

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

30 September 2018

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.

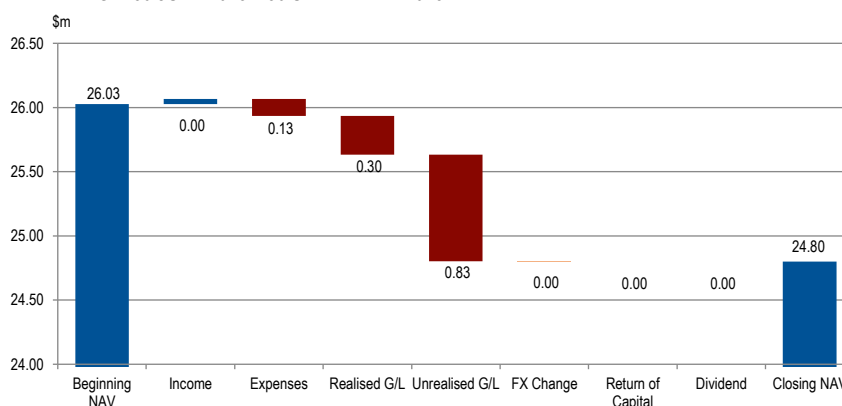
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. Inception to date, \$125 million (equivalent to 100% of original capital) has been distributed (income by way of dividend and 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:	\$1.0601
Share Price:	\$1.035
Share Price Discount vs. NAV	(2.4)%
Market Cap.	\$24.2m
Total NAV	\$24.8m
No. of issuers	14
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:	GG00BG5NC876
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 30 JUNE 2018 – 30 SEPTEMBER 2018



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. Bank Global 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

NBDD is in the harvest period and the investment manager is working to restructure, reorganise, and realise exits for each investment to maximise the value of the portfolio for the shareholders. During the harvest period, the investment manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable.

The investment manager uses economic, industry and issuer specific data to estimate the gross realisable value in downside, base case and upside scenarios for each investment in the portfolio. It currently estimates the range of the aggregated realisable value for the investments in the portfolio is between 89% and 177% of the 30 September 2018 market values of these investments, with a base case of 132%. Shareholders should, however, note that: (i) the realisable values of the investments are calculated on a gross basis and, in particular, do not reflect the investment manager's management fee and investment-related expenses; and (ii) this range of aggregate realisable values is an estimate only, and there is no guarantee that the value actually realised will be within this range. Further details on the risks relating to "forward looking information" are set out at the end of this factsheet.

The investment manager's current expectation is that we will distribute 100% of 30 September 2018 NAV in 2019. Changes to timing are expected and will continue to be updated in the quarterly factsheets. For regulatory reasons, the final 10% of the total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all the outstanding shares of that class.

There was one exit during the quarter, as the last of the Chicago condominium investments was exited and this generated a total return of \$1.2 million. The exit was in line with the previous quarter's base case estimates for value and timing. Net cash of \$0.1 million was generated during the quarter from cash distribution on the exit. The ratio of total value (capital distributions, dividends and current NAV) to original capital is 120%.

Portfolio Update

NBDD ended the quarter with NAV per share of \$1.0601 compared to \$1.1124 at the end of June. The NAV decreased by 4.7% in the quarter, principally driven by unrealised losses in three equity investments. During the harvest period, a larger percentage of the fund's investments are in reorganised equities, including public equities, which were affected by the market volatility during the quarter. More detail can be found below. At quarter-end, 96% of NBDD's NAV was invested in distressed assets (including cash in subsidiary accounts, receivables and net payables) with 4% held in cash net of payables. The portfolio consists of 14 issuers across 10 sectors. The largest sector concentrations were in Lodging & Casinos, Surface Transportation, Building & Development and Utilities.

Data as at 30 September 2018. 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)
Michael Holmberg
Christopher Legge
Christopher Sherwell
Stephen Vakil

Portfolio Update continued

Notable events below describe activity in the investments during the quarter and post quarter-end¹.

