

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

31 December 2017

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.

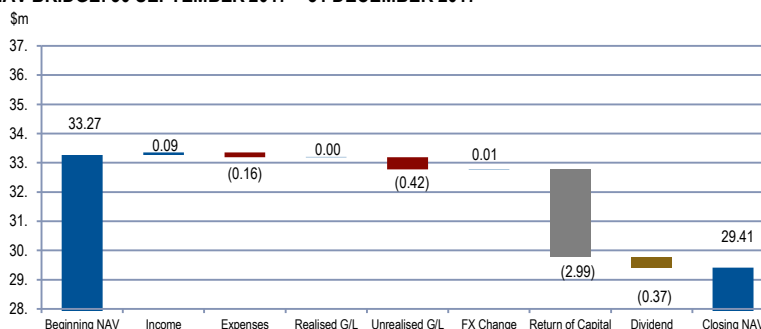
On 10 June 2013, the investment period of the NBDD Share Class (“NBDD”) expired and the assets of NBDDIF attributable to the Ordinary Shares were placed into the harvest period. Including the \$3.0 million capital distribution by way of redemption paid in Q417 and the \$0.3 million income dividend declared in November to be paid in Q118 (as described below), \$121.1 million (equivalent to 98% of original capital) has been approved for distribution (income by way of dividend and capital by way of redemption) to shareholders since the realisation phase for this share class.

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:	\$1.101
Share Price:	\$1.040
Share Price Discount vs. NAV	(5.5)%
Market Cap.	\$27.8m
Total NAV	\$29.4m
No. of issuers	17
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:	GG00BF52R043
Website:	www.nbddif.com
Fund Type:	Closed-ended Investment Company

NAV BRIDGE: 30 SEPTEMBER 2017 – 31 DECEMBER 2017



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 further 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. Bancorp 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.

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. The Investment Manager currently estimates the range of the aggregated realisable value for the investments in the portfolio is between 90% and 166% of the 2017 year-end market values of these investments, with a base case of 135%. 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.

Management currently expects to distribute 60-65% of remaining NAV to shareholders in 2018, 35-40% in 2019, and any remainder in 2020. The Investment Manager will review and, where appropriate, update these ranges and expectations in the quarterly factsheets going forward.

NAV return adjusted for the income dividend (\$0.3 million or \$0.014 / share) decreased by 1.6% in the quarter with unrealised gains in the private notes of an Auto Components company offset by unrealised losses in the private equity of a Las Vegas land investment and trade claims of a Brazilian surface transportation company. For the year, the adjusted NAV return was 6.4%. NBDD made a capital distribution of \$3.0 million during the quarter and approved an income dividend of \$0.3 million to bring total distributions (by way of income dividends and redemption of shares) to \$121.1 million or 98% of original capital.

Net cash of \$0.1 million was generated during the quarter, made up of \$0.1 million from repayment of a second lien loan for a shipping investment. There were no exits during the quarter. The ratio of total value (capital distributions, dividends and current NAV) to original capital remained at 121% at the end of the quarter.

Portfolio Update

NBDD ended the quarter with NAV per share of \$1.101 compared to \$1.1331 at the end of September. After accounting for the income dividend declared on 30 November 2017 of \$0.014, the adjusted NAV decreased by 1.6%. At quarter-end, 97% of the NAV was invested in distressed investments (including cash in subsidiary accounts, receivables and net payables) and 3% held in cash net of payables. The portfolio consists of 17 issuers across 11 sectors. The largest sector concentrations were in Lodging & Casinos, Utilities, Building & Development, and Surface Transportation.

Data as at 31 December 2017. 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 Sherwell
Stephen Vakil

Portfolio Update continued

Outside of the investments detailed below, the portfolio was relatively unchanged. Notable events below describe activity in the investments over the quarter¹.

