

NB Distressed Debt Investment Fund Limited Extended Life Shares

NEUBERGER BERMAN

September 30, 2015

FUND OBJECTIVE

NB Distressed Debt Investment Fund Limited ("NBDDIF") is a Guernsey-incorporated closed-ended investment company that 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 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, with a total of approximately \$55 million in distributions made in 2014 and 2015. The net proceeds from the realisation of such assets will be distributed to Extended Life Shareholders at such times and in such amounts as determined by the Board of Directors of NBDDIF. The distribution referred to below will increase the total amount distributed to investors to approximately \$90 million or 28% of investors' original capital.

The Extended Life Share Class is one of three classes of shares in NBDDIF. The other classes are the Ordinary Share Class and the New Global Share Class. The Ordinary Share Class is 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 classes.

MANAGER COMMENTARY

As previously announced, our chairman Robin Monro-Davies passed away during the quarter. His insight and knowledge will be missed. John Hallam was appointed by the Board of Directors as chairman of the Company. Sarah Evans joined the board, effective 26 October, 2015 and will chair the Audit Committee.

Summary

To date, NBDX has returned 15% of original capital (\$55 million) to investors. NBDX had 33 exits to date with a weighted average IRR¹ of 18% and net income of \$66 million. We continue to see significant upside potential in the remaining portfolio, which we expect to realise as we restructure and exit investments, and we continue to be focused on returning capital to investors while ensuring we maximise the value of all assets in the portfolio. During the third quarter, there were significant events in certain investments, which are described in more detail below.

Portfolio

As at 30 September 2015, 95.2% of NBDDIF Extended Life Share net asset value ("NAV") was invested in distressed assets. Cash available for distributions and working capital ended the quarter at 4.8% of NBDX's NAV. NBDX's NAV per share decreased 3.1% in the third quarter, to \$1.1020 per share from \$1.1369 per share. The primary drivers of NBDX's NAV decrease were secondary market price declines of positions in the oil & gas industry, in which the NAV decrease was offset by positive developments in the utility and building & development industries.

Performance in the distressed and high yield debt markets during the third quarter was challenging from a mark-to-market perspective. We believe that performance comparison versus other distressed debt managers is best indicated by the HFRI Distressed/Restructuring Index³ which declined 4.7% in the third quarter. Another indication of the defaulted loan market's volatility is the defaulted S&P/LSTA US D Rating Loan Index⁴, which returned negative 23.3% for the third quarter. The Credit Suisse and Bank of America Merrill Lynch distressed high yield indices^{5,6} returned negative 19.6% and 22.9%, respectively, during the third quarter. NBDX's performance in the quarter was relatively steady in light of this negative market performance due to it being less heavily weighted to oil & gas issuers than the indices.

In the quarter, one of NBDX's utility investments announced that it entered into a sale of substantially all of its assets at a proposed purchase price that is approximately 60% higher than the market price at the time of the sale announcement. The sale is expected (but not guaranteed) to close in the fourth quarter, at which time we expect to receive a majority of the purchase price with a small amount held back in escrow. We had anticipated a sale of the company as one of the most likely exit scenarios for this asset.

The manager of one of our largest investments announced its intention to combine our investment's assets with other land assets controlled by the manager into a newly formed, publicly traded entity ("NewCo"). The announcement of this news resulted in a 13% increase in the price of the equity. If the transaction is successful, shareholders, including NBDX, would receive shares of the NewCo and would allow all NewCo shareholders to diversify risk through equitable participation in a diversified land portfolio. To date, the market has recognised the potential value of a diversified land portfolio NewCo and our investment has benefited from this view. There is market risk surrounding the potential IPO, however, and there is no guarantee the IPO will be consummated or that our investment will continue to benefit from the improved market view.

Subsequent to quarter end, a utility investment announced that it reached an agreement to sell its core asset, a combined-cycle natural gas power plant, to a large utility company. The bid price for the LLC units held by NBDX rose 12% upon announcement. There is no guarantee that our investment will continue to benefit from the announcement of this sale transaction.

