

NB Distressed Debt Investment Fund Limited Ordinary Shares

NEUBERGER BERMAN

December 31, 2014

FUND OBJECTIVE

NB Distressed Debt Investment Fund Limited ("NBDDIF") is a Guernsey-incorporated closed-ended investment company that launched in June 2010. NBDDIF's 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 owns holdings 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 Ordinary Share Class ("NBDD") expired. The assets of NBDDIF attributable to the Ordinary Shares were placed into run-off following the expiry of the Investment Period. The net proceeds from the realization of such assets will be distributed to Ordinary Shareholders in such times and amounts as determined by the Board of Directors, with four distributions having been made in 2014.

The Ordinary Shares are one of three classes of shares in NBDDIF. The other classes are the Extended Life Share Class and the New Global Share Class, which both offer exposure to new opportunities in this asset class beyond 10 June 2013. The Extended Life Share Class is subject to an investment period ending on 31 March 2015 and the new Global Share Class is subject to an investment period ending on 31 March 2017. Separate factsheets are produced for those share classes.

MANAGER COMMENTARY

Summary

We were gratified to see the positive NAV movement achieved in 2014. NBDDIF expects to make a fifth capital distribution to shareholders in the first quarter of 2015 in respect of NBDD. In the fourth quarter of 2014, we exited a position that contributed positively to NAV. We continue to see significant upside potential in the existing portfolio, which we expect to realise as we restructure and exit investments.

Portfolio

As at 31 December 2014, 92.9% of the NBDDIF Ordinary Share NAV ("NBDD's NAV") was invested in distressed assets. NBDD's NAV per share increased 3.3% in 2014, to \$1.2593 from \$1.2189 per share. NAV benefited from the reversal of an accrual for performance fees of \$0.0116 per share, or approximately 1.0% of NBDD's NAV². We believe that performance comparison versus other distressed debt managers is indicated by the HFRI Distressed/Restructuring Index³ which returned negative 1.0% in 2014.

In the fourth quarter of 2014, NBDD's NAV per share decreased 0.9%, primarily due to market-to-market declines of existing positions partially offset by the above-mentioned reversal of an accrual for performance fees. The mark-to-market environment for distressed debt was challenging in the quarter, as indicated by the HFRI Distressed/Restructuring Index which declined 3.6% in the fourth quarter. During the quarter we saw our 27th exit since inception, which is described in detail below.

Exits

In the fourth quarter of 2014, we saw our 27th exit since inception. This exit generated \$0.7 million of total income and gains for NBDD.

Investment 27: We purchased \$4.6 million face value of a secured loan at 91.2% of par, secured by a portfolio of commercial office and industrial properties in the U.S. Prior to our purchase, the borrower had defaulted at maturity of the loan and began to liquidate properties to repay creditors. Our investment thesis was that the proceeds from asset sales would be sufficient to repay par plus accrued interest. Over the ensuing 16 months, sufficient assets were sold to repay our position in full. Total income from this investment was \$0.7 million.

FUND MANAGERS



MICHAEL HOLMBERG
27 years investment experience



PATRICK FLYNN
23 years investment experience

KEY STATISTICS (as at December 31, 2014)¹

| | |
|--|-----------|
| NAV Per Share: | \$1.2593 |
| Share Price: | \$1.2050 |
| Share Price (Discount) / Premium vs. NAV | (4.31)% |
| Market Cap | \$105.96m |

KEY INFORMATION

| | |
|-------------------|------------------------------------|
| Fund Type: | Closed-ended Investment Company |
| Launch Date: | 10 June 2010 |
| Base Currency: | USD |
| NAV Frequency: | Daily |
| Domicile: | Guernsey |
| Year End: | 31 December |
| Management Fee: | 1.5% |
| Bloomberg Ticker: | NBDD |
| ISIN: | GG00BSNLHB54 |
| Website: | www.nbddif.com |

DIRECTORS

Robin Monro-Davies (Chairman)

Talmi Morgan

John Hallam

Christopher Sherwell

Michael Holmberg

Patrick Flynn

Data as at December 31, 2014, unless otherwise stated. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDD.

1. Source: Bloomberg, except as otherwise noted.

2. The reversal of the accrual of performance fees occurred because NBDD did not meet the Ordinary Share Hurdle Rate in 2014.

3. The HFRI Distressed/Restructuring Index reflects distressed restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings (provided by Hedge Fund Research, Inc.).

