



NB DISTRESSED DEBT INVESTMENT FUND LIMITED
2017 INTERIM REPORT

INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

Table of Contents

| | PAGE |
|---|-------------|
| COMPANY OVERVIEW | |
| Features | 2 |
| Capital Structure | 3 |
| 2017 INTERIM PERFORMANCE REVIEW | |
| Financial Highlights | 4 |
| Chairman's Statement | 6 |
| Investment Manager's Report | 8 |
| Portfolio Information | 20 |
| Ordinary Shares | 20 |
| Extended Life Shares | 22 |
| New Global Shares | 24 |
| GOVERNANCE | |
| Interim Management Report and Directors' Responsibility Statement | 26 |
| Independent Review Report | 28 |
| FINANCIAL STATEMENTS | |
| Unaudited Consolidated Statement of Assets and Liabilities | 29 |
| Unaudited Consolidated Statement of Operations | 30 |
| Unaudited Consolidated Statement of Changes in Net Assets | 31 |
| Unaudited Consolidated Statement of Cash Flows | 32 |
| Unaudited Consolidated Condensed Schedule of Investments | 33 |
| Notes to the Unaudited Consolidated Interim Financial Statements | 40 |
| ADDITIONAL INFORMATION | |
| Contact Details | 60 |

Features

NB Distressed Debt Investment Fund Limited (the "Company")

The Company is a closed-ended investment company incorporated and registered in Guernsey on 20 April 2010 with registration number 51774. The Company is governed under the provisions of the Companies (Guernsey) Law, 2008 (as amended) (the "Law"), and the Registered Collective Investment Scheme Rules 2015 issued by the Guernsey Financial Services Commission ("GFSC"). It is a non-cellular company limited by shares and has been declared by the GFSC to be a registered closed-ended collective investment scheme. The Company trades on the Specialist Fund Segment ("SFS") of the London Stock Exchange ("LSE").

The Company is a member of the Association of Investment Companies (the "AIC") and is classified within the Debt Category.

Investment Objective

The Company's 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 by, amongst other things, focusing on senior and senior secured debt with both collateral and structural protection.

Investment Policy

More information on the Company's investment policy is provided on pages 4 and 5 of the Annual Report and Financial Statements for the year ended 31 December 2016.

Alternative Investment Fund Manager ("AIFM") and Manager

Investment management services are provided to the Company by Neuberger Berman Investment Advisers LLC (the "AIFM") and Neuberger Berman Europe Limited (the "Manager"), collectively the "Investment Manager". The AIFM is responsible for risk management and discretionary management of the Company's portfolio and the Manager provides, amongst other things, certain administrative services to the Company.

Share Capital

At 30 June 2017 the Company's share capital comprised the following¹:

Ordinary Share Class ("NBDD")

35,218,587 Ordinary Shares, none of which were held in treasury.

Extended Life Share Class ("NBDX")

187,931,468 Extended Life Shares, none of which were held in treasury.

New Global Share Class ("NBDG")

99,538,585 New Global Shares, none of which were held in treasury.

For the purposes of efficient portfolio management, the Company has established a number of wholly-owned subsidiaries domiciled in the US, the Cayman Islands and Luxembourg. All references to the Company in this document refer to the Company together with its wholly-owned subsidiaries.

Non-Mainstream Pooled Investments

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment company, which if it were domiciled in the United Kingdom, would qualify as an investment trust.

Company Numbers

Ordinary Shares

LSE ISIN code: GG00BYT2S112

Bloomberg code: NBDD:LN

Extended Life Shares

LSE ISIN code: GG00BF2B4Y78

Bloomberg code: NBDX:LN

New Global Shares

LSE ISIN code: GG00BH7JH183

Bloomberg code: NBDG:LN

Legal Entity Identifier

YRF07WKOU3V511VFX790

Website

www.nbddif.com

1 In addition the Company has two Class A Shares in issue. Further information is provided in the Capital Structure section of this report on page 3.

Capital Structure

The Company's share capital consists of three different share classes, all of which are in the harvest period: the Ordinary Share Class; the Extended Life Share Class; and the New Global Share Class. These share classes each have different capital return profiles and, in some instances, different geographical remits. In addition the Company has two Class A Shares in issue. Each is considered in turn below.

Ordinary Share Class

NBDD was established at the Company's launch on 10 June 2010 with a remit to invest in the global distressed market with a focus on the North American distressed market. The investment period of NBDD expired on 10 June 2013.

| | |
|---------------------------|--------------------------------|
| Voting rights: | Yes |
| Denomination: | US Dollars |
| Hedging: | Portfolio hedged to US Dollars |
| Authorised share capital: | Unlimited |
| Par value: | Nil |

Extended Life Share Class

A vote was held at a class meeting of NBDD shareholders on 8 April 2013 where the majority of shareholders voted in favour of a proposed extension.

Following this meeting and with the NBDD shareholders' approval of the extension, on 9 April 2013 a new Class, NBDX, was created and the NBDX Shares were issued to 72% of initial NBDD investors who elected to convert their NBDD Shares to NBDX Shares. NBDX had a remit to invest in the global distressed market with a focus on the North American distressed market. The investment period of NBDX expired on 31 March 2015.

| | |
|---------------------------|--------------------------------|
| Voting rights: | Yes |
| Denomination: | US Dollars |
| Hedging: | Portfolio hedged to US Dollars |
| Authorised share capital: | Unlimited |
| Par value: | Nil |

New Global Share Class

NBDG was created on 4 March 2014 and had a remit to invest in the global distressed market with a focus on Europe and North America.

The investment period of NBDG expired on 31 March 2017.

| | |
|---------------------------|--------------------|
| Voting rights: | Yes |
| Denomination: | Pound Sterling |
| Hedging: | Unhedged portfolio |
| Authorised share capital: | Unlimited |
| Par value: | Nil |

Class A Shares

The Class A Shares are held by a trustee pursuant to a purpose trust established under Guernsey law. Under the terms of the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the right to receive notice of general meetings of the Company but the Trustee shall only have the right to attend and vote at general meetings of the Company when there are no other Shares of the Company in issue.

| | |
|---------------------------|-----------------------|
| Voting rights: | No |
| Denomination: | US Dollars |
| Authorised share capital: | 10,000 Class A Shares |
| Par value: | US Dollar \$1 |

Financial Highlights

Key Figures

| AT 30 JUNE 2017 (UNAUDITED) (US Dollars in millions, except per share data) | ORDINARY SHARE CLASS | EXTENDED LIFE SHARE CLASS | NEW GLOBAL SHARE CLASS | AGGREGATED |
|--|---------------------------------|--------------------------------------|-----------------------------------|-------------------|
| Net Asset Value ("NAV") | 39.3 | 196.7 | 119.3 | 355.3 |
| NAV per Share (\$) | 1.1163 | 1.0466 | 1.1987 | – |
| Share Price (\$) | 1.0250 | 0.9000 | 1.0327 ³ | – |
| NAV per Share (£) | – | – | 0.9228 | – |
| Share Price (£) | – | – | 0.7950 | – |
| Premium/(Discount) to NAV per Share | (8.18%) | (14.01%) | (13.85%) | – |
| Investments | 31.1 | 179.5 | 117.7 | 328.3 |
| - Portfolio of Distressed Investments | 31.1 | 179.5 | 113.7 | 324.3 |
| - Temporary Investments | – | – | 4.0 | 4.0 |
| Cash and Cash Equivalents | 7.5 | 31.9 | 8.7 | 48.1 |
| Total Expense Ratio ¹ | 2.06% | 2.07% | 1.92% | – |
| Ongoing Charges ² | 2.00% | 1.99% | 2.04% | – |

| AT 31 DECEMBER 2016 (AUDITED) (US Dollars in millions, except per share data) | ORDINARY SHARE CLASS | EXTENDED LIFE SHARE CLASS | NEW GLOBAL SHARE CLASS | AGGREGATED |
|--|---------------------------------|--------------------------------------|-----------------------------------|-------------------|
| Net Asset Value ("NAV") | 37.3 | 216.6 | 117.0 | 370.9 |
| NAV per Share (\$) | 1.0583 | 1.0035 | 1.1637 | – |
| Share Price (\$) | 1.0250 | 0.9425 | 0.9823 ³ | – |
| NAV per Share (£) | – | – | 0.9417 | – |
| Share Price (£) | – | – | 0.7950 | – |
| Premium/(Discount) to NAV per Share | (3.15%) | (6.08%) | (15.59%) | – |
| Investments | 29.2 | 194.2 | 107.3 | 330.7 |
| - Portfolio of Distressed Investments | 29.2 | 186.2 | 107.3 | 322.7 |
| - Temporary Investments | – | 8.0 | – | 8.0 |
| Cash and Cash Equivalents | 7.0 | 17.5 | 14.1 | 38.6 |
| Total Expense Ratio ("TER") ¹ | 2.10% | 2.22% | 2.55% | – |
| Ongoing Charges ² | 1.99% | 2.02% | 2.13% | – |

1 The TERs represent the Company's management fees and all other operating expenses, as required by US Generally Accepted Accounting Principles ("US GAAP"), expressed as a percent of average net assets.

2 The Ongoing Charges represent the Company's management fees and all other operating expenses, excluding finance costs payable, expressed as a percentage of average net assets and calculated in accordance with guidance issued by the AIC.

3 Stated in US Dollar, the £ price as at 30 June 2017 and 31 December 2016 converted to US Dollar using respective period end exchange rates.

Summary of Value in Excess of Original Capital Invested

| AT 30 JUNE 2017 (millions) | ORDINARY SHARE CLASS (\$) | EXTENDED LIFE SHARE CLASS (\$) | NEW GLOBAL SHARE CLASS (£) |
|---|--------------------------------------|---|---------------------------------------|
| Original Capital Invested | 124.5 | 359.4 | 110.8 |
| Total Capital Distributions | 108.4 | 167.4 | – |
| Total Income Distributions ¹ | 2.8 | 7.6 | 1.0 |
| Total Buybacks | – | 6.5 | 7.9 |
| NAV | 39.3 | 196.7 | 91.9 |
| Total of NAV Plus Capital and Income Returned (“Value”) | 150.5 | 378.2 | 100.8 |
| Value in Excess of Original Capital Invested | 26.0 | 18.8 | (10.0) |
| Value as % of Original Capital Invested | 121% | 105% | 91% |

Summary of Distributions Paid Since Inception

| AT 30 JUNE 2017 (US Dollars in millions) | ORDINARY SHARE CLASS | EXTENDED LIFE SHARE CLASS | NEW GLOBAL SHARE CLASS | AGGREGATED |
|---|---------------------------------|--------------------------------------|-----------------------------------|-------------------|
| Total Capital Distributions | 108.4 | 167.4 | – | 275.8 |
| Total Income Distributions ¹ | 2.8 | 7.6 | 1.3 | 11.7 |
| Distributions as % of Original Capital | 89% | 49% | 1% | – |

1 By way of dividend.

A detailed breakdown of the Company’s distributions is provided on the Company’s website at www.nbddif.com under “Investor Information”, “Capital Activity”.

Chairman's Statement

The six month period ended 30 June 2017 has been eventful with interesting political scenes in both the United States and Continental Europe together with the surprise result of the UK General Election and the formal filing of Article 50 on 29 March 2017 as the UK Government prepares to leave the European Union. The distressed debt market continued to be resilient against this macroeconomic backdrop as a result of improving credits and a recovery in the energy and commodity sectors.

Portfolios and Company Performance

The performance of the NBDD, NBDX and NBDG portfolios (together the "Portfolios") is set out in detail in the Investment Manager's Report but it is worth noting some high-level points here.

On 31 March 2017 NBDG became the last of the existing share classes to enter its harvest period. The Investment Manager is now focused on maximising the value of the Portfolios and returning capital to shareholders. Shareholders should note that towards the end of the Portfolios' respective harvest periods, a residual amount will be retained in accordance with regulatory requirements until such time that all assets in that Portfolio can be liquidated and returned to shareholders. That said, I would note that the Company's corporate umbrella has an indefinite life and as such it does have the flexibility to add new share classes in the future subject to identifiable demand, market opportunities and shareholder approval.

No doubt shareholders will be concerned about the impact of costs on a reducing portfolio during the harvest period but it must be borne in mind that this is far from a passive exercise and that in many instances assets will require intense management activity if their full potential is to be realised. Having said that, your Board will be continuing to monitor all costs to ensure that they are appropriate. This will include establishing a methodology whereby the Board's own remuneration reduces as share classes close down.

NBDD had returned \$111.2m or 89% of investors' original capital of \$124.5m by the end of the period. This, when added to the net asset value ("NAV") of \$39.3m, brings the ratio of total value to 121% of original capital invested. The NBDD net asset value per share ("NAVPS") increased by 5.48% in the period. At the same time, the discount to NAVPS widened from a minimum of 2.1% to a maximum of 8.2% over the period. Available cash net of payables totalled \$2.7m as at 30 June 2017.

NBDX had returned \$175.0m or 49% of investors' original capital of \$359.4m by the end of the period. This, when added to the NAV of \$196.7m and buybacks of \$6.5m brings the ratio of total value to 105% of original capital invested. The NBDX NAVPS increased by 4.29% in the period. Since the start of this year, and up to the latest practicable date prior to writing, the Company has continued to support a buyback programme and repurchased and immediately cancelled 1,762,868 NBDX shares at a total net cost of \$1.6m and at a weighted average discount to NAVPS of 10.41%. The accretion in NAVPS as a result of the buybacks in the period amounted to 0.091%. Available cash net of payables totalled \$2.1m as at 30 June 2017.

| | |
|---|---|
| <p>\$111.2m INVESTORS' ORIGINAL CAPITAL RETURNED</p> | <p>NBDD had returned \$111.2m or 89% of investors' original capital by the end of the period.</p> |
| <p>NBDX had returned \$175.0m or 49% of investors' original capital by the end of the period.</p> | <p>\$175.0m INVESTORS' ORIGINAL CAPITAL RETURNED</p> |

Although NBDG is yet to return capital to investors through capital distributions, the NBDG Share Class had returned £7.9m through buybacks by the end of the period. The NBDG NAVPS had decreased by 2.01% in the period. On 18 May 2017 the Board cancelled the 10,657,000 NBDG shares held in Treasury as the share class had entered its harvest period. Since the start of this year, and up to the latest practicable date prior to writing, the Company has repurchased 1,257,000 NBDG shares at a total net cost of £987,030 and at a weighted average discount to NAVPS of

16.39%. The accretion in NAVPS as a result of the buybacks in the period amounted to 0.196%. Available cash net of payables totalled \$3.1m as at 30 June 2017.

The balance between capital distributions and buybacks is a delicate one and our policy is to try to restrain the share price discount to NAV in a way that is accretive to those shareholders who do not wish to sell. I am pleased to report that while share buybacks are ongoing, your Board declared further capital distributions of \$17.0m to NBDD and NBDX shareholders on 18 August 2017.

Your Board believes that the Investment Manager is continuing to make good progress in restructuring and realising the assets in the Portfolios.

Enhancement of Shareholder Communications

Your Board has again listened to shareholder feedback seeking both clarity and greater transparency and we have made further enhancements to our disclosures. Additional clarification in relation to available cash and details of partial realisations are now detailed within this report and the quarterly factsheets. Available cash excludes cash held in wholly-owned subsidiaries and is net of payables. A partial realisation will have occurred, among other reasons, if: (i) a distribution is received that represents 75% of the cost basis of the investment at the time of the distribution; (ii) cumulative distributions received are greater than the original cost basis of the investment; (iii) a sale of the underlying asset has occurred; or (iv) a debt tranche has been refinanced. These partial realisations will not be full investment exits because residual value remains unrealised and/or undistributed due to various escrows or holdbacks on the sales proceeds or remaining tranches of debt/equity remain. Internal Rate of Return ("IRR") and Rate of Return ("ROR") are likely to be different at the time of the final exit.

Outlook

Now that the Portfolios are in their harvest period, the Investment Manager's main objective is to maximise the value of the Portfolios as they seek to restructure positions, realise exits and return capital to shareholders.

Your Board looks forward to providing further updates on investment realisations throughout the remainder of the year.

John Hallam

Chairman

29 August 2017

Investment Manager's Report

Market Update covering all share classes

To aid investors' understanding of the portfolios' development and underlying value, from this quarter if any of the fund's investments experience a partial realisation it is reported in a new factsheet section entitled "Partial Realisations". A partial realisation will have occurred, among other reasons, if: (i) a distribution is received that represents 75% of the cost basis of the investment at the time of the distribution; (ii) cumulative distributions received are greater than the original cost basis of the investment; (iii) a sale of the underlying asset has occurred; or (iv) a debt tranche has been refinanced. These partial realisations won't be full investment exits because residual value remains unrealised and/or undistributed due to various escrows or holdbacks on the sales proceeds or remaining tranches of debt/equity remain. IRRs and RORs are likely to be different at the time of the final exit. Partial realisations that occurred in previous years are included in this report as past partial realisations.

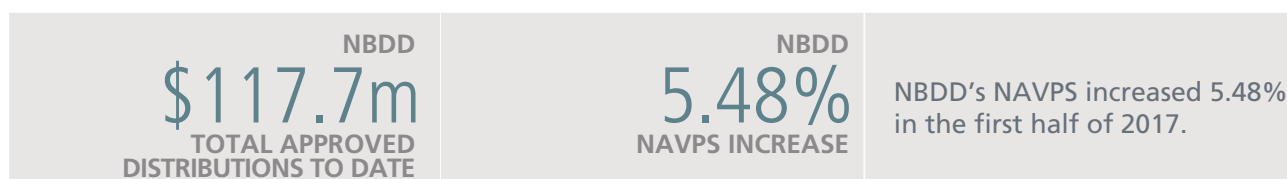
Additionally, there is more detail presented on "Notable Corporate Events" in the commentary below. Notable corporate events may or may not result in an increase or decrease in the value of an investment or a change in NAVPS. Please note that an investment may experience a change in value (positive or 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.

