

NB Distressed Debt Investment Fund Limited Ordinary Shares

NEUBERGER BERMAN

31 March 2016

FUND OBJECTIVE

NB Distressed Debt Investment Fund Limited ("NBDDIF") is a Guernsey-incorporated closed-ended investment company 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 10 June 2013, the investment period of the NBDD Ordinary Share Class ("NBDD") expired. The assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period following the expiry of the investment period. Eight distributions totaling in excess of \$93 million were made in 2014 and 2015 and the distribution described on the next page increased this total to approximately \$100 million or 81% of investors' original capital.

The Ordinary Share Class is one of three classes of shares in NBDDIF. The others are the Extended Life Share Class and the New Global Share Class, which both offer exposure to new opportunities in this asset class beyond 10 June 2013. The Extended Life Share Class was subject to an investment period which ended on 31 March 2015 and the New Global Share Class is subject to an investment period ending on 31 March 2017. Separate factsheets are produced for those share classes.

MANAGER COMMENTARY

Summary

In the first quarter, challenging market conditions continued as lack of liquidity and potential sellers put pressure on pricing. We believe the fundamental value of our positions will be realised over time.

During the quarter, capital markets experienced significant volatility as commodity prices rebounded in the second half of the quarter to recoup the losses at the beginning of the period. Without a bid, credit and equity markets experienced a steep decline during January and early February. Mid-February was the low point for most markets after which the equity and liquid credit markets began to recover. However, the markets for distressed credit and post-reorganisation equities continue to experience a lack of liquidity as funds remain cautious and investment banks continue to pull back their proprietary investing activities due to regulatory changes.

To date, NBDD has returned 81% of original capital to investors, including \$7.0 million distributed in February 2016. In April, the Board of Directors approved a \$4.5 million distribution, bringing total approved cash distributions to date to 84% of original capital. NBDD has 26 remaining investments in various stages of restructuring. We continue to see upside potential in the remaining investments, many of which have suffered from mark-to-market write-downs. Given a lack of liquidity in our markets, we believe our portfolio is fundamentally undervalued and we continue to focus on returning capital to investors while ensuring that we maximise the value of all assets in the portfolio. During the first quarter, there were positive and negative developments in certain assets, which are described in more detail below and on the next page.

Portfolio

As of 31 March 2016, 93.7% of NBDDIF Ordinary Share NAV ("NBDD's NAV") was invested in distressed assets. Unrestricted cash ended the quarter at 6.3% of NAV.

NBDD's NAV per share decreased 0.7% in the first quarter, to \$1.1103 from \$1.1184 (adjusted 31/12/15 NAV). Reduced liquidity in private investments took its toll on the portfolio during the quarter as the largest mark-to-market declines were on private equity investments.

We believe that performance versus other distressed debt managers can be indicated by relevant distressed market indices including the HFRI Distressed/Restructuring Index², which declined 1.3% in the first quarter, and the performance of defaulted loans in the S&P/LSTA Index³, which declined 5.7% in the first quarter. An indicator of the disruption in lower quality credit markets is that the Credit Suisse⁴ and BofA Merrill Lynch⁵ U.S. distressed high yield indices returned (7.1%) and 3.4%, respectively, during the first quarter.

The primary driver of NBDD's decline in NAV was mark-to-market loss in private equity investments in building and development investment and utility investment, partially mitigated by unrealised gains in a container/packaging investment and utility investments.

KEY STATISTICS (as at 31 March 2016)¹

NAV Per Share:	\$1.1103
Share Price:	\$1.0350
Share Price (Discount) / Premium vs. NAV	(6.78)%
Market Cap	\$43.83m

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:	NBDD
ISIN:	GG00BYVJWD00
Website:	www.nbddif.com

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

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

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).

Portfolio (continued)

Certain notable corporate events involving NBDD's existing investments during the quarter are highlighted below¹:

- As previously reported, an east coast power plant announced that it reached an agreement to sell its core asset. The sale closed in the first quarter and we received the first payment of sales proceeds. We expect to receive the remaining proceeds in February 2017 from escrow releases.
- An equity investment in a shipping company completed a balance sheet recapitalisation whereby existing shareholders provided a new second lien facility to give the company incremental liquidity.

We continue to manage actively 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 return ultimately capital to investors through consistent distributions.

Exits

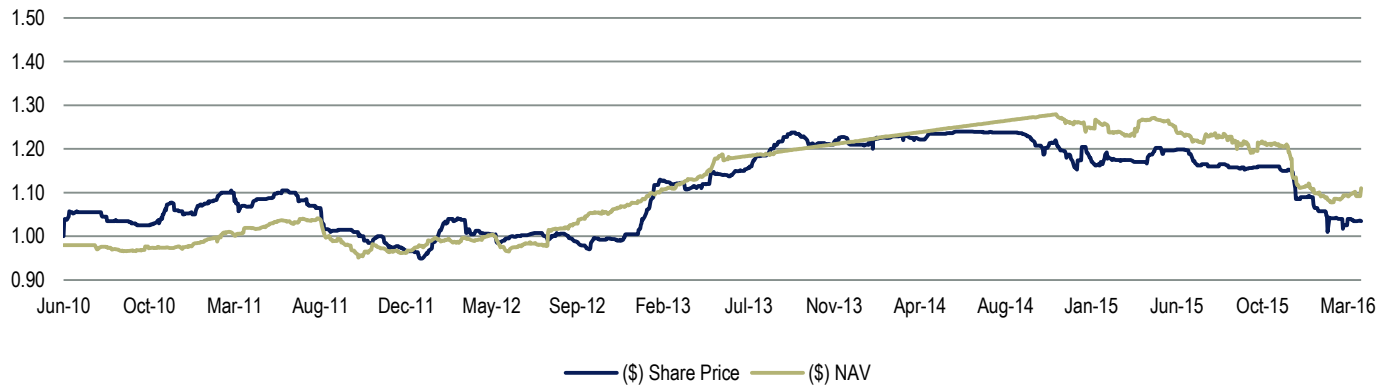
There were no exits in the quarter.

