

NB Distressed Debt Investment Fund Limited Extended Life Shares

December 31, 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. Including the distribution 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 year-end.

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 classes.

MANAGER COMMENTARY

Summary

In the fourth quarter of 2015, the NBDX NAV was impacted by mark-to-market volatility; however we believe that, on the whole, the true fundamental value of our positions will be realised over time given the quality of the underlying assets. Our portfolio also remains well diversified by sector.

Volatility across global markets, caused in large part by a decline in commodity prices and heightened risk aversion, led to a lack of buyers and increasingly limited liquidity across credit markets in the quarter. Mark-to-market volatility resulting from a lack of liquidity was compounded by forced selling from hedge funds which were under pressure to raise cash in order to meet redemptions. We believe our investment thesis remains intact and that distressed debt markets will recover. We remain positive about the investments in the portfolio and believe we can generate attractive returns from current mark-to-market valuations.

To date, NBDX has returned 25% (\$93 million) of original capital to investors through distributions and share buy-backs with another 6% (\$20 million) approved to be distributed in the 1Q16 (see the description on the next page) for a total of \$113 million approved return of capital and share buy-backs. NBDX has 46 remaining investments in various stages of restructuring. We continue to see upside potential in these investments which have suffered from mark-to-market write-downs. We believe our portfolio to be undervalued and we continue to focus on returning capital to investors while also ensuring that we maximise the value of all assets in the portfolio. During the fourth quarter, there were positive and negative developments in certain investments, which are described in more detail below.

Portfolio

As of 31 December 2015, 96.4% of NBDX's NAV was invested in distressed assets. Cash available for distributions and working capital at the quarter-end was 3.6% of NAV.

NBDX's NAV per share decreased 8.4% in the fourth quarter, to \$1.0091 per share from \$1.1020 per share. Volatility in global markets continues to impact valuations of almost all financial instruments. The increase in volatility has been caused by a number of factors including the lack of liquidity in the leveraged loan and high yield bond markets and severe price declines in oil and other commodities.

We believe that performance relative to other distressed debt managers is best indicated by relevant distressed market indices including the HFRI Distressed/Restructuring Index², which declined 3.2% in the fourth quarter, and the performance of defaulted loans in the S&P/LSTA Index³, which declined 18.1% in the fourth quarter. Other indications of the volatility in lower quality credit markets include the Credit Suisse⁴ and Bank of America Merrill Lynch distressed high yield indices⁵, which returned (18.1%) and (15.9%), respectively, during the fourth quarter.

NBDX's NAV was impacted during the quarter by mark-to-market gains/losses in post-reorganisation equities, and energy and utility, financial and infrastructure investments. Significant events were:

- Exploration & Production (E&P) investments were negatively impacted by further declines in underlying commodity prices. WTI oil prices were down approximately 18% during the fourth quarter while the Henry Hub (US Benchmark) natural gas prices fell approximately 7%. Unlike other sectors in the portfolio that have been marked down and we expect to recover, some portion of this decline could be permanent.
- A California Supreme Court ruling will potentially delay development of one of the real estate investments in the portfolio. The market price dropped as a result of the ruling in addition to a lack of liquidity in the post-reorganisation equity markets.
- A building and development equity investment was sold to a national homebuilder for a lower than expected price. We received one payment from the sale proceeds and there are additional distributions expected in 2016 and 2017 from escrows held back on the sale. The total investment (bank debt and equity) was a positive contributor to NBDX's NAV over the life of the investment.
- As previously reported, one of NBDX's utility investments announced that it reached an agreement to sell its core asset, a combined-cycle natural gas power plant in the eastern USA to a large power generating company. The bid price on the investment increased 12% during the fourth quarter.

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.), which to a certain extent are not dependent on the liquidity of the credit markets, and to ultimately return capital to investors through consistent distributions.

FUND MANAGERS



MICHAEL HOLMBERG
27 years investment
experience



BRENDAN MCDERMOTT
12 years investment
experience



RAVI SONI
11 years investment
experience

KEY STATISTICS (as at December 31, 2015)¹

NAV Per Share:	\$1.0091
Share Price:	\$0.8525
Share Price (Discount) / Premium vs. NAV	(15.52)%
Market Cap	\$230.80m

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:	GG00BDB6Q104
Website:	www.nbddf.com

DIRECTORS

John Hallam (Chairman)

Sarah Evans

Michael Holmberg

Christopher Sherwell

Stephen Vakil (effective 5 February 2016)

Data as at December 31, 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 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.).

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).

6. 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. The weighted average IRR inception to date in the September 30, 2015 fact sheet was 18%. The correct weighted average IRR was 21% as of September 30, 2015.

Exits

We had one exit in the quarter bringing the total number of exits over the life of the fund to 34 exits with total net gain on the investments of \$66.7 million generating a weighted average IRR⁶ of 21% since inception to date.

Shipping Investment: NBDX purchased \$2.9 million face value of a senior secured loan at 89% of par in June 2013. The loan was performing and lenders benefited from strong asset coverage, stable cash flows and the protections inherent in the Jones Act operating model for shipping vessels. We anticipated a par recovery upon a refinancing in advance of the June 2016 maturity with relatively low volatility. The company completed its refinancing in November 2015 and we generated an 8% IRR on our investment. Total income from the investment was \$0.5 million.

Face Value	Entry price	Exit Price	IRR
\$2.9 million	89.00%	100.00%	8%

Share Buy Backs

During the quarter, NBDX purchased 1,105,766 shares in the market at a total cost of \$1,118,034. The shares have been retired.

