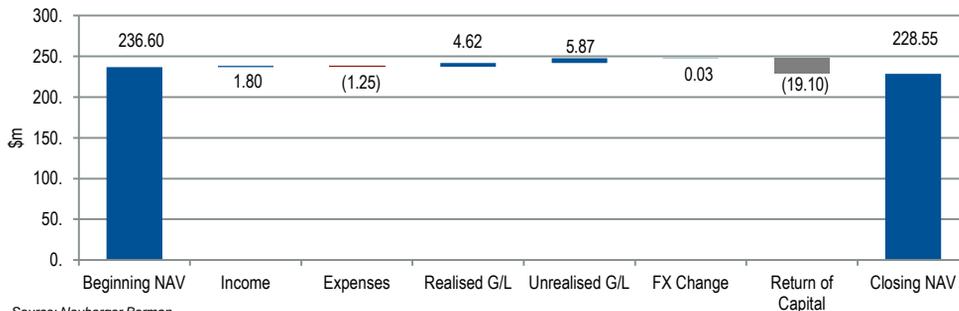


# NB Distressed Debt Investment Fund Limited Extended Life Shares ("NBDX")

30 June 2016

## NAV BRIDGE – 31 MARCH 2016 TO 30 JUNE 2016



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

The surprise result of the UK EU membership referendum, zero and negative sovereign interest rates, stressed Italian banking balance sheets and the upcoming US presidential elections have all contributed to market volatility and investor uncertainty through the first six months of 2016. However, market sentiment rebounded from a nadir in February as prices for energy-related commodities improved, resulting in a recovery of credit and equity markets in the second quarter.

Since the end of the investment period, NBDX has been able to make a capital distribution in each quarter and we are pleased to continue to do so. NBDX had two exits in the quarter, generating \$12.4 million in cash and contributing \$3.0 million to NAV in the period. NBDX received approximately \$7.4 million cash (principal repayments and distributions) from activity in existing investments. Approximately \$19.0 million was distributed to NBDX investors in the second quarter. To date, \$129.5 million or 36% of original capital has been distributed to investors and this brings the ratio of total value (distributions, share buy-backs and current NAV) to original capital to 101%. We continue to focus on maximising the value on our portfolio as we work to restructure, realise exits and return capital to NBDX investors. We remain confident about the investments in the portfolio and hope to generate positive returns from the current valuations.

## Portfolio Update

NBDX's NAV increased 5.0% to \$0.9999 per share from \$0.9523 per share in the second quarter, driven by credit improvements in energy related investments, a residential condominium investment, a building and development investment, lodging & casino investments and an announcement of the sale of an aircraft investment. The portfolio is made up of 43 issuers across 14 sectors. Certain notable corporate events involving NBDX's existing investments are highlighted below<sup>2</sup>:

- NBDX's investment in debt secured by a portfolio of aircraft increased by 15% (net gain of \$0.7 million in Q2 16) after the aircraft trust announced the sale of the portfolio to a strategic buyer. Proceeds from the sale will be used to repay principal through Q3 16.
- A lodging and casino investment tendered for contingent equity rights simplifying its capital structure to better enable a liquidity event. Cash of \$0.3 million received on the tender and remaining equity appreciated 34% during the quarter.
- The sale of the underlying property in an infrastructure investment generated a partial repayment of bank debt (cash proceeds of \$0.9 million). We are awaiting the final distribution.
- A shipping investment sought to raise debt financing with additional equity from existing equity holders and NBDX participated to protect against dilution of equity investment.

## Exit 36

NBDX invested \$15.1 million in a private REIT that was formed to buy homes at foreclosure and build a portfolio of single family rental homes in areas particularly affected by the housing downturn throughout the United States. We expected that we would obtain a return through a combination of dividends, home price appreciation from a housing recovery and anticipated a consolidation of the industry from a newly institutionalised real estate asset class. The company conducted an IPO to convert to a public REIT. We decided to sell our shares after company failed to display the appreciation of its portfolio since inception, leading to tepid growth in the share price. We ultimately sold our shares for \$16.0 million with \$0.4 million of dividend income. Total return from this investment was \$1.2 million generating an IRR of 3% and ROR of 8%.

## Exit 37

NBDX purchased shares in a mono-line insurance company that was operating in run off in October 2013. We purchased the shares at a substantial discount to shareholder's surplus which we expected to be returned to holders via dividends and share buybacks. As expected we received dividends in December 2014 and November 2015, respectively. In September 2015 the company received an unsolicited offer from a strategic buyer. We subsequently assisted the company in evaluating the offer and in running a competitive sales process that resulted in a final sales price in excess of the original offer. We realised a total return of approximately \$4.8 million for an IRR of 81% and a ROR of 292% on the investment.

Exit	Cash Invested	Cash Received	Total Return	Holding Period	IRR	ROR
36	\$15.1 million	\$16.4 million	\$1.2 million	38 months	3%	8%
37	\$1.7 million	\$6.7 million	\$5.0 million	33 months	81%	292%

Data as at 30 June 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. 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 above. In addition, certain corporate events may not have been disclosed due to confidentiality obligations.