- Lodging & Casino investment – Purchase agreement with potential buyer was terminated due to concerns regarding the buyer's ability to obtain the necessary financing. The owners of the property continue to receive unsolicited interest in the property and are deciding next steps.
- Eagle Bulk Shipping – The company completed a capital structure refinancing and corporate restructuring. The deal refinanced a credit facility put in place as part of the company emergence from bankruptcy in 2014 as well as a high cost second lien PIK loan. The deal will lower interest expense and facilitate management's strategy of selectively adding new assets at attractive prices.
- Vistra – The company announced it was acquiring Dynegy. The deal allows the company to diversify into new markets, generate substantial synergies, and utilise its under levered balance sheet.
- Five Point Holdings – The company completed a \$450 million debt financing to provide funds to begin development of Newhall Ranch, a master planned community development outside of Los Angeles, CA.

Significant Value Change (approximately 0.5% of NBDD NAV or +/- \$175,000)²

INDUSTRY	INSTRUMENT	Q417 TOTAL RETURN	MARKET VALUE	COMMENT
Auto Components	Private Notes	\$0.2 million	\$2.2 million	Operating performance improving
Surface Transportation	Trade Claim	(\$0.3 million)	\$3.4 million	Pricing adjusted for tax withholding
Lodging & Casinos	Private Equity	(\$0.4 million)	\$6.6 million	Sale of property terminated

Sector Analysis

To continue the in-depth look at investments by sector, below is a review of the Utility holdings, which is NBDD's second largest sector, representing 18.2% of NAV. This provides a description of all investments in the sector, including their investment thesis and expected exit strategy.

Utilities (18.2% of NAV)

Investment #1 – 11.3% of NAV

NBDD purchased a performing secured loan at a discount to par value issued by the largest owner of wind farms in Australia. Collateral for the loan includes six large-scale wind farms and a solar farm with combined installed capacity of 557 megawatts. At the time of the investment, the company also owned interests in US and German wind farms. The US and German assets were sold and the proceeds were used to partially pay down the secured loan at par. The company's operating assets generate enough power to meet the needs of over 250,000 homes annually, saving over a million tons of carbon dioxide emissions per year. All of the company's assets generate electricity from renewable sources and are eligible to sell Large-Scale Generation Certificates (LGCs) under the Renewable Energy Target and the Renewable Energy Act (2000). The company is performing well and has stated a desire to refinance the secured loan in the near future. To date, the return on investment represents a 1.16x multiple on invested capital.

Investment #2 Vistra – 6.5% of NAV

NBDD originally purchased pre-petition secured bank debt on the generating assets and retail operations of TXU, the largest electricity generator, distributor, and retail electricity provider in Electric Reliability Council of Texas (ERCOT). The company filed for bankruptcy due to depressed power and natural gas prices and an over levered balance sheet. Pre-petition secured lenders converted their interests into reorganised equity of the generation and retail businesses. The reorganised company trades at a discount to other public comps despite a high value retail business, high quality nuclear and CCGT (high efficiency gas) assets, and the lowest leverage in the industry. Equity holders will benefit from recently announced coal plant closures in ERCOT, which, along with growing demand, supports a tightening reserve margin and rising power prices. The company also recently announced its agreement to acquire a diversified competitor, Dynegy, which would generate significant synergies and tax savings. To date, the return on investment represents a 0.89x multiple on invested capital.

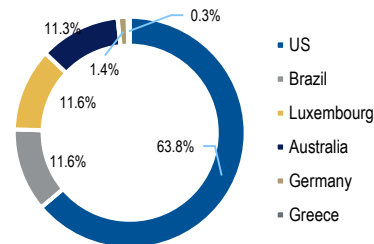
1. Notable corporate events may or may not result in an increase or decrease in the value of an NBDD investment or a change in NBDD's NAV per share. Please note that an investment may experience a change in value (positive or negative) during the quarter whether or not it was subject to a notable corporate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

