

# NB Distressed Debt Investment Fund Limited – Global Shares (“NBDG”)

30 September 2018

## NBDG 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.

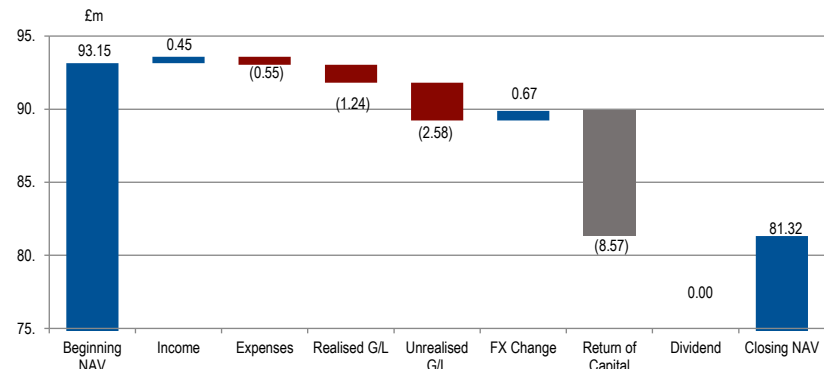
The New Global Share Class (“NBDG”) was created in March 2014 in order to capture the growing opportunity in distressed debt globally. NBDG’s investment period ended on 31 March 2017, following which the harvest period commenced. Including the £8.5 million capital distribution paid in Q318 (as described below) and share buy-backs of £8.5 million, £26.1 million (equivalent to 24% of original capital) has been distributed to shareholders since the realisation phase for this share class began. Post quarter-end, the Board approved an income distribution to be paid in the form of a dividend in the fourth quarter of £0.6 million bringing total capital approved / distributed to £26.7 million or 24% of original capital.

The New Global Share Class is one of three classes of shares in NBDDIF. The others are the Ordinary Share Class and the Extended Life Share Class. The Ordinary Share Class was subject to an investment period which ended on 10 June 2013 and the Extended Life Share Class was subject to an investment period which ended on 31 March 2015. Separate factsheets are produced for those share classes.

## FUND FACTS<sup>1</sup>

|                              |  |
|------------------------------|--|
| NAV Per Share:               | 98.15p   |
| Share Price:                 | 89.25p   |
| Share Price Discount vs. NAV | (9.1)%   |
| Market Cap.                  | £73.9m   |
| Total NAV                    | £81.3m   |
| No. of issuers               | 21   |
| Launch Date:                 | 4 March 2014                                       |
| Base Currency:               | GBP  |
| NAV Frequency:               | Daily  |
| Domicile:                    | Guernsey   |
| Year End:                    | 31 December  |
| Management Fee:              | 1.5%   |
| Bloomberg Ticker:            | NBDG:LN  |
| ISIN:                        | GG00BG5NCB06                                       |
| Website:                     | <a href="http://www.nbddif.com">www.nbddif.com</a> |
| Fund Type:                   | Closed-ended<br>Investment Company                 |

## NAV BRIDGE: 30 JUNE 2018 – 30 SEPTEMBER 2018



Source: Neuberger Berman

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

FX Changes due to share class’s exposure to foreign currencies. As detailed in its prospectus, the share class generally does not intend to hedge the currency exposure between Sterling (the currency in which shares are denominated) and the currency of the investments made by the share class.

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 / Quintillion Limited, as administrator to NBDDIF (the “Administrator”). This NAV bridge has not been audited and figures are subject to change.

## MANAGER COMMENTARY

NBDG 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 quarter, the Board approved an £8.5 million capital distribution by way of redemption. Post quarter-end, the board approved a £0.6 million distribution of 2017 income by way of dividend. This brings total distributions (income dividend, share buybacks, and capital distribution) approved or already paid to investors to £26.7 million or 24% of original capital.

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 88% and 166% of the 30 September 2018 market values of these investments, with a base case of 130%. 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 factsheet.

The investment manager’s current expectation is that we will distribute 0-5% of 30 September 2018 NAV in the remainder of 2018, 85-90% in 2019, and any remainder in 2020. The delay in the timing of exits for a commercial real estate investment and an oil and gas investment, representing 12% of 30 September 2018 NAV, shifted the timing of distributions from 2018 to 2019. Changes to timing are expected and will continue to be updated in the quarterly factsheets. For regulatory reasons, the final 10% of the total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all the outstanding shares of that class.

There were no exits during the quarter. Net cash generated from performing investments was £0.4 million during the quarter, some of which was used to partially fund the income dividend approved and scheduled for the fourth quarter. Including the Q418 income distribution, the ratio of total value (capital distributions, dividends, share buy-backs and current NAV) to original capital is 97%.

## Portfolio Update

NBDG ended the quarter with NAV per share of £0.9815 compared to £1.0197 at the end of June. NBDG’s NAV decreased 3.8% during the quarter due to unrealised mark to market loss in five equity investments. During the harvest period, a larger percentage of the fund’s investments are in reorganised equities, including public equities, which were affected by the market volatility during the quarter. More detail can be found below. At quarter-end, 97% of NBDG’s NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 3% held in cash, including the cash for the approved income dividend.

