

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

30 September 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.

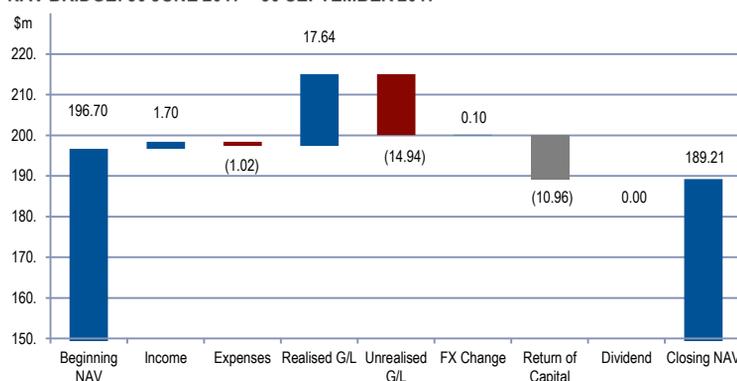
On 31 March 2015, the investment period of the Extended Life Share Class (“NBDX”) expired and the assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period. Prior to the expiry of the investment period, distributions were made to reflect capital profits arising from the exit of any assets attributable to Extended Life Shares. Including the \$10.5 million capital distribution in the third quarter and the \$4.25 million approved in October (as described below), \$189.8 million (equivalent to 53% of original capital) has been distributed / approved (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:	\$1.0667
Share Price:	\$0.8850
Share Price Discount vs. NAV	(17.0)%
Market Cap.	\$157.0m
Total NAV	\$189.2m
No. of issuers	33
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:	GG0BF2N2B64
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 30 JUNE 2017 – 30 SEPTEMBER 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 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-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

In the harvest period, the Investment Manager seeks to restructure, reorganise and develop exit strategies for each investment in order to maximise the value of the portfolio. Although the actual time and realisation values are uncertain as of now, based on our current analysis we expect to distribute up to 5% of Net Asset Value (“NAV”) in 2017 (including \$4.25 million announced in October), 40-50% in 2018, 40-50% in 2019 and the remainder in 2020.

NAV increased 1.9% in the quarter primarily due to an increase in value of our Container & Packaging investments and an increase in a Lodging & Casino investment, both described below. NBDX made a capital distribution of \$10.5 million in the third quarter bringing total distributions to \$185.6 million or 51% of original capital. Post quarter-end, the Board approved a return of capital distribution of \$4.25 million (2% of NAV) to be paid in the fourth quarter bringing total distributions (capital and income) to \$189.8 million or 53% of original capital.

NBDX had one exit during the third quarter, described in more detail below, which produced a total return of \$0.8 million in the quarter and \$1.7 million over the life of the investment. Net cash generated during the quarter was \$11.2 million, made up of \$6.7 million received from the sale and redemption of private equity shares in the Container & Packaging investments (described below under Partial Realisations 4 & 5), \$0.3 million from principal repayment on secured debt of a hotel / casino property and \$4.1 million received from Exit 47, a commercial mortgage investment. The cash generated during the quarter was used to fund the \$10.5 million distribution paid in September. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital increased to 106.3%.

Portfolio Update

NBDX ended the quarter with NAV per share of \$1.0667 compared to \$1.0466 at the end of June, an increase of 1.9%. At quarter-end, 96% of the NAV was invested in distressed investments (including cash of subsidiary accounts, receivables and net payables) with 4% in unrestricted cash net of payables. Unrealised gains in the private equity of the European Container & Packaging company and the private equity of a hotel / casino investment were offset by unrealised losses in Five Point Holdings, a US west coast Building & Development company.

The current portfolio consists of 33 issuers across 14 sectors. The largest sector concentrations were in Lodging & Casinos, Shipping, Utilities and Oil & Gas. Notable events below describe activity in the investments during the quarter².