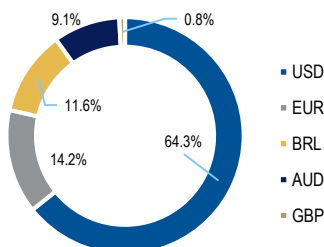
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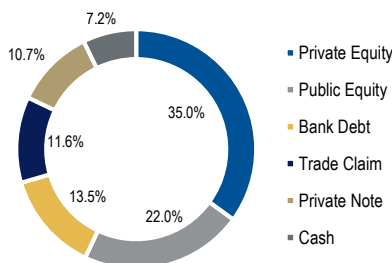
COUNTRY BREAKDOWN^{1,2} (%)



CURRENCY BREAKDOWN^{1,2} (%)



INVESTMENT TYPE³ (%)



SECTOR BREAKDOWN⁴ (%)

Lodging & Casinos	22.3%
Utilities	18.2%
Building & Development	15.2%
Surface Transport	11.6%
Containers and Packaging	11.6%
Auto Components	7.4%
Financial Intermediaries	3.1%
Forest Products	1.4%
Shipping	0.9%
Real Estate Development	0.6%
Air Transport	0.5%
Restricted cash net of accruals	4.6%
Unrestricted cash net of accruals	3.1%

Sector Analysis continued

Investment #3 – 0.4% of NAV

NBDD purchased first lien debt in a 695 MW single-unit supercritical cycle pulverized coal-fired mine-mouth generating facility located in Madsville, WV, approximately 70 miles south of Pittsburgh. NBDD currently holds post reorganised equity units and a portion of an unsecured loan provided to the company by the equity holders. At the time of our purchases we believed the plant benefitted from significant collateral coverage: the first lien debt traded at \$783/kW, a discount to estimated replacement costs (~\$2,000/kW) and to the construction cost (~\$2,600/kW). We also believed that the decommissioning of coal plants in the PJM Interconnection would improve the plant's position in the dispatch curve and significantly improve energy margins. The company filed for bankruptcy and bank debt was exchanged for private equity. In 2017, the company needed liquidity and approached equity holders for a cash infusion in the form of an unsecured loan. Subsequently, due to operational issues and low power prices caused by excess gas supply in the Marcellus basin, projected cash flow has not materialised as expected. The plant is facing a projected liquidity shortfall in 2018 and will likely need new capital and a negotiated solution between debt and equity holders. We are working with other equity holders to determine a solution. We believe the plant has long-term value provided the recent operational issues are only temporary and that potential gas transmission projects and coal-fired retirements come to fruition. To date, the return on investment represents a 0.34x multiple on invested capital.

Investment #4 – 0.0% of NAV

NBDD began purchasing second lien debt and subsequently added to the position by purchasing a portion of mezzanine debt and units of reorganised equity in a 1000MW combined-cycle gas turbine power plant in central California. The second lien debt was refinanced and only equity and mezzanine loan remain in the portfolio. At the time of our purchases we believed the plant benefitted from significant collateral coverage: the second lien traded at \$366/kW while the equity traded at \$467/kW; both deep discounts to replacement value (~\$1,000/kW) and the original construction cost of the plant (~\$800/kW). Increased investment in renewable energy sources (specifically, solar, wind, and hydro) has had a negative effect on California power prices and significantly impacted cash flow and liquidity. The company hired restructuring advisors and filed for Chapter 11 bankruptcy protection. As the bankruptcy process progressed it was clear that no value would accrue to the junior securities so we have written down the value of the mezzanine debt and equity to zero. To date, the return on investment represents a 0.95x multiple on invested capital.

Exits

There were no exits this quarter.

Partial Realisations

There was no activity during the quarter.

