Primary Assets
1	Commercial Mortgage	Secured Loan	Defaulted	US	7.8%	Multifamily residential real estate
2	Lodging & Casinos	Secured Loan	Post-Reorg	US	7.6%	Hotel/lodging real estate
3	Building & Development	Post-Reorg Equity	Post-Reorg	US	5.8%	Residential real estate
4	Financial Intermediary	Private Notes	Post-Reorg	US	4.9%	Cash & securities
5	Lodging & Casinos	Secured Loan	Current	US	4.7%	Hotel/casino
6	Industrials	Secured Notes	Post-Reorg	US	3.5%	Manufacturing plant and equipment
7	Utilities	Secured Loan	Current	Australia	3.3%	Wind power facilities
8	Surface Transport	Trade Claim	Defaulted	Brazil	3.2%	Municipal claim
9	Shipping	Secured Loan	Defaulted	Marshall Islands	3.1%	Vessels
10	Utilities	Secured Loan	Defaulted	US	3.1%	Power plants
Total					47.0%	

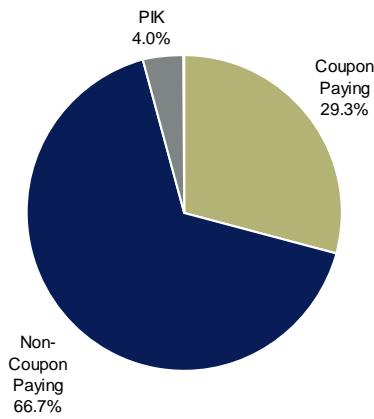
COUNTRY BREAKDOWN^{2,3} (%)

U.S.A	78.7%
Australia	3.7%
Brazil	3.2%
Marshall Islands	3.1%
Denmark	3.0%
Luxembourg	2.4%
Netherlands	2.2%
Spain	1.7%
Great Britain	0.9%
Germany	0.9%
Cayman Islands	0.2%

CURRENCY BREAKDOWN^{2,3} (%)

USD	83.5%
EUR	6.8%
BRL	3.2%
DKK	3.0%
AUD	2.6%
GBP	1.0%

COUPON PAYMENTS (excluding cash)²



SECTOR BREAKDOWN^{2,3} (%)

Lodging & Casinos	16.6%
Commercial Mortgage	11.4%
Utilities	11.3%
Financial Intermediaries	8.2%
Shipping	6.9%
Building & Development	6.1%
Surface Transport	4.7%
Oil and Gas	4.5%
Auto Components	3.5%
Containers and Packaging	3.3%
Nonferrous Metals/Minerals	3.1%
Real Estate Investment Trusts (REITs)	2.9%
Industrials	2.4%
Real Estate Development	1.3%
Forest Products	0.4%
Restricted Cash	10.5%
Cash, Equivalents & Net Accruals	2.9%

Data as at 31 March 2016. 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 U.S. Bancorp Fund Services (Guernsey) Limited / Quintillion Limited, as administrator to NBDDIF, based on market value as of 31 March 2016. Excludes cash and short term investments.
2. Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bancorp Fund Services (Guernsey) Limited / Quintillion Limited as Fund 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.
3. Includes cash and accruals.

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