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

1. Source: Bloomberg, except where otherwise stated.
2. 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.

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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

- The Packaging & Container company announced, post-sale transaction (see partial realisations 4 & 5 below), a redemption of a class of its private equity and distributing cash to its shareholders. The value of the private equity also increased during the quarter based on multiple sales transactions. The price increased 20% during the quarter post dividend. The effect of the sale / corporate reorganisation of the two companies was a transfer of \$13.5 million of unrealised gain to realised gain in the financial statements as shown in the NAV bridge above.
- A Lodging & Casino investment increased 23% during the quarter. The market price of the shares implies the company is getting closer to a liquidity event which has increased interest in the private equity of the company.

Significant Value Change (approximately 0.5% of NBDX NAV or +/- \$950,000²)

INDUSTRY	INSTRUMENT	Q317 TOTAL RETURN	MARKET VALUE	COMMENT
Containers & Packaging	Private Equity	\$1.6 million	\$7.6 million	Cash dividend received
Lodging & Casinos	Private Equity	\$1.2 million	\$6.2 million	Private equity traded higher in secondary market
Industrial	Private Notes	\$1.0 million	\$7.0 million	Operating improvements at plant
Building & Development	Public Equity	(\$1.0 million)	\$12.5 million	Negative news on environmental litigation, illiquid

Sector Analysis

To aid investors' understanding of the composition of the portfolio, each quarter there will be an in-depth look at investments by sector, starting with Lodging & Casinos, the current largest sector for NBDX. This will provide a description of all investments in the sector, including their investment thesis and expected exit strategy.

Lodging & Casinos (22% of NAV)

Investment #1 – NBDX purchased a non-performing loan secured by 60 acres of land adjacent to Las Vegas Boulevard in Las Vegas, entitled for a hotel and gaming development at a significant discount. The property was originally collateral for a loan underwritten at \$12.7 million per acre and the borrower failed to pay the loan at maturity. NBDX, working with other holders, ultimately refinanced on the property which includes an apartment complex that provides annual cash flow. NBDX now own units in an LLC that holds the property and is working with other holders to assess strategic options to maximise value. The range of expected values for the land depends on its future use and potential cash flow profile. Potential uses include a mixed use casino / lodging development; a sports, entertainment and convention facility; retail, residential, and commercial developments; or purchase by a land bank / speculator. To date, the return on investment represents a 1.38x multiple on invested capital (including current market value) and the investment represents 9% of NAV.

Investment #2 – NBDX owns two tranches of bank debt (TLA and TLB) secured by a large tribal hotel and casino property located in New England. NBDX purchased its position in each tranche at a weighted average price in the high 80s as a % of par. The TLA, along with a coupon of L+400, carries significant annual amortisation as well as annual excess cash flow sweep payments that have significantly reduced the face value by 51.5% since the debt was purchased. The TLB carries an attractive coupon of L+812.5 and 1% annual amortisation payment. Operations have stabilised at the property since purchasing the debt and the company has remained current on its interest obligations. As of 30 September, approximately 51.5% of the TLA and 3.7% of the TLB had been repaid at par through the aforementioned amortisation and excess cash flow payments. To date, the return on investment represents a 1.30x multiple on invested capital (including current market value) and the investment represents 5% of NAV.

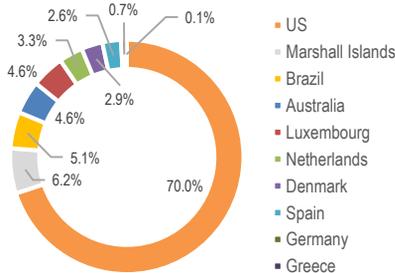
Investment #3 – NBDX owns post-reorganised equity in a private company with casino assets in Rhode Island and Mississippi. The first lien bank debt was converted to equity and the second lien bank debt was converted into contingent value rights in a 2010 bankruptcy. NBDX and other holders helped resolve litigation between these two classes and restructured the company into a more understandable and marketable capital structure in 2016. NBDX began purchasing private equity in early 2014 in the low \$30s per share, which valued the company at a steep discount to other gaming peers. At the time of the initial purchase, the company only operated a single asset in Rhode Island but has since purchased a casino / hotel property in Mississippi and another gaming license in Rhode Island. The company is building a new \$75 million gaming property for the newly purchased license and is adding a \$25 million hotel tower to its existing Rhode Island property. Financial performance has benefitted from the growth of table games in Rhode Island. Shares now trade in the high \$90s per share. We expect to exit this investment through a sale of the company to a strategic buyer or possibly through an IPO at a level higher than our current carrying value. To date, the return on investment represents a 2.40x multiple on invested capital (including current market value) and the investment represents 3% of NAV.

