

# NB Distressed Debt Investment Fund Limited New Global Shares

NEUBERGER BERMAN

June 30, 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.

The New Global Share Class ("NBDG") was created in March 2014 and aims to capture the growing opportunity in distressed debt globally. NBDG is subject to an investment period ending on 31 March 2017, following which the assets will be placed into run-off.

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

## MANAGER COMMENTARY

### Summary

In the second quarter of 2015, we continued to deploy capital in new and existing positions. Despite a challenging environment in the distressed markets, we continue to seek attractive debt backed by hard assets and actively manage restructurings in the portfolio. We continue to see significant upside potential in the existing portfolio, which we expect to realise as we restructure and exit investments.

### Portfolio

As at 30 June 2015, we had deployed approximately 86.2% of NBDG's capital. NBDG had investments in 28 names across 12 industries. The largest sector concentrations were in lodging & casinos, utilities, oil & gas and shipping. In the second quarter we added a new position in the oil & gas sector. We also added incremental exposure to existing names in the shipping, oil & gas, power, casino and industrial sectors.

NBDG's NAV per share decreased 7.3% in the second quarter of 2015, to GBP 81.25 from GBP 87.66 per share. We want to highlight as stated in the NBDG prospectus, NBDG is a Pound Sterling denominated fund and there is no currency hedging for NBDG. This is the first quarter that foreign exchange volatility was significant and over 50% of the decline in NAV was due to changes in foreign exchange rates in the quarter. We believe that performance comparison versus other distressed managers is indicated by the HFRI Distressed/Restructuring Index<sup>2</sup> which declined 0.3% in the quarter.

Performance in the distressed debt market during the second quarter was challenging from a mark-to-market perspective. For example, the Credit Suisse and BAML distressed high yield indices<sup>3, 4</sup> declined 9.9% and 3.7%, respectively, during the second quarter. In our experience, times of market volatility and reduced liquidity can result in wider bid/ask spreads and mark-to-market declines. We believe this dynamic has been intensified by a reduction in capital dedicated to market making activities by investment banks as a result of regulations brought in after the financial crisis.

Despite the mark-to-market volatility, we continue to actively manage the restructurings in our portfolio in order to generate profitable realisations through significant events (asset sale, legal outcome, foreclosure, etc.). We remain positive about the investments in the portfolio and expect to generate significant returns from current marks.

### Market Update<sup>5</sup>

We continue to believe the pipeline of distressed debt opportunities in real estate, transportation and energy debt is compelling. The recent volatility in energy markets continues to present new opportunities in the U.S. as the effect of lower energy prices is reflected in the global economy. Additionally, the overall decline in commodity prices could contribute to new opportunities in the distressed market as certain industries that are linked to commodity prices struggle. EU banks increased their disposal of European and U.S. loans and assets to €91 billion in 2014, versus €64 billion in 2013, €46 billion in 2012, €36 billion in 2011 and €11 billion in 2010. €59 billion of debt sales have completed or were in progress in the first three months of 2015, on a run-rate to exceed €100 billion for the full year. However, over €1 trillion of non-performing loans remain on EU banks' balance sheets. We believe that the European regulatory environment may continue to facilitate further recognition and disposal of distressed loans.

### Share Buy Back

Under the authorized share buy-back policy, 450,000 shares of NBDG were re-purchased in the open market and are currently held in treasury for gross consideration of £345,875.

## FUND MANAGERS



**MICHAEL HOLMBERG**

27 years investment experience



**PATRICK FLYNN**

23 years investment experience

## KEY STATISTICS (as at June 30, 2015)<sup>1</sup>

NAV Per Share: GBP 81.250

Share Price: GBP 75.125

Share Price (Discount) / Premium vs. NAV (7.54)%

Market Cap £82.89m

## KEY INFORMATION

Fund Type: Closed-ended Investment Company

Launch Date: 10 June 2010

Base Currency: GBP

NAV Frequency: Daily

Domicile: Guernsey

Year End: 31 December

Management Fee: 1.5%

Bloomberg Ticker: NBDG

ISIN: GG00BH7JH183

Website: www.nbddif.com

## DIRECTORS

Robin Monro-Davies (Chairman)

Talmi Morgan

John Hallam

Christopher Sherwell

Michael Holmberg

Patrick Flynn

Data as at June 30, 2015 unless otherwise noted. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDG.