Ordinary Share Class

Summary

The NAVPS increased 5.48% in the first half of 2017 primarily from an increase in value due to a merger between two portfolio companies in which the NBDD owned private equity interests. Low volatility in the debt and equity markets provided a supportive environment for some companies to access the capital markets during the first half for mergers and refinancing. The Investment Manager's belief that the underlying value of the fund's investments will be realised via liquidity events (i.e. sale to a strategic buyer, refinancing or Initial Public Offering ("IPO")) was evidenced during the first six months.

NBDD had four exits and two partial realisations in the period. Given that we have not reported partial realisations before, we are also reporting previous partial realisations of investments which have not yet been fully exited. Last year there were two partial realisations that remain in the portfolio and are described at the end of this report as at 30 June 2017. The exits, described in more detail below, had a total return of \$5.1m. The total return for the two 2017 partial realisations, also described in more detail below, was \$7.3m. Net cash generated from portfolio activities in the first six months was \$0.9m with \$1.5m generated from distributions from exits, \$0.6m from repayments on secured loans and a dividend, and (\$1.2m) from a follow-on investment in the second lien convertible debt of an auto components company to protect against dilution. The ratio of total value (capital distributions, dividends and current NAV) to original capital increased to 121% based on NAV improvement during the first six months.



Portfolio Update

NBDD's NAVPS increased 5.48% in the first six months. NBDD ended 30 June 2017 with NAVPS per share of \$1.1163 compared with \$1.0583 at the end of December 2016. At 30 June 2017, 81% of the NAV was invested in distressed investments and 19% of NAV (\$7.5m) held in cash and cash equivalents on the balance sheet. 11% of NAV (\$4.5m) was held in wholly-owned subsidiary accounts which cannot be distributed at this time and 7% of NAV (\$2.7m) is available cash net of payables (see table below).

Cash Analysis

| | |
|---|---------------|
| Balance Sheet – Cash | \$7.5m |
| Cash held in wholly-owned subsidiary accounts | (\$4.5m) |
| Other payables | (\$0.3m) |
| Total available cash | \$2.7m |

Unrealised gains in the private equity of two packaging companies and the secured debt of an Australian utility company were offset by unrealised losses in a private equity of a power plant company. The portfolio consists of 18 issuers across 12 sectors.

Notable events below describe activity in the investments over the first six months:

- A packaging and container company announced that it was purchasing another complementary packaging and container company and was completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. NBDD owned private equity in both the purchaser and target companies. For NBDD's interest in the target company, NBDD will receive cash and newly created shares in the combined company. The transaction closed in early July. The price per share of the acquirer increased 47% following the announcement of the transaction while the price per share of the target increased 76%. Cash from this transaction will be used to fund distributions to shareholders.
- A building and development company announced and completed an IPO during the period. The IPO priced at \$14.00/share and ended the period at \$14.76/share. The IPO allows the company to raise capital for growth and development in its highly desirable land portfolio and gives investors more liquidity in its shares.
- NBDD participated in an add-on financing to a second lien convertible debt position in an auto components company to protect against post-conversion equity dilution. Proceeds from the transaction will be used to increase capacity and improve operational efficiency at certain plants. The company's financial and operational performance has been improving since it emerged from bankruptcy protection in 2015 and we believe it is well positioned to take market share from its two primary competitors with this additional capital.
- A lodging & casino investment is reviewing an offer for its property.
- The price of the secured debt of an Australian wind farm company rose during the first half of 2017 as local power prices and the company's operating performance improved. The company also raised additional equity to fund new projects and increase balance sheet flexibility, potentially to facilitate a global refinancing of its debt facilities.

Significant Price Movement (approximately 1% of NBDD NAV or \$400,000)

| INDUSTRY | INSTRUMENT | TOTAL RETURN' (US DOLLARS MILLIONS) | COMMENT |
|------------------------|----------------|---|---|
| Containers & Packaging | Private Equity | 1.90 | Company purchased competitor and balance sheet recapitalisation |
| Utilities | Bank Debt | 0.70 | Company raised additional capital, operations improving |
| Containers & Packaging | Private Equity | 0.50 | Company purchased by competitor |
| Utilities | Private Equity | (0.50) | Operational issues at plant |

1 For the period 1 January 2017 to 30 June 2017.

Exits

During the first six months, we saw four exits, which generated a total return of \$5.1m. This brings the total number of exits since inception in NBDD to 38, with total return of \$37.2m. Detailed descriptions of the first half exits are at the end of the report.

Investment Manager's Report (continued)

Partial Realisations

As reported in the Chairman's Statement, partial realisations are reported on an ongoing basis. As this is the first time for reporting, partial realisations, those occurring in prior years, which are not fully exited, are disclosed along with the current year partial realisations. These partial realisations generated a total return of \$9.6m. Detailed descriptions of the partial realisations are at the end of the report.

Distributions

No distributions were paid to investors during the first six months. However a further distribution of \$6.5m was declared on 18 August 2017 bringing the total distributions (capital and income dividend) paid and approved to date to, \$117.7m, or 95% of investors' original capital, since the realisation phase for this share class.

Extended Life Share Class

Summary

The NAVPS increased 4.29% in the first half of 2017 primarily from an increase in value due to a merger between two portfolio companies in which the NBDX owned private equity interests. Low volatility in the debt and equity markets provided a supportive environment for some companies to access the capital markets during the first six months for mergers and refinancing. The Investment Manager's belief that the underlying value of the fund's investments will be realised via liquidity events (i.e. sale to a strategic buyer, refinancing or IPO) was evidenced during the first half.

NBDX had four exits and three partial realisations in the period. Given that we have not reported partial realisations before, we are also reporting previous partial realisations of investments which have not yet been fully exited. Last year there were two partial realisations that remain in the portfolio and are described at the end of this report to report on all partial realisations as of 30 June 2017. The exits, described in more detail below, had a total return of \$15.8m and the total return for the five partial realisations, also described in more detail below, was \$32.2m as at 30 June 2017.

Net cash generated from portfolio activity during the first six months was \$17.7m. NBDX received \$4.8m cash from exit investments, \$11.3m cash from partial realisations and \$3.2m from repayments on secured bank debt and dividends during the first half. NBDX made one follow-on investment of \$1.6 million in the second lien convertible debt of an auto components company to protect against dilution. The Board approved distributions by way of redemption of \$27.0m during the first half. Since inception, \$175.0 million (or 49% of original capital) has been distributed (\$16.5m paid on 10 July 2017 to shareholders). The ratio of total value (capital distributions, dividends, buy-backs, and current NAV) to original capital increased to 105% based on an increase in NAV and cash generated during the first six months.

| | | |
|---|---|--|
| <p>NBDX</p> <p>4.29%</p> <p>NAVPS INCREASE IN FIRST HALF OF 2017</p> | <p>NBDX</p> <p>\$17.7m</p> <p>NET CASH GENERATED FROM PORTFOLIO ACTIVITY</p> | <p>NBDX</p> <p>\$185.5m</p> <p>TOTAL APPROVED DISTRIBUTIONS TO DATE</p> |
|---|---|--|

Portfolio Update

NBDX ended 30 June 2017 with NAVPS per share of \$1.0466 compared to \$1.0035 at the end of December, an increase of 4.29%. At 30 June 2017, 84% of the NAV was invested in distressed investments and 16% of NAV (\$31.9m) held in cash and cash equivalents on the balance sheet. 6% of NAV (\$11.5m) was held in wholly-owned subsidiary accounts which cannot be distributed at this time and 8% of NAV (\$16.5m) was held for the capital distribution payable. 1% of NAV (\$2.1m) is available cash net of payables (see table below).

Cash Analysis

| | |
|---|---------------|
| Balance Sheet – Cash | \$31.9m |
| Cash held in wholly-owned subsidiary accounts | (\$11.5m) |
| Cash held for capital distribution payable | (\$16.5m) |
| Other payables | (\$1.8m) |
| Total available cash | \$2.1m |

Unrealised gains in the private equity of a European packaging company and secured debt/private equity of a shipping company were the significant drivers of the NAV increase. The current portfolio consists of 34 issuers across 14 sectors. The largest sector concentrations were in the lodging & casinos, shipping, utilities and oil & gas sectors.

Notable events below describe activity in the investments during the first six months:

- A packaging and container company announced that it was purchasing another complementary packaging and container company and was completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. NBDX owned private equity interests in both the purchaser and target company. For NBDX's interest in the target company, NBDX will receive cash and newly created shares in the combined company. The transaction closed in early July. The price per share of the acquirer increased 47% following the announcement of the transaction while the price per share of the target increased 76%. Cash from this transaction will be used to fund distributions to shareholders.
- A building and development company announced and completed an IPO during the period. The IPO priced at \$14.00/share and ended the period at \$14.76/share. The IPO allows the company to raise capital for growth and development in its highly desirable land portfolio and gives investors more liquidity in its shares.
- Our investment in the secured debt of a mixed-use residential/retail property in receivership was repaid when the receiver presiding over the estate sold the retail portion of the property, which concluded the sale of the remaining real estate securing the loan. More detail is provided in the Partial Realisation section. The estate made a distribution to pay down the secured debt holders upon execution of the sale and NBDX's share was \$11.1 million.
- NBDX participated in an add-on financing to a second lien convertible debt position in an auto components company to protect against post-conversion equity dilution. Proceeds from the transaction will be used to increase capacity and improve operational efficiency at certain plants. The company's financial and operational performance has been improving since it emerged from bankruptcy protection in 2015 and we believe the company is well positioned to take market share from its two primary competitors with this additional capital.
- A lodging & casino investment is reviewing an offer for its property.
- A power plant investment experienced operating issues resulting in a shut-down of the plant for 45 days during the quarter. These issues have been resolved and the plant has returned to operating as planned. The company is planning to file insurance claims to recoup losses from the shut-down.
- The price of the secured debt of an Australian wind farm company rose during the quarter as local power prices and the company's operating performance improved. The company also raised additional equity to fund new projects and increase balance sheet flexibility, potentially to facilitate a global refinancing of its debt facilities.

Significant Price Movements (approximately 1% of NBDX NAV or \$2,000,000)

| INDUSTRY | INSTRUMENT | TOTAL RETURN' (US DOLLARS MILLIONS) | COMMENT |
|------------------------|----------------------|---|---|
| Containers & Packaging | Private Equity | 4.8 | Company purchased competitor and balance sheet recapitalisation |
| Shipping | Bank Debt and Equity | 2.7 | Company purchased by competitor |

1 For the period 1 January 2017 to 30 June 2017.

Investment Manager's Report (continued)

Exits

During the first six months, we saw five exits for NBDX which generated a total return of \$15.8m. This brings the total number of exits since inception in NBDX to 46 with total return of \$102.4m. Detailed descriptions of the first half exits are at the end of the report.

Partial Realisations

As reported in the Chairman's Statement, partial realisations will be reported on an ongoing basis. As this is the first time for reporting partial realisations occurring in prior years are disclosed along with the current partial realisations. All partial realisations generated a net gain of \$32.2m over the life of the fund. Detailed descriptions of the partial realisations are at the end of the report.

Distributions

During the first six months, the Board approved capital distributions of \$27.0m with \$10.5m paid in the first quarter and \$16.5m paid on 10 July 2017 by way of redemption. On 18 August 2017, the Board declared a capital distribution of \$10.5m by way of redemption bringing the amount approved/distributed to shareholders (capital and income dividend) since inception to \$185.5m (or 52% of original capital). The ratio of total value (capital distributions approved and paid dividends, buybacks, and current NAV) to original capital increased to 108% based on gains in NAV and cash generated during the period.

Share Buy-Backs

During the six month period ended 30 June 2017, NBDX had purchased 1,282,868 of its own shares under the buyback programme at a cost of \$1.2m and weighted average discount to NAVPS of 9.19%. The shares have been cancelled. A further 480,000 NBDX shares were purchased for cancellation subsequent to the period end and up to the last practicable date of writing this report.

New Global Share Class

Summary

The NAVPS declined 2.01% in the first six months with a majority of the decline due to adverse movement in foreign exchange ("FX") rates. US Dollar denominated investments currently represent 72% of NAV and Sterling appreciated 5.5% against the US Dollar during the first half of 2017. On 31 March 2017 the portfolio entered its harvest period. We believe value in portfolio will be realised upon exiting each investment after a liquidity event (i.e. sale, refinancing, IPO) and we are committed to returning capital to investors as we exit investments. There were four exits during the period described at the end of the report.

Net cash generated from portfolio activities was negative (£2.0m) during the period. NBDG received £3.8m cash from exits in the first half and £1.8m repayments on secured bank debt. Offsetting these cash receipts, NBDG purchased secured bank debt in a Spanish hotel for £5.3m and made one follow-on investment of £2.3 million in the second lien convertible debt of an auto components company to protect against dilution.

| | | | |
|---------------------------------|---|-----------------------------------|---|
| <p>NBDG</p> <p>2.01%</p> | <p>NAVPS DECLINED IN FIRST HALF OF 2017</p> | <p>NBDG</p> <p>(£2.0m)</p> | <p>NET CASH GENERATED FROM PORTFOLIO ACTIVITY</p> |
|---------------------------------|---|-----------------------------------|---|

Portfolio Update

NBDG ended the first half of 2017 with NAVPS per share of 92.28p compared to 94.17p at 2016 year end, a decline of 2.01%. The majority of the fall was due to the appreciation of Sterling against the US Dollar. Other contributing factors include a decline in the public equity of a shipping company, a decline in the public equity of a building and development company and a decline in the private equity of eastern US lodging & casino investment.

At 30 June 2017 89% of NBDG's NAV was invested in distressed assets and 7% of NAV (\$8.7m) held in cash and 3% of NAV (\$4.0m) in temporary investments on the balance sheet. 0.3% of NAV (\$0.3m) was held in wholly-owned subsidiary accounts which cannot be distributed at this time and 7% of NAV (\$9.0m) recorded for trade payables on unsettled purchases. 3% of NAV (\$3.1m) is available cash net of payables (see table below).

Cash Analysis

| | |
|---|---------------|
| Balance Sheet – Cash | \$8.7m |
| Balance Sheet – Temporary Investments | \$4.0m |
| Cash held in wholly-owned subsidiary accounts | (\$0.3m) |
| Trade payables on unsettled purchases | (\$9.0m) |
| Other payables | (\$0.3m) |
| Total available cash | \$3.1m |

The current portfolio consists of 25 issuers across 11 sectors. The largest sector concentrations include lodging & casinos, shipping, utilities, oil & gas, and nonferrous metals/minerals.

Notable events involving NBDG's investments are below:

- A building and development company announced and completed an IPO during the period which priced at \$14.00/share and ended the period at \$14.76/share. The IPO allows the company to raise capital for growth and development in its highly desirable land portfolio and gives investors more liquidity in its shares.
- A lodging & casino investment is reviewing an offer for its property.
- NBDG participated in an add-on financing to a second lien convertible debt position in an auto components company to protect against post-conversion equity dilution. Proceeds from the transaction will be used to increase capacity and improve operational efficiency at certain plants. The company's financial and operational performance has been improving since it emerged from bankruptcy protection in 2015 and the company is well positioned to take market share from its two primary competitors with this additional capital.
- A power plant investment experienced operating issues causing a shut-down of the plant for 45 days during the period. These issues have been resolved and the plant has returned to operating as planned. The company is planning to file insurance claims to recoup losses from the shut-down.
- The price of the secured debt of an Australian wind farm company rose during the period as local power prices and the company's operating performance improved. The company also raised additional equity to fund new projects and increase balance sheet flexibility, potentially to facilitate a global refinancing of its debt facilities.

Significant Price Movements (approximately 1% of NBDG NAV or £900,000)

| INDUSTRY | INSTRUMENT | TOTAL RETURN ¹ (POUNDS STERLING MILLIONS) | COMMENT |
|-----------|---------------|--|--|
| Shipping | Public Equity | (0.9) | Decline in share price but operations stable |
| Oil & Gas | Public Equity | (0.9) | Decline in oil prices |

¹ For the period 1 January 2017 to 30 June 2017.

Exits

During the first six months, we saw four exits which generated a total return of £3.2m. This brought the total number of exits since inception to 12 with a total return of £5.7m. Detailed descriptions of the current year exits are at the end of the report.

Partial Realisations

There were no partial realisations for NBDG as at 30 June 2017.

Distributions

There were no distributions to report in the six months ended 30 June 2017.

Share Buy-Backs

During the six month period ended 30 June 2017, NBDG had purchased 1,037,200 shares during the first half of the year under the buyback programme at a cost of £814,330 and weighted average discount of (16.58%). The shares have been cancelled. Subsequent to the period end and up to the last practicable date of writing this report, the Company purchased a further 219,800 NBDG shares for cancellation.

Investment Manager's Report (continued)

Summary of Exits across all Share Classes

The total exits during the year can be summarised as follows:

- NBDD – Four exits.
- NBDX – Five exits.
- NBDG – Four exits.

The annualised internal rate of return ("IRR") is computed based on the actual dates of the cash flows of the security (purchases, sales, interest and principal paydowns), calculated in the base currency of each portfolio. 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. The purchase amount can include multiple purchases.

