

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

30 September 2019

## 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.

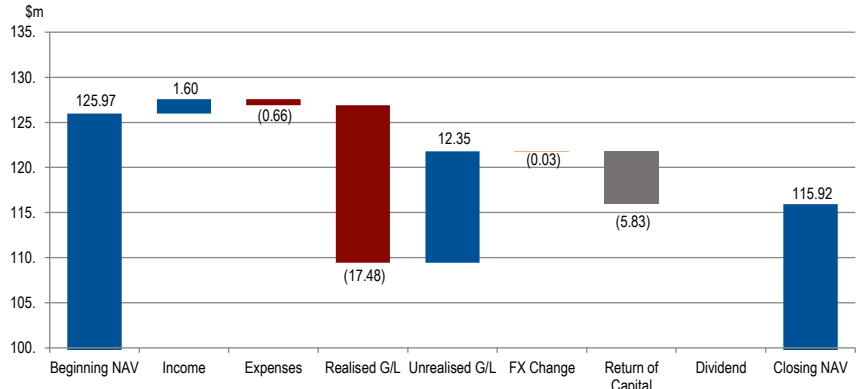
On 31 March 2015, the investment period of the Extended Life Share Class (“NBDX”) expired and the assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period. Including the \$5.0 million capital distribution by way of redemption which the Fund paid during the quarter, and the \$10.5 million distribution by way of redemption that the board approved post quarter-end, \$260.9 million (equivalent to 73% of original capital) has been distributed to shareholders (income by way of dividend, capital by way of redemption and share buy-backs), since the realisation phase for this share class began.

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 FACTS<sup>1</sup>

NAV Per Share:	\$0.9203
Share Price:	\$0.780
Share Price Discount vs. NAV	(15.2)%
Market Cap.	\$98.3m
Total NAV	\$115.9m
No. of issuers	26
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:	GG00BDFZ6C48
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

## NAV BRIDGE: 30 JUNE – 30 SEPTEMBER 2019



Source: Neuberger Berman

Beginning NAV and Closing NAV are based on published NAVs for NBDX and not on a per share basis.

Realised and Unrealised gain/loss include intraquarter adjustments that have no effect on YTD NAV.

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. Bank Global Fund Services (Guernsey) Limited / U.S. Bank Global Fund Services (Ireland) Limited, as administrator to NBDDIF (the "Administrator"). This NAV bridge has not been audited and figures are subject to change.

## MANAGER COMMENTARY

NBDX is in the harvest period and the investment manager is working to restructure, reorganise, and realise exits for each investment to maximise the value of the portfolio for the shareholders. During the harvest period, the investment manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable.

The investment manager uses economic, industry and issuer specific data to estimate the gross realisable value in downside, base case and upside scenarios for each investment in the portfolio. It currently estimates the range of the aggregated realisable value for the investments in the portfolio is between 99% and 184% of the 30 September 2019 market values of these investments, with a base case of 146%. Generally, the range increased slightly due to a decline in NAV with one adjustment lower for base case estimate for a lodging & casino investment expected exit value. Shareholders should, however, note that: (i) the realisable values of the investments are calculated on a gross basis and, in particular, do not reflect the investment manager's management fee and investment-related expenses; and (ii) this range of aggregate realisable values is an estimate only, and there is no guarantee that the value actually realised will be within this range. Further details on the risks relating to "forward looking information" are set out at the end of this announcement.

During the quarter, NBDX made a distribution by way of redemption of \$5.0 million. The board also approved a \$10.5 million distribution by way of redemption post quarter-end, bringing the ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital to 102%. NBDX had one exit during the quarter, detailed below in the factsheet.

## Portfolio Update

NBDX ended the quarter with NAV per share of \$0.9203 compared to \$0.9514 at the end of June 2019. NAV decreased 3.3% during the quarter as a result of unrealised losses in Twin River and Eagle Bulk public equity, an oil and gas private equity investment and a packaging and container private equity investment. These were partially offset by an unrealised gain in Vistra public equity. During the harvest period, reorganised equities, including public equities, represent a larger percentage of NBDX's investments. More detail can be found below on public equity positions in the portfolio. At quarter-end, 98% of NBDX's NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 2% held in cash.