1. Source: Bloomberg, except as otherwise noted.

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. 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).

4. 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).

5. Source: Data from PWC dated July 2015 and March 2015.

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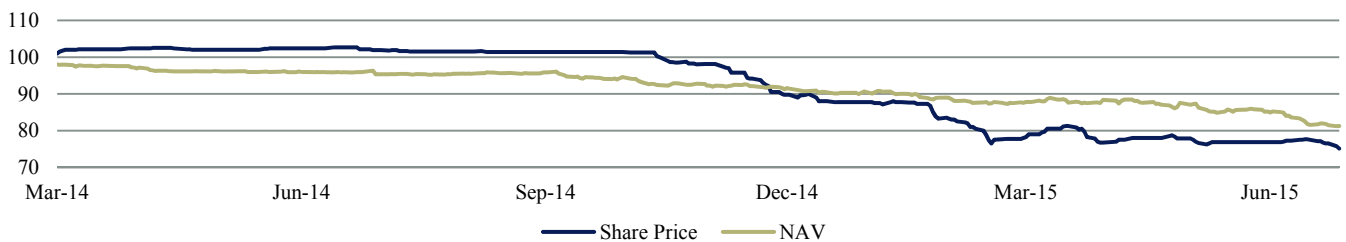
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**HOLDINGS<sup>1</sup>**

Holding	Industry	Purchased Instrument	Status	Country	% of NAV	Primary Assets
1	Oil & Gas	Senior Notes	Current	US	6%	Oil and gas reserves
2	Utilities	Secured Loan	Current	US	6%	Power plants
3	Lodging & Casino	Post-Reorg Equity	Post-Reorg	US	5%	Casino
4	Lodging & Casino	Secured Loan	Defaulted	Spain	5%	Hotels
5	Building & Development	Post-Reorg Equity	Post-Reorg	US	5%	Residential real estate
6	Utilities	Secured Loan	Defaulted	US	5%	Power plants
7	Commercial Mortgage	Secured Loan	Current	Netherlands	5%	Commercial real estate
8	Utilities	Post-Reorg Equity	Post-Reorg	US	4%	Power plants
9	Shipping	Secured Loan	Defaulted	Denmark	4%	Maritime vessels
10	Lodging & Casino	Secured Loan	Current	US	4%	Casino/hotel real estate
<b>Total*</b>					<b>48%*</b>	

\* 48% is the true percentage of NBDG's NAV. The sum of the individual holding numbers may appear larger due to rounding of decimal places.

**PERFORMANCE<sup>2</sup>**



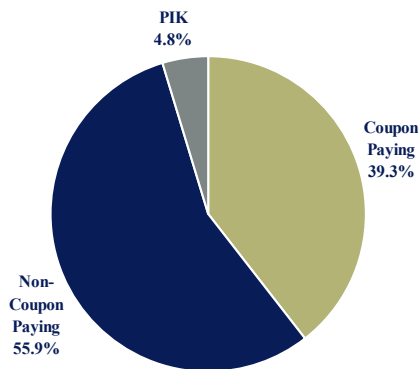
**COUNTRY BREAKDOWN<sup>3,4</sup> (%)**

United States	62.7%
United Kingdom (inc. cash)	13.8%
Spain	8.6%
Denmark	4.7%
Netherlands	4.6%
Marshall Islands	4.3%
Australia	1.4%

**CURRENCY BREAKDOWN<sup>3,4</sup> (%)**

USD	68.8%
GBP	15.7%
EUR	13.6%
AUD	1.9%

**COUPON PAYMENTS (excluding cash)<sup>3</sup>**



**SECTOR BREAKDOWN<sup>3,4</sup> (%)**

Lodging & Casinos	17.0%
Utilities	16.8%
Oil & Gas	13.0%
Shipping	11.1%
Surface Transport	8.2%
Building & Development	4.6%
Commercial Mortgage	4.6%
Nonferrous Metals/Mining	3.9%
Industrials	3.3%
Air Transport	2.3%
Chemicals & Plastics	1.4%
Cash, Accruals and Equivalents	13.8%

Data as at June 30, 2015. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDG.

1. Categorizations 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 June 30, 2015. Excludes cash and short term investments.
2. Source: Bloomberg.
3. Categorizations 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 may comprise real estate assets in a number 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.
4. Includes cash and accruals.

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