Summary Table of Exits across all Share Classes

| 2017 EXITS | NBDD EXIT NUMBER | NBDX EXIT NUMBER | NBDG EXIT NUMBER | INDUSTRY | INSTRUMENT | CASH INVESTED (US DOLLARS MILLIONS) | CASH RECEIVED (US DOLLARS MILLIONS) |
|------------|------------------|------------------|------------------|-------------------------|----------------|-------------------------------------|-------------------------------------|
| A | – | – | 9 | Oil & Gas | Secured Loan | 3.1 | 3.5 |
| B | 35 | 42 | – | Real Estate Development | Private Equity | 5.3 | 7.1 |
| C | 36 | 43 | 10 | Utilities | Private Equity | 22.8 | 23.6 |
| D | 37 | 44 | 11 | Utilities | Private Equity | 22.0 | 29.8 |
| E | – | 45 | 12 | Air Transport | Private Equity | 2.0 | 4.1 |
| F | 38 | 46 | – | Real Estate Development | Private Equity | 23.5 | 33.1 |

Exit A (Exit 9 for NBDG)

NBDG invested £2.1m in the bank debt of one of the world's leading suppliers of marine fuels and related bunkering services, secured by accounts receivable and cash in collection accounts. At the time of our purchase, the company was in bankruptcy. Full collection of receivables was uncertain as certain customers were not paying invoices due to the bankruptcy. Resolution of various lawsuits in favour of the company/secured lenders led to an increase in the value of the estate and future distributions. We sold our position in the secondary market for £2.8m resulting in a total return of £0.7m. IRR was 31% and ROR was 33% over the 19-month holding period.

| EXIT A | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|--------------------------|--------------------------|-------------------------|-----|-----|-------------|
| NBDG | 9 | £2.10 | £2.80 | £0.70 | 31% | 33% | 19 |

Exit B (Exit 35 for NBDD and Exit 42 for NBDX)

NBDD and NBDX invested \$5.3m to purchase a senior construction loan secured by 99 condominium units located just south of Downtown Chicago, Illinois. The lender group executed a deed-in-lieu with the borrower and took possession of the underlying collateral. The group engaged a nationally recognised real estate firm to act as asset manager and broker for the remaining units, invested additional capital to complete the units and common areas, and rebranded the property. The remaining units were sold with proceeds being used to return capital and profits to the lenders. Cash received on this investment was \$7.1 million with total return on the investment of \$1.8m over 67 months. IRR was 10% and ROR was 34%.

| EXIT B | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|--------------------------|--------------------------|-------------------------|-----|-----|-------------|
| NBDD | 35 | \$1.50 | \$2.00 | \$0.50 | 10% | 34% | 67 |
| NBDX | 42 | \$3.80 | \$5.10 | \$1.30 | 10% | 34% | 67 |

Exit C (exit 36 for NBDD, 43 for NBDX and 10 for NBDG)

All Portfolios invested in the secured bank debt of a US independent power producer with assets across the US and NBDX and NBDG purchased private reorganised equity. Due to historically low natural gas prices, the company experienced depressed cash flows that forced it to file a pre-packaged plan of reorganisation, which exchanged secured bank debt into private equity. Eighteen months after the filing, the company announced a sale of substantially all of its assets to a US energy retailer. The transaction ultimately closed in February 2017 when the final disbursements from escrow were paid to equity holders. Continued low natural gas prices and resulting low power prices impacted the sale price for the company. Each fund had different investment returns due to different acquisition costs and dates over the life of the investment.

| Exit C | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|------|------|----------------|
| NBDD | 36 | \$4.20 | \$4.10 | \$(0.10) | (1%) | (2%) | 69 |
| NBDX | 43 | \$15.30 | \$16.70 | \$1.40 | 3% | 9% | 69 |
| NBDG | 10 | £2.00 | £2.10 | £0.10 | 1% | 4% | 36 |

Exit D (Exit 37 for NBDD, Exit 44 for NBDX and Exit 11 for NBDG)

All Portfolios invested in the post-reorganised private equity of an eastern US combined cycle gas turbine power plant. At the time of the purchase, we believed that power prices in the market would improve and the plant would be sold at an attractive valuation above our purchase price. In August 2016, it was announced that the plant was being sold to a large, public, US independent power producer. The bulk of the transaction proceeds were paid in early 2016 while the final escrow release was received in Q1 2017. NBDG invested at a later date with a later investment period.

| EXIT D | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|-----|-----|----------------|
| NBDD | 37 | \$4.70 | \$6.70 | \$2.00 | 8% | 45% | 74 |
| NBDX | 44 | \$12.00 | \$17.30 | \$5.30 | 8% | 45% | 74 |
| NBDG | 11 | £3.20 | £5.00 | £1.80 | 22% | 59% | 36 |

Exit E (Exit 45 for NBDX and Exit 12 for NBDG)

NBDX and NBDG and other NB Distressed Debt funds collectively purchased a 50% interest of an existing joint venture in an aircraft financing company. Invested capital for all Portfolios was \$11.875m. We purchased the interest from a fund that sought to provide liquidity to its investors who needed to exit the investment. Our JV partner was one of the largest independent providers of aviation services globally and they acted as the servicer of the entity. At the time of our investment the joint venture owned eight 737-400s (vintage 1992-97). Six of the aircraft were sold on instalment sale to an independent Mid-Eastern airline and two were leased to airlines in South Eastern Asia. The planes on instalment sale were exited at various dates in accordance with the terms of the sale agreements. One of the leased aircraft was sold to the lessee. The remaining aircraft was sold following a lease termination due to payment default and repossession by the servicer.

| EXIT E | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|-----|------|----------------|
| NBDX | 45 | \$1.30 | \$2.20 | \$0.90 | 31% | 75% | 24 |
| NBDG | 12 | £1.10 | £1.90 | £0.70 | 34% | 106% | 24 |

Investment Manager's Report (continued)

Exit F (Exit 38 for NBDD and Exit 46 for NBDX)

NBDD and NBDX purchased a senior construction loan secured by 237 condominium units and related parking spaces located south of Downtown Chicago, Illinois. The lender group executed a deed-in-lieu with the borrower and took possession of the underlying collateral. The group engaged a nationally recognised real estate firm to act as asset manager and broker for the remaining units, invested additional capital to complete the units and common areas, and rebranded the property. The remaining units were sold and the proceeds used to return capital and profits to the owners.

| EXIT F | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|-----|-----|----------------|
| NBDD | 38 | \$6.30 | \$9.00 | \$2.70 | 10% | 42% | 79 |
| NBDX | 46 | \$17.20 | \$24.10 | \$6.90 | 10% | 40% | 79 |

Summary of Partial Realisations across all Share Classes

Partial realisations ("PR") is a new category for reporting purposes. All partial realisations currently in the portfolio are reported as at 30 June 2017 and it should be noted that their IRR and ROR are likely to be different at the time of the final exit. These were the following partial realisations:

- NBDD – Two pre-2017 partial realisations and two 2017 partial realisations.
- NBDX – Two pre-2017 partial realisations and three 2017 partial realisations.
- NBDG – No partial realisation.

Summary Table of Partial Realisations

| TIMING | PR | NBDD PR NUMBER | NBDX PR NUMBER | NBDG PR NUMBER | INDUSTRY | INSTRUMENT | CASH INVESTED (US DOLLAR MILLIONS) | CASH RECEIVED (US DOLLAR MILLIONS) | VALUE OF RESIDUAL INVESTMENT (US DOLLAR MILLIONS) |
|--------|----|----------------|----------------|----------------|-------------------------|----------------|------------------------------------|------------------------------------|---|
| Prior | A | 1 | 1 | – | Real Estate Development | Private Equity | 11.1 | 14.7 | 0.7 |
| Prior | B | 2 | 2 | – | Aircraft | Secured Notes | 4.7 | 8.0 | 0.6 |
| 2017 | C | – | 3 | – | Commercial Mortgage | Private Equity | 23.1 | 29.8 | 0.7 |
| 2017 | D | 3 | 4 | – | Container & Packaging | Private Equity | 7.1 | 7.1 | 4.0 |
| 2017 | E | 4 | 5 | – | Container & Packaging | Private Equity | 9.2 | 16.3 | 15.1 |

Partial Realisation A: (Partial Realisation 1 for NBDD and 1 for NBDX)

| | | | |
|--------------------------|--------------------|--------------------------|--------------------|
| IRR 11% | as at 30 June 2017 | ROR 39% | as at 30 June 2017 |
|--------------------------|--------------------|--------------------------|--------------------|

NBDD and NBDX invested \$10.0m to purchase a senior construction loan secured by 168 condominium units and related parking spaces located south of Downtown Chicago, Illinois. The lender group executed a deed-in-lieu with the borrower and took possession of the underlying collateral. The group engaged a nationally recognised real estate firm to act as asset manager and broker for the remaining units, invested \$1.1m additional capital to complete the units and common areas, and rebranded the property. The remaining units were sold with proceeds being used to return capital and profits to the owners. Cash received to date is \$14.7m and the current value of the remaining investment is \$0.7m as at 30 June 2017. We expect to complete an exit once certain claims against the estate are resolved. The IRR is 11% and ROR is 39% as at 30 June 2017.

| A | PR | EFFECTIVE PERIOD | CASH INVESTED (MILLIONS) | CASH RECEIVED TO DATE (MILLIONS) | VALUE OF RESIDUAL INVESTMENT (MILLIONS) | TOTAL RETURN (MILLIONS) | CURRENT IRR | CURRENT ROR | MONTHS HELD |
|------|----|------------------|--------------------------|----------------------------------|---|-------------------------|-------------|-------------|-------------|
| NBDD | 1 | Pre-2017 | \$3.1 | \$4.1 | \$0.2 | \$1.2 | 11% | 39% | 78 |
| NBDX | 1 | Pre-2017 | \$8.0 | \$10.6 | \$0.5 | \$3.1 | 11% | 39% | 78 |

Investment Manager's Report (continued)

Partial Realisation B: (Partial Realisation 2 for NBDD and 2 for NBDX)

| | | | |
|-------------------|--------------------|-------------------|--------------------|
| IRR 22% | as at 30 June 2017 | ROR 82% | as at 30 June 2017 |
|-------------------|--------------------|-------------------|--------------------|

NBDD and NBDX purchased \$7.9m par value of senior notes, secured by a portfolio of nine aircraft leased to various operators. Eight of the nine aircraft were sold during 2016 with proceeds used to repay the notes. The remaining aircraft is currently leased and will be sold at the end of the lease period. Cash invested is \$4.7m and cash received to date from coupon and principal repayments is \$8.0m. The current value of the remaining interest in the final aircraft is \$0.6m. To date, the total return on the investment is \$3.9m over 49 months. The IRR is 22% and ROR is 82% as at 30 June 2017.

| B | PR | EFFECTIVE PERIOD | CASH INVESTED (MILLIONS) | CASH RECEIVED TO DATE (MILLIONS) | VALUE OF RESIDUAL INVESTMENT (MILLIONS) | TOTAL RETURN (MILLIONS) | CURRENT IRR | CURRENT ROR | MONTHS HELD |
|------|----|------------------|--------------------------|----------------------------------|---|-------------------------|-------------|-------------|-------------|
| NBDD | 2 | Pre-2017 | \$1.3 | \$2.2 | \$0.2 | \$1.1 | 22% | 82% | 49 |
| NBDX | 2 | Pre-2017 | \$3.4 | \$5.8 | \$0.4 | \$2.8 | 22% | 82% | 49 |

Partial Realisation C: (Partial Realisation 3 for NBDX)

| | | | |
|-------------------|--------------------|-------------------|--------------------|
| IRR 10% | as at 30 June 2017 | ROR 32% | as at 30 June 2017 |
|-------------------|--------------------|-------------------|--------------------|

NBDX purchased a 32.5% interest in a holding company formed with a partner to purchase a senior construction loan that was secured by 107 residential condominiums and a 140,000 square feet mixed-use retail space in Greenwood Village, Colorado. The lenders successfully petitioned the court to install a nationally recognised real estate company to act as receiver, refurbish and complete the remaining condominiums for sale, rebrand and lead marketing of the residential units, and lead leasing efforts for the retail space. All of the condominiums and retail space were sold as at 30 June 2017. Certain reserves remain relating to warranties and other miscellaneous potential claims. Cash invested in the project is \$23.1m and repayments on the loan to date are \$29.8m over 47 months. The current value of the remaining investment is \$0.7m. To date, the total return is \$7.4m. Once certain reserves expire and any potential claims are resolved, we expect to fully exit this investment. The IRR is 10% and ROR is 32% as at 30 June 2017.

| C | PR | EFFECTIVE PERIOD | CASH INVESTED (MILLIONS) | CASH RECEIVED TO DATE (MILLIONS) | VALUE OF RESIDUAL INVESTMENT (MILLIONS) | TOTAL RETURN (MILLIONS) | CURRENT IRR | CURRENT ROR | MONTHS HELD |
|------|----|------------------|--------------------------|----------------------------------|---|-------------------------|-------------|-------------|-------------|
| NBDX | 3 | H12017 | \$23.1 | \$29.8 | \$0.7 | \$7.4 | 10% | 32% | 47 |

Partial Realisation D: (Partial Realisation 3 for NBDD and 4 for NBDX)

| | | | |
|--------------------------|--------------------|--------------------------|--------------------|
| IRR 29% | as at 30 June 2017 | ROR 57% | as at 30 June 2017 |
|--------------------------|--------------------|--------------------------|--------------------|

NBDD and NBDX invested \$7.1m to purchase first lien secured bank debt with attached private equity of an international packaging company. The debt was repaid in full shortly after the purchase with the receipt of \$5.8m and the fund retained the equity, receiving dividends of \$1.3m during the holding period. During the second quarter the company's sale to a complementary packaging company was announced. NBDX and NBDD elected to receive sale proceeds in cash and newly created shares in the acquirer for a combined value of \$4.0m. Total return on the investment as at 30 June 2017 was \$4.0m. IRR is 29% and ROR is 57% with a holding period of 54 months at period-end.

| D | PR | EFFECTIVE PERIOD | CASH INVESTED (MILLIONS) | CASH RECEIVED TO DATE (MILLIONS) | VALUE OF RESIDUAL INVESTMENT (MILLIONS) | TOTAL RETURN (MILLIONS) | CURRENT IRR | CURRENT ROR | MONTHS HELD |
|------|----|------------------|--------------------------|----------------------------------|---|-------------------------|-------------|-------------|-------------|
| NBDD | 3 | H12017 | \$2.0 | \$2.0 | \$1.1 | \$1.1 | 29% | 57% | 54 |
| NBDX | 4 | H12017 | \$5.1 | \$5.1 | \$2.9 | \$2.9 | 29% | 57% | 54 |

Partial Realisation E: (Partial Realisation 4 for NBDD and 5 for NBDX)

| | | | |
|--------------------------|--------------------|---------------------------|--------------------|
| IRR 60% | as at 30 June 2017 | ROR 242% | as at 30 June 2017 |
|--------------------------|--------------------|---------------------------|--------------------|

NBDD and NBDX invested \$9.2m in preferred equity certificates ("PECs") and private equity in a European packaging company. The PECs were retired in full in 2015 and the company paid dividends on the equity during the holding period. Cash received to date is \$16.3m. In the second quarter, the company announced it was purchasing another complementary packaging company (Partial Realisation 4, above) and completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. Current value of the private equity position is \$15.1m, generating a total return of \$22.2m as at 30 June 2017. IRR is 60% and ROR is 242% with a holding period of 57 months at period-end.

| E | PR | QUARTER REPORTED | CASH INVESTED (MILLIONS) | CASH RECEIVED TO DATE (MILLIONS) | VALUE OF RESIDUAL INVESTMENT (MILLIONS) | TOTAL RETURN (MILLIONS) | CURRENT IRR | CURRENT ROR | MONTHS HELD |
|------|----|------------------|--------------------------|----------------------------------|---|-------------------------|-------------|-------------|-------------|
| NBDD | 4 | H12017 | \$2.6 | \$4.6 | \$4.2 | \$6.2 | 60% | 242% | 57 |
| NBDX | 5 | H12017 | \$6.6 | \$11.7 | \$10.9 | \$16.0 | 60% | 242% | 57 |

Neuberger Berman Investment Advisers LLC

29 August 2017

Neuberger Berman Europe Limited

29 August 2017

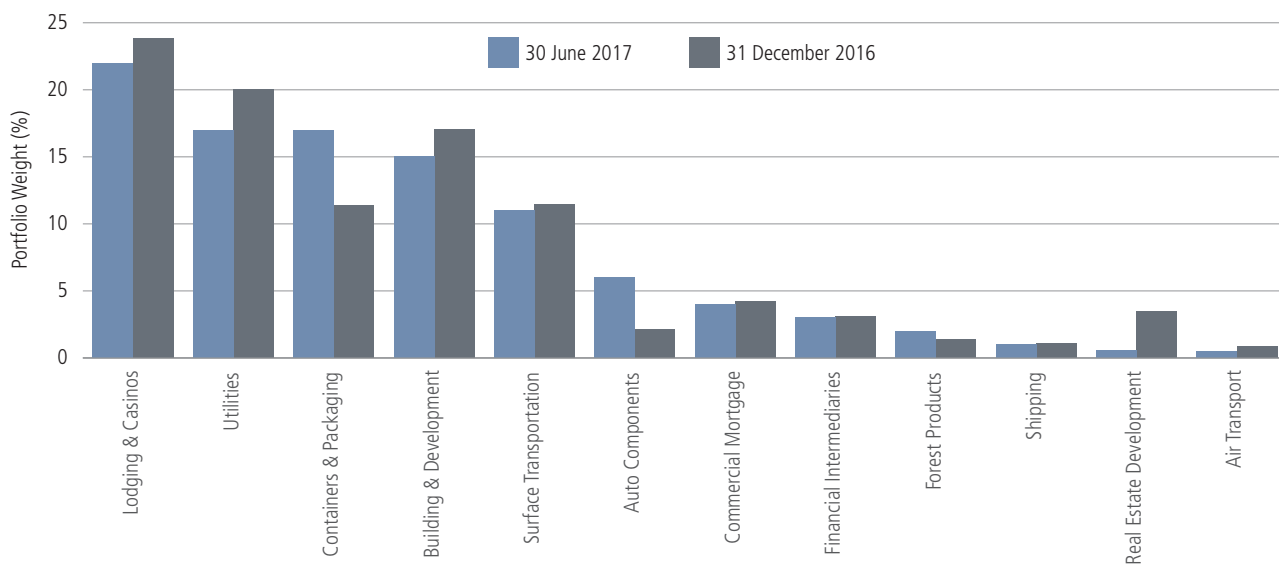
Portfolio Information

Ordinary Share Class

TOP 10 HOLDINGS AT 30 JUNE 2017

| HOLDING | SECTOR | PURCHASED INSTRUMENT | STATUS | COUNTRY | % OF NAV | PRIMARY ASSET |
|--------------|--------------------------|----------------------|------------|------------|------------|--|
| 1 | Lodging & Casinos | Secured Loan | Post-Reorg | US | 18% | Hotel/lodging real estate |
| 2 | Building & Development | Post-Reorg Equity | Post-Reorg | US | 12% | Residential real estate |
| 3 | Containers & Packaging | Post-Reorg Equity | Post-Reorg | Luxembourg | 11% | Manufacturing/distribution/real estate |
| 4 | Surface Transportation | Trade Claim | Defaulted | Brazil | 9% | Municipal claim |
| 5 | Utilities | Secured Loan | Current | Australia | 8% | Power plants |
| 6 | Auto Components | Private Notes | Post-Reorg | US | 5% | Manufacturing plant |
| 7 | Utilities | Secured Loan | Post-Reorg | US | 5% | Power plants |
| 8 | Commercial Mortgage | Secured Loan | Current | US | 3% | Commercial real estate |
| 9 | Containers & Packaging | Post-Reorg Equity | Post-Reorg | UK | 3% | Manufacturing/distribution/real estate |
| 10 | Financial Intermediaries | Secured Notes | Defaulted | US | 2% | Cash & securities |
| Total | | | | | 76% | |

