

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

30 June 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.

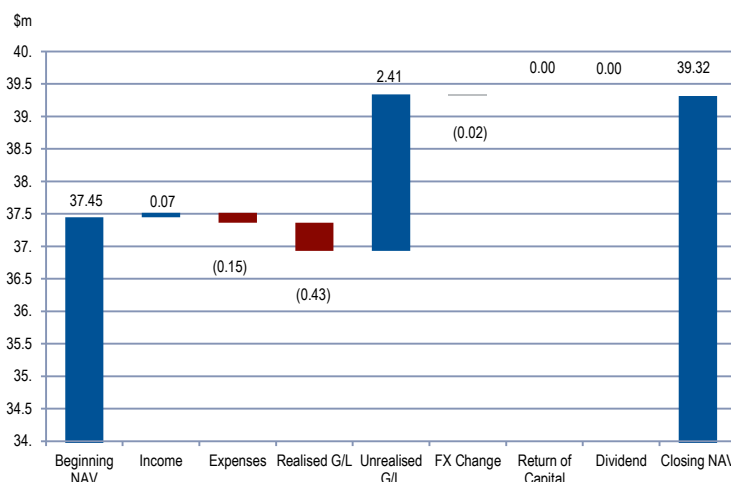
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. To date, \$111.2 million (equivalent to 89% of original capital) has been approved for distribution (income by way of dividend 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:	\$1.1163
Share Price:	\$1.025
Share Price Discount vs. NAV	(8.2)%
Market Cap.	\$35.2m
Total NAV	\$36.1m
No. of issuers	18
Launch Date:	10 June 2010
Base Currency:	USD
NAV Frequency:	Daily
Domicile:	Guernsey
Year End:	31 December
Management Fee:	1.5%
Bloomberg Ticker:	NBDD:LN
ISIN:	GG00BYT2S112
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 31 MARCH 2017 – 30 JUNE 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 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

To aid investors' understanding of the portfolio's development and underlying value, from this quarter if any of NBDD's investments experience a partial realisation it will be reported in a new factsheet section entitled "Partial Realisations". A partial realisation will have occurred, among other reasons, if (i) a distribution is received that represents 75% of the cost basis of the investment at the time of the distribution; (ii) cumulative distributions received are greater than the original cost basis of the investment; (iii) a sale of the underlying asset has occurred or (iv) a debt tranche has been refinanced. These partial realisations will not be full investment exits because residual value remains unrealised and/or undistributed due to escrows or holdbacks on the sales proceeds or because tranches of debt/equity remain. IRRs and RORs are likely to be different at the time of the final exit. Partial realisations that occurred in previous quarters will also be described in this quarter's factsheet as past partial realisations.

Net Asset Value ("NAV") increased 5.0% in the quarter primarily from an increase in value due to a merger between two portfolio companies in which NBDD owned private equity interests. Low volatility in the debt and equity markets provided a supportive environment for some companies to access the capital markets during the quarter for mergers and refinancing. The investment manager's belief that the underlying value of NBDD's investments will be realised via liquidity events (i.e. sale to a strategic buyer, refinancing or IPO) was evidenced during the quarter.

NBDD had one exit and two partial realisations during the second quarter. The exit, described in more detail below, had a total return of \$2.7 million over the life of the investment but negligible income in the second quarter. The total return for the two partial realisations, also described in more detail below, was \$7.3 million. Net cash generated from portfolio activities was (\$1.2 million) from a follow-on investment in the second lien convertible debt of an auto components company to protect against dilution. There were no significant cash receipts this quarter. The ratio of total value (capital distributions, dividends and current NAV) to original capital increased to 121% based on NAV improvement during the quarter.

Data as at 30 June 2017. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDD.