- Lodging & Casino investment – During the third quarter we terminated the previously disclosed LOI negotiations with a potential buyer as they wished to change the terms of the transaction. We are currently in discussion with another interested party. We reduced the carrying value of this investment by 9% (\$0.6 million) to reflect the delay in timing and increased uncertainty of the transaction.

Significant Value Change (approximately 0.5% of NBDD NAV or +/- \$125,000)²

INDUSTRY	INSTRUMENT	Q318 TOTAL RETURN	MARKET VALUE	QUARTERLY PRICE CHANGE	COMMENT
Containers & Packaging	Private Equity	(\$0.4 million)	\$2.0 million	-16%	An inflationary raw material price environment negatively impacted margins as the company struggles to pass through the increased costs to its customers.
Five Point Holdings	Public Equity	(\$0.6 million)	\$2.9 million	-16%	Environmental clean-up concerns at one of the company's properties continue to weigh on the company. In addition, rising rates have impacted valuations in the homebuilding sector in general.
Lodging & Casino	Private Equity	(\$0.6 million)	\$6.7 million	-9%	See Portfolio Update above.

Sector Analysis – Auto Components

Our quarterly in-depth look at investments by sector focuses on NBDD's Auto Component exposure, which is its fifth largest sector, representing 9.6% of NAV.

NBDD owns First Lien Notes, Second Lien Convertible Notes, and private equity in an auto component company. The company is a global leader in stored electrical energy solutions, and one of the largest manufacturers and suppliers of lead-acid batteries for transportation and industrial applications in the world. We originally purchased secured notes that were converted to equity in 2015 following a lengthy Chapter 11 bankruptcy process that included significant negotiations with California State environmental regulators. Following the company's emergence from bankruptcy the newly hired management team identified opportunities to dramatically improve manufacturing capacity, eliminate costs, and capture market share from its largest competitors. The transformational business plan required incremental capital to upgrade technology and modernise manufacturing plants. Existing shareholders, including NBDD, funded the plan in 2017. Performance has been modestly below plan projections, but the plan is in-process and management remains confident in long-term profitability projections.

Exits

There was one exit during the quarter. This was the conversion of a partial realisation to an exit once the warranties at the property had expired. Inception to date, NBDD has had 41 exits with total return of \$41.0 million, IRR of 15% and ROR of 27%.

Exit 42

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 \$4.3 million. The total return on the investment for NBDD is \$1.2 million over 93 months. The IRR is 11% and ROR is 39%.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	IRR	ROR	MONTHS HELD
42	\$3.1 million	\$4.3 million	\$1.2 million	11%	39%	93

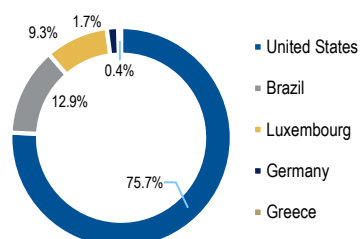
1. Notable corporate events may or may not result in an increase or decrease in the value of an NBDD investment or a change in NBDD's NAV per share. Please note that an investment may experience a change in value (positive or negative) during the quarter whether or not it was subject to a notable corporate 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. 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.

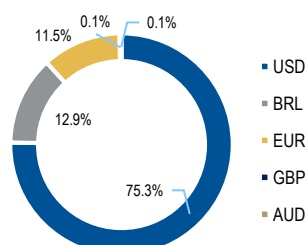
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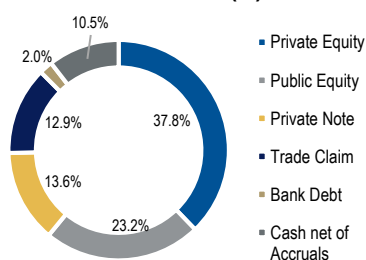
COUNTRY BREAKDOWN^{1,2} (%)



CURRENCY BREAKDOWN^{1,2} (%)



