

# 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.

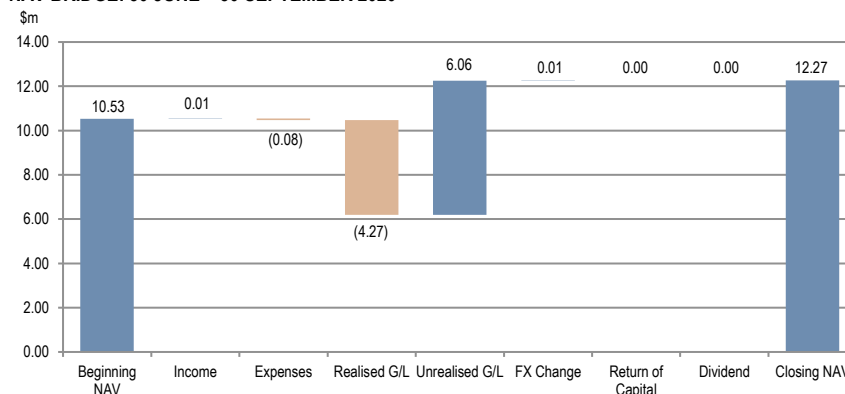
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. \$132.8 million (equivalent to 107% of original capital) has been distributed (income by way of dividend and capital by way 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 FACTS<sup>1</sup>

NAV Per Share:	\$0.7975
Share Price:	\$0.645
Share Price Premium to NAV	-19.1%
Market Cap.	\$9.9m
Total NAV	\$12.3m
No. of issuers	6
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:	<a href="http://www.nbddif.com">www.nbddif.com</a>
Fund Type:	Closed-ended Investment Company

## NAV BRIDGE: 30 JUNE – 30 SEPTEMBER 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

As global virus outbreaks continue to occur, the COVID-19 virus remains the primary issue for investors. The outbreaks and calls for additional lockdowns diminish near term virus containment hopes, while also restricting behaviour and curtailing more robust economic activity. Consequently, investors continue to monitor therapeutic treatment improvements as well as the prospects and timing for a large-scale vaccine development and distribution. Given these circumstances, the financial impact on the portfolio remains difficult to predict. 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. We continue to work on the exit of one investment that will determine the final distribution date. The investment manager has announced that, in light of the delay in winding down the share class, it is waiving the advisory fee on cash and cash equivalent balances held by the share class while it is unable to make any distributions due to the final 10% holdback period. This is effective from 1 October 2020.

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 NBDD and will keep investors informed as there is more clarity.

While uncertainty in markets remains, we have reviewed the remaining investments to provide guidance on their realisable values. 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 that the range of the aggregated realisable value for the investments in the portfolio is between 73% and 193% of the 30 September 2020 market values of these investments, with a base case of 140%. Shareholders should, however, note that: (i) the realisable values of the investments are calculated on a gross basis and, in particular, do not reflect any applicable investment management fee and investment-related expenses; and (ii) this range of aggregate realisable values is an estimate only, with 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.

## Portfolio Update

NBDD ended the quarter with a NAV per share of \$0.7975 compared with \$0.6845 at the end of June 2020. The NAV increased 16% in the quarter, principally driven by operating improvement at the packaging company investments resulting in a higher equity price. At quarter-end, 51% of NBDD's NAV was invested in distressed assets (including net cash held in subsidiaries), with 49% held in cash including U.S Treasury securities. Cash continues to build as assets are realised.

The portfolio consists of 6 issuers across 5 sectors. The largest sector concentrations were in containers & packaging, surface transportation, and financial intermediaries. There was one exit during the quarter, detailed below. The ratio of total value (capital distributions, dividends and current NAV) to original capital increased to 117%.

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## FUND MANAGERS

**Michael Holmberg**  
32 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

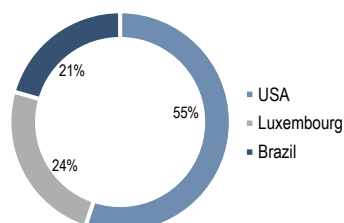
## Portfolio Update (continued)

There were no notable events<sup>2</sup> during the quarter

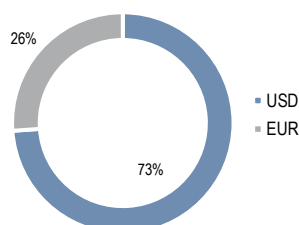
### Significant Value Change (+/- \$100,000)<sup>3</sup>

INDUSTRY	INSTRUMENT	3Q20 TOTAL RETURN (\$ in millions)	MARKET VALUE (\$ in millions)	QUARTERLY PRICE CHANGE	COMMENT
Packaging	Private Equity	\$1.6	\$2.6	+140%	Performance at company improved during the quarter
Packaging	Public Equity	\$0.2	\$0.4	+138%	Performance at company improved during the quarter
Financial Intermediary	Secured Notes	\$0.1	\$0.6	+20%	Notes improved valuation after a decline in the secondary market during Q1 20 and Q2 20. No change in credit quality.