1. Source: Bloomberg, except where otherwise stated.

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FUND MANAGERS

Michael Holmberg
28 years' investment experience

Brendan McDermott
13 years' investment experience

Ravi Soni
12 years' investment experience

Directors:

John Hallam (Chairman)
Sarah Evans
Michael Holmberg
Christopher Sherwell
Stephen Vakil

Portfolio Update

NBDD ended the quarter with NAV per share of \$1.1163 compared to \$1.0633 at the end of March, an increase of 5.0%. At quarter-end 92% of the NAV was invested in distressed investments and 8% held in cash, net accruals and reserves. Unrealised gains in the private equity of two packaging companies and the secured debt of an Australian utility company were offset by unrealised losses in the private equity of a power plant company and the public equity of a US building and development company. The portfolio consists of 18 issuers across 12 sectors. The largest sector concentrations were in lodging & casinos, utilities, containers and packaging and building and development. Outside of the investments detailed below in significant movers, the remaining portfolio was relatively flat. Notable events below describe activity in the investments over the quarter¹:

- A packaging and container company announced that it was purchasing another complementary packaging and container company and completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. NBDD owned private equity interests in both the purchaser and target company. For NBDD's interest in the target company, NBDD will receive cash and newly created shares in the combined company. The transaction closed in early July. The private equity of the acquirer increased 47% following the announcement of the transaction while the private equity of the target increased 76%.
- A building and development company announced and completed an IPO during the quarter. The IPO priced at \$14.00/share and ended the quarter at \$14.76/share. The IPO allows the company to raise capital for growth and development in its highly desirable land portfolio and gives investors more liquidity in its shares.
- NBDD participated in an add-on financing to a second lien convertible debt position in an auto components company to protect against post-conversion equity dilution. Proceeds from the transaction will be used to increase capacity and improve operational efficiency at certain plants. The company's financial and operational performance has been improving since it emerged from bankruptcy protection in 2015 and it is well positioned to take market share from its two primary competitors with this additional capital.
- A lodging and casino investment is reviewing an offer for the property.

Significant Value Change (approximately 0.5% of NBDD NAV or +/- \$200,000)²

INDUSTRY	INSTRUMENT	Q217 TOTAL RETURN	COMMENT
Containers & Packaging	Private equity	\$1.5 million	Company purchased competitor and balance sheet recapitalisation
Containers & Packaging	Private equity	\$0.5 million	Company purchased by competitor
Utilities	Bank debt	\$0.4 million	Company's performance improving
Lodging & Casino	Private equity	\$0.2 million	Bid received for property
Utilities	Private equity	(\$0.3 million)	Plant outages
Building & Development	Public equity	(\$0.3 million)	Uncertainty regarding environmental approvals

Exit 38

NBDD invested \$6.1 million to purchase a senior construction loan secured by 237 condominium units and related parking spaces located 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 \$0.2 million additional capital to complete the units and common areas, and rebranded the property. The remaining units were sold and the proceeds used to return capital and profits to the owners. Cash received on the investment was \$9.0 million with a total return at quarter-end of \$2.7 million. IRR is 10% and ROR is 42% over 79 months.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	IRR	ROR	MONTHS HELD
38	\$6.3 million	\$9.0 million	\$2.7 million	10%	42%	79

1. 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.

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.

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COUNTRY BREAKDOWN^{1,2} (%)

US	67.9%
Luxembourg	10.8%
Brazil	8.7%
Australia	8.3%
United Kingdom	2.8%
Germany	1.3%
Greece	0.2%

CURRENCY BREAKDOWN^{1,2} (%)

USD	68.6%
EUR	15.4%
BRL	8.7%
AUD	6.5%
GBP	0.7%

SECTOR BREAKDOWN³ (%)

Lodging & Casinos	17.7%
Utilities	13.7%
Containers and Packaging	13.6%
Building & Development	11.8%
Surface Transport	8.7%
Auto Components	4.7%
Commercial Mortgage	3.3%
Financial Intermediaries	2.4%
Forest Products	1.3%
Shipping	0.8%
Real Estate Development	0.5%
Air Transport	0.4%
Net Restricted cash and FX forwards	12.8%
Accruals	0.5%
Unrestricted Cash	7.6%

INTEREST & COUPON PAYMENTS (ex cash)¹ (%)

Non Coupon Paying	82.5%
Coupon Paying	14.0%
PIK	3.5%

Partial Realisations

Past Partial Realisations

Partial Realisation 1: Real Estate Development investment

NBDD invested \$2.8 million to purchase a senior construction loan secured by 168 condominium units and related parking spaces located 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 \$0.3 million 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 owners. Cash received to date is \$4.1 million and the current value of the remaining investment is \$0.2 million as of 30 June 2017. To date, the total return on the investment for NBDD is \$1.2 million over 78 months. We expect to complete an exit once certain claims against the estate are resolved. The IRR is 11% and ROR is 39% as of 30 June 2017.