EXITS

| Exit | Industry | Instrument | Entry Value ¹ | Exit Value ¹ | Timing | Catalyst | ROR ² | IRR ³ |
|------|---------------------|--------------|--------------------------|-------------------------|-----------|-------------|------------------|------------------|
| 27 | Commercial Mortgage | Secured Loan | 91.2% | 100.0% | 16 months | Liquidation | 17% | 24% |

TOP 10 HOLDINGS⁴

| Holding | Industry | Purchased Instrument | Status | Country | % of NAV | Primary Assets |
|---------|--------------------------|----------------------|------------|-----------|----------|--|
| 1 | Building & Development | Post-Reorg Equity | Post-Reorg | US | 8% | Residential real estate |
| 2 | REIT/REOCs | Private Equity | Current | US | 7% | Residential real estate |
| 3 | Lodging & Casinos | Secured Loan | Defaulted | US | 7% | Hotel/lodging real estate |
| 4 | Utilities | Post-Reorg Equity | Post-Reorg | US | 6% | Power plants |
| 5 | Financial Intermediaries | Private Equity | Current | Germany | 6% | Manufacturing/distribution real estate |
| 6 | Utilities | Secured Loan | Defaulted | US | 6% | Power plants |
| 7 | Utilities | Secured Loan | Current | Australia | 5% | Power plants |
| 8 | Utilities | Secured Loan | Defaulted | US | 4% | Power plants |
| 9 | Healthcare | Secured Loan | Defaulted | US | 4% | Senior multifamily residential real estate |
| 10 | Surface Transport | Trade Claim | Defaulted | Brazil | 3% | Municipal claim |
| Total | | | | | 56% | |

* 56% is the true percentage of NBDD's NAV. The sum of the individual holding numbers may appear larger due to rounding of decimal places.

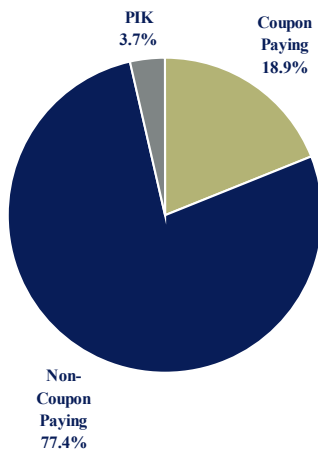
PERFORMANCE⁵



COUNTRY BREAKDOWN^{6,7} (%)

| | |
|----------------|-------|
| United States | 72.0% |
| Germany | 12.6% |
| Australia | 5.2% |
| Brazil | 3.2% |
| Luxembourg | 2.8% |
| Cayman Islands | 1.8% |
| Norway | 1.1% |
| United Kingdom | 0.8% |
| Greece | 0.5% |

COUPON PAYMENTS (excluding cash)⁶



SECTOR BREAKDOWN^{6,7} (%)

| | |
|----------------------------------|-------|
| Utilities | 24.0% |
| Financial Intermediaries | 16.7% |
| Building and Development | 10.6% |
| REITs/REOCs | 7.0% |
| Lodging & Casinos | 6.5% |
| Real Estate Development | 6.0% |
| Healthcare | 4.0% |
| Containers and Packaging | 3.6% |
| Surface Transport | 3.2% |
| Shipping | 2.2% |
| Air Transport | 1.5% |
| Commercial Mortgage | 1.2% |
| Forest Products | 0.9% |
| Industrial | 0.2% |
| Cash - Distressed Restricted | 5.1% |
| Cash & Accruals - Non Distressed | 7.1% |

CURRENCY BREAKDOWN^{6,7} (%)

| | |
|-----|-------|
| USD | 89.2% |
| EUR | 4.2% |
| BRL | 3.2% |
| AUD | 2.5% |
| GBP | 0.8% |

Data as at December 31, 2014. Past performance is not indicative of future returns. All comments unless otherwise stated relate to NBDD.

1. Actual price information is generally provided where investments have not been converted into other assets.

2. The Rate of Return (ROR) represents the change in value of the security (capital appreciation, depreciation and income) as a percentage of the purchase amount.

3. The annualized internal rate of return (IRR) was computed based on the actual dates of the cash flows of the security (purchases, sales, interest, principal paydowns).

4. Source: BNP Paribas as Fund Administrator - based on market value as at December 31, 2014. Excludes cash and short term investments.

5. Source: Bloomberg.

6. Categorizations determined by Neuberger Berman; percentages determined by Neuberger Berman and BNP Paribas as Fund 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. Includes cash and accruals.

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