

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

31 December 2016

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.

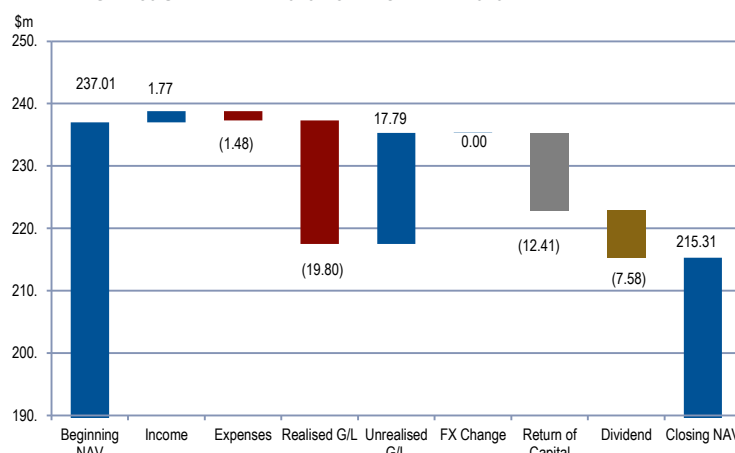
On 31 March 2015, the investment period of the strategy performance extended Life Share Class ("NBDX" or the "Company") expired. The assets of NBDDIF attributable to the Extended Life Shares were placed into the harvest period following the expiry of the investment period. Prior to the expiry of the investment period, distributions were made to reflect capital profits only arising from the exit of any assets attributable to Extended Life Shares. Including the \$10.5 million capital distribution described below, \$158.6 million (equivalent to 44% of original capital) will have been distributed (income by way of dividend and capital) 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 is subject to an investment period which will end on 31 March 2017. Separate factsheets are produced for those share classes.

FUND FACTS¹

NAV Per Share:	\$0.9974
Share Price:	\$0.9450
Share Price Discount vs. NAV	(5.3)%
Market Cap.	\$204.0m
Total NAV	\$215.3m
No. of issuers	39
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:	GG00BZ001B27
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE – 30 SEPTEMBER 2016 – 31 DECEMBER 2016



Source: Neuberger Berman

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

Realised gains and losses may include amounts from certain restructuring events during the quarter that are not attributable to full position exits.

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 capital 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

Markets continued their recovery during the fourth quarter due to stable economic data, anticipation of a pro-growth change in U.S. economic policy, and the positive reaction to the Federal Reserve's decision to increase interest rates. Liquidity in distressed debt markets remains strained as investment banks continue to pull back their proprietary investing activities due to regulatory changes. NBDX's energy-related investments increased during the quarter as energy prices stabilised while lodging and casino operations also improved. We believe value in these assets will be realised upon exit after a liquidity event (i.e. sale, refinancing, IPO) and we are committed to returning capital to investors as we exit investments.

NBDX had three exits during the quarter, which generated a total return (income and capital gains over the life of the investments) of \$12.5 million. NBDX generated net cash during the quarter of \$12.1 million (principal repayments, distributions, investment activity and exits). During the quarter, the Board made an income distribution by way of dividend of \$7.6 million and capital distribution of \$11.0 million to NBDX shareholders for total distributions of \$18.6 million. Distributions, dividends and share buybacks during 2016 totalled \$60.6 million or approximately 28% of year-end NAV.

Including the \$10.5 million capital distribution declared on 9 February 2017 to be paid in the first quarter, \$158.6 million (equivalent to 44% of original capital) will have been distributed to investors to date. The ratio of total value (capital distributions, dividends, share buy-backs and current NAV) to original capital is 106%.