Please see disclaimer on reverse

## KEY STATISTICS<sup>1</sup>

NAV Per Share:	\$0.9999
Share Price:	\$0.9175
Share Price Discount vs. NAV	(8.2)%
Market Cap.	\$209.8m
No. of holdings	43

## NBDX INFORMATION

Fund Type:	Closed-ended Investment Company
Launch Date:	9 April 2013
Base Currency:	USD
NAV Frequency:	Daily
Domicile:	Guernsey
Year End:	31 December
Management Fee:	1.5%
Bloomberg Ticker:	NBDX
ISIN:	GG00BYT2S336
Website:	<a href="http://www.nbddif.com">www.nbddif.com</a>

## NBDX 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. 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 below, the total amount distributed (including share buy-backs) to investors is approximately \$129.5 million or 36% of original capital up to 30 June 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 CONTINUED**

Total return on all 37 exits is \$72.0 million for NBDX over the life of the fund. The weighted average IRR on the 37 exits is 20% and the weighted average ROR is 27%<sup>1</sup>.

**Significant Value Change (approximately 0.5% NBDX NAV or +/- \$1,100,000)<sup>2</sup>**

Industry	Instrument	Q2 16 Total Return	Comment
Oil & Gas	Private equity	\$2.7million	Improving operations at bio fuels plant
Utilities	Secured bank debt	\$1.6million	Positive developments in Chap 11 case and improving energy prices
Commercial Mortgage	Secured bank debt	\$1.5million	Improving sale of residential condominiums
Building & Development	Private equity	\$1.4million	Positive movement to IPO underlying company by majority owner
Lodging & Casinos	Private equity	\$1.3million	Improvement in operations and resolution in equity owner dispute
Lodging & Casinos	Secured bank debt	\$1.2million	Improving operations at underlying properties
Shipping	Private equity	(\$1.5million)	Decline in shipping rates
Shipping	Secured bank debt	(\$2.0million)	Decline in shipping rates and liquidity issues

**Capital Distribution**

During the second quarter, approximately \$19.0 million distributions were approved and paid to holders of NBDX shares by way of a compulsory partial redemption of NBDX shares. To date, \$129.5 million or 36% of original capital has been distributed to investors.

**Share Buy-Backs**

NBDX purchased 128,726 shares during the second quarter under the discount control policy at a cost of \$119,790 and an average discount to NAV of 5.78%<sup>3</sup>. The shares have been cancelled.

**FUND PERFORMANCE<sup>4</sup>**



**PORTFOLIO COMPOSITION**

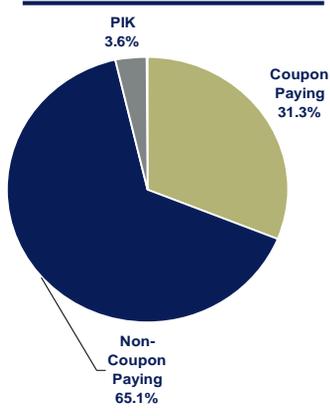
**TOP 10 HOLDINGS<sup>5</sup>**

Holding	Industry	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	8%	Hotel/lodging real estate
2	Commercial Mortgage	Secured Loan	Defaulted	US	7%	Multifamily residential real estate
3	Building & Development	Post-Reorg Equity	Post-Reorg	US	7%	Residential real estate
4	Lodging & Casinos	Secured Loan	Current	US	5%	Hotel/casino
5	Financial Intermediary	Private Notes	Post-Reorg	US	5%	Cash & securities
6	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	4%	Bio fuels plant
7	Utilities	Secured Loan	Defaulted	US	4%	Power plants
8	Surface Transport	Trade Claim	Defaulted	Brazil	4%	Municipal claim
9	Nonferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	4%	Manufacturing plant and equipment
10	Industrials	Secured Notes	Post-Reorg	US	4%	Manufacturing plant and equipment
<b>Total</b>					<b>51%</b>	

**COUNTRY BREAKDOWN<sup>6,7</sup> (%)**

U.S.A	79.6%
Brazil	3.7%
Australia	3.4%
Luxembourg	2.5%
Marshall Islands	2.4%
Netherlands	2.4%
Denmark	2.4%
Spain	1.6%
Great Britain	1.1%
Germany	0.7%
Cayman Islands	0.2%

**COUPON PAYMENTS (ex. cash)<sup>8</sup>**



**SECTOR BREAKDOWN<sup>5</sup> (%)**

Lodging & Casinos	17.5%
Utilities	11.6%
Commercial Mortgage	11.1%
Financial Intermediaries	7.1%
Building & Development	6.9%
Oil and Gas	6.3%
Shipping	5.7%
Surface Transport	4.7%
Nonferrous Metals/Minerals	3.6%
Containers and Packaging	3.6%
Auto Components	3.5%
AirTransport	2.7%
Real Estate Development	1.3%
Forest Products	0.4%
Restricted Cash	7.7%
Unrestricted Cash & Accruals	6.3%

**CURRENCY BREAKDOWN<sup>6,7</sup> (%)**

USD	83.4%
EUR	7.0%
BRL	3.7%
DKK	2.4%
AUD	2.4%
GBP	1.1%

Data as at 30 June 2016. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDX.

1. The terms 'weighted average IRR' and 'weighted average ROR', as used in this factsheet, are 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 or ROR (as applicable) for the applicable investment exit. For each of IRR and ROR, Neuberger Berman then calculates the sum of the figures calculated in the prior sentence for all of investment exits for the share class.

2. 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.

3. Source: Stifel Nicolaus Europe Limited.

4. Source: Bloomberg.

5. 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.

6. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 June 2016.

7. Includes cash and accruals.

**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
- Stephen Vakil
- Michael Holmberg
- Christopher Sherwell

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