INVESTMENT TYPE³ (%)



SECTOR BREAKDOWN⁴ (%)

Lodging & Casinos	27.0%
Surface Transport	12.9%
Building & Development	12.1%
Utilities	11.8%
Auto Components	9.6%
Containers and Packaging	9.3%
Financial Intermediaries	3.8%
Forest Products	1.7%
Shipping	1.3%
Real Estate Development	0.0%
Unrestricted Cash and Accruals	6.9%
Restricted Cash	3.6%

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	Q217	\$2.0 million	\$2.7 million	\$0.3 million	\$1.0 million	27%	50%	69
4	Containers & Packaging	Q217	\$2.6 million	\$6.5 million	\$2.0 million	\$5.9 million	56%	230%	72

Distributions

There were no distributions during the quarter. Since inception, \$124.8 million (or 100% of original capital) has been approved / distributed to shareholders in the form of capital distributions and income dividends. The ratio of total value (capital distributions, income dividends and current NAV) to original capital is 120%.

Data as at 30 September 2018. 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 the Administrator, based on market value as of 30 September 2018.

2. Includes cash and accruals.

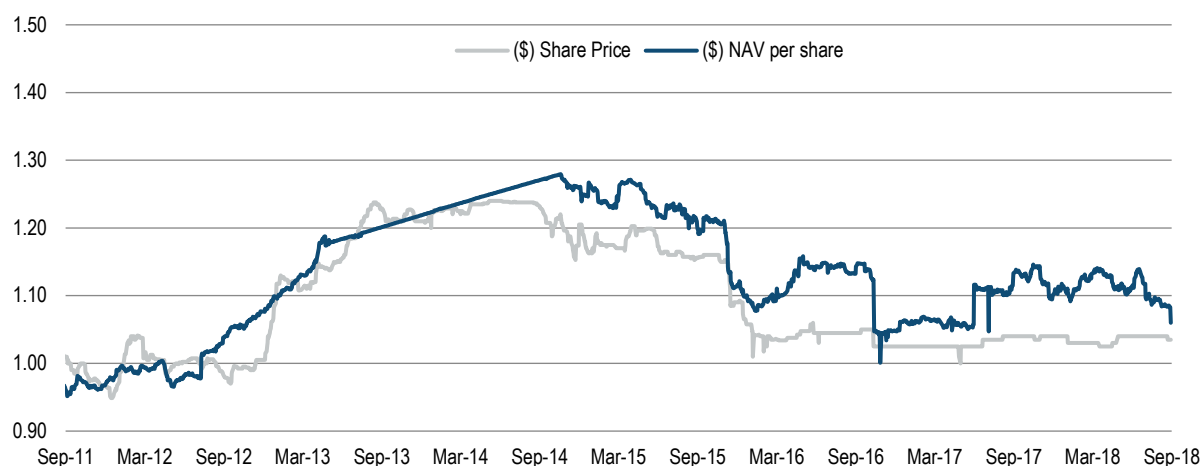
3. Cash includes restricted and unrestricted cash, net accruals.

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	27%	Hotel/lodging real estate
2	Surface Transportation	Trade Claim	Defaulted	Brazil	13%	Municipal claim
3	Building & Development	Post-Reorg Equity	Post-Reorg	US	12%	Residential real estate
4	Utilities	Secured Loan	Post-Reorg	US	10%	Power plants
5	Auto Components	Secured Notes	Post-Reorg	US	10%	Manufacturing plant
6	Containers and Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	8%	Manufacturing/distribution/real estate
7	Financial Intermediaries	Secured Notes	Defaulted	US	4%	Cash and securities
8	Forest Products	Secured Notes	Post-Reorg	Germany	2%	Manufacturing plant
9	Utilities	Secured Loan	Post-Reorg	US	2%	Power plants
10	Containers and Packaging	Post-Reorg Equity	Post-Reorg	UK	1%	Manufacturing/distribution/real estate
Total					89%	

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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