These are three examples of event driven outcomes for our investments that we anticipate in our analysis, but which are not fully reflected in market pricing until the announcement of a specific event. We believe there are more opportunities like this in the portfolio.

We continue to actively manage the investments in our portfolio in order to generate profitable realisations through significant events (asset sales, legal outcomes, foreclosures, etc.) and ultimately return capital to investors through consistent distributions. We continue to remain positive about the investments in the portfolio and believe we can generate attractive returns from current mark-to-market valuations.

Exits

We had one exit in the quarter bringing total exits to 33 since inception.

Investment 33: We purchased \$2.3 million face value of a senior secured loan at 36.5% of par, secured by five 2,800 TEU containership vessels, that were time chartered out by the parent company. The company defaulted on the loans, and the lenders sought recovery by taking ownership of the vessels. Given a difference of opinion on strategies for the vessels post-restructuring, we partnered with two other lenders, and took control of two of the vessels while the remaining lender group took control of the final three. After a period of maintenance on the vessels, and a number of short-term charters, we ultimately sold the vessels to strategic buyers. Total income from the investment was \$0.2 million.

Face Value	Entry price	Exit Price	IRR
\$2.3 million	36.50%	44.00%	16%

Share Buy Backs

Under the authorised share buy-back policy, 756,000 shares of NBDX were purchased in the open market at a total cost to \$795,369 or an average cost of \$1.05. This brings the total shares of NBDX purchased in the market as at 30 September 2015 to 1,348,000 at cost of \$1,457,000. The purchased shares of NBDX have been cancelled.

Data as at September 30, 2015. 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 term 'weighted average IRR', as used in this fact sheet, is determined by Neuberger Berman by calculating, for each investment exit, (A) the investment exit's original purchase price, divided by (B) the total of all investment exits' original purchase prices, multiplied by (C) the IRR for the applicable investment exit. Neuberger Berman then calculates the sum of the figures calculated in the prior sentence for all of investment exits for the share class.

3. 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 proceeding or financial market perception of near term proceedings (provided by Hedge Fund Research, Inc.).

4. 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.

5. 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).

6. 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).

FUND MANAGERS



MICHAEL HOLMBERG
27 years investment
experience



PATRICK FLYNN
23 years investment
experience



BRENDAN MCDERMOTT
12 years investment
experience



RAVI SONI
11 years investment
experience

KEY STATISTICS

(as at September 30, 2015)¹

NAV Per Share:	\$1.1020
Share Price:	\$1.0213
Share Price (Discount) / Premium vs. NAV	(7.32)%
Market Cap	\$310.58m

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:	GG00BYRKJM58
Website:	www.nbddf.com

DIRECTORS

John Hallam (Chairman)
Sarah Evans (effective 26 October, 2015)
Patrick Flynn
Michael Holmberg
Talmi Morgan
Christopher Sherwell

