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NB Distressed Debt Investment Fund Limited Ordinary Shares

December 31, 2015

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 the harvest period following the expiry of the investment period. Eight distributions totaling in excess of $93 million were made in 2014 and 2015 and the distribution described on the next page will increase this total to approximately $100 million or 80% of investors' original capital.

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 is subject to an investment period ending on 31 March 2017. Separate factsheets are produced for those share classes.

MANAGER COMMENTARY

Summary

In the fourth quarter of 2015, the NBDD NAV was impacted by mark-to-market volatility; however we believe that the true fundamental value of our positions will be realised over time given the quality of the underlying assets. Our portfolio also remains well diversified by sector.

Volatility across global markets, caused in large part by a decline in commodity prices and heightened risk aversion, led to a lack of buyers and increasingly limited liquidity across credit markets in the quarter. Mark-to-market volatility resulting from a lack of liquidity was compounded by forced selling from hedge funds which were under pressure to raise cash in order to meet redemptions. We believe our investment thesis remains intact and that distressed debt markets will recover. We remain positive about the investments in the portfolio and believe we can generate attractive returns from current mark-to-market valuations.

To date, NBDD has returned 75% of original capital ($93 million) to investors with another 5% ($7 million) approved to be distributed in 1Q16 (see the description on the next page) for total approved cash distributions of $100 million. NBDD has 26 remaining investments in various stages of restructuring. We continue to see upside potential in these investments, many of which have suffered from mark-to-market write-downs. We believe our portfolio to be undervalued and we continue to focus on returning capital to investors while also ensuring that we maximise the value of all assets in the portfolio. During the fourth quarter, there were positive and negative developments in certain investments, which are described in more detail below.

Portfolio

As of 31 December 2015, 93.2% NBDD's NAV was invested in distressed assets. Unrestricted cash at the quarter-end was 6.8% of NAV. NBDD's NAV per share decreased 6.9% in the fourth quarter, to $1.1160 from $1.1988. Volatility in global markets continues to impact valuations of almost all financial instruments. The increase in volatility has been caused by a number factors including the lack of liquidity in the leveraged loan and high yield bond markets and severe price declines in oil and other commodities.

We believe that performance relative to other distressed debt managers is best indicated by relevant distressed market indices including the HFRI Distressed/Restructuring Index[2], which declined 3.2% in the fourth quarter, and the performance of defaulted loans in the S&P/LSTA Index[3], which declined 18.1% in the fourth quarter. Other indications of the volatility in lower quality credit markets include the Credit Suisse[4] and Bank of America Merrill Lynch distressed high yield indices[5], which returned (18.1%) and (15.9%), respectively, during the fourth quarter. NBDD benefited from having no direct oil & gas exposure as compared to the indices; however, NBDD has indirect exposure to oil and natural gas prices through certain utility and power investments.

NBDD's NAV was impacted significantly during the quarter by mark-to-market gains/losses in post-reorganization equities, energy/utility investments, and financial investments. Significant events were:

- A California Supreme Court ruling that will potentially delay development of one of the real estate investments in the portfolio. The market price dropped as a result of the ruling in addition to a lack of liquidity in the post-reorganisation equity markets.
- A building and development equity investment was sold to a national homebuilder for a lower than expected price. We received one payment from the sales proceeds and there are additional distributions expected in 2016 and 2017 from escrows held back on the sale. The total investment (bank debt and equity) was a positive contributor to NBDD's NAV over the life of the investment.
- As previously reported, one of NBDD's utility investments announced that it reached an agreement to sell its core asset, a combined-cycle natural gas power plant in the eastern USA to a large power generating company. The bid price on the investment increased 12% during the fourth quarter.

We continue to actively manage the investments in our portfolio in order to generate profitable realisations through significant events (asset sales, legal outcomes, foreclosures, etc.), which to a certain extent, are not dependent on the liquidity of the credit markets, and to ultimately return capital to investors through consistent distributions.

FUND MANAGERS

MICHAEL HOLMBERG
27 years investment experience

BRENDAN MCDERMOTT
12 years investment experience

RAVI SONI
11 years investment experience

KEY STATISTICS (as at December 31, 2015)[1]

NAV Per Share:	$1.1160
Share Price:	$1.0900
Share Price (Discount) / Premium vs. NAV	(2.33)%
Market Cap	$53.23m

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:	GG00BDB6PT19
Website:	www.nbddif.com

DIRECTORS

John Hallam (Chairman)
Sarah Evans
Michael Holmberg
Christopher Sherwell
Stephen Vakil (effective 5 February 2016)

Data as at December 31, 2015, 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 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.).*
3. *This refers to the D-rated cohort of the S&P /LSTA Leveraged Loan Index indicating defaulted loans. The S&P/LSTA Leveraged Loan Index is designed to mirror the investible universe of the $US-denominated leveraged loan market.*
4. *Credit Suisse High Yield Index is designed to mirror the investible universe of the $US-denominated high yield debt market. The distressed/default rating index includes issuers who have filed for bankruptcy protection or missed a coupon payment and the grace period has expired; Standard & Poor rating is D,CC or C and/or Moody's rating is Ca or C (provided by Credit Suisse).*
5. *The BofA Merrill Lynch US Distressed High Yield Index is a subset of the BofA Merrill Lynch US High Yield Index including all securities with an option-adjusted spread greater than or equal to 1,000 basis points. The BofA Merrill Lynch US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market (data source: Bloomberg).*
6. *The term 'weighted average IRR', as used in this fact sheet, is determined by Neuberger Berman by calculating, for each investment exit, (A) the investment exit's original purchase price, divided by (B) the total of all investment exits' original purchase prices, multiplied by (C) the IRR for the applicable investment exit. Neuberger Berman then calculates the sum of the figures calculated in the prior sentence for all of investment exits for the share class. The weighted average IRR inception to date in the September 30, 2015 fact sheet was 19%. The correct weighted average IRR was 20% as of September 30, 2015.*

Exits

We had one exit in the quarter bringing the total exits in NBDD over the life of the fund to 31 exits generating net gains of $24.8 million and a weighted average IRR[6] of 20% since inception to date.

