

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

30 September 2019

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.

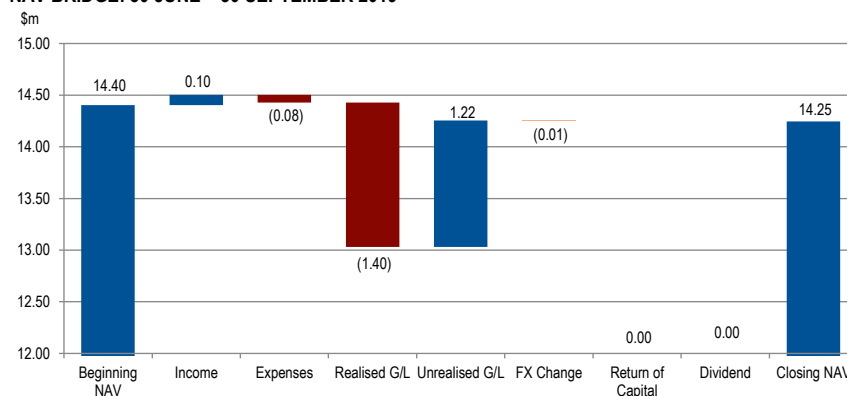
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. \$132.8 million (equivalent to 107% of original capital) has been distributed (income by way of dividend and capital by way 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:	\$0.9261
Share Price:	\$0.885
Share Price Discount vs. NAV	(4.4)%
Market Cap.	\$13.6m
Total NAV	\$14.3m
No. of issuers	12
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: 30 JUNE – 30 SEPTEMBER 2019



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

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. 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, currently expected in 2020.

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 154% of the 30 September 2019 market values of these investments, with a base case of 124%. 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 announcement.

There was one exit during the quarter detailed below in the factsheet. The ratio of total value (capital distributions, dividends and current NAV) to original capital remains at 118%.

Portfolio Update

NBDD ended the quarter with NAV per share of \$0.9261 as compared to \$0.9364 at the end of June 2019. The NAV decreased by 1.10% in the quarter, principally driven by unrealised losses in private packaging and utility private equity investments partially offset by a rebound in Vistra public equity shares. During the harvest period, reorganised equities, including public equities, represent a larger percentage of NBDD's investments. More detail can be found below. At quarter-end, 92% of NBDD's NAV was invested in distressed assets (including cash in subsidiary accounts, receivables and net payables) with 8% held in cash net of payables.

The portfolio consists of 12 issuers across 8 sectors. The largest sector concentrations were in surface transportation, utilities, building & development and auto components.

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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

Christopher Sherwell

Stephen Vakili

Portfolio Update (continued)

Public Equity

In the harvest period the public equity portion of the portfolio increased as the result of debt-for-equity conversions. The NBDD portfolio currently includes the following public equity holdings:

ISSUER	MARKET VALUE AT 30 SEPTEMBER 2019 (\$ millions)	% NAV
Vistra Energy Corp (f/k/a TECH)	2.8	19.4%
Five Point Holdings LLC	2.3	16.3%
Eagle Bulk Shipping Inc	0.2	1.2%
Star Bulk	0.1	0.5%
Total	4.9	33.9%

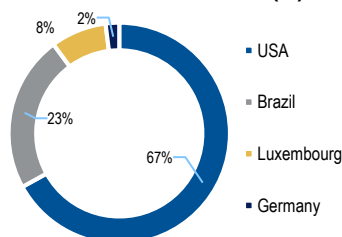
Notable events² below describe activity in the investments during the quarter and post quarter-end.

- **Pfleiderer** – Post quarter-end, NBDD sold its holding of subordinated debt to the company sponsor at an attractive value in excess of NBDD's carrying value. Sales proceeds of approximately \$0.4 million were at the base case estimate for this investment.
- **Vistra** – The investment manager decided to retain the NBDD public equity position, but sell the NBDD position, because at this point in NBDD's harvest period there will be one single 10% distribution to wind down the asset class. The investment manager believes that the timetable to final distribution in NBDD permits more time to realize further upside which it believes Vistra may have.

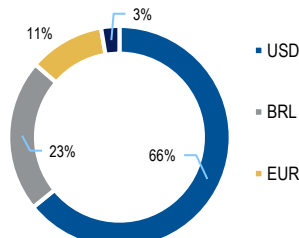
Significant Value Change (approximately 0.5% of NBDD NAV or +/- \$100,000)³

INDUSTRY	INSTRUMENT	3Q19 TOTAL RETURN (\$ in millions)	MARKET VALUE (\$ in millions)	QUARTERLY PRICE CHANGE	COMMENT
Vistra	Public Equity	\$0.4	\$2.8	+18%	Reported strong above consensus earnings
Utilities	Various	\$(0.2)	\$0.2	-57%	Reduced full year earnings guidance due to lower power prices
Packaging and Containers	Private Equity	\$(0.4)	\$1.0	-25%	Increasing leverage and continued challenge to improve profitability due to higher freight and energy costs.

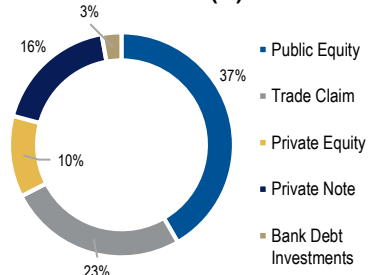
COUNTRY BREAKDOWN^{4,5} (%)



CURRENCY BREAKDOWN^{4,5} (%)



INVESTMENT TYPE⁶ (%)



Exits

There was one exit during the quarter. Inception to date, NBDD has experienced 44 exits with a total return of \$42.8 million, weighted average IRR of 14% and weighted average ROR of 27%.