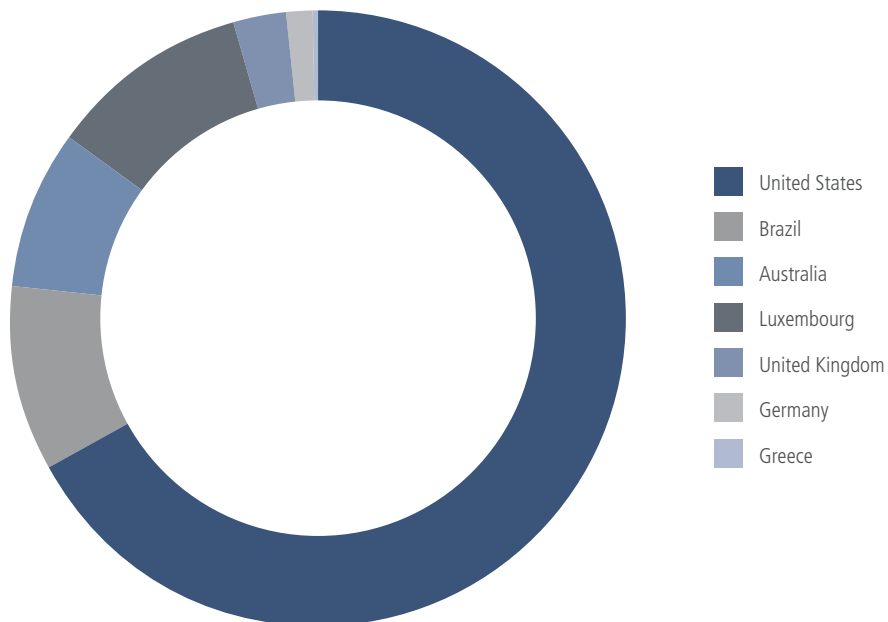
Sector Breakdown¹



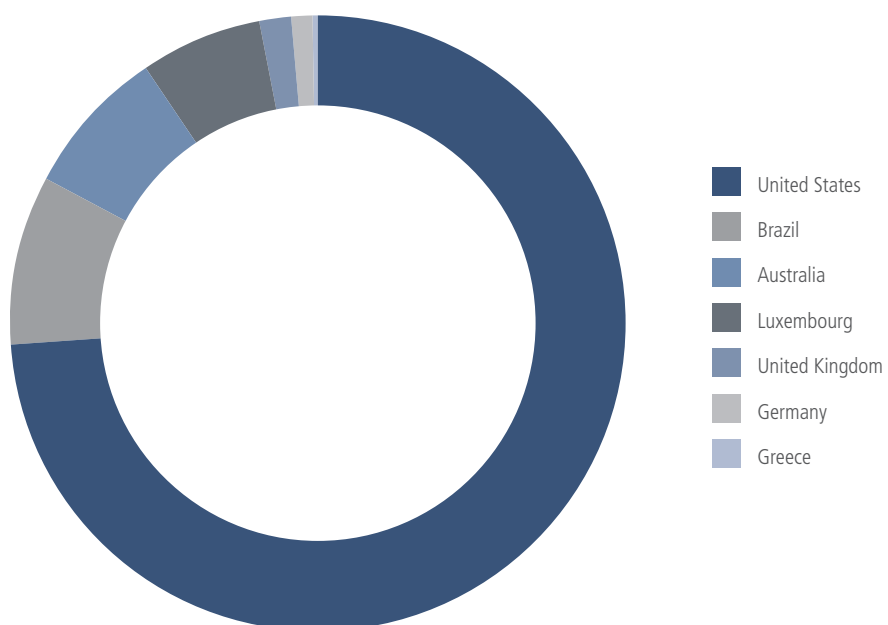
¹ Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bancorp Fund Services (Guernsey) Limited/Quintillion Limited as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying 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.

Country Breakdown²

30 JUNE 2017



31 DECEMBER 2016



² Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2017 and 31 December 2016.

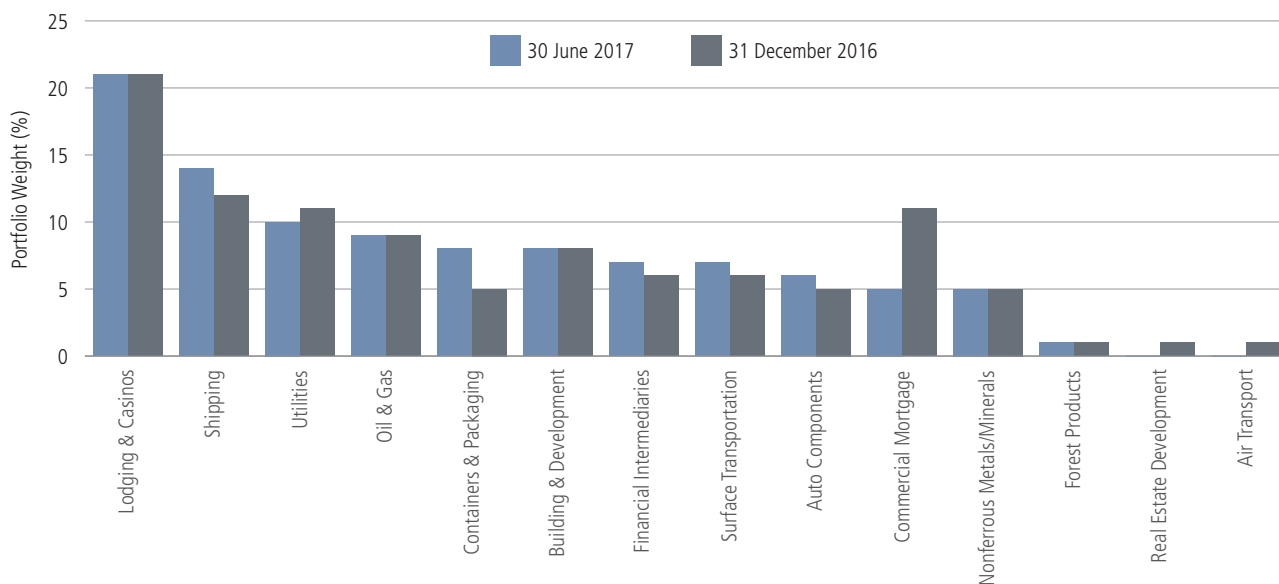
Portfolio Information (continued)

Extended Life Share Class

TOP 10 HOLDINGS AT 30 JUNE 2017

| HOLDING | SECTOR | PURCHASED INSTRUMENT | STATUS | COUNTRY | % OF NAV | PRIMARY ASSET |
|--------------|----------------------------|----------------------|------------|------------------|------------|--|
| 1 | Lodging & Casinos | Secured Loan | Post-Reorg | US | 9% | Hotel/lodging real estate |
| 2 | Building & Development | Post-Reorg Equity | Post-Reorg | US | 7% | Residential real estate |
| 3 | Shipping | Secured Loan | Post-Reorg | Marshall Islands | 6% | Maritime vessels |
| 4 | Financial Intermediaries | Secured Notes | Defaulted | US | 6% | Cash & securities |
| 5 | Auto Components | Secured Notes | Post-Reorg | US | 6% | Manufacturing plant and equipment |
| 6 | Oil & Gas | Post-Reorg Equity | Post-Reorg | US | 6% | Bio-fuel plant |
| 7 | Containers & Packaging | Post-Reorg Equity | Post-Reorg | Luxembourg | 6% | Manufacturing/distribution/real estate |
| 8 | Lodging & Casinos | Secured Loan | Current | US | 5% | Hotel/casino |
| 9 | Nonferrous Metals/Minerals | Post-Reorg Equity | Post-Reorg | US | 5% | Manufacturing plant and equipment |
| 10 | Surface Transportation | Trade Claim | Defaulted | Brazil | 4% | Municipal claim |
| Total | | | | | 60% | |

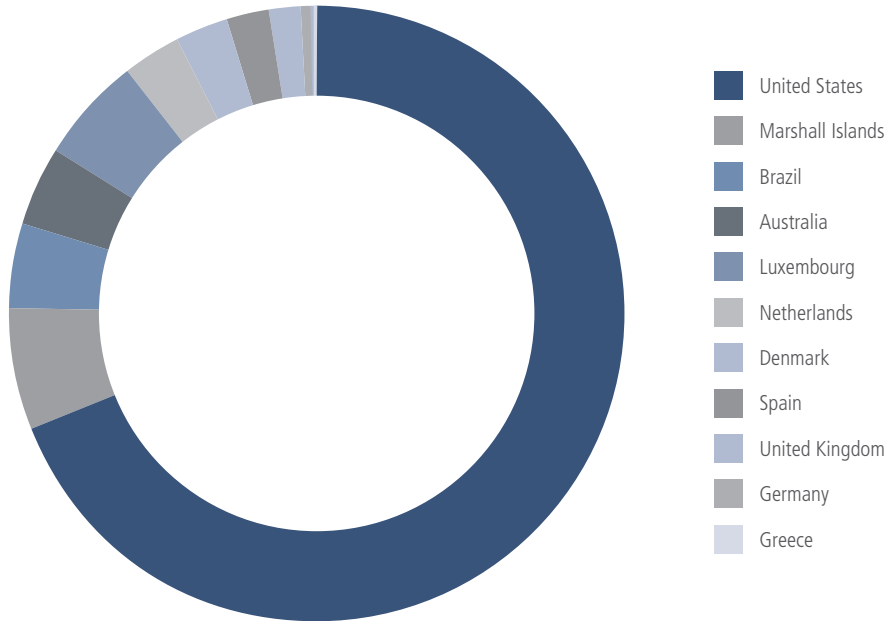
Sector Breakdown¹



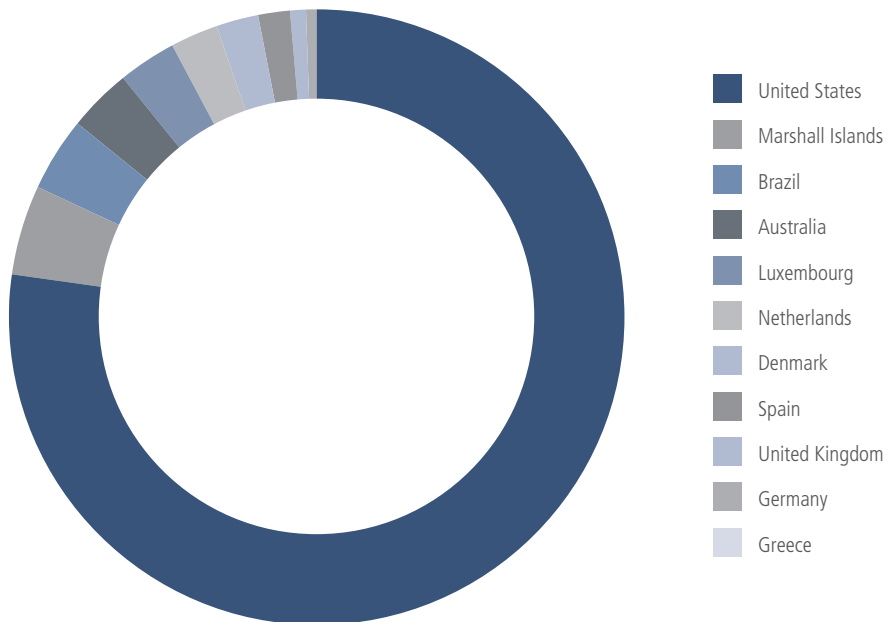
¹ Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bancorp Fund Services (Guernsey) Limited/Quintillion Limited as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDX's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

Country Breakdown²

30 JUNE 2017



31 DECEMBER 2016



² Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2017 and 31 December 2016.

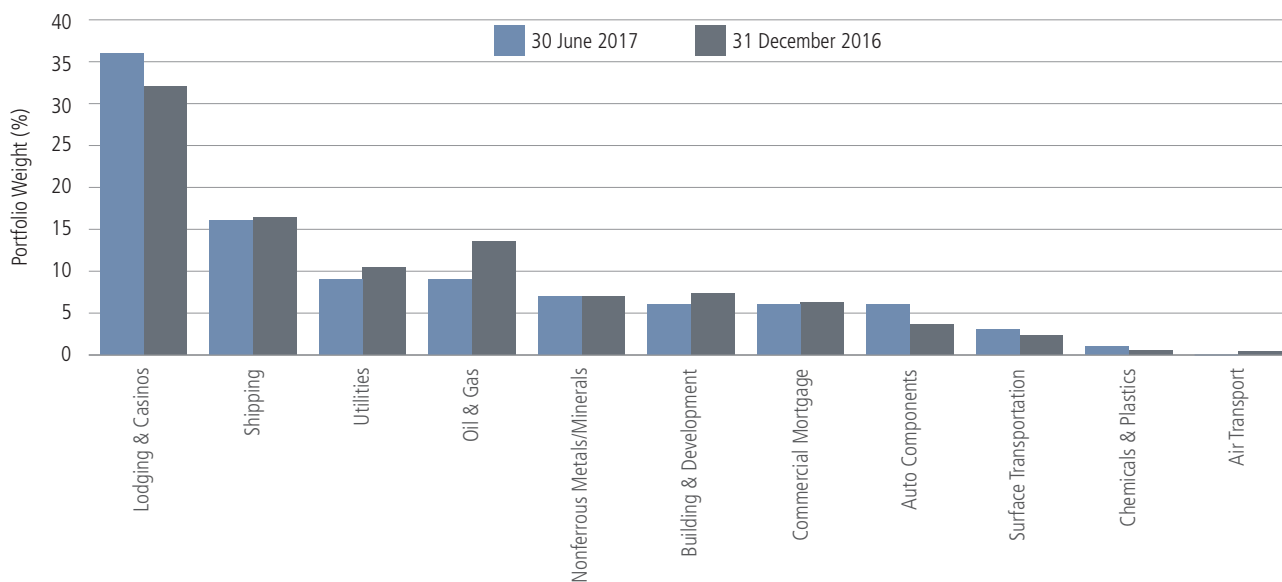
Portfolio Information (continued)

New Global Share Class

TOP 10 HOLDINGS AT 30 JUNE 2017

| HOLDING | SECTOR | PURCHASED INSTRUMENT | STATUS | COUNTRY | % OF NAV | PRIMARY ASSET |
|--------------|----------------------------|----------------------|------------|-------------|------------|--|
| 1 | Lodging & Casinos | Post-Reorg Equity | Post-Reorg | US | 10% | Casino |
| 2 | Lodging & Casinos | Post-Reorg Equity | Post-Reorg | US | 8% | Hotel/lodging real estate |
| 3 | Nonferrous Metals/Minerals | Post-Reorg Equity | Post-Reorg | US | 6% | Manufacturing/distribution real estate |
| 4 | Shipping | Secured Loan | Post-Reorg | US | 6% | Maritime vessels |
| 5 | Lodging & Casinos | Secured Loan | Defaulted | Spain | 6% | Hotels |
| 6 | Building & Development | Post-Reorg Equity | Post-Reorg | US | 6% | Residential real estate |
| 7 | Commercial Mortgage | Secured Loan | Current | Netherlands | 6% | Commercial real estate |
| 8 | Auto Components | Secured Notes | Post-Reorg | US | 6% | Manufacturing plant & equipment |
| 9 | Lodging & Casinos | Secured Loan | Defaulted | Spain | 6% | Hotel |
| 10 | Shipping | Secured Loan | Post-Reorg | Denmark | 5% | Maritime vessels |
| Total | | | | | 65% | |