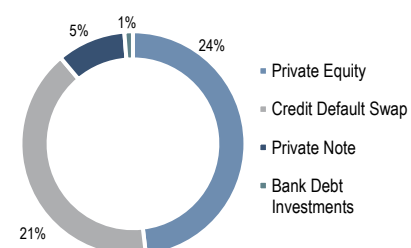
## COUNTRY BREAKDOWN<sup>4,5</sup> (%)



## CURRENCY BREAKDOWN<sup>4,5</sup> (%)



## INVESTMENT TYPE<sup>5</sup> (%)



## SECTOR BREAKDOWN<sup>6</sup> (%)

Containers and Packaging	24%
Surface Transport	21%
Financial Intermediaries	5%
Building & Development	1%
Auto Components	<1%
Restricted cash	<1%
Net Unrestricted Cash, U.S.	
Treasury securities and FX	49%

## Exits

There was one exit during the quarter with total return of (\$0.2 million). Inception to date, there have been 50 exits with a total return of \$39.8 million, weighted average IRR of 12% and weighted average ROR of 22%.

### Exit 50 Utilities Investment

NBDD invested \$2.3 million in the senior secured debt of a utility company. The company owns a modern, 695MW, highly efficient mine-mouth coal plant with environmentally compliant components located in northern West Virginia. The plant began operations in 2011 but initially faced operational issues due to construction defects. The company filed for Chapter 11 bankruptcy protection in 2020 due to continued low power prices and reduced access to capital due to the Coronavirus pandemic. The private equity and loan which NBDD owned did not receive any recovery in the Chapter 11 case. The investments had been priced close to zero as the details in the Chapter 11 case were known in the market. Total return was (\$0.2 million). IRR was (1%) and ROR was (11%) over the holding period of 91 months.

EXIT	CASH INVESTED	CASH RECEIVED	TOTAL RETURN	IRR	ROR	MONTHS HELD
50	\$2.3 million	\$2.1 million	(\$0.2 million)	-11%	-11%	99

## Partial Realisations

There was no capital 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	\$0.4 million	\$1.2 million	27%	59%	95
4	Containers & Packaging	2Q17	\$2.6 million	\$6.5 million	\$2.6 million	\$6.5 million	54%	254%	97

## 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 in 2021. We will continue to update investors as we gain clarity on the realisations.

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.

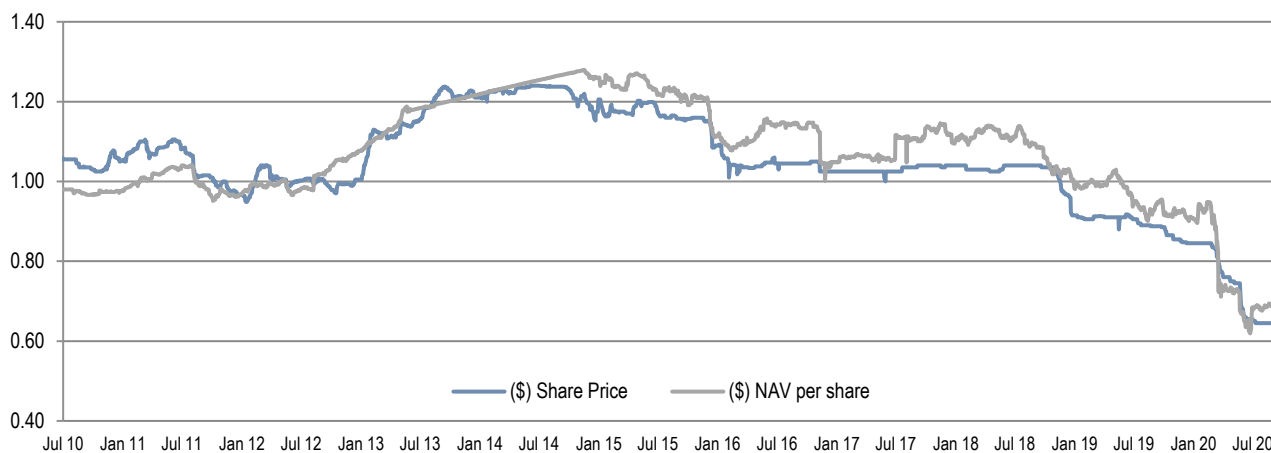
4. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 30 September 2020.

5. Includes cash and accruals.

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.

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## FUND PERFORMANCE<sup>7</sup>



## PORTFOLIO COMPOSITION – TOP 6 HOLDINGS<sup>6</sup>

Holding	Industry	Current Instrument	Status	Country	% NAV	Primary Assets
1	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Germany	21%	Manufacturing Plant and Equipment
2	Surface Transport	Trade Claim	Defaulted	Brazil	21%	Municipal Claim
3	Financial Intermediaries	Secured Notes	Post-Reorg	US	5%	Cash & Securities
4	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Germany	3%	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
					<b>51%</b>	

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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