The current portfolio consists of 26 issuers across 12 sectors. The largest sector concentrations were in shipping, lodging & casinos, auto components and utilities.

Notable events<sup>2</sup> below describe activity in the investments during the quarter and post quarter-end.

- TXU – Post quarter-end, NBDX sold the Vistra public equity and TXU TRA securities received in the TXU bankruptcy case in 2017. Total proceeds of approximately \$11.8 million will be used to fund the distribution announced in November 2019. Exit value was above the latest base case estimate for this investment.

Data as at 30 September 2019. 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.

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

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## FUND MANAGERS

**Michael Holmberg**  
30 years' investment experience

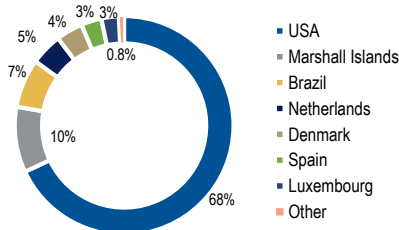
**Brendan McDermott**  
15 years' investment experience

**Ravi Soni**  
14 years' investment experience

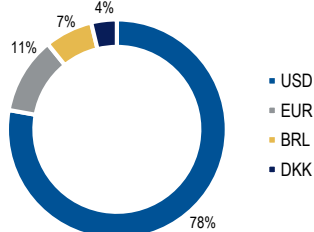
### Directors:

John Hallam (Chairman)  
Michael Holmberg  
Christopher Legge  
Christopher Sherwell  
Stephen Vakil

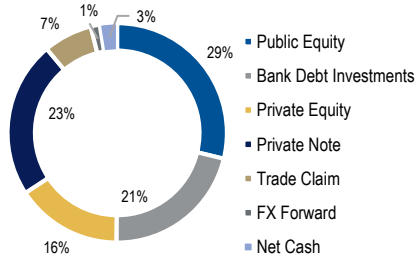
## COUNTRY BREAKDOWN<sup>4,5</sup> (%)



## CURRENCY BREAKDOWN<sup>4,5</sup> (%)



## INVESTMENT TYPE<sup>6</sup> (%)



## Portfolio Update (continued)

- Pfeleiderer – Post quarter-end, NBDX sold its holding of subordinated debt to the company sponsor at an attractive value in excess of NBDX's carrying value. Sales proceeds of approximately \$1.1 million were at the base case estimate for this investment.
- Twin River - The company conducted a Dutch auction tender which was completed in the quarter. NBDX tendered the maximum shares and 6.2% of the position was tendered at a price of \$29.50/share. The company announced two acquisitions to continue to diversify its operations with the opening of the Boston Wynn casino. Shares continue to be under pressure and have traded down from the tender price

## Public Equity

In the harvest period the public equity portion of the portfolio increased as the result of debt-for-equity conversions. The NBDX portfolio currently includes the following public equity holdings:

ISSUER	MARKET VALUE AT 30 SEPTEMBER 2019 (\$ in millions)	% NAV
Vistra Energy Corp (f/k/a TECH)	11.3	9.8%
Five Point Holdings LLC	6.9	5.9%
Twin River Management	5.4	4.7%
Tom A/S	4.6	4.0%
Eagle Bulk Shipping Inc	4.4	3.8%
Rivera Resources	0.4	0.3%
Star Bulk	0.2	0.2%
Sandridge Energy Inc	0.1	0.1%
Roan Resources	0.04	0.0%
<b>Grand Total</b>	<b>33.4</b>	<b>28.8%</b>

## Significant Value Change (approximately 0.5% of NBDX NAV or +/- \$600,000)<sup>3</sup>

INDUSTRY	INSTRUMENT	3Q19 TOTAL RETURN (\$ in millions)	MARKET VALUE (\$ in millions)	QUARTERLY PRICE CHANGE	COMMENT
Vistra	Public equity	\$1.8	13.6	18%	Company reported above consensus earnings
Oil and Gas	Private equity	\$(0.8)	5.2	-13%	Market Illiquidity
Eagle Bulk	Public equity	\$(0.8)	4.4	-16%	Global growth and trade worries
Packaging and Containers	Private equity	\$(1.0)	2.6	-25%	Increasing leverage and continued struggle to improve profitability due to higher freight and energy costs.
Twin Rivers	Public equity	\$(1.6)	5.4	-23%	Larger than expected impact from new competition of the recently opened Boston Wynn

