

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

30 September 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.

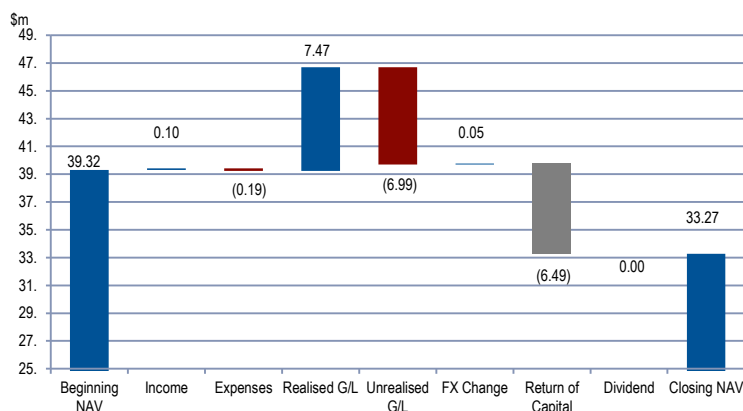
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. To date, \$120.7 million (equivalent to 97% of original capital) has been approved for distribution (income by way of dividend 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:	\$1.1331
Share Price:	\$1.040
Share Price Discount vs. NAV	(8.2)%
Market Cap.	\$30.5m
Total NAV	\$33.3m
No. of issuers	17
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:	GG00BYVZ1647
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 30 JUNE 2017 – 30 SEPTEMBER 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

In the harvest period, the Investment Manager seeks to restructure, reorganise and develop exit strategies for each investment in order to maximise the value of the portfolio. Although the actual time and realisation values are uncertain as of now, based on our current analysis we expect to distribute 10% of current Net Asset Value (“NAV”) in 2017 (distribution approved in October 2017), 50-60% of current NAV in 2018 and the remainder in 2019.

NAV increased by 1.5% in the quarter primarily due to the increase in value of our Container & Packaging investments. NBDD made a capital distribution of \$6.5 million during the quarter to bring total distributions to \$117.7 million or 95% of original capital. Post quarter-end, the Board approved a capital distribution by way of redemption of \$3.0 million (10% of NAV) bringing total capital approved for distribution to \$120.7 million or 97% of original capital.

NBDD had one exit during the third quarter, described in more detail below, with a total return of \$0.3 million in the quarter and \$1.9 million over the life of the investment. Net cash of \$4.2 million was generated during the quarter, made up of \$2.6 million from portfolio activity, received from sales proceeds and distributions from a transaction involving two Container & Packaging holdings (described below under Partial Realisations 3 & 4) and \$1.6 million cash from Exit 39, a commercial mortgage investment. The majority of the cash was used to fund the \$6.5 million distribution during the 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.

Portfolio Update

NBDD ended the quarter with NAV per share of \$1.1331 compared to \$1.1163 at the end of June, an increase of 1.5%. At quarter-end, 90% of the NAV was invested in distressed investments (including cash in subsidiary accounts, receivables and net payables) and 10% held in cash net of payables. Unrealised gains in the private equity of the Container & Packaging company and the public equity of Vistra Energy, a Texas utility company, were offset by unrealised losses in the private equity of a power plant company and the public equity of Five Point Holdings, a US west coast Building & Development company. The portfolio consists of 17 issuers across 11 sectors. The largest sector concentrations were in Lodging & Casinos, Utilities, Building & Development, and Surface Transportation. Outside of the investments detailed below, the portfolio was relatively unchanged. Notable events below describe activity in the investments over the quarter².

Data as at 30 September 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
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 continued

- A Container & Packaging company announced, post-sale transaction (see Partial Realisations 3 & 4 below), that it was redeeming a class of its private equity and distributing cash to its shareholders. The value of the private equity also increased 20% during the quarter based on multiple sales transactions. The effect of the sale / corporate reorganisation of the two companies was a transfer of \$5.2 million of unrealised gains to realised gains in the financial statements as shown in the NAV bridge above.

