

NB Distressed Debt Investment Fund Limited – Ordinary Shares (“NBDD”)

31 March 2017

NBDD 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.

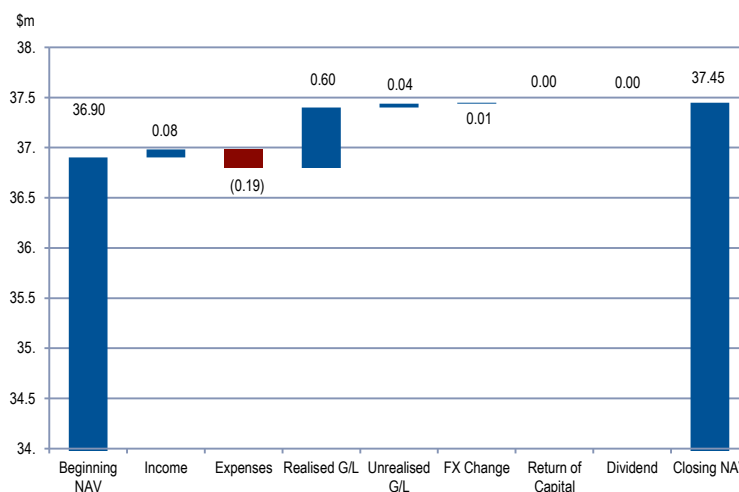
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. To date, \$111.2 million (equivalent to 89% of original capital) has been approved for distribution (income by way of dividend and capital by way of redemption) to shareholders since the realisation phase for this share class.

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 offered 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 was subject to an investment period which ended on 31 March 2017. Separate factsheets are produced for those share classes.

FUND FACTS¹

NAV Per Share:	\$1.0633
Share Price:	\$1.0250
Share Price Discount vs. NAV	(3.60)%
Market Cap.	\$36.1m
Total NAV	\$37.4m
No. of issuers	19
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:	GG00BYT2S112
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 31 DECEMBER 2016 – 31 MARCH 2017



Source: Neuberger Berman

Beginning NAV and Closing NAV are based on published NAVs for NBDD 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

NAV increased in the quarter due to continued progress with restructurings and resolutions. However, liquidity in distressed debt markets remains strained as investment banks continue to pull back their proprietary investing activities due to regulatory changes. As a result, we are seeing wider bid / ask spreads and a greater mark-to-market impact on the portfolio. Ultimately, we believe value in the investments within the portfolio will be realised via liquidity events (i.e. sale to a strategic buyer, refinancing or IPO). Access to capital markets significantly improves once an asset or company's balance sheet has been restructured and / or operations have been stabilised.

NBDD had three exits during the quarter, which generated a total return (income and capital gains over the life of the investments net of taxes) of \$2.4 million. All three exits were final returns of capital on three long-term private equity positions. NBDD generated cash during the quarter of \$1.6 million, consisting of \$0.6 million from exits and \$1.0 million from portfolio activity (principal repayments, distributions and dividends). The ratio of total value (capital distributions, dividends and current NAV) to original capital was unchanged at 119% of original capital at quarter-end.

Portfolio Update

NBDD's NAV increased by 1.5% over the quarter. NBDD ended the quarter with NAV per share of \$1.0633 compared with \$1.0478 at the end of December. Unrealised gains in the secured bank debt of an Australian energy investment and the private equity of a European packaging company were offset by an unrealised loss in the private equity of a U.S. utility company. The portfolio consists of 19 issuers across 12 sectors. Most investments were relatively flat during the quarter but certain notable events are highlighted on the next page².

Data as at 31 March 2017. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDD.

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 NBDD investment or a change in NBDD'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.

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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

- Private equity of a lodging and casino company distributed cash of \$0.45 / share from cash generated from operations. This represents the first distribution for this investment. We are continuing to work towards a sale of this property.
- Secured bank debt in a portfolio of Australian wind farms rose during the quarter as local power prices and the company's operating performance both improved. Post quarter-end, the company announced plans to raise additional equity to fund new projects and increase balance sheet flexibility, potentially to facilitate a global refinancing of its debt facilities.

