

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

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.

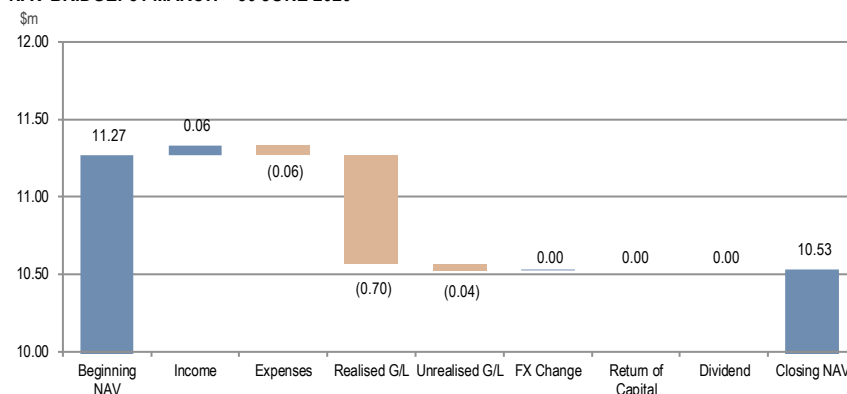
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. \$132.8 million (equivalent to 107% of original capital) has been distributed (income by way of dividend and capital by way of redemption) to shareholders since the realisation phase for this share class began.

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:	\$0.6845
Share Price:	\$0.6550
Share Price Premium to NAV	-4.3%
Market Cap.	\$10.1m
Total NAV	\$10.5m
No. of issuers	7
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:	GG00BDFZ6F78
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 31 MARCH – 30 JUNE 2020



Source: Neuberger Berman

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

Realised and Unrealised gain/loss include intraquarter adjustments that have no effect on YTD NAV.

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. Bank Global Fund Services (Guernsey) Limited / U.S. Bank Global Fund Services (Ireland) Limited, as administrator to NBDDIF (the “Administrator”). This NAV bridge has not been audited and figures are subject to change.

MANAGER COMMENTARY

During the quarter, we continued to see significant volatility in the markets due to the spread of COVID-19 and its impact on global growth expectations and economic recovery. The effects of COVID-19 on the global economy are still uncertain and the financial impact on the portfolio remains difficult to estimate. Despite the uncertainty, the investment manager remains committed to realising the investments in an orderly manner and winding down the share class as soon as practicable. However it is working through one asset, which will determine the final distribution date. For regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in NBDDIF will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. As such, there will be no further distribution for NBDD until the final distribution to investors and the wind-down of the share class. The investment manager is evaluating options to wind down the Fund and will keep investors informed as there is more clarity.

The investment manager’s ability to estimate the gross realisable value in downside, base case and upside scenarios for each investment in the portfolio continues to be impacted by the current volatility. For this reason, it is not able to make predictions of realisable value and timing of distributions as in past quarters. As there is more clarity on the magnitude of the global slowdown and effects on global business and trade, we will update investors on the realisation expectations.

Portfolio Update

NBDD ended the quarter with a NAV per share of \$0.6845 compared with \$0.7325 at the end of March 2020. The NAV decreased 7% in the quarter, principally driven by lower prices in the investments in light of the COVID-19 crisis. At quarter-end, 93% of NBDD’s NAV was invested in distressed assets and U.S Treasury securities (including net cash held in subsidiaries), with 7% held in cash. Cash continues to build as assets are realised.

The portfolio consists of 7 issuers across 6 sectors. The largest sector concentrations were in surface transportation, financial intermediaries, and packaging. There were three exits during the quarter that generated \$3.2 million cash in the quarter, detailed below. The ratio of total value (capital distributions, dividends and current NAV) to original capital is 115%.

Notable events² below describe activity in the investments during the quarter and post quarter-end.

- During the quarter, Exide Technologies filed for Chapter 11 bankruptcy due to the global shutdown arising from COVID-19. The company does not expect to reorganise and has begun a sales process for the various business units. The valuation impact, a \$0.7 million unrealised loss, is a result of the decline in business operations from COVID-19, as well as the company’s decision to sell the business units and wind up operations.