Significant Value Change (approximately 0.5% of NBDD NAV or +/- \$175,000)¹

INDUSTRY	INSTRUMENT	Q317 TOTAL RETURN	MARKET VALUE	COMMENT
Containers & Packaging	Private equity	\$0.6 million	\$2.9 million	Cash dividend received
Oil & Gas	Public Equity	\$0.2 million	\$1.9 million	Positive momentum
Utilities	Bank Debt / Private Equity	(\$0.3 million)	\$0.1 million	Slow to recover from plant outage
Building & Development	Public Equity	(\$0.4 million)	\$4.2 million	Negative developments in litigation, illiquid

Sector Analysis

To aid investors' understanding of the composition of the portfolio, each quarter there will be an in-depth look at investments by sector, starting with Lodging & Casinos, the current largest sector for NBDD which contains the fund's single largest holding. This will provide a description of all investments in the sector, including their investment thesis and expected exit strategy.

Lodging & Casinos (21% of NAV)

Investment #1 – NBDD purchased a non-performing loan secured by 60 acres of land adjacent to Las Vegas Boulevard in Las Vegas, entitled for a hotel and gaming development at a significant discount to par value. The original loan was underwritten at \$12.7 million per acre and the borrower failed to pay the loan at maturity. NBDD, working with other holders, ultimately foreclosed on the property which includes an apartment complex that provides annual cash flow. NBDD now own units in an LLC that holds the property and is working with other holders to assess strategic options to maximise value. The range of expected values for the land depends on its future use and potential cash flow profile. Potential uses include a mixed use casino / lodging development; a sports, entertainment and convention facility; retail, residential, and commercial developments; or purchase by a land bank / speculator. To date, the return on investment represents a 1.38x multiple on invested capital (including current market value) and the investment represents 21% of NAV.

Exits

Exit 39

NBDD purchased \$1.6 million face value of a construction loan at 74.2%. The loan was secured by 225,000 square feet of retail space near Seattle, WA and had a personal guarantee by a trust controlled by the owner of the property. The borrower filed for Chapter 11 protection after lenders declared an event of default and elected to begin charging default interest. New terms were negotiated on the loan and we started receiving monthly contractual principal and interest payment post-restructuring. Eventually, leasing activity and occupancy at the property improved, which enabled the borrower to secure new debt financing on the property. Ultimately, our loan was repaid at par one year prior to maturity through a combination of new debt and equity financing. Total return from this investment was \$0.7 million generating an IRR of 11% and ROR of 55%.

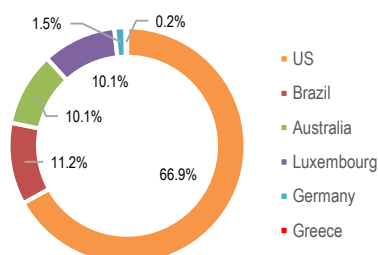
EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	IRR	ROR	MONTHS HELD
39	\$1.2 million	\$1.9 million	\$0.7 million	11%	55%	55

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. 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.

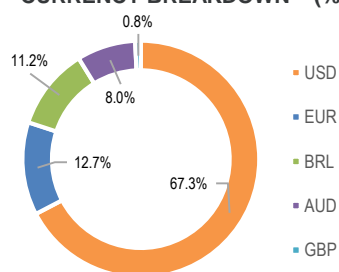
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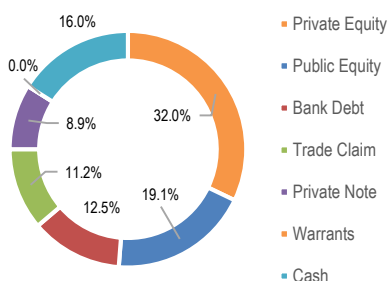
COUNTRY BREAKDOWN^{1,2} (%)



CURRENCY BREAKDOWN^{1,2} (%)



INVESTMENT TYPE³ (%)



SECTOR BREAKDOWN⁴ (%)

Lodging & Casinos	20.9%
Utilities	16.3%
Building & Development	12.9%
Surface Transport	11.2%
Containers and Packaging	10.1%
Auto Components	5.9%
Financial Intermediaries	2.9%
Forest Products	1.5%
Shipping	1.0%
Real Estate Development	0.6%
Air Transport	0.5%
Restricted cash, receivables and net accruals	5.8%
Cash, receivable and payables	10.5%

Partial Realisations (updated for investments with activity during the quarter)

Partial Realisation 3: Container & 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 sale proceeds in cash and newly created shares in the acquirer for a combined value of \$1.1 million. **In the third quarter, NBDD received \$0.4 million cash as part of the sale proceeds from the disposal completed at the end of Q217 and \$0.3 million for partial redemption of new shares received in the acquirer. Also during the third quarter, the value of the private equity increased based on sales transactions. The current value of the private equity position is \$0.4 million, generating a total return of \$1.1 million as of 30 September 2017. IRR is 29% and ROR is 56% with a holding period of 57 months at quarter-end.**