## Exits

### Exit 54 – Utilities

NBDX purchased second lien debt, mezzanine debt, and units of reorganised equity in a 1000MW combined-cycle gas turbine power plant in central California. At the time of the purchases we believed the plant benefitted from significant collateral coverage: the second lien and equity both traded at deep discounts to replacement value and the original construction cost of the plant.

Unfortunately, following our purchases, increased investment in renewable energy sources (specifically, solar, wind, and hydro) had a negative effect on California power prices and significantly impacted cash flow and liquidity. The company ultimately filed for Chapter 11 bankruptcy protection in December 2016. As the bankruptcy progressed it became clear that there was no value to distribute to the equity and mezzanine debt, and the prices declined to zero in early 2017.

3. 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.

4. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 September 2019.

5. Includes cash and accruals.

6. Cash includes restricted and unrestricted cash, net accruals.

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

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## SECTOR BREAKDOWN<sup>7</sup> (%)

Shipping	17.7%
Lodging & Casinos	12.4%
Auto Components	11.8%
Utilities	10.5%
Surface Transport	10.2%
Financial Intermediaries	8.1%
Building & Development	6.1%
Nonferrous Metals/Minerals	5.7%
Commercial Mortgage	5.3%
Oil & Gas	5.2%
Containers and Packaging	2.6%
Forest Products	0.6%
Air Transport	0.0%
FX Forward	1.3%
Net Cash and Accruals	2.3%
Restricted Cash	0.3%

## Exit 54 (continued)

Litigation between the first and second lien holders over the intercreditor agreement ended with the second lien debt slowly dropping in price throughout 2017 and 2018 with the debt priced at zero once the bankruptcy court made a final ruling in favour of the first lien holders. The first lien debt holders took control of the asset, so there was no recovery to the securities NBDX owned beyond the principal and interest it had already received over the life of the investment. Cash invested was \$21.1 million and cash received from coupon and principal repayments was \$9.9 million. The total return on the investment was \$(11.2) million over 107 months. The IRR was -54% and ROR was -53%.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	IRR	ROR	MONTHS HELD
54	\$21.1 million	\$9.9 million	\$(11.2) million	-54%	-53%	107

Inception to date, NBDX has experienced 54 exits with a total return of \$106.9 million, weighted average IRR of 12% and weighted average ROR of 24%.

## Partial Realisations

There was no activity during the quarter. The table below has been updated with current values.

PARTIAL REALISATION	SECTOR	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	CURRENT VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
3	Commercial Mortgage	2Q17	\$23.1 million	\$29.8 million	\$0.7 million	\$7.4 million	10%	32%	75
4	Containers & Packaging	2Q17	\$5.1 million	\$7.2 million	\$0.4 million	\$2.4 million	25%	48%	82
5	Containers & Packaging	2Q17	\$6.6 million	\$16.7 million	\$2.6 million	\$12.7 million	53%	191%	85

## Distributions

The investment manager's expectation at the start of 4Q19 was to distribute approximately 10% of 30 September 2019 NAV in 2019 (since announced), 65-70% of 30 September 2019 NAV in 2020 and the remainder in 2021. Significant changes to timing of realisations based on current analysis are summarised below. For regulatory reasons, the final 10% of total return in respect of any class of participating shares in NBDIF will be returned to shareholders with the final compulsory redemption of all of the outstanding shares of that class. In the harvest period, we continue to focus on restructuring and monetising our investments, balancing timely realisations with maximising proceeds to our investors. Changes to timing are expected based on market conditions and investment developments and will continue to be updated in the quarterly factsheets.