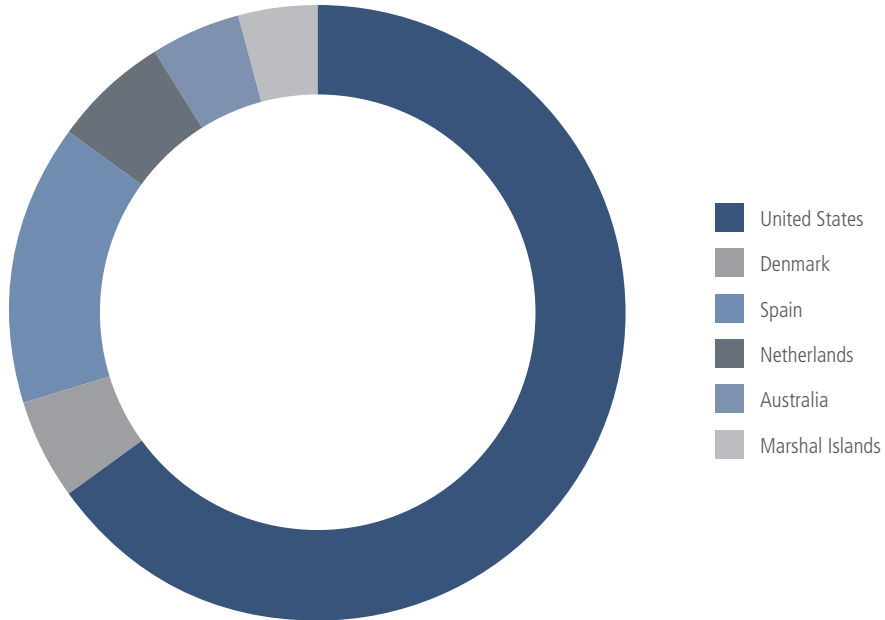
Sector Breakdown¹



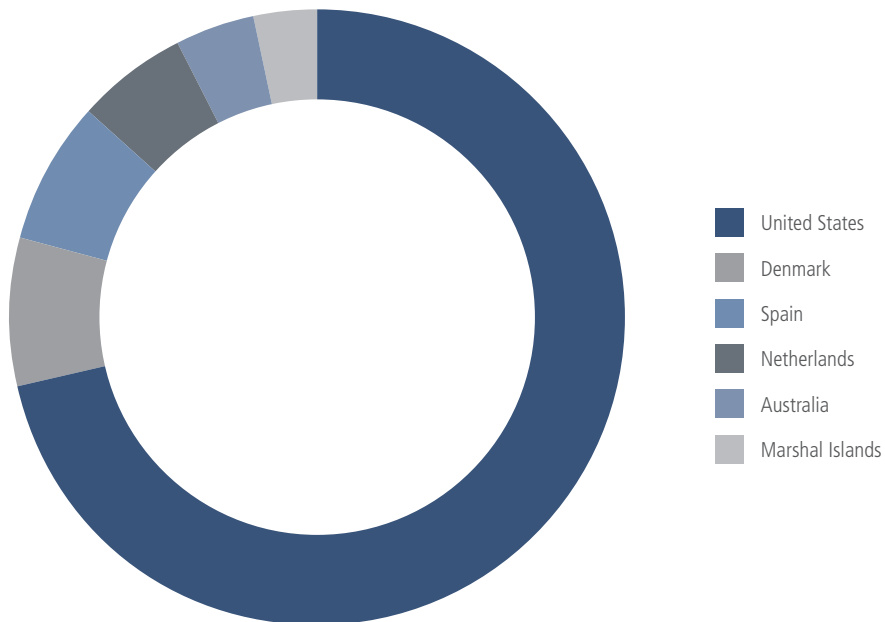
¹ Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bancorp Fund Services (Guernsey) Limited/Quintillion Limited as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDG's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

Country Breakdown²

30 JUNE 2017



31 DECEMBER 2016



² Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2017 and 31 December 2016.

Interim Management Report and Directors' Responsibility Statement

Principal Risks and Uncertainties

The principal risks of the Company are in the following areas:

- investment activity and performance;
- risks specific to harvest periods;
- level of discount or premium;
- market price risk;
- fair valuation of illiquid assets;
- accounting, legal and regulatory risk; and
- operational risk.

These risks, and the way in which they are managed, are described in more detail in the Strategic Report on pages 28 to 30 of the Company's latest annual report and audited financial statements for the year ended 31 December 2016, which can be found on the Company's website at www.nbddif.com/pdf/annual_report_nbddif_2016.pdf. The Board's view is that these risks remain appropriate for the remainder of 2017.

Going Concern

Having reassessed the principal risks, the Directors consider it appropriate to prepare the Unaudited Consolidated Interim Financial Statements (the "Financial Statements") on a going concern basis.

Related Party Transactions

The contracts with the Investment Manager and Directors are the only related party transactions currently in place. Other than fees payable in the ordinary course of business, there have been no material transactions with related parties, which have affected the financial position or performance of the Company in the six month period ended 30 June 2017. Additional related party disclosures are given in Note 3 on page 43.

Directors' Responsibilities Statement

The Board of Directors confirms that, to the best of its knowledge:

- the Financial Statements have been prepared in conformity with US generally accepted accounting principles ("US GAAP"), give a true and fair view of the assets, liabilities, financial position and the return of the undertakings included in the consolidation as a whole as required by DTR 4.2.4R of the Disclosure Guidance and Transparency Rules ("DTR") of the UK's FCA; and
- the Chairman's Statement, the Investment Manager's Report, this Interim Management Report and the notes to the Financial Statements meet the requirements of an interim management report, and include a fair view of the information required by:
 1. DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the set of financial statements together with a description of the principal risks and uncertainties for the remaining six months of the year; and
 2. DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

Directors' Responsibilities Statement (continued)

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website and for the preparation and dissemination of Financial Statements. Legislation in Guernsey governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

These Interim Report and Financial Statements have been reviewed by the Company's auditor and their report is set out on page 28.

Signed on behalf of the Board of Directors on 29 August 2017.

By order of the Board

John Hallam

Chairman

29 August 2017

Sarah Evans

Director

29 August 2017

Independent Review Report to NB Distressed Debt Investments Fund Limited

Conclusion

We have been engaged by NB Distressed Debt Investment Fund Limited (the "Company") to review the unaudited consolidated interim financial statements (the "financial statements") of the Company together with its subsidiaries (together "the Group") in the half-yearly financial report which comprises the unaudited consolidated statement of assets and liabilities, unaudited consolidated statement of operations, unaudited consolidated statement of changes in net assets, unaudited consolidated statement of cash flows, unaudited consolidated condensed schedule of investments and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements for the period ended 30 June 2017 do not give a true and fair view of the financial position of the Company as at 30 June 2017 and of its financial performance and its cash flows for the six month period then ended in conformity with US generally accepted accounting principles and the Disclosure Guidance and Transparency Rules (the "DTR") of the UK's Financial Conduct Authority (the "UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The financial statements included in this interim report have been prepared in conformity with US generally accepted accounting principles.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Dermot A. Dempsey

For and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey

29 August 2017

Unaudited Consolidated Statement of Assets and Liabilities

| AT 30 JUNE 2017 AND 31 DECEMBER 2016 (EXPRESSED IN US DOLLARS EXCEPT WHERE STATED OTHERWISE) | 30 JUNE 2017 (UNAUDITED) | 31 DECEMBER 2016 (AUDITED) |
|--|-----------------------------|-------------------------------|
| Assets | | |
| Investments at fair value (2017: cost of \$383,157,738; 2016: cost of \$389,791,409) | 328,337,659 | 330,728,123 |
| Forward currency contracts | 6,435 | 1,766,317 |
| Warrants (2017: cost of \$752,955; 2016: cost of \$752,955) | 316,706 | 440,230 |
| Cash and cash equivalents | 48,108,783 | 38,615,044 |
| | 376,769,583 | 371,549,714 |
| Other assets | | |
| Interest receivables | 1,582,538 | 1,002,567 |
| Receivables for investments sold | 1,179,494 | 4,693,490 |
| Other receivables and prepayments | 616,629 | 1,161,989 |
| Deferred tax asset | 3,086,623 | 2,987,074 |
| Total assets | 383,234,867 | 381,394,834 |
| Liabilities | | |
| Payables for investments purchased | 9,150,406 | 9,507,381 |
| Credit default swap (2017: cost of \$45,648, 2016: cost of \$45,648) | 33,958 | 28,813 |
| Forward currency contracts | 1,031,382 | 6,813 |
| Accrued expenses and other liabilities | 308,659 | 455,438 |
| Payables to Investment Manager and affiliates | 888,196 | 461,858 |
| Capital distribution payable | 16,491,940 | – |
| Total liabilities | 27,904,541 | 10,460,303 |
| Net assets | 355,330,326 | 370,934,531 |
| Net assets attributable to Ordinary Shares (shares 2017: 35,218,587; 2016: 35,218,587) | 39,315,927 | 37,271,106 |
| Net asset value per Ordinary Share | 1.1163 | 1.0583 |
| Net assets attributable to Extended Life Shares (shares 2017: 187,931,468; 2016: 215,873,854) | 196,696,598 | 216,628,260 |
| Net asset value per Extended Life Share | 1.0466 | 1.0035 |
| Net assets attributable to New Global Shares (shares 2017: 99,538,585; 2016: 100,575,785) | £91,857,116 | £94,715,465 |
| Net asset value per New Global Share | £0.9228 | £0.9417 |
| Net assets attributable to New Global Shares (USD equivalent) | 119,317,801 | 117,035,165 |
| Net asset value per New Global Share (USD equivalent) | 1.1987 | 1.1637 |

The Financial Statements were approved and authorised for issue by the Board of Directors on 29 August 2017, and signed on its behalf by:

John Hallam
Chairman

Sarah Evans
Director

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Statement of Operations

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017 AND 30 JUNE 2016

(EXPRESSED IN US DOLLARS)

| | 30 JUNE 2017 | 30 JUNE 2016 |
|--|-------------------|--------------------|
| Income | | |
| Interest income | 6,738,101 | 7,854,072 |
| Dividend income net of withholding tax (2017: nil; 2016: \$8,921) | – | 20,817 |
| | 6,738,101 | 7,874,889 |
| Expenses | | |
| Investment management fee | 2,714,625 | 2,945,681 |
| Professional and other expenses | 536,431 | 864,804 |
| Administration fee | 165,579 | 181,650 |
| Loan administration and custody fees | 119,856 | 40,731 |
| Directors' fees and expenses | 127,526 | 148,869 |
| | 3,664,017 | 4,181,735 |
| Net investment income | 3,074,084 | 3,693,154 |
| Realised and unrealised gain/(loss) from investments and foreign exchange | | |
| Net realised gain on investments, credit default swap, warrants and forward currency transactions | 10,353,671 | 10,908,080 |
| Non cash loss on investment restructuring transactions | (1,275,098) | – |
| Net change in unrealised gain/(loss) on investments, credit default swap, warrants and forward currency transactions | 1,346,421 | (16,269,310) |
| Income taxes from net realised/unrealised gain/(loss) on investments | 85,453 | (1,239,469) |
| Realised and unrealised gain/(loss) from investments and foreign exchange | 10,510,447 | (6,600,699) |
| Net increase/(decrease) in net assets resulting from operations | 13,584,531 | (2,907,545) |

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Statement of Changes in Net Assets

| FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017 (EXPRESSED IN US DOLLARS) | 30 JUNE 2017 ORDINARY SHARES | 30 JUNE 2017 EXTENDED LIFE SHARES | 30 JUNE 2017 NEW GLOBAL SHARES | 30 JUNE 2017 AGGREGATED |
|--|------------------------------------|---|--------------------------------------|----------------------------|
| Net assets at the beginning of the period | 37,271,106 | 216,628,260 | 117,035,165 | 370,934,531 |
| Net investment income/(loss) | (116,772) | 1,785,637 | 1,405,219 | 3,074,084 |
| Net realised gain on investments, credit default swap and forward currency transactions | (9,024) | 8,744,646 | 1,618,049 | 10,353,671 |
| Non cash loss on investment restructuring transactions | – | (570,038) | (705,060) | (1,275,098) |
| Net change in unrealised gain/(loss) on investments, credit default swap, warrants and forward currency transactions | 2,153,436 | (1,773,009) | 965,994 | 1,346,421 |
| Income taxes from net realised/unrealised gains on investments | 17,181 | 42,390 | 25,882 | 85,453 |
| Net cost of share buybacks | – | (1,177,405) | (1,027,448) | (2,204,853) |
| Shares redeemed during the period | – | (26,983,883) | – | (26,983,883) |
| Net assets at the end of the period | 39,315,927 | 196,696,598 | 119,317,801 | 355,330,326 |

| FOR THE SIX MONTH PERIOD TO 30 JUNE 2016 (EXPRESSED IN US DOLLARS) | 30 JUNE 2016 ORDINARY SHARES | 30 JUNE 2016 EXTENDED LIFE SHARES | 30 JUNE 2016 NEW GLOBAL SHARES | 30 JUNE 2016 AGGREGATED |
|---|------------------------------------|---|--------------------------------------|----------------------------|
| Net assets at the beginning of the period | 54,610,406 | 270,818,231 | 115,471,327 | 440,899,964 |
| Net investment income | 54,343 | 2,386,665 | 1,252,146 | 3,693,154 |
| Net realised gain on investments, credit default swap and forward currency transactions | 1,591,484 | 7,508,113 | 1,808,483 | 10,908,080 |
| Net change in unrealised loss on investments, credit default swap, warrants and forward currency transactions | (771,627) | (11,199,025) | (4,298,658) | (16,269,310) |
| Income taxes from net realised/unrealised gains on investments | (239,469) | (622,814) | (377,186) | (1,239,469) |
| Net cost of share buybacks | – | (1,127,350) | (4,143,701) | (5,271,051) |
| Shares redeemed during the period | (14,975,871) | (38,975,842) | – | (53,951,713) |
| Net assets at the end of the period | 40,269,266 | 228,787,978 | 109,712,411 | 378,769,655 |

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Statement of Cash Flows

FOR THE SIX MONTH PERIOD TO 30 JUNE 2017 AND 30 JUNE 2016

(EXPRESSED IN US DOLLARS)

| | 30 JUNE 2017 | 30 JUNE 2016 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Net increase/(decrease) in net assets resulting from operations | 13,584,531 | (2,907,545) |
| Adjustment to reconcile net increase/(decrease) in net assets resulting from operations to net cash flow provided by operations: | | |
| Net realised gain on investments | (10,353,671) | (10,908,080) |
| Non cash loss on investment restructuring transactions | 1,275,098 | – |
| Net change in unrealised (gain)/loss on investments and forward currency transactions | (1,346,421) | 16,269,310 |
| Accretion of discount on loans and bonds | (2,319,846) | (1,583,025) |
| Changes in interest receivable | (579,971) | 187,360 |
| Changes in receivables for investments sold | 3,513,996 | (827,691) |
| Changes in other receivables and prepayments | 545,360 | 215,765 |
| Change in deferred taxes | (99,549) | (6,207,861) |
| Changes in payables for investments purchased | (356,975) | 2,780,009 |
| Changes in payables, accrued expenses and other liabilities | 279,559 | (229,572) |
| Cash paid on settled forward currency contracts | (50,051) | (1,708,301) |
| Purchase of investments | (15,631,562) | (15,522,972) |
| Sale of investments | 29,786,105 | 78,616,117 |
| Net sale of short term investments | 4,050,317 | 37,848,060 |
| Net cash provided by operating activities | 22,296,920 | 96,021,574 |
| Cash flows from financing activities: | | |
| Net cost of share buybacks | (2,204,853) | (5,271,051) |
| Shares redeemed during the period | (10,491,943) | (53,951,713) |
| Net cash used in financing activities | (12,696,796) | (59,222,764) |
| Net increase in cash and cash equivalents | 9,600,124 | 36,798,810 |
| Cash and cash equivalents at the beginning of the period | 38,615,044 | 17,168,855 |
| Effect of exchange rate changes on cash and cash equivalents | (106,385) | (629,479) |
| Cash and cash equivalents at the end of the period | 48,108,783 | 53,338,186 |

Supplemental cash flow information

\$13,974,717 (30 June 2016: \$Nil) related to the value of non-cash investment transactions, including reorganisations and exchanges and is excluded from purchases of and proceeds from sales of investments. Net tax paid during the period was \$14,096 (30 June 2016: \$7,447,330).