Data as at 30 June 2020 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
30 years' investment experience

Brendan McDermott
15 years' investment experience

Ravi Soni
14 years' investment experience

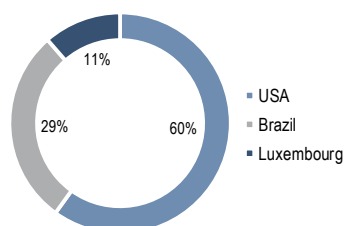
Directors:
John Hallam (Chairman)
Michael Holmberg
Christopher Legge
Stephen Vakil

Portfolio Update (continued)

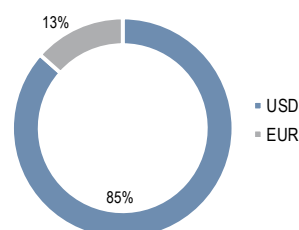
Significant Value Change (+/- \$50,000)³

INDUSTRY	INSTRUMENT	2Q20 TOTAL RETURN (\$ in millions)	MARKET VALUE (\$ in millions)	QUARTERLY PRICE CHANGE	COMMENT
Packaging	Private Equity	\$744,761	\$1,054,737	+233%	Performance improved during the quarter
Packaging	Public Equity	\$103,279	\$146,315	+220%	Performance improved during the quarter
Financial Intermediary	Secured Notes	(\$323,140)	\$497,138	-27%	Potential negative affect on portfolio from COVID-19
Surface Transportation	Trade Claim	(\$342,358)	\$3,018,580	-15%	Decline in state tax revenues due to pandemic
Auto Components (Exide)	Various	(\$669,646)	\$24,970	-96%	Company filed for Chap 11 bankruptcy and intends to sell business units and not reorganise

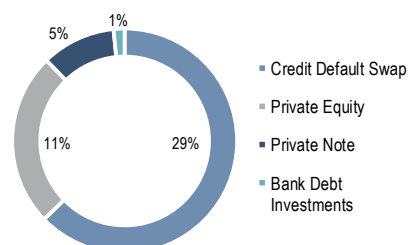
COUNTRY BREAKDOWN^{4,5} (%)



CURRENCY BREAKDOWN^{4,5} (%)



INVESTMENT TYPE⁵ (%)



Exits

There were three exits during the quarter. Inception to date, NBDD has experienced 49 exits with a total return of \$40.0 million, weighted average IRR of 12% and weighted average ROR of 22%.

Exit 47 Five Point Holdings (FPH)

NBDD invested \$3.0 million in the post-reorg private equity of FPH, a company that develops communities, builds infrastructure, and delivers home sites in construction-ready condition to homebuilders. The company owns land in three master planned communities located in California. We purchased the reorg equity at a significant discount to NAV and believed the share price would accrue towards NAV as development started and home price appreciation remained positive. Development was subsequently delayed due to environmental litigation at two of the land developments. Despite resolution of the litigation, we ultimately sold our investment in the secondary market when a lack of liquidity, coupled with uncertainty around the company's future development as a result of COVID-19, led to a potential lack of catalysts. Cash received was \$1.5 million and total return was (\$1.5 million) with IRR of (7%) and ROR of (45%) and a holding period of 111 months.

Exit 48 Vistra

NBDD invested \$8.8 million to purchase senior secured debt on the largest electricity generator and retailer in Texas. As anticipated, the debt was converted to equity during a Chapter 11 reorganisation. The company substantially deleveraged during its restructuring and used its clean balance sheet to fund a special dividend to shareholders and complete a major acquisition. The transaction has approximately doubled the earnings of the company and diversified its asset base outside of Texas. The investment underperformed expectations due to weaker than expected power prices. The cash received is \$7.9 million. Total return on the investment for NBDD was (\$0.8 million). IRR was (3%) and ROR was (10%) over the holding period of 111 months.

Exit 49 Eagle Bulk Shipping

NBDD invested \$1.0 million in the senior secured debt of Eagle Bulk, a dry bulk shipping company with a fleet of Supramax and Ultramax vessels. The company filed for Chapter 11 in 2014, converting pre-petition senior secured bank debt to equity, and has since approached the capital markets for incremental liquidity to fund operations and capitalise on market dislocations. We expected a cyclical recovery in dry bulk along with the IMO 2020 catalyst to drive higher freight rates and asset values. We exited the investment in the quarter by selling our publicly traded shares in the quarter. Cash received is \$0.3 million and total return was (\$0.7 million). IRR was (27%) and ROR was (66%) over the holding period of 85 months.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	IRR	ROR	MONTHS HELD
47	\$3.0 million	\$1.5 million	(\$1.5 million)	-7%	-45%	111
48	\$8.8 million	\$7.9 million	(\$0.8 million)	-3%	-10%	111
49	\$1.0 million	\$0.3 million	(\$0.7 million)	-27%	-66%	85

3. 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.

4. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 June 2020.

5. Includes cash and accruals.

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SECTOR BREAKDOWN⁶ (%)

Surface Transport	29%
Containers and Packaging	11%
Financial Intermediaries	5%
Building & Development	1%
Auto Components	0%
Utilities	0%
Restricted cash	0%
Net Unrestricted Cash, U.S. Treasury securities and FX	54%

Partial Realisations

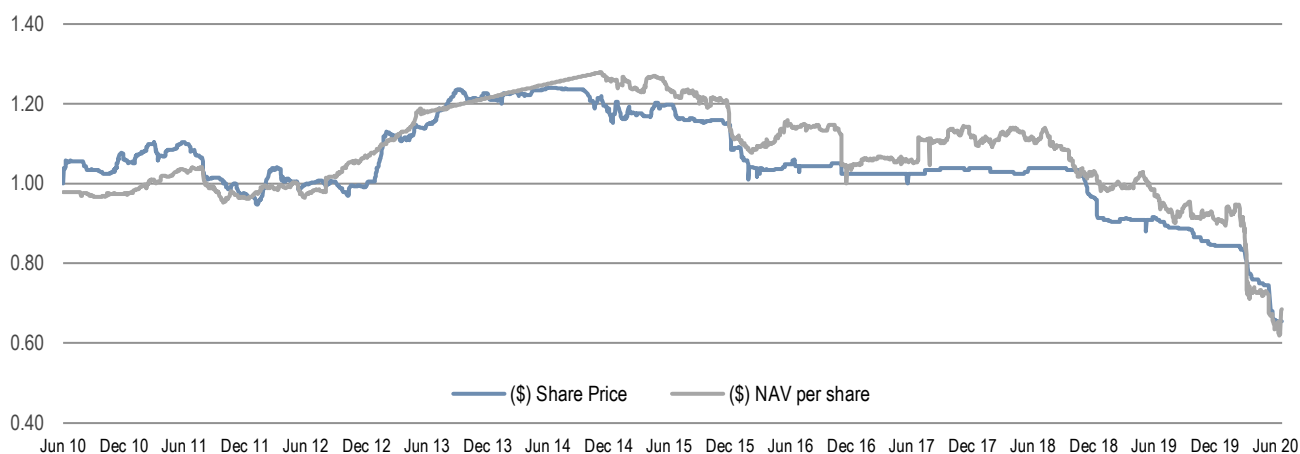
There was no activity during the quarter. The table below has been updated with current values.

PARTIAL REALISATION	SECTOR	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	CURRENT VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
3	Containers & Packaging	2Q17	\$2.0 million	\$2.8 million	\$0.1 million	\$0.9 million	25%	48%	92
4	Containers & Packaging	2Q17	\$2.6 million	\$6.5 million	\$1.1 million	\$5.0 million	52%	193%	94

Distributions

As explained above, due to regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in NBDDIF will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. The next distribution for NBDD will be the final distribution to investors and will wind down the share class. Our current expectation is to wind down the fund as soon as practicable. We will continue to update investors as we gain clarity on the realisations.

FUND PERFORMANCE⁷



PORTFOLIO COMPOSITION – TOP 7 HOLDINGS⁶

Holding	Industry	Current Instrument	Status	Country	% NAV	Primary Assets
1	Surface Transport	Trade Claim	Defaulted	Brazil	29%	Municipal Claim
2	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Germany	10%	Manufacturing Plant and Equipment
3	Financial Intermediaries	Secured Notes	Post-Reorg	US	5%	Cash & Securities
4	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Germany	1%	Manufacturing Plant and Equipment
5	Building & Development	Secured Loan	Defaulted	US	1%	Land
6	Auto Components	Secured Loan	Post-Reorg	US	0%	Manufacturing Plant and Equipment
7	Utilities	Secured Loan	Post-Reorg	US	0%	Power Plants
					46%	

6. 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.

7. Source: Bloomberg

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