1. 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. References in this factsheet to the market value of specific fund investments refers to the value determined in accordance with NBDX's valuation policy, which may include fair valued investments where third party prices are not available or are not considered accurate.

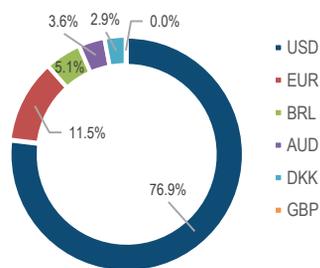
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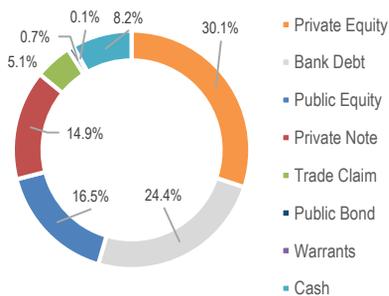
COUNTRY BREAKDOWN^{1,2} (%)



CURRENCY BREAKDOWN^{1,2} (%)



INVESTMENT TYPE³(%)



SECTOR BREAKDOWN⁴ (%)

Lodging & Casinos	20.5%
Shipping	12.6%
Utilities	9.5%
Oil & Gas	8.8%
Surface Transport	6.8%
Building & Development	6.7%
Auto Components	6.5%
Financial Intermediaries	6.4%
Nonferrous Metals / Minerals	4.6%
Containers and Packaging	4.6%
Commercial Mortgage	3.8%
Forest Products	0.7%
Real Estate Development	0.3%
Air Transport	0.2%
Restricted cash, receivables and net accruals	4.4%
Unrestricted cash and net accruals	3.8%

Sector Analysis continued

Investment #4 – NBDX owns 11% senior secured notes in a New Mexico tribal gaming property. The originally purchased senior notes were restructured in 2014 with the 11% notes and claim certificates that receive 60% of quarterly excess cash flow, to the extent any is produced by the property. The facility has not operated as profitably as expected due to increased competition and litigation regarding the gaming license. The notes have traded down to the high 30s as a % of par from the original purchase price in the low 80s. The 11% coupon rate has provided cash income since the restructuring, which has effectively reduced our cost basis by 33%. Although the litigation has been resolved and recent operating results are encouraging, we may need to restructure this investment before we ultimately exit our position through the secondary market. To date, the return on investment represents a 0.87x multiple on invested capital (including current market value) and the investment represents 2% of NAV.

Investment #5 – NBDX purchased a senior secured non-performing loan secured by a number of hotels located in Spain. NBDX and the other lenders are evaluating their options in the Spanish insolvency proceedings that range from refinancing alternatives to bringing in an operating partner to manage the hotels. We think the properties have been undermanaged and neglected given the borrower’s financial position. NBDX and the other lenders have received bids for the loans over the last 12 months, but to date have decided to proceed with the insolvency process and seek control of the assets. We believe the current situation in Catalonia will have no direct impact to the hotels given none are located in the region but plan to monitor the developments as they occur. To date, the return on investment represents a 0.88x multiple on invested capital (including current market value) and the investment represents 1% of NAV.