## Significant Investments Experiencing Exit Timing Changes

INDUSTRY / ISSUER	INSTRUMENT	MARKET VALUE	COMMENT
Auto Components	Private notes and equity	\$13.7 million	As previously described last quarter the company completed an out of court recapitalisation. The transaction provided incremental liquidity to fund its business plan. The company's performance continues to improve but earnings growth has been slower than expected and the position is anticipated to be an exit in 2021 from 2Q20.

Post quarter-end, the board approved a \$10.5 million (\$0.0833/share) capital distribution paid via redemption of shares bringing total distributions (dividends, redemptions and buy-backs) to \$260.9 million or 73% of original capital. During the quarter, NBDX paid a \$5.0 million (\$0.0378/share) capital distribution by way of redemption.

## Share Buy-Backs

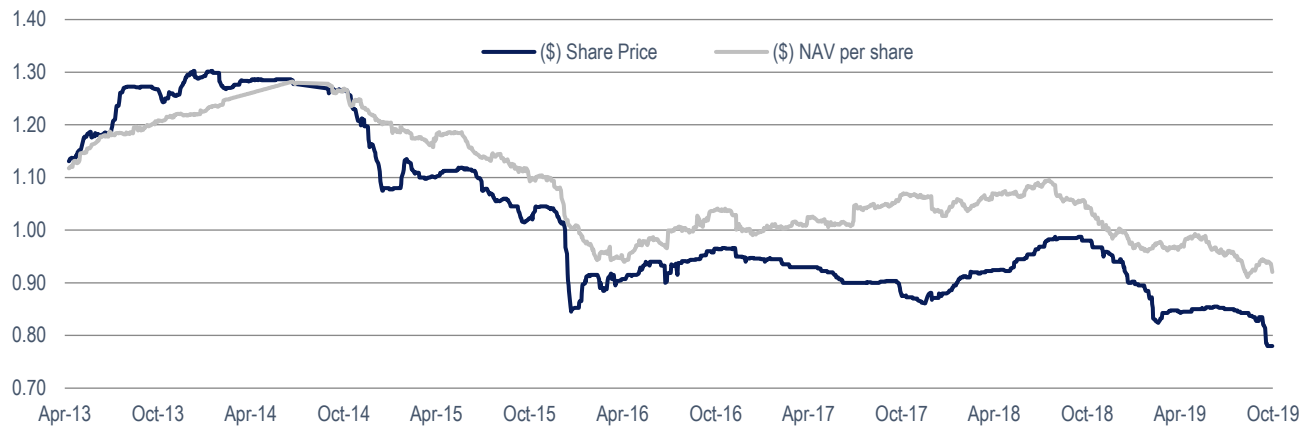
NBDIF repurchased 1,020,499 shares in NBDX during the quarter at a weighted average discount of 11.55% and a cost of \$842,179. Inception to date, a total of 10,906,812 or 3% of the original NBDX shares, have been repurchased and cancelled.

7. 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.

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

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## FUND PERFORMANCE<sup>8</sup>



## PORTFOLIO COMPOSITION – TOP 10 HOLDINGS<sup>9</sup>

Holding	Industry	Current Instrument	Status	Country	% of NAV	Primary Assets
1	Auto Components	Secured Notes/Private Equity	Post-Reorg	US	12%	Manufacturing plant and equipment
2	Utilities	Public Equity	Post-Reorg	US	10%	Power plants
3	Shipping	Secured Loan/Private Equity	Post-Reorg	Marshall Islands	10%	Maritime vessels
4	Financial Intermediary	Secured Notes	Defaulted	US	8%	Cash & securities
5	Surface Transport	Trade Claim	Defaulted	Brazil	7%	Municipal claim
6	Building & Development	Public Equity	Post-Reorg	US	6%	Residential real estate
7	Nonferrous Metals/Minerals	Private Equity	Post-Reorg	US	6%	Manufacturing/distribution real estate
8	Commercial Mortgage	Secured Loan	Defaulted	Netherlands	5%	Commercial real estate
9	Lodging & Casinos	Public Equity	Post-Reorg	US	5%	Hotel/lodging real estate
10	Oil & Gas	Private Equity	Post-Reorg	US	5%	Bio-fuel plant
<b>Total</b>					<b>74%</b>	

<sup>8</sup> Source: Bloomberg

<sup>9</sup> 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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