Capital Return

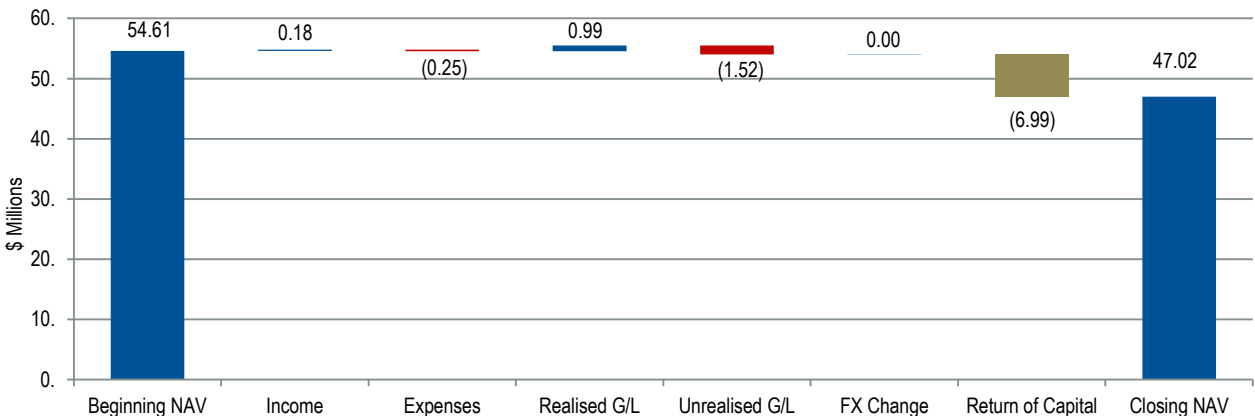
During the quarter, \$7.0 million was distributed to shareholders bringing total cash distributed to 81% of original capital. Post quarter end, the Board of Directors approved a capital distribution of \$4,500,000 to investors. This brings total capital approved for distribution to investors to \$104.9 million or 84% of original capital.

See www.nbddif.com for further information.

SHARE PRICE / NAV²



NAV BRIDGE – 31 DECEMBER 2015 TO 31 MARCH 2016



Source: Neuberger Berman

Beginning NAV is based on adjusted NAV from Audited Financials year-end figures.

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 to date financial information. This NAV bridge has not been audited and figures are subject to changes.

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

1. Notable corporate events may or may not result in an increase or a decrease in the value of an NBDD investment or a change in NBDD's NAV per share. Please note 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.

2. Source: Bloomberg

TOP 10 HOLDINGS¹

Rank	Holding	Industry	Purchased Instrument	Status	Country	% of NAV	Primary Assets
1		Lodging & Casinos	Secured Loan	Defaulted	US	14.8%	Hotel/lodging real estate
2		Building & Development	Post-Reorg Equity	Post-Reorg	US	9.9%	Residential real estate
3		Utilities	Secured Loan	Current	Australia	6.4%	Power plants
4		Surface Transportation	Trade Claim	Defaulted	Brazil	6.2%	Municipal claim
5		REIT/REOCs	Private Equity	Current	US	5.6%	Residential real estate
6		Containers & Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	4.7%	Manufacturing/distribution/real estate
7		Utilities	Secured Loan	Defaulted	US	3.7%	Power plants
8		Air Transport	Secured Loan	Defaulted	US	3.5%	Aircraft
9		Utilities	Secured Loan	Post-Reorg	US	2.9%	Power plants
10		Commercial Mortgage	Secured Loan	Current	US	2.7%	Commercial real estate
Total						60.4%	

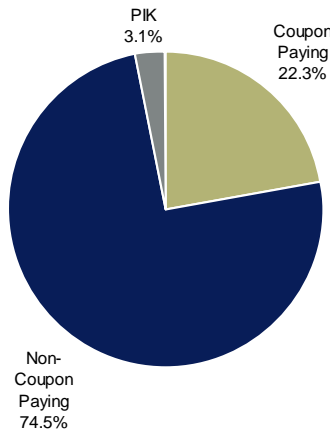
COUNTRY BREAKDOWN^{2,3} (%)

U.S.A	78.8%
Australia	6.4%
Brazil	6.2%
Luxembourg	4.7%
Great Britain	1.8%
Germany	1.7%
Cayman Islands	0.4%
Greece	0.1%

CURRENCY BREAKDOWN^{2,3} (%)

USD	81.8%
BRL	6.2%
EUR	5.8%
AUD	4.2%
GBP	2.0%

COUPON PAYMENTS (excluding cash)²



SECTOR BREAKDOWN^{2,3} (%)

Utilities	14.6%
Lodging & Casinos	14.8%
Building & Development	10.5%
Containers and Packaging	6.4%
Surface Transport	6.2%
Real Estate Investment Trusts (REITs)	5.6%
Financial Intermediaries	4.3%
Air Transport	3.5%
Real Estate Development	2.5%
Commercial Mortgage	2.7%
Industrials	1.2%
Forest Products	0.7%
Shipping	0.2%
Restricted Cash	20.5%
Unrestricted Cash, Equivalents & Net Accruals	6.3%

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

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 31 March 2016. Excludes cash and short term investments.
2. 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, NBDD's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.
3. Includes cash and accruals.

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