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by financial instrument)

| AT 30 JUNE 2017 (EXPRESSED IN US DOLLARS) | COST | FAIR VALUE | ORDINARY SHARES % ¹ | EXTENDED LIFE SHARES % ¹ | NEW GLOBAL SHARES % ¹ | TOTAL COMPANY % ¹ |
|--|--------------------|--------------------|--------------------------------------|---|---|------------------------------------|
| Portfolio of Distressed Investments | | | | | | |
| Bank Debt Investments | 128,786,241 | 91,271,356 | 13.66 | 25.14 | 30.55 | 25.69 |
| Private Bond | 25,179,200 | 20,594,250 | 4.95 | 5.86 | 5.97 | 5.80 |
| Private Equity | 111,877,565 | 114,215,311 | 32.29 | 30.48 | 34.84 | 32.14 |
| Private Equity: Real Estate Development | – | 657,292 | 0.47 | 0.24 | – | 0.18 |
| Private Note | 33,105,549 | 18,349,925 | 2.45 | 7.93 | 1.50 | 5.16 |
| Public Bond | 3,176,716 | 1,881,500 | – | 0.69 | 0.44 | 0.53 |
| Public Equity | 64,008,004 | 65,123,898 | 16.58 | 16.44 | 21.99 | 18.33 |
| Trade Claim ² | 13,032,089 | 12,251,811 | 8.71 | 4.49 | – | 3.45 |
| Temporary Investments | | | | | | |
| US Treasury Bills | 3,992,374 | 3,992,316 | – | – | 3.35 | 1.12 |
| Total Investments | 383,157,738 | 328,337,659 | 79.11 | 91.27 | 98.64 | 92.40 |
| Ordinary Shares | 32,106,949 | 31,099,398 | 79.11 | – | – | – |
| Extended Life Shares | 213,914,368 | 179,549,490 | – | 91.27 | – | – |
| New Global Shares | 137,136,421 | 117,688,771 | – | – | 98.64 | – |
| | 383,157,738 | 328,337,659 | 79.11 | 91.27 | 98.64 | 92.40 |
| Credit Default Swap | | | | | | |
| Ordinary Shares | (12,722) | (9,464) | (0.02) | – | – | – |
| Extended Life Shares | (32,926) | (24,494) | – | (0.01) | – | (0.01) |
| | (45,648) | (33,958) | (0.02) | (0.01) | – | (0.01) |
| Forward Currency Contracts | | | | | | |
| Ordinary Shares | – | (106,247) | (0.27) | – | – | (0.03) |
| Extended Life Shares | – | (918,700) | – | (0.47) | – | (0.26) |
| | – | (1,024,947) | (0.27) | (0.47) | – | (0.29) |
| Warrants | | | | | | |
| Extended Life Shares | 478,733 | 216,804 | – | 0.11 | – | 0.06 |
| New Global Shares | 274,222 | 99,902 | – | – | 0.08 | 0.03 |
| | 752,955 | 316,706 | – | 0.11 | 0.08 | 0.09 |

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

2 The trade claim was structured through a fully funded total return swap with a major US financial institution.

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by financial instrument)

| AT 31 DECEMBER 2016 (AUDITED) (EXPRESSED IN US DOLLARS) | COST | FAIR VALUE | ORDINARY SHARES % ¹ | EXTENDED LIFE SHARES % ¹ | NEW GLOBAL SHARES % ¹ | TOTAL COMPANY % ¹ |
|--|--------------------|--------------------|--------------------------------------|---|---|------------------------------------|
| Portfolio of Distressed Investments | | | | | | |
| Bank Debt Investments | 131,743,761 | 89,462,184 | 13.09 | 21.72 | 32.07 | 24.12 |
| Private Bond | 19,285,351 | 13,661,412 | 2.06 | 4.20 | 3.24 | 3.68 |
| Private Equity | 138,122,077 | 142,382,636 | 44.24 | 38.19 | 36.89 | 38.39 |
| Private Equity: Real Estate Development | 2,585,916 | 3,600,871 | 2.70 | 1.20 | – | 0.97 |
| Private Note | 33,484,723 | 18,451,483 | 2.41 | 7.13 | 1.79 | 4.97 |
| Public Bond | 7,990,556 | 6,505,825 | – | 1.30 | 3.16 | 1.75 |
| Public Equity | 35,553,686 | 36,692,442 | 4.86 | 8.26 | 14.51 | 9.89 |
| Trade Claim ² | 13,032,089 | 11,979,270 | 8.98 | 3.98 | – | 3.23 |
| | 381,798,159 | 322,736,123 | 78.34 | 85.98 | 91.66 | 87.00 |
| Temporary Investments | | | | | | |
| US Treasury Bills | 7,993,250 | 7,992,000 | – | 3.69 | – | 2.15 |
| | 7,993,250 | 7,992,000 | – | 3.69 | – | 2.15 |
| Total Investments | 389,791,409 | 330,728,123 | 78.34 | 89.67 | 91.66 | 89.15 |
| Ordinary Shares | 32,765,089 | 29,204,266 | 78.34 | – | – | – |
| Extended Life Shares | 229,387,485 | 194,247,898 | – | 89.67 | – | – |
| New Global Shares | 127,638,835 | 107,275,959 | – | – | 91.66 | – |
| | 389,791,409 | 330,728,123 | 78.34 | 89.67 | 91.66 | 89.15 |
| Credit Default Swap | | | | | | |
| Ordinary Shares | (12,722) | (8,030) | (0.02) | – | – | – |
| Extended Life Shares | (32,926) | (20,783) | – | (0.01) | – | (0.01) |
| | (45,648) | (28,813) | (0.02) | (0.01) | – | (0.01) |
| Forward Currency Contracts | | | | | | |
| Ordinary Shares | – | 315,578 | 0.85 | – | – | 0.09 |
| Extended Life Shares | – | 1,443,926 | – | 0.67 | – | 0.39 |
| | – | 1,759,504 | 0.85 | 0.67 | – | 0.48 |
| Warrants | | | | | | |
| Extended Life Shares | 478,733 | 305,746 | – | 0.14 | – | 0.08 |
| New Global Shares | 274,222 | 134,484 | – | – | 0.11 | 0.04 |
| | 752,955 | 440,230 | – | 0.14 | 0.11 | 0.12 |

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

2 The trade claim was structured through a fully funded total return swap with a major US financial institution.

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments

AT 30 JUNE 2017 AND 31 DECEMBER 2016

(EXPRESSED IN US DOLLARS)

Investments with the following issuers comprised greater than 5% of Total Company NAV

| 30 JUNE 2017 (UNAUDITED) | COUNTRY | INDUSTRY | NOMINAL | COST | FAIR VALUE | ORDINARY SHARES % ¹ | EXTENDED LIFE SHARES % ¹ | NEW GLOBAL SHARES % ¹ | TOTAL COMPANY % ¹ |
|---|------------------|---------------------------|-------------------|-------------------|---------------|--------------------------------------|--|---|------------------------------------|
| Securities | | | | | | | | | |
| Five Point Holdings LLC (formally known as Newhall Holding Company, LLC) | United States | Building & Development | 1,662,575 | 22,934,871 | 24,539,607 | 11.65 | 6.87 | 5.40 | 6.91 |
| Harko LLC | United States | Lodging & Casinos | 2,517,756 | 34,067,082 | 34,065,239 | 17.74 | 9.14 | 7.63 | 9.59 |
| Exide Technologies 7.000% 04/30/25 SR:AI CVT | United States | Auto Components | 14,171,344 | 12,122,645 | 7,794,239 | 1.56 | 2.48 | 1.93 | 2.19 |
| Exide Technologies 11% 30/04/2022 | United States | Auto Components | 8,024,589 | 6,737,742 | 6,700,532 | 0.11 | 2.42 | 1.59 | 1.89 |
| Exide Technologies 7.25% 04/30/20 SR:AI | United States | Auto Components | 6,302,490 | 5,680,110 | 5,672,241 | 2.97 | 0.81 | 2.45 | 1.60 |
| Exide Private Common | United States | Auto Components | 138,600 | 693,000 | 83,160 | 0.03 | 0.02 | 0.02 | 0.02 |
| Exide Private Common 2 | United States | Auto Components | 164,922 | 992,386 | 98,953 | 0.02 | 0.03 | 0.02 | 0.03 |
| Exide Technologies Common Stock Escrow | United States | Auto Components | 23,389,000 | – | 23 | – | – | – | – |
| | | | 83,227,836 | 78,953,994 | | 34.08 | 21.77 | 19.04 | 22.23 |

| 31 DECEMBER 2016 (AUDITED) | COUNTRY | INDUSTRY | NOMINAL | COST | FAIR VALUE | ORDINARY SHARES % ¹ | EXTENDED LIFE SHARES % ¹ | NEW GLOBAL SHARES % ¹ | TOTAL COMPANY % ¹ |
|---|------------------|---------------------------|-------------------|-------------------|---------------|--------------------------------------|--|---|------------------------------------|
| Securities | | | | | | | | | |
| Five Point Holdings LLC (formally known as Newhall Holding Company, LLC) | United States | Building & Development | 10,891,404 | 23,945,425 | 27,228,510 | 13.18 | 6.69 | 6.69 | 7.34 |
| Harko LLC | United States | Lodging & Casinos | 2,517,756 | 35,195,155 | 33,989,706 | 18.67 | 8.28 | 7.76 | 9.16 |
| | | | 59,140,580 | 61,218,216 | | 31.85 | 14.97 | 14.45 | 16.50 |

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by geography)

| AT 30 JUNE 2017 (EXPRESSED IN US DOLLARS) | COST | FAIR VALUE | ORDINARY SHARES % ¹ | EXTENDED LIFE SHARES % ¹ | NEW GLOBAL SHARES % ¹ | TOTAL COMPANY % ¹ |
|--|--------------------|--------------------|--------------------------------------|---|---|------------------------------------|
| Geographic diversity of Portfolio | | | | | | |
| Portfolio of Distressed Investments | | | | | | |
| Australia | 18,351,433 | 17,321,814 | 8.30 | 4.28 | 4.73 | 4.87 |
| Brazil | 13,032,089 | 12,251,811 | 8.71 | 4.49 | – | 3.45 |
| Denmark | 14,207,442 | 11,389,263 | – | 2.72 | 5.06 | 3.21 |
| Germany | – | 1,844,498 | 1.31 | 0.68 | – | 0.52 |
| Greece | 357,242 | 244,730 | 0.17 | 0.09 | – | 0.07 |
| Luxembourg | – | 15,177,018 | 10.79 | 5.56 | – | 4.27 |
| Marshall Islands | 15,768,861 | 17,142,735 | – | 6.22 | 4.12 | 4.82 |
| Netherlands | 16,198,441 | 13,025,233 | – | 2.94 | 6.08 | 3.67 |
| Spain | 34,996,871 | 22,342,997 | – | 2.38 | 14.80 | 6.29 |
| United Kingdom | 852,353 | 3,995,703 | 2.84 | 1.45 | – | 1.12 |
| United States | 265,400,632 | 209,609,541 | 46.99 | 60.46 | 60.50 | 58.99 |
| Temporary Investments | | | | | | |
| United States | 3,992,374 | 3,992,316 | – | – | 3.35 | 1.12 |
| | 383,157,738 | 328,337,659 | 79.11 | 91.27 | 98.64 | 92.40 |

¹ This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by geography)

| AT 31 DECEMBER 2016 (AUDITED) (EXPRESSED IN US DOLLARS) | COST | FAIR VALUE | ORDINARY SHARES % ¹ | EXTENDED LIFE SHARES % ¹ | NEW GLOBAL SHARES % ¹ | TOTAL COMPANY % ¹ |
|--|--------------------|--------------------|--------------------------------------|---|---|------------------------------------|
| Geographic diversity of Portfolio | | | | | | |
| Portfolio of Distressed Investments | | | | | | |
| Australia | 19,227,424 | 15,203,066 | 7.69 | 3.41 | 4.23 | 4.10 |
| Brazil | 13,032,089 | 11,979,270 | 8.98 | 3.98 | – | 3.23 |
| Denmark | 17,263,111 | 13,993,794 | – | 2.28 | 7.73 | 3.77 |
| Germany | – | 1,413,480 | 1.06 | 0.47 | – | 0.38 |
| Greece | 357,242 | 122,108 | 0.09 | 0.04 | – | 0.03 |
| Luxembourg | – | 9,865,066 | 7.40 | 3.28 | – | 2.66 |
| Marshall Islands | 13,729,243 | 13,764,140 | – | 4.53 | 3.37 | 3.71 |
| Netherlands | 14,428,683 | 12,169,351 | – | 2.49 | 5.79 | 3.28 |
| Spain | 28,335,085 | 12,242,942 | – | 1.74 | 7.24 | 3.30 |
| United Kingdom | 852,354 | 2,060,319 | 1.54 | 0.69 | – | 0.56 |
| United States | 274,572,928 | 229,922,587 | 51.58 | 63.07 | 63.30 | 61.98 |
| Temporary Investments | | | | | | |
| United States | 7,993,250 | 7,992,000 | – | 3.69 | – | 2.15 |
| | 389,791,409 | 330,728,123 | 78.34 | 89.67 | 91.66 | 89.15 |

¹ This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

Unaudited Consolidated Condensed Schedule of Investments (by sector)

| AT 30 JUNE 2017 (EXPRESSED IN US DOLLARS) | COST | FAIR VALUE | ORDINARY SHARES % ¹ | EXTENDED LIFE SHARES % ¹ | NEW GLOBAL SHARES % ¹ | TOTAL COMPANY % ¹ |
|--|--------------------|--------------------|--------------------------------------|---|---|------------------------------------|
| Industry diversity of Portfolios | | | | | | |
| Portfolio of Distressed Investments | | | | | | |
| Air Transport | 664,662 | 578,063 | 0.40 | 0.21 | – | 0.16 |
| Auto Components | 26,225,883 | 20,349,148 | 4.69 | 5.76 | 6.02 | 5.73 |
| Building & Development | 25,893,454 | 25,633,029 | 11.85 | 6.97 | 6.09 | 7.21 |
| Chemicals & Plastics | 1,525,664 | 882,380 | – | – | 0.74 | 0.25 |
| Commercial Mortgage | 21,322,038 | 18,388,328 | 3.29 | 5.01 | 6.08 | 5.17 |
| Containers & Packaging | 852,355 | 19,172,720 | 13.63 | 7.02 | – | 5.40 |
| Financial Intermediaries | 21,464,317 | 12,991,062 | 2.45 | 6.12 | – | 3.66 |
| Forest Products | – | 1,844,498 | 1.31 | 0.68 | – | 0.52 |
| Lodging & Casinos | 83,622,507 | 85,799,902 | 17.74 | 19.12 | 34.55 | 24.15 |
| Nonferrous Metals/Minerals | 20,100,461 | 16,509,108 | – | 4.61 | 6.23 | 4.65 |
| Oil & Gas | 28,306,499 | 26,388,225 | – | 8.21 | 8.59 | 7.43 |
| Real Estate Development | – | 657,292 | 0.47 | 0.24 | – | 0.18 |
| Shipping | 39,745,468 | 42,988,509 | 0.83 | 12.34 | 15.40 | 12.10 |
| Surface Transportation | 32,571,398 | 18,616,084 | 8.71 | 6.11 | 2.66 | 5.24 |
| Utilities | 76,870,658 | 33,546,995 | 13.74 | 8.87 | 8.93 | 9.43 |
| Temporary Investments | | | | | | |
| US Treasury Bills | 3,992,374 | 3,992,316 | – | – | 3.35 | 1.12 |
| | 383,157,738 | 328,337,659 | 79.11 | 91.27 | 98.64 | 92.40 |

¹ This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by sector)

| AT 31 DECEMBER 2016 (AUDITED) (EXPRESSED IN US DOLLARS) | COST | FAIR VALUE | ORDINARY SHARES % ¹ | EXTENDED LIFE SHARES % ¹ | NEW GLOBAL SHARES % ¹ | TOTAL COMPANY % ¹ |
|--|--------------------|--------------------|--------------------------------------|---|---|------------------------------------|
| Industry diversity of Portfolios | | | | | | |
| Portfolio of Distressed Investments | | | | | | |
| Air Transport | 820,337 | 1,913,688 | 0.66 | 0.55 | 0.41 | 0.52 |
| Auto Components | 20,369,766 | 13,247,128 | 1.66 | 4.05 | 3.29 | 3.57 |
| Building & Development | 27,555,817 | 27,499,755 | 13.38 | 6.78 | 6.69 | 7.41 |
| Chemicals & Plastics | 1,525,664 | 568,746 | – | – | 0.49 | 0.15 |
| Commercial Mortgage | 23,801,120 | 27,898,917 | 3.32 | 9.18 | 5.79 | 7.52 |
| Containers & Packaging | 852,354 | 11,925,384 | 8.94 | 3.97 | – | 3.21 |
| Financial Intermediaries | 21,464,320 | 12,147,487 | 2.41 | 5.19 | – | 3.27 |
| Forest Products | – | 1,413,480 | 1.06 | 0.47 | – | 0.38 |
| Lodging & Casinos | 81,951,854 | 80,953,291 | 18.66 | 18.31 | 29.33 | 21.84 |
| Nonferrous Metals/Minerals | 20,099,773 | 16,509,108 | – | 4.19 | 6.35 | 4.45 |
| Oil & Gas | 32,144,372 | 30,937,890 | – | 7.57 | 12.43 | 8.34 |
| Real Estate Development | 2,585,916 | 3,600,871 | 2.70 | 1.20 | – | 0.97 |
| Shipping | 37,104,844 | 40,060,791 | 0.86 | 10.19 | 15.09 | 10.80 |
| Surface Transport | 32,564,456 | 17,108,599 | 8.98 | 5.17 | 2.18 | 4.61 |
| Utilities | 78,957,566 | 36,950,988 | 15.71 | 9.16 | 9.61 | 9.96 |
| Temporary Investments | | | | | | |
| US Treasury Bills | 7,993,250 | 7,992,000 | – | 3.69 | – | 2.15 |
| | 389,791,409 | 330,728,123 | 78.34 | 89.67 | 91.66 | 89.15 |

¹ This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

Notes to the Unaudited Consolidated Interim Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 1 – DESCRIPTION OF BUSINESS

The Company is a closed-ended investment company registered and incorporated in Guernsey under the provisions of the Companies (Guernsey) Law, 2008 (as amended) (the “Companies Law”) with registration number 51774. The Company’s shares are traded on the Specialist Fund Segment (“SFS”) of the London Stock Exchange (“LSE”). All share classes are in the harvest period.

The Company’s 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 by, amongst other things, focusing on senior and senior secured debt with both collateral and structural protection.

The Company’s share capital is denominated in US Dollars for Ordinary Shares and Extended Life Shares and Pound Sterling for New Global Shares.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Having assessed the Company’s principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements. The Financial Statements give a true and fair view of the assets, liabilities, financial position and return and are prepared in conformity with US Generally Accepted Accounting Principles (“US GAAP”) and Companies Law. The Company is regarded as an Investment Company and it follows the accounting and reporting requirements of FASB Accounting Standards Codification (“ASC 946”). Management believes that the underlying assumptions are appropriate and that the Company’s Financial Statements therefore present a true and fair view of the financial position of the Company. The functional and reporting currency is US Dollar.

The Financial Statements include the results of the Company and its wholly-owned subsidiaries.