Significant Value Change (approximately 0.5% of NBDD NAV or +/- \$200,000)¹

INDUSTRY	INSTRUMENT	Q117 TOTAL RETURN	COMMENT
Utilities	Bank debt	\$0.4 million	Operational improvements at company
Containers & packaging	Private equity	\$0.3 million	Operational improvements at company
Utilities	Private equity	(\$0.2 million)	Decline in energy prices

Exit 35

NBDD invested \$1.5m to purchase a senior construction loan secured by 99 condominium units located just south of Downtown Chicago, Illinois. The lender group executed a deed-in-lieu with the borrower and took possession of the underlying collateral. The group engaged a nationally recognised real estate firm to act as asset manager and broker for the remaining units, invested additional capital to complete the units and common areas, and rebranded the property. The remaining units were sold with proceeds being used to return capital and profits to the lenders. Cash received on the investment was \$2.0 million with total return on the investment for NBDD of \$0.5 million over 67 months. IRR was 10% and ROR was 34%.

Exit 36

NBDD invested \$4.2 million in the secured bank debt of a U.S. independent power producer with assets across the U.S. Due to historically low natural gas prices, the company experienced depressed cash flows that forced it to file a pre-packaged plan of reorganisation, which exchanged secured bank debt into private equity. Eighteen months after the filing, the company announced a sale of substantially all of its assets to a U.S. energy retailer. The transaction ultimately closed in February 2017 when the final disbursements from escrow were paid to equity holders. Continued low natural gas prices and resulting low power prices impacted the sale price for the company. Total cash received on the investment was \$4.1 million and the total return for this investment was (\$84,000) with an IRR of (1%) and a ROR of (2)% . NBDD held the investment for 69 months.

Exit 37

NBDD invested \$4.7 million in the post-reorganised private equity of an eastern U.S. combined cycle gas turbine power plant. At the time of the purchase, NBDD believed that power prices in the market would improve and the plant would be sold at an attractive valuation above our purchase price. In August 2016, it was announced that the plant was being sold to a large, public, U.S. independent power producer. The bulk of the transaction proceeds were paid in early 2016 while the final escrow release was received in Q1 2017. Total cash received was \$6.7 million and total return on this investment was \$2.0 million over a 74-month holding period, resulting in an IRR of 8% and ROR of 45%.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	HOLDING PERIOD	IRR	ROR
35	\$1.5 million	\$2.0 million	\$0.5 million	67 months	10%	34%
36	\$4.2 million	\$4.1 million	(\$0.1 million)	69 months	-1%	-2%
37	\$4.7 million	\$6.7 million	\$2.0 million	74 months	8%	45%

Distributions

There were no distributions during the first quarter. Total distributions to date are \$111.2 million.

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^{2,3} (%)

US	71.9%
Brazil	9.2%
Australia	8.6%
Luxembourg	7.2%
Great Britain	1.6%
Germany	1.3%
Greece	0.2%

CURRENCY BREAKDOWN^{2,3} (%)

USD	73.0%
EUR	10.5%
BRL	9.3%
AUD	6.4%
GBP	0.8%

SECTOR BREAKDOWN⁴ (%)

Lodging & Casinos	18.0%
Utilities	15.0%
Building & Development	13.3%
Surface Transport	9.2%
Containers & Packaging	8.8%
Commercial Mortgage	3.3%
Financial Intermediaries	2.5%
Auto Components	1.6%
Forest Products	1.3%
Shipping	1.0%
Real Estate Development	0.7%
AirTransport	0.4%
Restricted Cash	16.5%
Unrestricted Cash	8.3%

INTEREST & COUPON PAYMENTS (ex cash)² (%)

Non Coupon Paying	79.0%
Coupon Paying	17.2%
PIK	3.8%

PORTFOLIO COMPOSITION – TOP 10 HOLDINGS⁴

Holding	Industry	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	18%	Hotel / lodging real estate
2	Building & Development	Post-Reorg Equity	Post-Reorg	US	13%	Residential real estate
3	Surface Transportation	Trade Claim	Defaulted	Brazil	9%	Municipal claim
4	Utilities	Secured Loan	Current	Australia	9%	Power plants
5	Containers & Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	7%	Manufacturing / distribution / real estate
6	Utilities	Secured Loan	Post-Reorg	US	5%	Power plants
7	Commercial Mortgage	Secured Loan	Current	US	3%	Commercial real estate
9	Financial Intermediaries	Secured Notes	Defaulted	US	2%	Cash and securities
8	Utilities	Secured Loan	Post-Reorg	US	2%	Power plants
10	Containers & Packaging	Post-Reorg Equity	Post-Reorg	UK	2%	Manufacturing / distribution / real estate
Total					71%	

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1. Source: Bloomberg.

2. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 31 March 2017.

3. Includes cash and 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, NBDD’s overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

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