PARTIAL REALISATION	SECTOR	QUARTER REPORTED	CASH INVESTED	CASH RECEIVED TO DATE	CURRENT VALUE OF INVESTMENT	TOTAL RETURN	CURRENT IRR	CURRENT ROR	MONTHS HELD
1	Real Estate Development	Pre-2017	\$3.1 million	\$4.1 million	\$0.2 million	\$1.2 million	11%	39%	84
2	Air Transport	Pre-2017	\$1.3 million	\$2.3 million	\$0.1 million	\$1.1 million	22%	82%	55
3	Containers & Packaging	Q217	\$2.0 million	\$2.7 million	\$0.4 million	\$1.1 million	29%	56%	60
4	Containers & Packaging	Q217	\$2.6 million	\$6.5 million	\$3.0 million	\$6.9 million	61%	268%	63

Distributions

NBDD distributed approximately \$3.0 million to shareholders during the fourth quarter. In November, the Board approved an income dividend of \$0.3 million or \$0.014 / share, paid in January 2018, in accordance with NBDD's distribution policy which requires that all portfolio income be distributed after deducting reasonable expenses. In order to make these distributions cost effective, they are only paid once of a sufficient size and from cash available at that time, regardless of its source. This brings total distributions approved / distributed including income dividend and capital distributions to \$121.1 million or 98% of original capital.

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1. Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market value as of 31 December 2017.

2. Includes cash and accruals.

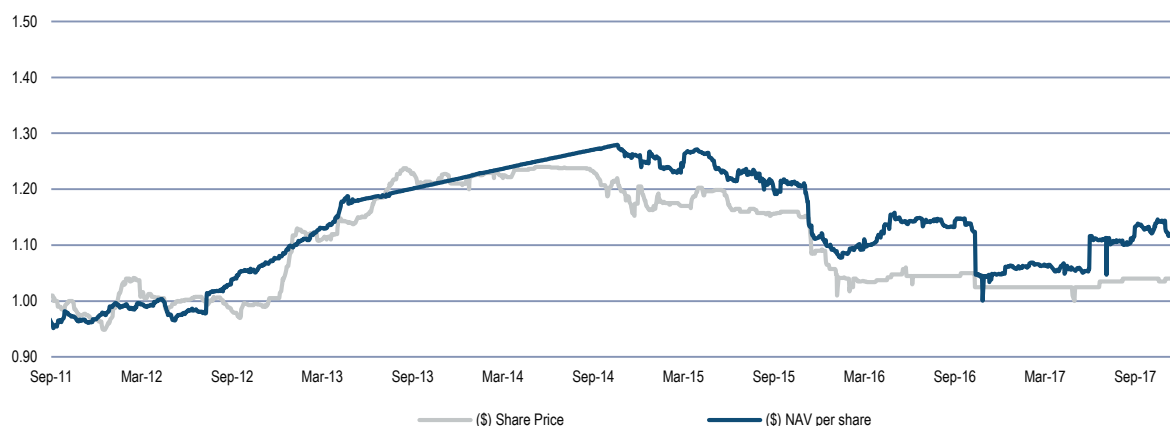
3. Cash includes restricted and unrestricted cash, net accruals.

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	22%	Hotel / lodging real estate
2	Building & Development	Post-Reorg Equity	Post-Reorg	US	15%	Residential real estate
3	Surface Transportation	Trade Claim	Defaulted	Brazil	12%	Municipal claim
4	Utilities	Secured Loan	Current	Australia	11%	Power plants
5	Containers & Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	10%	Manufacturing / distribution / real estate
6	Auto Components	Secured Notes	Post-Reorg	US	7%	Manufacturing plant
7	Utilities	Secured Loan	Post-Reorg	US	7%	Power plants
8	Financial Intermediaries	Secured Notes	Defaulted	US	3%	Cash and securities
9	Containers & Packaging	Post-Reorg Equity	Post-Reorg	UK	1%	Manufacturing / distribution / real estate
10	Forest Products	Secured Notes	Post-Reorg	Germany	1%	Manufacturing plant
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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The value of investments designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

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