Wholly-owned subsidiaries, London Dearborn LLC, London Granite Ridge LLC, London Jackson LLC, London Madison LLC, London Randolph LLC, London Wabash LLC, London Washington LLC, London Randolph Holdco LLC, London Washington Holdco LLC, London Jackson Holdco LLC, London Tides Holdco LLC, London Wacker LLC, London Granite Ridge (Global) LLC, London Madison (Global) LLC, London Dearborn (Global) LLC and London Wabash (Global) LLC are incorporated in Delaware and operate in the United States.

Wholly-owned subsidiaries, London Lake Michigan LP, London Lake Michigan (Global) LP, London Lake Erie LP and London Lake Erie (Global) LP are incorporated in the Cayman Islands.

Wholly-owned subsidiaries, London Lux Masterco 1 S.a.r.l., London Lux Debtco 1 S.a.r.l., London Lux Propco 1 S.a.r.l. and London (Lux) PropCo 2 S.a.r.l. are incorporated in Luxembourg.

Partially owned indirect subsidiaries NB Distressed Debt Aggregating Inc. and Chicago Aircraft Fund LLC are incorporated in Delaware and operate in the United States.

During the period ended 30 June 2017, London American Homes LP, London Adams LLC and London Tides LLC were dissolved.

There are no recent standards and pronouncement during the period that are relevant to the Company.

Use of Estimates

The preparation of Financial Statements in conformity with US GAAP requires that the Directors make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Such estimates and assumptions are generally based on historical experience and various other factors that are believed to be reasonable under the circumstances, and form the basis of making the judgements about attributing values of assets and liabilities that are not readily apparent from other sources.

Actual results may vary from such accounting estimates in amounts that may have a material impact on the Financial Statements of the Company.

Valuation of Investments accounting policy and Note 5 “Fair Value of Financial Instruments” discloses further detail on the use of estimates in the valuation of investments.

Revenue Recognition

Interest earned on debt instruments is accounted for, net of applicable withholding taxes and it is recognised as income over the terms of the loans and bonds. Discounts received or premiums paid in connection with the acquisition of loans and bonds are amortised into interest income using the effective interest method over the contractual life of the related loan and bond. If a loan is repaid prior to maturity, the recognition of the fees and costs is accelerated as appropriate. The Company raises a provision when the collection of interest is deemed doubtful.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Revenue Recognition (continued)**

Payment-in-kind (“PIK”) interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by the obligator on the scheduled interest payment date. PIK interest is periodically added to the principal balance of the loan and recorded as interest income. The Investment Manager places a receivable on non-accrual status when the collection of principal or interest is deemed doubtful. The amount of interest income recorded, plus initial costs of underlying PIK interest is reviewed periodically to ensure that these do not exceed fair value of those assets.

Dividend income is recognised on the ex-dividend date net of withholding tax.

For the period ended 30 June 2017, \$627,807 (30 June 2016: \$1,583,025) was recorded to reflect accretion of discount on loans and bonds during the period.

Cash and Cash Equivalents

The Company’s cash and cash equivalents comprise cash on hand and demand deposits and highly liquid investments with original maturities of less than 90 days that are both readily convertible to known amounts of cash and so near maturity that they represent an insignificant risk of changes in value. At 30 June 2017, the Company held cash balances in various currencies to the value of \$48,108,783 (31 December 2016: \$38,615,044). These balances consisted of Pound Sterling: \$5,667,956 (31 December 2016: \$9,719,133), Euro: \$762,925 (31 December 2016: \$658,690), US Dollar: \$41,587,830 (31 December 2016: \$28,029,403), and Australian Dollar: \$90,072 (31 December 2016: \$207,818).

Valuation of Investments

The Company carries investments on its Consolidated Statement of Assets and Liabilities at fair value in accordance with US GAAP, with changes in fair value recognised in the Consolidated Statement of Operations in each reporting period. Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans.

If a price cannot be ascertained from the above sources the Company will seek bid prices from third party broker/dealer quotes for the investments. The Investment Manager believes that bid price is the best estimate of fair value and is in line with the valuation policy adopted by the Company.

In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Administrator will value such investments with the input of the Investment Manager who will determine the valuation based on its fair valuation policy. As part of the investment fair valuation policy, the Investment Manager prepares a fair valuation memorandum for each such investment presenting the methodology and assumptions used to derive the price. This analysis is presented to the Investment Manager’s Valuation Committee for approval.

The following criteria are considered when applicable:

- The valuation of other securities by the same issuer for which market quotations are available;
- The reasons for absence of market quotations;
- The soundness of the security, its interest yield, the date of maturity, the credit standing of the issue and the current general interest rates;
- Any recent sales prices and/or bid and ask quotations for the security;
- The value of similar securities of issuers in the same or similar industries for which market quotations are available;
- The economic outlook of the industry;
- The issuer’s position in the industry;
- Valuation utilising the net asset valuations provided by the underlying private investment companies/partnerships as a practical expedient;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

Derivative Financial Instruments

The Company may, from time to time, hold derivative financial instruments for the purposes of managing foreign currency exposure. These derivatives are measured at fair value in accordance with US GAAP with changes in fair value recognised in the Unaudited Consolidated Statement of Operations in each reporting period.

As part of the Company’s investment strategy, the Company enters into over-the-counter (“OTC”) derivative contracts which may include forward currency contracts, credit default swap and warrants.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (continued)

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies on the reporting date and unrealised gains or losses are recorded daily. Forward contracts are generally categorised in Level 2 of the fair value hierarchy.

The credit default swap has been entered into on the OTC market. The fair value of the credit default swap contract is derived using a pricing service provided by Markit Partners. Markit Partners use a pricing model that is widely accepted by marketplace participants. Their pricing model takes into account multiple inputs including specific contract terms, interest rate yield curves, interest rates, credit curves, recovery rates, and current credit spreads obtained from swap counterparties and other market participants. Many inputs into the model do not require material subjectivity as they are observable in the marketplace or set per the contract. Other than the contract terms, valuation is mainly determined by the difference between the contract spread and the current market spread. The contract spread (or rate) is generally fixed and the market spread is determined by the credit risk of the underlying debt or reference entity. If the underlying debt is liquid and the OTC market for the current spread is active, credit default swaps are categorised in Level 2 of the fair value hierarchy. If the underlying debt is illiquid and the OTC market for the current spread is not active, credit default swaps are categorised in Level 3 of the fair value hierarchy.

The Company also holds six warrants (2016: six warrants) which it prices based on the bid price provided by a third party broker/dealer quote.

Realised and Unrealised Gains and Losses on Investments

All investment transactions are recorded on a trade-date basis. Upon sale or maturity, the difference between the consideration received and the cost of the investment is recognised as a realised gain or loss. The cost is determined based on the average cost method.

All transactions relating to the restructuring of current investments are recorded at the date of such restructuring. The difference between the fair value of the new consideration received and the cost of the original investment is recognised as a realised gain or loss.

Unrealised gains and losses on an investment are the difference between the cost if purchased during the period or fair value at the previous year end and the fair value at the current period end. Unrealised gains and losses are included in the Unaudited Consolidated Statement of Operations.

Operating Expenses

Operating expenses are recognised on an accruals basis. Operating expenses include amounts directly or indirectly incurred by the Company as part of its operations. Each share class will bear its respective pro-rata share based on its respective NAVs of the ongoing costs and expenses of the Company. Each share class will also bear all costs and expenses of the Company determined by the Directors to be attributable solely to it.

Currency Translation

Monetary assets and liabilities denominated in a currency other than US Dollar are translated into US Dollar equivalents using spot rates at the period end date. On initial recognition, foreign currency sales and purchases transactions are recorded and translated at the spot exchange rate at the transaction date and for all other transactions, the average rate is applied. Non-monetary assets and liabilities are translated at the historic exchange rate.

The Company does not separate the changes relating to currency exchange rates from those relating to changes in fair value of the investments. These fluctuations are included in the net realised gain and net change in unrealised gain/(loss) on investments, credit default swap, warrants and forward currency transactions in the Unaudited Consolidated Statements of Operations.

Payables/Receivables on Investments Purchased/Sold

At 30 June 2017, the amount payable/receivable on investments purchased/sold represents amounts due for investments purchased/sold that have been contracted for but not settled on the Unaudited Consolidated Statement of Assets and Liabilities date.

Cost of Buybacks

Any costs incurred by a share buyback are charged to that share class.

Income Taxes

The Company is not subject to income taxes in Guernsey; however it may be subject to taxes imposed by other countries on income it derives from investments. Such taxes are reflected in the Consolidated Statement of Operations. In accordance with US GAAP, management is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognised is measured as the largest amount of benefit that is greater than fifty percent likely of being realised upon ultimate settlement. De-recognition of a tax benefit previously recognised could result in the Company recording a tax liability that would reduce net assets. US GAAP also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Income Taxes (continued)**

There were no uncertain tax positions at 30 June 2017 or 31 December 2016. The Company is subject to examination for US Federal and state tax returns for calendar years 2011–2017.

During the period ended 30 June 2017, the Company recorded current income tax from realised gain on investments of \$14,096 (30 June 2016: \$7,447,330). Deferred taxes are recorded to reflect the tax consequences of future years' differences between the tax basis of assets and their financial reporting basis. The amount of deferred tax benefit for the period ended 30 June 2017 is equal to \$99,549 (31 December 2016: \$6,207,861). The net total income tax benefit from realised/unrealised gains/(losses) on investments for the period ended 30 June 2017 was \$85,453 (30 June 2016 income tax expense: \$1,239,469).

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES**Investment Management Agreement (“IMA”)**

The Board is responsible for managing the business affairs of the Company but delegates certain functions to the Investment Manager under an IMA dated 9 June 2010 (as amended).

On 17 July 2014, the Company, the Manager and the AIFM made certain classificatory amendments to their contractual arrangements for the purposes of the AIFM Directive. The Sub-Investment Management Agreement was terminated on 17 July 2014 and Neuberger Berman Investment Advisers LLC (formerly Neuberger Berman Fixed Income LLC), which was the Sub-Investment Manager, was appointed as the AIFM per the amended and restated IMA dated 17 July 2014. Under this agreement, the AIFM is responsible for risk management and day-to-day discretionary management of the Company's Portfolios (including un-invested cash). The risk management and discretionary portfolio management functions are performed independently of each other within the AIFM structure. The AIFM is not required to, and generally will not, submit individual investment decisions for approval by the Board. The Manager, Neuberger Berman Europe Limited, was appointed under the same IMA to provide, amongst other things, certain administrative services to the Company.

Per the IMA and in relation to the Ordinary Shares and Extended Life Shares, the Manager is entitled to a management fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125% per month of the respective NAVs of the Ordinary Share and Extended Life Share classes. Soft commissions are not used.

Per the IMA and in relation to the New Global Shares, the Manager is entitled to a management fee, which accrues daily, and is payable monthly in arrears, at a rate of 0.125% per month of the NAV of the New Global Share Class (excluding, until such time as the New Global Share Class is 85% invested, any cash balances (or cash equivalents)). The 85% threshold was crossed on 16 June 2015 and the Company is now being charged 0.125% per month on the NAV of the New Global Share Class.

For the period ended 30 June 2017, the management fee expense was \$2,714,625 (30 June 2016: \$2,945,681). At 30 June 2017, the management fee payable was \$888,196 (31 December 2016: \$461,858).

The Manager pays a fee to the AIFM out of the management fee received from the Company. The Company does not pay any fees directly to the AIFM.

Performance Fee

In addition, the Manager is entitled to a performance fee. The performance fee for Ordinary Shares, Extended Life Shares and New Global Shares (collectively the “Shares”) will only become payable once the Company has made aggregate distributions in cash to the shareholders of the Shares (which shall include the aggregate price of all Shares repurchased or redeemed by the Company) equal to the aggregate gross proceeds from issuing Shares (the “Contributed Capital”) plus such amounts as will result in the shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to Preferred Return, following which there will be a 100% catch up payable to the Manager until the Manager has received 20% of all amounts in excess of Contributed Capital distributed to the shareholders and paid to the Manager as a performance fee with, thereafter, all amounts distributed by the Company 20:80 between the Manager's performance fee and the cash distributed to shareholders.

The preferred rate of return for Ordinary Shares is an annualised 6%, for Extended Life Shares was an annualised 6% from 2010 to April 2013 and is 8% from April 2013 to date and for New Global Shares is an annualised 8%. For the purposes of financial reporting, the performance fee is recognised on an accruals basis.

For the period ended 30 June 2017, the performance fee expense for the Ordinary Shares, Extended Life Shares and New Global Shares was \$Nil (30 June 2016: \$Nil). The cumulative performance fee for the Ordinary Shares, Extended Life Shares and New Global Shares was \$Nil (31 December 2016: \$Nil), and would be payable if the Company was to realise all investments at the period end.

Soft commissions are not used to pay for services used by the Investment Manager.

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES (CONTINUED)

Administration, Company Secretarial and Custody Agreements

Effective 1 March 2015, the Company entered into an Administration and Sub-Administration Agreement with U.S. Bancorp Fund Services (Guernsey) Limited and Quintillion Limited, a wholly-owned subsidiary of U.S. Bancorp (the "Administration Agreement"). Under the terms of the Administration Agreement, Sub-Administration services are delegated to Quintillion Limited (the "Sub-Administrator").

The Sub-Administrator is responsible for the day-to-day administration of the Company (including but not limited to the calculation and publication of the estimated daily NAV).

Under the terms of the Administration Agreement, the Sub-Administrator is entitled to a fee of 0.09% for the first US\$500m of net asset value, 0.08% for the next US\$500m and 0.07% for any remaining balance, accrued daily and paid monthly in arrears and subject to an annual minimum of \$100,000.

Effective 1 March 2015, the Company entered into a Custody Agreement with U.S. Bank National Association (the "Custodian") to provide loan administration and custody services to the Company. Under the terms of the Custody Agreement the Custodian is entitled to an annual fee of 0.025% of net asset value with a minimum annual fee of \$25,000.

Effective 20 June 2017, Carey Commercial Limited was appointed the Company Secretary in replacement of C.L. Secretaries Limited, a wholly-owned subsidiary of Carey Commercial Limited. The Company Secretary is entitled to an annual fee of £65,800, an annual compliance fee of £250 plus fees for ad-hoc board meetings and additional services.

For the period ended 30 June 2017, the administration fee expense was \$165,579 (30 June 2016: \$181,650), the secretarial fee was \$61,784 of which \$12,708 was in relation to the administration of the ongoing buyback programme, (30 June 2016: \$81,711) and the loan administration and custody fee expense was \$119,856 (30 June 2016: \$40,730). At 30 June 2017, the administration fee payable is \$26,032 (31 December 2016: \$27,186), the secretarial fee payable is \$23,227 (31 December 2016: \$2,160) and the loan administration and custody fee payable is \$50,181 (31 December 2016: \$111,321).

Directors' Remuneration and Other Interests

The Directors are related parties and are remunerated for their services at a fee of \$45,000 plus £10,000 each per annum (\$60,000 plus £10,000 for the Chairman, \$50,000 plus £10,000 for the Chair of the Audit Committee). Michael J. Holmberg, the non-independent Director, has waived the fees for his services as a Director.

Other Interests

There were no other related party interests for the period ended 30 June 2017.

NOTE 4 – DERIVATIVES

In the normal course of business, the Company uses derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of the derivative investment. The Company's derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: foreign currency exchange rate, credit, and equity price. In addition to its primary underlying risks, the Company is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts.

Forward Contracts

The Company enters into forwards for the purposes of managing foreign currency exposure.

Credit Default Swap

The Company may use credit default swap agreements on corporate or sovereign issues to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a Company owns or has exposure to the referenced obligation). The Company has entered into a single credit default swap agreement to provide a measure of protection against defaults of a sovereign issue.

Warrants

The Company received warrants in 2016. These warrants provide the Company with exposure and potential gains upon the appreciation of the underlying equity's share price.