The current portfolio consists of 21 issuers across 9 sectors. The largest sector concentrations include Lodging & Casinos, Shipping, Auto Components, and Oil & Gas.

Data as at 30 September 2018. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDD.

1. Source: Bloomberg, except where otherwise stated.

# NB Distressed Debt Investment Fund Limited – Global Shares (“NBDG”)

30 September 2018

## FUND MANAGERS

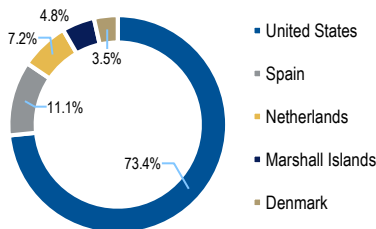
**Michael Holmberg**  
28 years' investment experience

**Brendan McDermott**  
13 years' investment experience

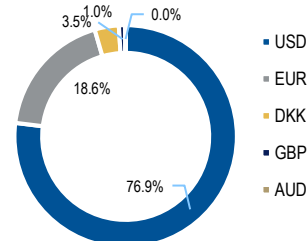
**Ravi Soni**  
12 years' investment experience

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

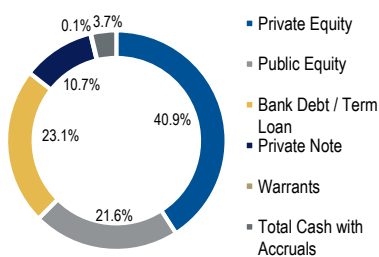
## COUNTRY BREAKDOWN<sup>1,2</sup> (%)



## CURRENCY BREAKDOWN<sup>1,2</sup> (%)



## INVESTMENT TYPE<sup>3</sup> (%)



## SECTOR BREAKDOWN<sup>4</sup> (%)

|                                |       |
|--------------------------------|-------|
| Lodging & Casinos              | 37.9% |
| Shipping                       | 14.9% |
| Auto Components                | 8.6%  |
| Oil & Gas                      | 8.2%  |
| Commercial Mortgage            | 7.2%  |
| Utilities                      | 6.3%  |
| Nonferrous Metals/Minerals     | 5.2%  |
| Building & Development         | 4.4%  |
| Surface Transport              | 3.7%  |
| Air Transport                  | 0.0%  |
| Unrestricted Cash and Accruals | 3.3%  |
| Restricted Cash                | 0.4%  |

## Portfolio Update continued

Notable events below describe activity in the investments during the quarter and post quarter-end<sup>1</sup>.

- Lodging & Casino investment – During the third quarter we terminated the previously disclosed LOI negotiations with a potential buyer as they wished to change the terms of the transaction. We are currently in discussion with another interested party. We reduced the carrying value of this investment by 9% (\$0.6 million) to reflect the delay in timing and increased uncertainty of the transaction.

## Significant Value Change (approximately 0.5% of NBDG NAV or +/- £400,000)<sup>2</sup>

| INDUSTRY            | INSTRUMENT     | Q318 TOTAL RETURN | MARKET VALUE | QUARTERLY PRICE CHANGE | COMMENT  |
|---------------------|----------------|-------------------|--------------|------------------------|--|
| Lodging & Casino    | Private Equity | (£0.5 million)    | £6.7 million | -9%                    | See Portfolio Update above   |
| Five Point Holdings | Public Equity  | (£0.6 million)    | £3.6 million | -16%                   | Environmental clean-up concerns at one of the company's properties continue to weigh on the company. In addition, rising rates have impacted valuations in the homebuilding sector in general. |
| Sandridge           | Public Equity  | (£0.8 million)    | £1.3 million | -39%                   | The company completed an activist-inspired review of strategic alternatives and announced that bids for the company's assets were below market expectations.                                   |
| TORM                | Public Equity  | (£0.8 million)    | £2.9 million | -23%                   | With weakness in the crude tanker market, new build crude tankers are carrying refined products, creating excess capacity and putting pressure on charter rates for TORM vessels.              |
| Non-ferrous metals  | Private Equity | (£1.2 million)    | £4.2 million | -26%                   | The company announced it was being acquired, but the value to equity owners was less than expected and the price declined on the news.   |

## Sector Analysis – Auto Components

Our quarterly in-depth look at investments by sector focuses on NBDG's Auto Component exposure, which is its third largest sector, representing 8.6% of NAV.

NBDG owns First Lien Notes, Second Lien Convertible Notes, and private equity in an auto component company. The company is a global leader in stored electrical energy solutions, and one of the largest manufacturers and suppliers of lead-acid batteries for transportation and industrial applications in the world. We originally purchased secured notes that were converted to equity in 2015 following a lengthy Chapter 11 bankruptcy process that included significant negotiations with California State environmental regulators. Following the company's emergence from bankruptcy, the newly hired management team identified opportunities to dramatically improve manufacturing capacity, eliminate costs, and capture incremental market share from its largest competitors. The transformational business plan required incremental capital to upgrade technology and modernise manufacturing plants. Existing shareholders, including NBDG, funded the plan in 2017. Performance has been modestly below plan projections, but the plan is in process and management remains confident in long-term profitability projections.