Partial Realisation 2: Aircraft investment

NBDD purchased \$2.2 million of senior notes at a price of 62% of face value secured by a portfolio of nine aircraft leased to various operators. Eight of the nine aircraft were sold during 2016 with proceeds used to repay the notes. The remaining aircraft is currently leased and will be sold at the end of the lease period. Cash invested is \$1.3 million and cash received to date from coupon and principal repayments is \$2.2 million. The current value of the remaining interest in the final aircraft is \$0.2 million. To date, the total return on the investment is \$1.1 million over 49 months. The IRR is 22% and ROR is 82% as of 30 June 2017.

Q217 Partial Realisations

Partial Realisation 3: Container and Packaging investment

NBDD invested \$2.0 million to purchase first lien secured bank debt with attached private equity of an international packaging company. The debt was repaid in full shortly after the purchase with the receipt of \$1.6 million and the fund retained the equity, receiving dividends of \$0.4 million during the holding period. During the second quarter the company's sale to a complementary packaging company was announced. NBDD elected to receive sales proceeds in cash and newly created shares in the acquirer for a combined value of \$1.1 million. Total return on the investment as of 30 June 2017 was \$1.1 million. IRR is 29% and ROR is 57% with a hold period of 54 months at quarter-end.

Partial Realisation 4: Container and Packaging investment

NBDD invested \$2.6 million in preferred equity certificates (“PECs”) and private equity in a European packaging company. The PECs were retired in full in 2015 and the company has paid dividends on the equity during the holding period. Cash received to date is \$4.6 million. In the second quarter, the company announced it was purchasing another complementary packaging company (Partial Realisation 3, above) and completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. Current value of the private equity position is \$4.2 million generating a total return of \$6.2 million as of 30 June 2017. IRR is 60% and ROR is 242% with a hold period of 57 months at quarter-end.

PARTIAL REALISATION	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
1	Prior	\$3.1 million	\$4.1 million	\$0.2 million	\$1.2 million	11%	39%	78
2	Prior	\$1.3 million	\$2.2 million	\$0.2 million	\$1.1 million	22%	82%	49
3	Q217	\$2.0 million	\$2.0 million	\$1.1 million	\$1.1 million	29%	57%	54
4	Q217	\$2.6 million	\$4.6 million	\$4.2 million	\$6.2 million	60%	242%	57

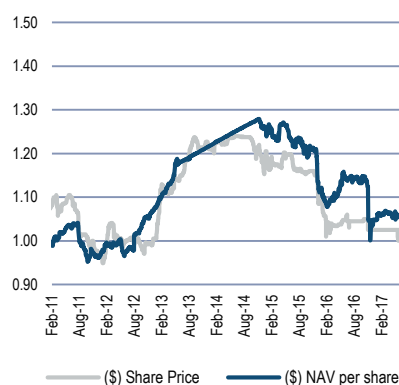
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1. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 June 2017.
2. Includes cash and accruals.
3. Categorisations determined by Neuberger Berman; percentages determined by 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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FUND PERFORMANCE¹



Distributions

There were no distributions during the quarter.

PORTFOLIO COMPOSITION – TOP 10 HOLDINGS²

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	12%	Residential real estate
3	Containers & Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	11%	Manufacturing/distribution/real estate
4	Surface Transportation	Trade Claim	Defaulted	Brazil	9%	Municipal claim
5	Utilities	Secured Loan	Current	Australia	8%	Power plants
6	Auto Components	Private Notes	Post-Reorg	US	5%	Manufacturing plant
7	Utilities	Secured Loan	Post-Reorg	US	5%	Power plants
9	Commercial Mortgage	Secured Loan	Current	US	3%	Commercial real estate
8	Containers & Packaging	Post-Reorg Equity	Post-Reorg	UK	3%	Manufacturing/distribution/real estate
10	Financial Intermediaries	Secured Notes	Defaulted	US	2%	Cash & securities
Total					71%	

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

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