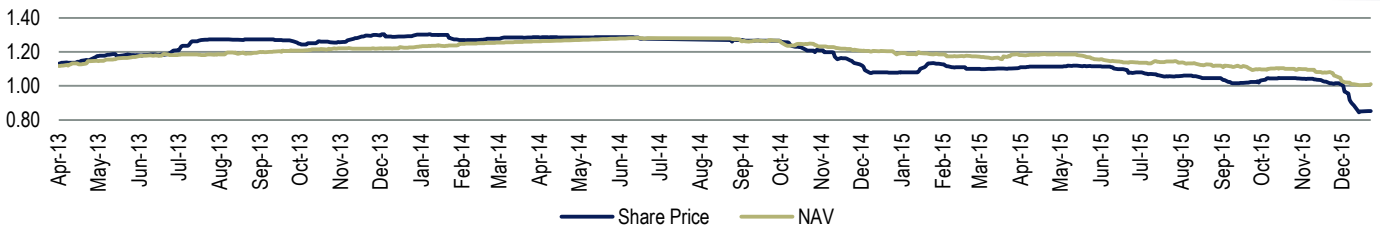
Capital Return

The Board of Directors resolved to return approximately \$20 million (equivalent to approximately \$0.0741 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 the NBDX share class, save for amounts deemed to be required to meet follow-on investments that may be required for share buy backs and cash for working capital requirements. Cash available for distribution includes principal repayments and distributions received during the quarter in addition to any cash from exits. 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	8%	Multifamily residential real estate
2	Lodging & Casinos	Secured Loan	Defaulted	US	7%	Hotel/lodging real estate
3	Utilities	Post-Reorg Equity	Post-Reorg	US	6%	Power plants
4	Building & Development	Post-Reorg Equity	Post-Reorg	US	6%	Residential real estate
5	Financial Intermediary	Private Notes	Post-Reorg	US	5%	Cash & securities
6	Utilities	Secured Loan	Current	US	4%	Power plants
7	Lodging & Casinos	Secured Loan	Current	US	4%	Hotel/casino
8	Shipping	Secured Loan	Current	Marshall Islands	4%	Vessels
9	Industrials	Secured Notes	Post-Reorg	US	4%	Manufacturing plant and equipment
10	Non-ferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	3%	Manufacturing plant and equipment
Total					51%	

PERFORMANCE²



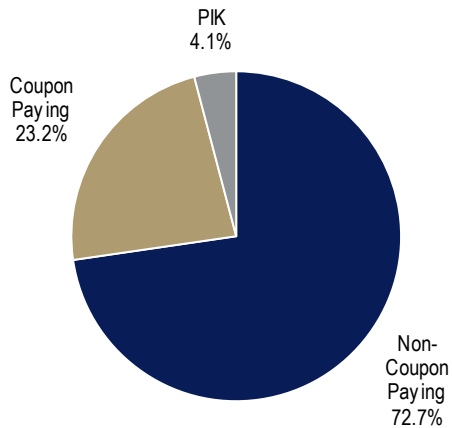
COUNTRY BREAKDOWN^{3,4} (%)

United States	79.2%
Marshall Islands	4.3%
Australia	3.2%
Denmark	2.9%
Brazil	2.4%
Netherlands	1.8%
Germany	1.7%
Spain	1.4%
Luxembourg	1.2%
Cayman Islands	0.9%
Great Britain	0.8%
Greece	0.0%

CURRENCY BREAKDOWN^{3,4} (%)

USD	85.9%
EUR	5.6%
DKK	2.9%
BRL	2.4%
AUD	2.3%
GBP	0.7%
FX Forward	0.1%

COUPON PAYMENTS (excluding cash)³



SECTOR BREAKDOWN^{3,4} (%)

Utilities	17.7%
Lodging & Casinos	14.0%
Commercial Mortgage	10.7%
Financial Intermediaries	8.7%
Shipping	8.4%
Building & Development	6.0%
Oil and Gas	4.0%
Surface Transport	3.7%
Industrials	3.6%
Nonferrous Metals/Minerals	3.3%
Real Estate Investment Trusts (REITs)	2.6%
Containers and Packaging	2.0%
AirTransport	2.0%
Real Estate Development	1.3%
Forest Products	0.9%
Restricted entity cash and accruals	7.4%
Distressed Investments	96.4%
Cash, Cash Equivalents and Accruals	3.6%

Data as at December 31, 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 December 31, 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.

This document is intended only for the person to whom it has been delivered. No part of this document may be reproduced in any manner without the written permission of NBDDIF. The securities described in this document may not be eligible for sale in some states or countries and it may not be suitable for all types of investors. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decision. Securities in the fund may not be offered or sold directly or indirectly into the United States or to U.S. Persons. This document is not intended to be an investment advertisement or sales instrument; it constitutes neither an offer nor an attempt to solicit offers for the securities described herein. This document was prepared using the financial information available to NBDDIF as at the date of this document. This information is believed to be accurate but has not been audited by a third party. This document describes past performance, which may not be indicative of future results. NBDDIF does not accept any liability for actions taken on the basis of the information provided in this document. This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact. The views and opinions expressed herein include forward-looking statements which may or may not be accurate over the long term. Forward-looking statements can be identified by words like "believe", "expect", "anticipate", or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate. The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. Neuberger Berman is a registered trademark. © 2016 Neuberger Berman.