Portfolio Update

Including the aforementioned income dividend of \$0.0332 paid on 20 December 2016, NBDX's total return was (0.7%) for the quarter. NBDX ended the year with NAV per share of \$0.9974 as compared to \$1.0380 at the end of September. Unrealised gains in two of the portfolio's oil & gas and power generation investments were offset by unrealised losses in two power generation investments. The portfolio consists of 39 issuers across 14 sectors. Certain notable corporate events involving NBDX's existing investments are highlighted on the next page²:

Data as at 31 December 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. 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

27 years' investment experience

Brendan McDermott

12 years' investment experience

Ravi Soni

11 years' investment experience

Directors:

John Hallam (Chairman)

Sarah Evans

Michael Holmberg

Christopher Sherwell

Stephen Vakil

Portfolio Update continued

- A power generation company in the U.S. emerged from bankruptcy and secured debt claims were exchanged for public equity securities. The company paid a dividend of \$2.00 per share after emerging from bankruptcy. Equity price at year-end was above the issued level at emergence (adjusted for dividend).
- A lodging and casino company announced a tender for some of its private shares, which provided tendering equity holders (including NBDX) with liquidity and set a value for the shares (roughly 11% above the pre-announced price in an illiquid market).
- A JV created to hold aircraft distributed proceeds from the prepayment of an instalment sales contract for one plane. One plane remains and is expected to be sold in 2017.
- A power generation asset filed for Chapter 11 protection during December. We expected this development as part of a needed restructuring and it establishes a process to resolve certain perfected lien issues that could have otherwise had limited recoveries.
- To avoid dilution and protect NBDX's investment in a utility investment, NBDX participated in an equity supported debt raise in the amount of \$0.4 million.

Significant Value Change (approximately 0.5% of NBDX NAV or +/- \$1,100,000)¹

INDUSTRY	INSTRUMENT	Q416 TOTAL RETURN	COMMENT
Oil & Gas	Private equity	\$1.3 million	New corporate structure to allow dividends and buy-backs
Utilities	Private equity	(\$1.1 million)	Equity diluted with new financing
Utilities	Debt and private equity	(\$3.0 million)	Company filed for bankruptcy

Exit 39

In 2010, NBDX purchased \$24.8 million of private shares in 14 side pocket investments from a large private equity fund that sought to provide liquidity to its investors who needed to exit these investments. The investments included European commercial real estate properties, an Indian real estate company, a European PVC manufacturer, and an aircraft leasing company. Each of the 14 investments was exited at different points in time through sales and refinancing of the underlying properties and companies with a final wind-down at year-end 2016. The total return on this investment was \$14.0 million, with initial cash invested of \$24.8 million and total cash received over the life of the investments of \$38.8 million (1.6x on initial investment). IRR on the investment was 12% over 72 months and ROR was 58%.

Exit 40

In 2014, NBDX purchased AUD \$10.0 million senior bank debt secured by a concession to operate a toll road linking Brisbane's central business district with its airport. In 2013, the operator had been forced into an insolvency process when restructuring negotiations fell apart amidst poor traffic numbers. NBDX purchased the bank debt when a sale of the concession failed to materialise and caused certain original bank debt holders to exit. NBDX sold the majority of the position to reduce exposure after another debt holder amassed a position that would allow them to block a sale of the concession. The concession was ultimately sold in early 2016 to a strategic buyer who owned other Australian toll roads. Sale proceeds were unfortunately less than expected and, combined with a weak Australian dollar, the total return on the investment was break-even with an IRR of 0%. The investment was held for 27 months.

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.

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COUNTRY BREAKDOWN^{3,4} (%)

U.S.A	77.5%
Marshall Islands	4.5%
Brazil	4.0%
Australia	3.4%
Luxembourg	2.9%
Netherlands	2.5%
Denmark	2.3%
Spain	1.7%
Great Britain	0.7%
Germany	0.5%
Greece	0.0%

CURRENCY BREAKDOWN^{3,4} (%)

USD	82.6%
EUR	8.4%
BRL	4.0%
AUD	2.5%
DKK	2.3%
GBP	0.2%

SECTOR BREAKDOWN^{3,5} (%)

Lodging & Casinos	18.4%
Shipping	10.2%
Utilities	9.3%
Commercial Mortgage	9.2%
Oil and Gas	7.8%
Building & Development	6.8%
Financial Intermediaries	5.2%
Surface Transport	5.2%
Nonferrous Metals / Minerals	4.2%
Auto Components	4.1%
Containers and Packaging	3.5%
Real Estate Development	1.2%
Forest Products	0.5%
Air Transport	0.4%
Restricted Cash	6.4%
Unrestricted Cash	7.5%