Partial Realisation 4: Container & Packaging investment

NBDD invested \$2.6 million in preferred equity certificates (“PECs”) and the private equity of 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. In the second quarter, the company announced it was purchasing another complementary packaging company (Partial Realisation 3, above) and completed a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. **During the third quarter, the company partially redeemed shares and NBDD received \$1.9 million cash, bringing total cash received to date to \$6.8 million. Also during the quarter, the value of the private equity increased based on sales transactions. Current value of the private equity position is \$2.9 million generating total return of \$6.2 million as of 30 September 2017. IRR is 61% and ROR is 266% with a holding period of 60 months at quarter-end.**

PARTIAL REALISATION	SECTOR	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	CURRENT VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
1	Real Estate Development	Prior	\$3.1 million	\$4.1 million	\$0.2 million	\$1.2 million	11%	39%	81
2	Air Transport	Prior	\$1.3 million	\$2.2 million	\$0.2 million	\$1.1 million	22%	82%	52
3	Containers & Packaging	Q217	\$2.0 million	\$2.7 million	\$0.4 million	\$1.1 million	29%	56%	57
4	Containers & Packaging	Q217	\$2.6 million	\$6.8 million	\$2.9 million	\$6.8 million	61%	266%	60

Distributions

NBDD distributed approximately \$6.5 million to shareholders during the third quarter. In October, the Board approved a return of capital distribution by way of redemption to be paid in Q417 of \$3.0 million, which brings total distributions approved / distributed including income dividend and capital distributions to \$120.7 million or 97% or original capital.

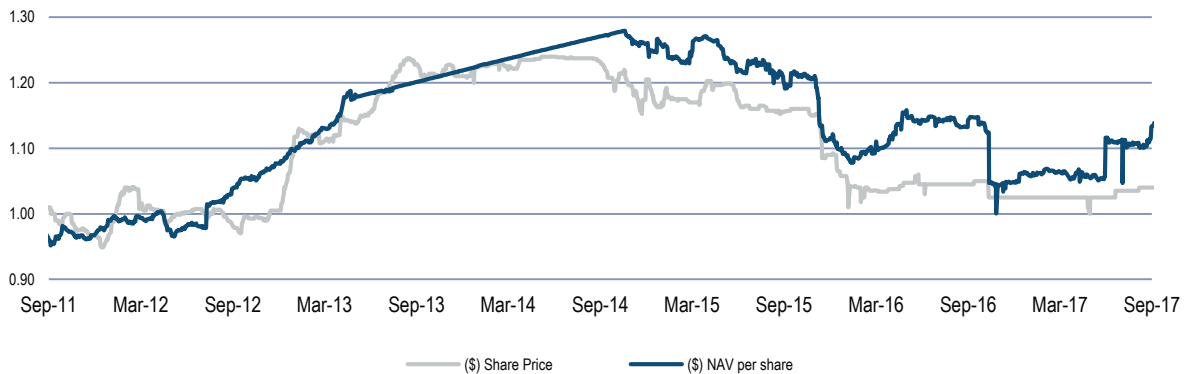
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1. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 September 2017.
2. Includes cash and accruals.
3. Cash includes restricted and unrestricted cash, net accruals.
4. Categorisations 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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FUND PERFORMANCE¹



PORTFOLIO COMPOSITION – TOP 10 HOLDINGS²

Holding	Industry	Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	21%	Hotel / lodging real estate
2	Building & Development	Post-Reorg Equity	Post-Reorg	US	13%	Residential real estate
3	Surface Transportation	Trade Claim	Defaulted	Brazil	11%	Municipal claim
4	Utilities	Secured Loan	Current	Australia	10%	Power plants
5	Containers & Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	9%	Manufacturing / distribution / real estate
6	Utilities	Secured Loan	Post-Reorg	US	6%	Power plants
7	Auto Components	Secured Notes	Post-Reorg	US	6%	Manufacturing plant
8	Financial Intermediaries	Secured Notes	Defaulted	US	3%	Cash and securities
9	Forest Products	Secured Notes	Post-Reorg	Germany	2%	Manufacturing plant
10	Containers & Packaging	Post-Reorg Equity	Post-Reorg	UK	1%	Manufacturing / distribution / real estate
Total					82%	

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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