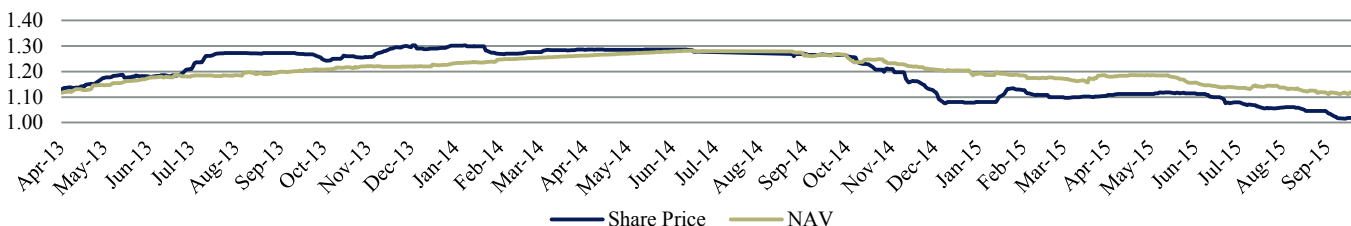
Capital Return

On 13 November 2015, the Board of Directors resolved to return \$35 million (equivalent to approximately \$0.1151 per share) to holders of NBDX shares by way of a compulsory partial redemption of NBDX shares. The current distribution comprises all unrestricted cash available to NBDX, save for amounts deemed to be required to meet follow-on investments that may be required for existing positions and cash for working capital requirements. The reason the forthcoming distribution is greater than the proceeds from the only exit this quarter is that we have also received cash as distributions and principal repayments from other positions which are yet to be fully exited. This distribution is expected to be made in the fourth quarter of 2015. See www.nbddif.com for further information.

TOP 10 HOLDINGS¹

Holding	Industry	Purchased Instrument	Status	Country	% of NAV	Primary Assets
1	Commercial Mortgage	Secured Loan	Defaulted	US	6%	Commercial Mortgage
2	Building & Development	Post-Reorg Equity	Post-Reorg	US	6%	Building & Development
3	Lodging & Casinos	Secured Loan	Defaulted	US	6%	Lodging & Casinos
4	Financial Intermediary	Private Notes	Post-Reorg	US	5%	Financial Intermediary
5	REIT/REOCs	Private Equity	Current	US	5%	REIT/REOCs
6	Utilities	Post-Reorg Equity	Post-Reorg	US	5%	Utilities
7	Utilities	Secured Loan	Current	US	4%	Utilities
8	Lodging & Casinos	Secured Loan	Current	US	3%	Lodging & Casinos
9	Utilities	Secured Loan	Post-Reorg	US	3%	Utilities
10	Utilities	Secured Loan	Current	Australia	3%	Utilities
Total					46%	

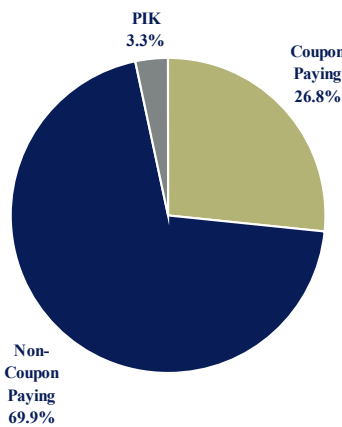
PERFORMANCE²



COUNTRY BREAKDOWN^{3,4} (%)

United States	81.8%
Australia	3.5%
Marshall Islands	3.0%
Denmark	2.4%
Spain	2.0%
Brazil	2.0%
Germany	1.7%
Netherlands	1.5%
Norway	0.8%
Great Britain	0.7%
Luxembourg	0.4%
Cayman Islands	0.2%
Greece	0.1%

COUPON PAYMENTS (excluding cash)³



SECTOR BREAKDOWN^{3,4} (%)

Utilities	20.0%
Lodging & Casinos	13.0%
Commercial Mortgage	8.8%
Financial Intermediaries	8.0%
Shipping	7.9%
Building & Development	7.0%
Real Estate Investment Trusts (REITs)	4.8%
Oil & Gas	4.8%
Surface Transport	3.8%
Industrials	3.0%
Nonferrous Metals/Minerals	3.0%
AirTransport	2.4%
Real Estate Development	1.3%
Containers and Packaging	1.1%
Forest Products	0.6%
Restricted Cash	5.7%
Cash, Accruals and Equivalents	4.8%

CURRENCY BREAKDOWN^{3,4} (%)

USD	86.1%
EUR	7.1%
DKK	2.4%
BRL	2.0%
AUD	1.8%
GBP	0.7%

Data as at September 30, 2015. 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 September 30, 2015. Excludes cash and short term investments.

2. Source: Bloomberg.

3. 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.

4. Includes cash and accruals.

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