COUPON PAYMENTS (ex cash)³

Non Coupon Paying	67.1%
Coupon Paying	24.7%
PIK	8.2%

Exit 41

Beginning in 2010, NBDX invested \$17.1 million to purchase defaulted bonds issued by a U.S. financial company. The company was the largest thrift failure in U.S. history and was seized by the Federal Deposit Insurance Corporation (FDIC) in 2008. Shortly after acquiring our position, the FDIC arranged for a sale of the bank's assets to another major financial institution. Proceeds from the sale are being administered by the FDIC and will be used to repay partially creditors of the company. Creditors also received recoveries from a settlement of various legal claims stemming from the company's failure and the subsequent sale. NBDX originally purchased the defaulted bonds because we expected favourable settlement and litigation outcomes relative to the market value of the bonds at the time of purchase. We ultimately sold the defaulted bonds during the fourth quarter because a recent settlement suggested limited upside to the current market price. Total return was (\$1.8 million) over 76 months. IRR was (6%) and ROR was (11%).

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	HOLDING PERIOD	IRR	ROR
39	\$24.6 million	\$38.9 million	\$14.3 million	72 months	12%	58%
40	\$4.0 million	\$4.0 million	-	27 months	0%	0%
41	\$17.1 million	\$15.3 million	(\$1.8 million)	76 months	-6%	-11%

Distributions

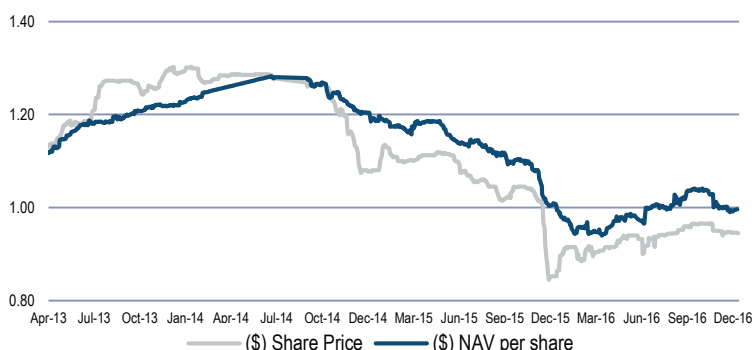
During the fourth quarter, the Board approved and paid distributions to shareholders of \$18.6 million, comprising an income distribution by way of a \$7.6 million dividend and a capital distribution via a mandatory redemption of \$11.0 million. During 2016, the Board distributed 22% of the beginning NAV (1/1/16) to shareholders through exits and capital activity in the investments.

On 9 February 2017, the Board announced a capital distribution of \$10.5 million, equivalent to approximately \$0.0487 per NBDX share, to be paid to shareholders. Once paid, this will bring total distributions (capital and income) to \$158.6 million, equivalent to 44% of original capital.

Share Buy-Backs

NBDX purchased 1,486,953 shares during the quarter under the discount control policy at a cost of \$1,415,944 and average discount to NAV of 6.04%¹. The shares have been cancelled.

FUND PERFORMANCE²



Data as at 31 December 2016. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDX.

1. Source: Stifel Nicolaus Europe Limited.

2. Source: Bloomberg.

3. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 31 December 2016.

4. Includes cash and accruals.

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.

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PORTFOLIO COMPOSITION – TOP 10 HOLDINGS¹

Holding	Industry	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	8%	Hotel / lodging real estate
2	Building & Development	Post-Reorg Equity	Post-Reorg	US	7%	Residential real estate
3	Commercial Mortgage	Secured Loan	Defaulted	US	5%	Multifamily residential real estate
4	Financial Intermediary	Secured Notes	Defaulted	US	5%	Cash & securities
5	Lodging & Casinos	Secured Loan	Current	US	5%	Hotel / casino
6	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	5%	Bio-fuel plant
7	Shipping	Secured Loan	Post-Reorg	Marshall Islands	5%	Maritime vessels
8	Nonferrous Metals / Minerals	Post-Reorg Equity	Post-Reorg	US	4%	Manufacturing plant and equipment
9	Industrials	Secured Notes	Post-Reorg	US	4%	Manufacturing plant and equipment
10	Surface Transport	Trade Claim	Defaulted	Brazil	4%	Municipal claim
Total					53%	

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