Shipping Investment: NBDD purchased $1.1 million face value of a senior secured loan at 89% of par in June 2013. The loan was performing and lenders benefited from strong asset coverage, stable cash flows and the protections inherent in the Jones Act operating model for shipping vessels. We anticipated a par recovery upon a refinancing in advance of the June 2016 maturity with relatively low volatility. The company completed its refinancing in November 2015 and we generated an 8% IRR on our investment. Total income from the investment was $0.2 million.

Face Value	Entry price	Exit Price	IRR
$1.1 million	89.00%	100.00%	8%

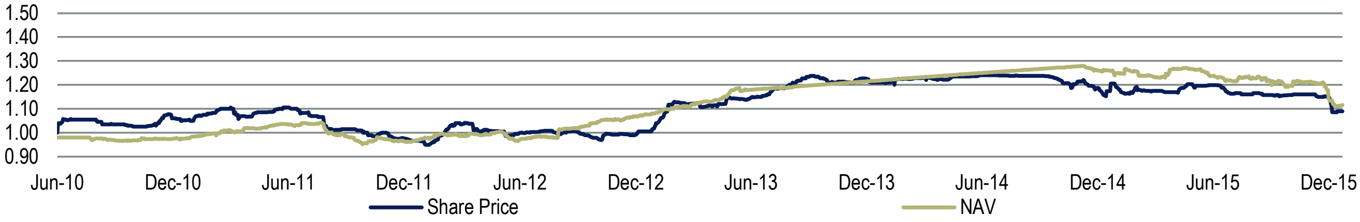
Capital Return

The Board of Directors resolved to return $7.0 million (equivalent to approximately $0.1432 per share) to holders of NBDD shares by way of a compulsory partial redemption of NBDD shares. The current distribution comprises all unrestricted cash available to the NBDD share class, save for amounts required for working capital requirements. Cash available for distribution includes repayments of principal and distributions received during the quarter in addition to cash received from exits. See www.nbddif.com for further information.

TOP 10 HOLDINGS[1]

Holding	Industry	Purchased Instrument	Status	Country	% of NAV	Primary Assets
1	Lodging & Casinos	Secured Loan	Defaulted	US	13%	Hotel/lodging real estate
2	Utilities	Post-Reorg Equity	Post-Reorg	US	12%	Power plants
3	Building & Development	Post-Reorg Equity	Post-Reorg	US	10%	Residential real estate
4	Utilities	Secured Loan	Current	Australia	6%	Power plants
5	REIT/REOCs	Private Equity	Current	US	5%	Residential real estate
6	Surface Transportation	Trade Claim	Defaulted	Brazil	5%	Municipal claim
7	Utilities	Secured Loan	Defaulted	US	3%	Power plants
8	Surface Transportation	Secured Loan	Defaulted	US	3%	Aircraft
9	Containers and Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	2%	Manufacturing/distribution/real estate
10	Commercial Mortgage	Secured Loan	Current	US	2%	Commercial real estate
Total					61%	

PERFORMANCE[2]



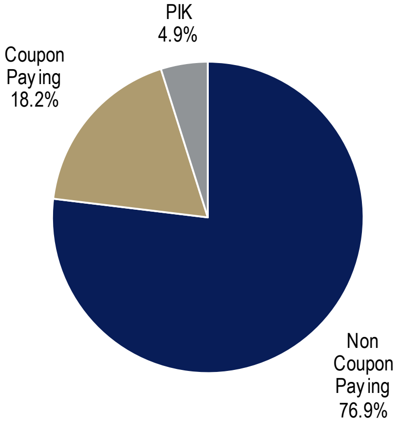
COUNTRY BREAKDOWN[3,4] (%)

United States	80.5%
Australia	5.6%
Brazil	4.8%
Germany	3.3%
Luxembourg	2.4%
Cayman Islands	1.8%
Great Britain	1.6%
Greece	0.0%

CURRENCY BREAKDOWN[3,4] (%)

USD	85.2%
BRL	4.8%
EUR	4.7%
AUD	3.8%
GBP	1.6%

COUPON PAYMENTS (excluding cash)[3]



SECTOR BREAKDOWN[3,4] (%)

Utilities	24.7%
Lodging & Casinos	12.8%
Building & Development	10.3%
Financial Intermediaries	6.1%
Real Estate Investment Trusts (REITs)	5.1%
Surface Transport	4.8%
Containers and Packaging	4.0%
AirTransport	2.9%
Real Estate Development	2.5%
Commercial Mortgage	2.3%
Forest Products	1.8%
Industrials	1.4%
Shipping	0.3%
Restricted Entity Cash and Accruals	14.3%
Total Distressed Investments	93.2%
Cash, Cash Equivalents and Accruals	6.8%

Data as at December 31, 2015. 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 U.S. Bancorp Fund Services (Guernsey) Limited / Quintillion Limited, as administrator to NBDDIF, based on market value as of December 31, 2015. Excludes cash and short term investments.*
2. *Source: Bloomberg.*
3. *Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bancorp Fund Services (Guernsey) Limited / Quintillion Limited 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.*
4. *Includes cash and accruals.*