Exit 44 – Utilities

NBDD purchased second lien debt (which was repaid in full through another financing), mezzanine debt, and units of reorganised equity in a 1000MW combined-cycle gas turbine power plant in central California. At the time of the purchases we believed the plant benefitted from significant collateral coverage: the second lien and equity both traded at deep discounts to replacement value and the original construction cost of the plant.

Unfortunately, following our purchases, increased investment in renewable energy sources (specifically, solar, wind, and hydro) had a negative effect on California power prices and significantly impacted cash flow and liquidity. The company ultimately filed for Chapter 11 bankruptcy protection in December 2016. As the bankruptcy progressed it became clear that there was no value to distribute to the equity and mezzanine debt, and the prices declined to nearly zero in early 2017. The first lien debt holders took control of the asset, so there was no recovery to the securities we owned beyond the principal and interest already received over the life of the investment.

Cash invested was \$3.7 million and cash received from coupon and principal repayments was \$3.4 million. The total return on the investment was (\$0.3) million over 107 months. The IRR was -3% and ROR was -8%.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	IRR	ROR	MONTHS HELD
44	£3.7 million	£3.5 million	£(0.3) million	-3%	-8%	107

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.

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 September 2019.

5. Includes cash and accruals.

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

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SECTOR BREAKDOWN⁷ (%)

Utilities	22.8%
Building & Development	20.7%
Auto Components	16.9%
Containers and Packaging	11.0%
Financial Intermediaries	8.1%
Forest Products	5.3%
Shipping	2.0%
Utilities	1.7%
Restricted cash net of accruals	0.9%
FX Forward	2.7%
Unrestricted cash net of accruals	8.0%

Partial Realisations

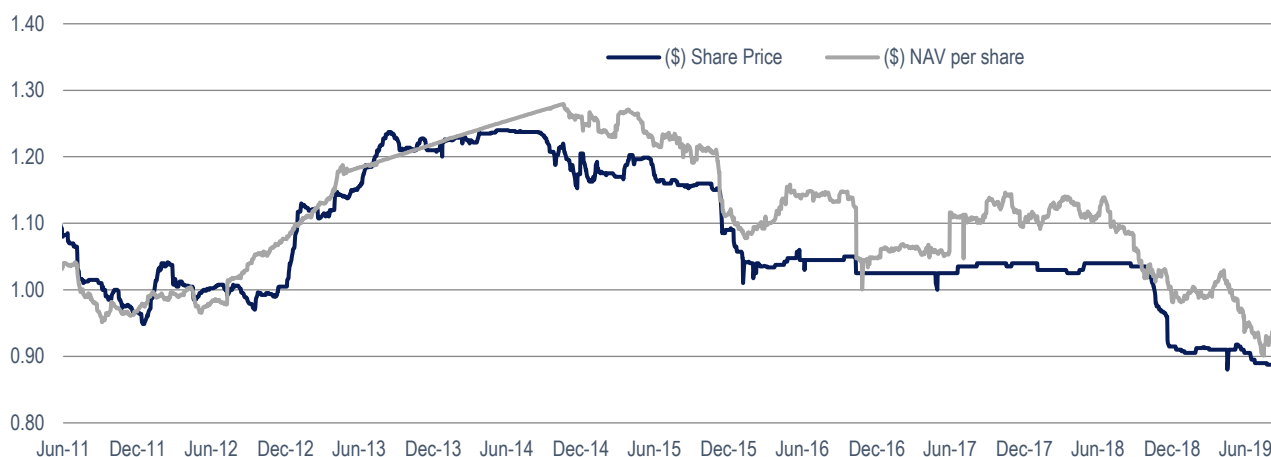
There was no activity during the quarter. The table below has been updated with current values.

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%	82
4	Containers & Packaging	2Q17	\$2.6 million	\$6.5 million	\$1.0 million	\$4.9 million	53%	191%	85

Distributions

As explained above, 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. The next distribution for NBDD will be the final distribution to investors and will wind down the share class. We believe there is material upside potential in four of our largest holdings and the timing of our last and final distribution is being pushed into the first half of 2020 in the hope of realising that upside. We will continue to update investors as we gain clarity on the realisations.

FUND PERFORMANCE⁸



PORTFOLIO COMPOSITION – TOP 10 HOLDINGS⁹

Holding	Industry	Current Instrument	Status	Country	% of NAV	Primary Assets
1	Surface Transportation	Trade Claim	Defaulted	Brazil	23%	Municipal claim
2	Utilities	Public Equity	Post-Reorg	US	19%	Power plants
3	Building & Development	Public Equity	Post-Reorg	US	16%	Residential real estate
4	Auto Components	Secured Notes/Private Equity	Post-Reorg	US	11%	Manufacturing plant
5	Containers and Packaging	Private Equity	Post-Reorg	Luxembourg	7%	Manufacturing/distribution/real estate
6	Financial Intermediaries	Secured Notes	Defaulted	US	5%	Cash and securities
7	Forest Products	Secured Notes	Post-Reorg	Germany	2%	Manufacturing plant
8	Utilities	Secured Loan/Private Equity	Post-Reorg	US	1%	Power plants
9	Shipping	Public Equity	Post-Reorg	US	1%	Maritime vessels
10	Containers and Packaging	Private Equity	Post-Reorg	UK	1%	Manufacturing/distribution/real estate
Total					86%	

7. 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.

8. Source: Bloomberg

9. 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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