## Exits

There were no exits this quarter. Inception to date, NBDG has experienced 16 exits with total return of £10.0 million, IRR of 18% and ROR of 26%.

1. Notable corporate events may or may not result in an increase or decrease in the value of an NBDG investment or a change in NBDG'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.

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. References in this factsheet to the market value of specific fund investments refers to the value determined in accordance with NBDD'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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## Partial Realisations

There was no material partial realisation 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 |
|---------------------|------------------|------------------|---------------|-----------------------|-----------------------------|--------------|-------------|-------------|-------------|
| 1                   | Lodging & Casino | Q118             | £4.5 million  | £5.9 million          | £1.3 million                | £2.7 million | 18%         | 56%         | 55          |

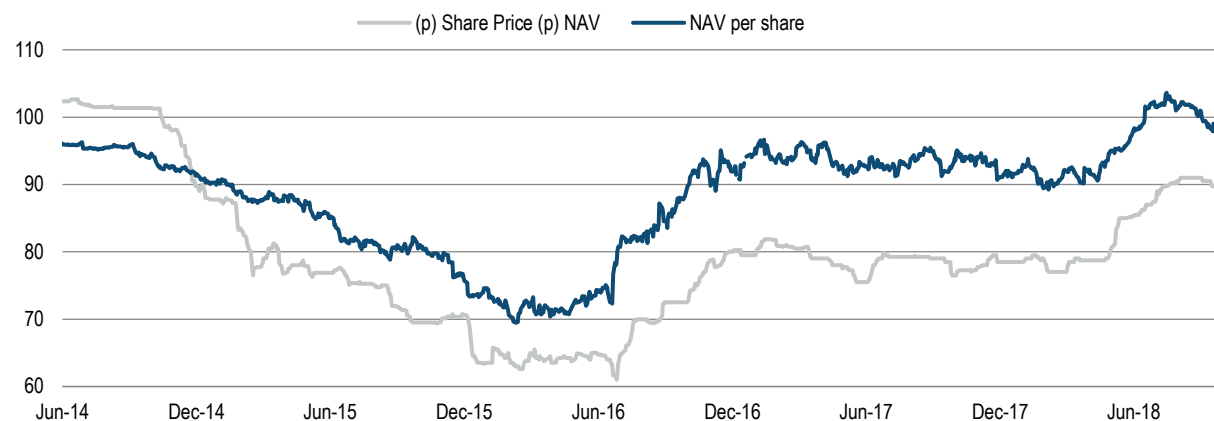
## Distributions

The Board approved a capital distribution by way of redemption of £8.5 million during the third quarter. Post quarter-end, the Board approved an income distribution of £0.6 million paid as a dividend. Since inception, £26.7 million (or 24% of original capital) has been approved / distributed to shareholders in the form of share redemptions, income dividends and share buy-backs. The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital is 97%.

## Share Buy-Backs

The company bought 90,000 shares in NBDG during the quarter at a cost of £80,700. 11% of the original NBDG shares have been repurchased and cancelled.

## FUND PERFORMANCE<sup>1</sup>



Data as at 30 September 2018. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDG.

1. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 September 2018.
2. Includes cash and accruals.
3. Cash includes restricted and unrestricted cash, 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, NBDG’s overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

## PORTFOLIO COMPOSITION – TOP 10 HOLDINGS<sup>2</sup>

| Holding      | Industry                    | Instrument        | Status     | Country          | % of NAV   | Primary Assets                         |
|--------------|-----------------------------|-------------------|------------|------------------|------------|--|
| 1            | Lodging & Casino            | Post-Reorg Equity | Post-Reorg | US               | 19%        | Hotel/casino                           |
| 2            | Auto Components             | Secured Notes     | Post-Reorg | US               | 9%         | Manufacturing plant and equipment      |
| 3            | Lodging & Casino            | Secured Loan      | Post-Reorg | US               | 8%         | Hotel/lodging real estate              |
| 4            | Lodging & Casino            | Post-Reorg Equity | Post-Reorg | Spain            | 7%         | Hotel/lodging real estate              |
| 5            | Commercial Mortgage         | Secured Loan      | Current    | Netherlands      | 7%         | Commercial real estate                 |
| 6            | Shipping                    | Secured Loan      | Post-Reorg | US               | 7%         | Maritime vessels                       |
| 7            | Nonferrous Metals/ Minerals | Post-Reorg Equity | Post-Reorg | US               | 5%         | Manufacturing/distribution real estate |
| 8            | Shipping                    | Secured Loan      | Post-Reorg | Marshall Islands | 5%         | Maritime vessels                       |
| 9            | Utilities                   | Post-Reorg Equity | Post-Reorg | US               | 5%         | Power plants                           |
| 10           | Oil&Gas                     | Post-Reorg Equity | Post-Reorg | US               | 4%         | Bio-fuel plant                         |
| <b>Total</b> |                             |                   |            |                  | <b>76%</b> |  |

1. Source: Bloomberg
2. 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, NBDG’s overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

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