Exits

Exit 47

NBDX purchased \$5.7 million face value of a construction loan at 74.2% of par. The loan was secured by 225,000 square feet of retail space near Seattle, WA and had a personal guarantee by a trust controlled by the owner of the property. The borrower filed for Chapter 11 protection after lenders declared an event of default and elected to begin charging default interest. New terms were negotiated on the loan and we started receiving monthly contractual principal and interest payment post-restructuring. Eventually, leasing activity and occupancy at the property improved which enabled the borrower to secure new debt financing on the property. Ultimately, our loan was repaid at par one year prior to maturity through a combination of new debt and equity financing. Total return from this investment was \$1.7 million generating an IRR of 11% and ROR of 55%.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	HOLDING PERIOD	IRR	ROR
47	\$3.1 million	\$4.8 million	\$1.7 million	55 months	11%	55%

Partial Realisations (updated for investments with activity during the quarter)

Partial Realisation 4: Container & 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. **In the third quarter, NBDX received \$1.1 million cash as part of the sale proceeds from the disposal completed at the end of Q217 and \$0.7 million for partial redemption of new shares received in the acquirer. Also during the third quarter, the value of the private equity increased based on sales transactions. The current value of the private equity position is \$1.1 million generating total return \$2.9 million as of 30 September 2017. IRR is 29% and ROR is 57% with a holding period of 57 months at quarter-end.**

Data as at 30 September 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 September 2017.

2. Includes cash and accruals.

3. Cash includes restricted and unrestricted cash, receivables and net 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, NBDX’s overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

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Partial Realisations continued

Partial Realisation 5: Container & Packaging investment

NBDX invested \$6.6 million in preferred equity certificates (“PECs”) and the private equity of a European packaging company. The PECs were retired in full in 2015 and the company paid dividends on the equity during the holding period. 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. **During the third quarter, the company partially redeemed shares and NBDX received \$4.9 million cash, bringing total cash received to date to \$16.7 million. Also during the quarter, the value of the private equity increased based on sales transactions. The current value of the private equity position is \$7.6 million, generating total return of \$17.7 million as of 30 September 2017. IRR is 61% and ROR is 266% with a holding period of 60 months at quarter-end.**

PARTIAL REALISATION	SECTOR	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	CURRENT VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
1	Real Estate	Prior	\$8.0 million	\$10.6 million	\$0.5 million	\$3.1 million	11%	39%	81
2	Aircraft	Prior	\$3.4 million	\$5.8 million	\$0.4 million	\$2.8 million	22%	82%	52
3	Commercial Mortgage	Q217	\$23.1 million	\$29.8 million	\$0.8 million	\$7.5 million	10%	33%	50
4	Container & Packaging	Q217	\$5.1 million	\$6.9 million	\$1.1 million	\$2.9 million	29%	56%	57
5	Container & Packaging	Q217	\$6.6 million	\$16.7 million	\$7.6 million	\$17.7 million	61%	266%	60

Distributions

During the third quarter, the Board approved and paid a shareholder distribution of \$10.5 million to be paid by way of redemption. In October, the Board approved a return of capital via redemption of \$4.25 million. Since inception, \$189.8 million (or 53% of original capital) has been approved / distributed to shareholders. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital increased to 106.3%.

Share Buy-Backs

NBDX purchased 525,000 shares during the quarter under the discount control policy at a cost of \$472,275 and average discount of 13.78%¹. Total shares repurchased since inception to date is 7,471,313 or 2% of original shares. All shares have been cancelled.

FUND PERFORMANCE²



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	Auto Components	Secured Notes	Post-Reorg	US	6%	Manufacturing plant and equipment
4	Financial Intermediary	Secured Notes	Defaulted	US	6%	Cash and securities
5	Shipping	Secured Loan	Post-Reorg	Marshall Islands	6%	Maritime vessels
6	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	6%	Bio-fuel plant
7	Surface Transport	Trade Claim	Defaulted	Brazil	5%	Municipal claim
8	Lodging & Casinos	Secured Loan	Current	US	5%	Hotel / casino
9	Nonferrous Metals / Minerals	Post-Reorg Equity	Post-Reorg	US	5%	Manufacturing plant and equipment
10	Utilities	Secured Loan	Current	Australia	5%	Power plants
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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The value of investments designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

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