NOTE 4 – DERIVATIVES (CONTINUED)**Derivative activity**

For the period ended 30 June 2017 and the year ended 31 December 2016 the volume of the Company's derivative activities based on their notional amounts and number of contracts, categorised by primary underlying risk, are as follows:

| 30 JUNE 2017 (UNAUDITED) | LONG EXPOSURE | | SHORT EXPOSURE | |
|---------------------------------------|---------------------|---------------------|--------------------|---------------------|
| | NOTIONAL AMOUNTS | NUMBER OF CONTRACTS | NOTIONAL AMOUNTS | NUMBER OF CONTRACTS |
| PRIMARY UNDERLYING RISK | | | | |
| Foreign currency exchange rate | | | | |
| Forward currency contracts | \$53,934,667 | 8 | \$1,503,208 | 5 |
| Credit | | | | |
| Purchased protection | | | | |
| Credit default swap | \$12,200,000 | 1 | – | – |
| Total | \$66,134,667 | 9 | \$1,503,208 | 5 |
| Equity price | | | | |
| Warrants | 265,347 | 6 | – | – |

| 31 DECEMBER 2016 (AUDITED) | LONG EXPOSURE | | SHORT EXPOSURE | |
|---------------------------------------|---------------------|---------------------|------------------|---------------------|
| | NOTIONAL AMOUNTS | NUMBER OF CONTRACTS | NOTIONAL AMOUNTS | NUMBER OF CONTRACTS |
| PRIMARY UNDERLYING RISK | | | | |
| Foreign currency exchange rate | | | | |
| Forward currency contracts | \$49,356,116 | 9 | \$632,447 | 4 |
| Credit | | | | |
| Purchased protection | | | | |
| Credit default swap | 12,200,000 | 1 | – | – |
| Total | \$61,556,116 | 10 | \$632,447 | 4 |
| Equity price | | | | |
| Warrants | 265,347 | 6 | – | – |

The following tables show, at 30 June 2017 and 31 December 2016, the fair value amounts of derivative contracts included in the Unaudited Consolidated Statement of Assets and Liabilities, categorised by primary underlying risk. Balances are presented on a gross basis prior to application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into account the effects of master netting arrangements and, where applicable, have been adjusted by the application of cash collateral receivables and payables with its counterparties. The tables also identify, at 30 June 2017 and 30 June 2016, the realised and unrealised gain and loss amounts included in the Unaudited Consolidated Statement of Operations, categorised by primary underlying risk:

30 JUNE 2017

| PRIMARY UNDERLYING RISK | DERIVATIVE ASSETS | DERIVATIVE LIABILITIES | REALISED GAIN (LOSS) | UNREALISED GAIN (LOSS) |
|---------------------------------------|-------------------|------------------------|----------------------|------------------------|
| | (\$) | (\$) | (\$) | (\$) |
| Foreign currency exchange rate | | | | |
| Forward currency contracts | \$6,435 | \$(1,031,382) | \$(162,080) | \$(2,784,448) |
| Credit | | | | |
| Purchased protection | | | | |
| Credit default swap | – | \$(33,958) | – | \$(1,487) |
| Equity price | | | | |
| Warrants | \$316,706 | – | – | \$(142,434) |
| Total | \$323,141 | \$(1,065,340) | \$(162,080) | \$(2,928,369) |

NOTE 4 – DERIVATIVES (CONTINUED)
Derivative activity (continued)

| PRIMARY UNDERLYING RISK | 31 DECEMBER 2016 (AUDITED) | | 30 JUNE 2016 (UNAUDITED) | |
|---------------------------------------|----------------------------|--------------------------------|------------------------------|--------------------------------|
| | DERIVATIVE ASSETS (\$) | DERIVATIVE LIABILITIES (\$) | REALISED GAIN (LOSS) (\$) | UNREALISED GAIN (LOSS) (\$) |
| Foreign currency exchange rate | | | | |
| Forward currency contracts | \$1,776,142 | \$(16,638) | \$(1,708,301) | \$(1,491,872) |
| Credit | | | | |
| Purchased protection | | | | |
| Credit default swap | – | \$(28,813) | \$(47,522) | \$(69,060) |
| Equity price | | | | |
| Warrants | \$440,230 | – | – | \$(181,728) |
| Total | \$2,216,372 | \$(45,451) | \$(1,755,823) | \$(1,742,660) |

Offsetting assets and liabilities

Amounts due from and to brokers are presented on a net basis, by counterparty, to the extent the Company has the legal right to offset the recognised amounts and intends to settle on a net basis.

The Company presents on a net basis the fair value amounts recognised for OTC derivatives executed with the same counterparty under the same master netting agreement.

The Company is required to disclose the impact of offsetting assets and liabilities presented in the Consolidated Statement of Assets and Liabilities to enable users of the Financial Statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognised assets and liabilities.

These recognised assets and liabilities include financial instruments and derivative contracts that are either subject to an enforceable master netting arrangement or similar agreement or meet the following right of set-off criteria:

- each of the two parties owes the other determinable amounts;
- the Company has the right to set-off the amounts owed with the amounts owed by the other party;
- the Company intends to set-off; and
- the Company's right of set-off is enforceable at law.

The Company is subject to enforceable master netting agreements with its counterparties of credit default swap with Bank of America Merrill Lynch (\$33,958) (31 December 2016: (\$28,813)), and foreign currency exchange contracts with Royal Bank of Canada \$6,435 (31 December 2016: (\$1,746,284)), Societe Generale (\$469,376), (31 December 2016: (\$6,813)) and UBS AG (\$562,006) (31 December 2016: (\$20,033)). These agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying offsetting mechanisms and collateral posting arrangements at pre-arranged exposure levels. There were no collateral arrangements during the period.

The following tables show, at 30 June 2017 and 31 December 2016, the gross and net derivatives assets and liabilities by contract type and amount for those derivatives contracts for which netting is permissible.

NOTE 4 – DERIVATIVES (CONTINUED)**Offsetting assets and liabilities (continued)****30 JUNE 2017 (UNAUDITED)****(Expressed in US Dollars)**

| DESCRIPTION | GROSS AMOUNTS OF RECOGNISED ASSETS | GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES | NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES |
|----------------------------|--|---|---|
| Forward Currency Contracts | 8,325 | (1,890) | 6,435 |
| Warrant | 316,706 | – | 316,706 |
| Total | 325,031 | (1,890) | 323,141 |

| DESCRIPTION | GROSS AMOUNTS OF RECOGNISED LIABILITIES | GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES | NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES |
|----------------------------|---|---|---|
| Forward Currency Contracts | (1,033,272) | 1,890 | (1,031,382) |
| Credit Default Swaps | (33,958) | – | (33,958) |
| Total | (1,067,230) | 1,890 | (1,065,340) |

31 DECEMBER 2016 (AUDITED)**(Expressed in US Dollars)**

| DESCRIPTION | GROSS AMOUNTS OF RECOGNISED ASSETS | GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES | NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES |
|----------------------------|--|---|---|
| Forward Currency Contracts | 1,776,142 | (9,825) | 1,766,317 |
| Warrant | 440,230 | – | 440,230 |
| Total | 2,216,372 | (9,825) | 2,206,547 |

| DESCRIPTION | GROSS AMOUNTS OF RECOGNISED LIABILITIES | GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES | NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES |
|----------------------------|---|---|---|
| Forward Currency Contracts | (16,638) | 9,825 | (6,813) |
| Credit Default Swap | (28,813) | – | (28,813) |
| Total | (45,451) | 9,825 | (35,626) |

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

A financial instrument is defined by the FASB ASC 825, “Disclosures about Fair Value of Financial Instruments” as cash, evidence of an ownership interest in an entity, or a contract that creates a contractual obligation or right to deliver to or receive cash or another financial instrument from a second entity on potentially favourable terms. Fair value estimates are made at a discrete point in time, based on relevant market data, information about the financial instruments, and other factors.

Fair value is determined using available market information and appropriate valuation methodologies. Estimates of fair value of financial instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgement.

Accordingly fair values are not necessarily indicative of the amounts realised on disposition of financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

The following estimates and assumptions were used at 30 June 2017 and 31 December 2016 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents - The carrying value reasonably approximates fair value due to the short-term nature of these instruments.
- Receivables for investments sold - The carrying value reasonably approximates fair value as it reflects the value at which investments are sold to a willing buyer and the settlement period on their balances is short term.
- Interest receivables and other receivables and prepayments - The carrying value reasonably approximates fair value.
- Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the investments.
- Warrants are priced using third party market quotes.
- In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Investment Manager determines the valuation based on its fair valuation policy. Further information on valuations is provided in Note 2, “Valuation of Investments”, on page 41.
- Payables for investments purchased - The carrying value reasonably approximates fair value as they reflect the value at which investments are purchased from a willing seller and the settlement period on their balances is short term.
- Payables to Investment Manager and affiliates and accrued expenses and other liabilities - The carrying value reasonably approximates fair value.
- Forward currency contracts are revalued using the forward exchange rate prevailing at the Consolidated Statement of Assets and Liabilities date.

The Company categorises its investments as follows based on the inputs used in valuation techniques:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly; and

Level 3: Significant unobservable inputs.

Further to using the above inputs in investment valuations, the Company employs a net asset valuation policy approved by the Board of Directors that is consistent with FASB ASC 820-10. The sources of inputs are evaluated in line with the Company’s valuation policy. This includes any markets in which the Company’s investments are trading, or any markets in which securities with similar attributes are trading, in determining fair value. The Company’s valuation policy considers the fact that unobservable inputs must be used to determine the fair value of investments where there is not a readily available market valuation.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**INVESTMENTS AT FAIR VALUE AT 30 JUNE 2017**

| (Expressed in US Dollars) | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|-------------------|--------------------|--------------------|--------------------|
| Bank Debt Investments | – | 41,849,923 | 49,421,433 | 91,271,356 |
| Private Bond | – | 14,494,770 | 6,099,480 | 20,594,250 |
| Private Equity | – | 34,182,066 | 80,033,245 | 114,215,311 |
| Private Equity: Real Estate Development | – | – | 657,292 | 657,292 |
| Private Note | – | 5,358,863 | 12,991,062 | 18,349,925 |
| Public Bond | – | 1,881,500 | – | 1,881,500 |
| Public Equity | 65,123,898 | – | – | 65,123,898 |
| Trade Claim | – | – | 12,251,811 | 12,251,811 |
| US Treasury Bills | – | 3,992,316 | – | 3,992,316 |
| Warrants | – | – | 316,706 | 316,706 |
| Credit Default Swap | – | (33,958) | – | (33,958) |
| Forward currency contracts | – | (1,024,947) | – | (1,024,947) |
| Total investments that are accounted for at fair value | 65,123,898 | 100,700,533 | 161,771,029 | 327,595,460 |

INVESTMENTS AT FAIR VALUE AT 31 DECEMBER 2016

| (Expressed in US Dollars) | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|-------------------|--------------------|--------------------|--------------------|
| Bank Debt Investments | – | 39,692,993 | 49,769,191 | 89,462,184 |
| Private Bond | – | 13,060,440 | 600,972 | 13,661,412 |
| Private Equity | – | 49,286,688 | 93,095,948 | 142,382,636 |
| Private Equity: Real Estate Development | – | – | 3,600,871 | 3,600,871 |
| Private Note | – | 6,303,996 | 12,147,487 | 18,451,483 |
| Public Bond | – | 6,505,825 | – | 6,505,825 |
| Public Equity | 12,807,661 | 23,884,781 | – | 36,692,442 |
| Trade Claim | – | – | 11,979,270 | 11,979,270 |
| US Treasury Bills | – | 7,992,000 | – | 7,992,000 |
| Warrants | – | 157,100 | 283,130 | 440,230 |
| Credit Default Swap | – | (28,813) | – | (28,813) |
| Forward currency contracts | – | 1,759,504 | – | 1,759,504 |
| Total investments that are accounted for at fair value | 12,807,661 | 148,614,514 | 171,476,869 | 332,899,044 |

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 30 June 2017. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

| TYPE | SECTOR | FAIR VALUE (\$) | PRIMARY VALUATION TECHNIQUE | SIGNIFICANT UNOBSERVABLE INPUTS | RANGE INPUT | WEIGHTED AVERAGE |
|---|----------------------------|--------------------|-----------------------------|---------------------------------|------------------------------------|------------------|
| Bank Debt Investments | Air Transport | 568,297 | Market Information | Value of remaining Aircraft | \$12.4 million per plane | N/A |
| Bank Debt Investments | Building & Development | 271,244 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Bank Debt Investments | Commercial Mortgage | 17,648,628 | Discounted Cash Flow (DCF) | WACC | 15% discount rate on loan payments | N/A |
| Bank Debt Investments | Forest Products | 1,844,497 | Market Comparables | EBITDA Multiple | 7.1 | N/A |
| Bank Debt Investments | Lodging & Casinos | 8,874,708 | Market Comparables | EBITDA Multiple | 13.5 | N/A |
| Bank Debt Investments | Oil & Gas | 3,213,555 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Bank Debt Investments | Shipping | 16,100,504 | Market Information | Value of Shipping Vessels | \$8.5 million per vessel | N/A |
| Bank Debt Investments | Utilities | 900,000 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Bond | Auto Components | 5,672,241 | Purchase Price | Weighted Average Valuation | N/A | N/A |
| Private Bond | Utilities | 427,239 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Equity | Air Transport | 9,790 | Discounted Cash Flow (DCF) | Residual Value/ Cash Receivable | N/A | N/A |
| Private Equity | Auto Components | 182,113 | Discounted Cash Flow (DCF) | Residual Value/ Cash Receivable | N/A | N/A |
| Private Equity | Building & Development | 822,177 | Market Information | Adjusted Broker Quote | N/A | N/A |
| Private Equity | Commercial Mortgage | 739,700 | Discounted Cash Flow (DCF) | WACC Price per square foot | 1% \$452 per sq foot | N/A |
| Private Equity | Containers and Packaging | 19,172,720 | Market Comparables | Enterprise Value Multiple | 7.75 | N/A |
| Private Equity | Lodging & Casinos | 41,169,256 | Market Comparables | Land value per acre | \$2.3 million per acre | N/A |
| Private Equity | Nonferrous Metals/Minerals | 16,509,108 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Equity | Oil & Gas | 386,151 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Equity | Shipping | 1,042,230 | Market Information | Value of Shipping Vessels | \$7.3 million per vessel | N/A |
| Private Equity: Real Estate Development | Real Estate Development | 657,292 | Market Comparables | Price per square foot | \$355 per sq foot | N/A |
| Private Note | Financial Intermediaries | 12,991,062 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Trade Claim | Surface Transport | 12,251,811 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Warrants | Oil & Gas | 257,544 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Warrants | Shipping | 59,162 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Total | | 161,771,029 | | | | |

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2016. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

| TYPE | SECTOR | FAIR VALUE (\$) | PRIMARY VALUATION TECHNIQUE | SIGNIFICANT UNOBSERVABLE INPUTS | RANGE INPUT | WEIGHTED AVERAGE |
|-----------------------|----------------------------|--------------------|-----------------------------|---------------------------------------|------------------------------------|------------------|
| Bank Debt Investments | Air Transport | 876,185 | Market Information | Value of remaining Aircraft | \$12.4 million per plane | N/A |
| Bank Debt Investments | Building & Development | 271,244 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Bank Debt Investments | Commercial Mortgage | 4,423,540 | Discounted Cash Flow (DCF) | WACC | 24% discount rate on loan payments | N/A |
| Bank Debt Investments | Commercial Mortgage | 12,169,352 | Discounted Cash Flow (DCF) | WACC | 15% discount rate on loan payments | N/A |
| Bank Debt Investments | Forest Products | 1,413,480 | Market Comparables | EBITDA Multiple | 7.1 | N/A |
| Bank Debt Investments | Lodging & Casinos | 7,113,613 | Market Comparables | EBITDA Multiple | 13.5 | N/A |
| Bank Debt Investments | Shipping | 12,765,944 | Market Information | Value of Shipping Vessels | \$8.5 million per vessel | N/A |
| Bank Debt Investments | Shipping | 3,062,792 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Bank Debt Investments | Surface Transport | 5,129,328 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Bank Debt Investments | Utilities | 2,543,713 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Bond | Utilities | 600,972 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Equity | Air Transport | 1,037,503 | Discounted Cash Flow (DCF) | WACC Value of remaining Aeroplanes | 20% \$1.25 million | N/A |
| Private Equity | Commercial Mortgage | 11,306,026 | Discounted Cash Flow (DCF) | WACC Price per square foot | 10% \$452 per sq foot | N/A |
| Private Equity | Containers & Packaging | 9,865,065 | Market Comparables | Enterprise Value Multiple | 7.75 | N/A |
| Private Equity | Containers & Packaging | 2,060,319 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Equity | Lodging & Casinos | 328,950 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Equity | Lodging & Casinos | 33,989,705 | Market Comparables | Land value per acre | \$2.3 million per acre | N/A |
| Private Equity | Nonferrous Metals/Minerals | 16,509,108 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Equity | Oil & Gas | 15,475,501 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Equity | Real Estate Development | 3,600,871 | Market Comparables | Price per square foot | \$355 per sq foot | N/A |
| Private Equity | Shipping | 998,207 | Market Information | Value of Shipping Vessels | \$7.3 million per vessel | N/A |
| Private Equity | Utilities | 1,525,564 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Private Note | Financial Intermediaries | 12,147,487 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Trade Claim | Surface Transport | 11,979,270 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Warrants | Oil & Gas | 228,422 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Warrants | Shipping | 54,708 | Market Information | Unadjusted Broker Quote | N/A | N/A |
| Total | | 171,476,869 | | | | |

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Changes in any of the above inputs may positively or adversely impact the fair value of the relevant investments.

Level 3 assets are valued using single bid-side broker quotes or by good faith methods of the Investment Manager. For single broker quotes the Investment Manager uses unobservable inputs to assess the reasonableness of the broker quote. For good faith valuations, the Investment Manager directly uses unobservable inputs to produce valuations. The significant unobservable inputs used in Level 3 assets are outlined in the table on the previous page.

These inputs vary by asset class. For example, real estate asset valuations may utilise discounted cash flow models using an average value per square foot and appropriate discount rate. Other assets may be based on analysis of the liquidation of the underlying assets. In general, increases/(decreases) to per unit valuation inputs such as value per square foot, will result in increases/(decreases) to investment value.

Similarly, increases/(decreases) of asset realisation inputs (liquidation estimate, letter of intent, etc.) will also result in increases/(decreases) in value. In situations where discounted cash flow models are used, increasing/(decreasing) discount rates or increasing/(decreasing) weighted average life, in isolation, will generally result in (decreased)/increased valuations.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of opening and closing balances of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs:

| FOR THE PERIOD ENDED 30 JUNE 2017 (Expressed in US Dollars) | BANK DEBT | | PRIVATE EQUITY: | | | | WARRANTS | PRIVATE NOTE | TOTAL |
|--|-------------------|------------------|-------------------|-------------------------|-------------------|----------------|-------------------|--------------------|-------|
| | INVESTMENTS | PRIVATE BOND | PRIVATE EQUITY | REAL ESTATE DEVELOPMENT | TRADE CLAIM | REAL ESTATE | | | |
| Balance, 31 December 2016 | 49,769,191 | 600,972 | 93,095,948 | 3,600,871 | 11,979,270 | 283,130 | 12,147,487 | 171,476,869 | |
| Purchases | 5,718,897 | 5,709,973 | 7,514,140 | - | - | - | - | 18,943,010 | |
| Sales and distributions | (277,451) | - | (15,343,782) | (2,987,227) | - | - | - | (18,608,460) | |
| Restructuring transactions | - | - | 1,010,555 | - | - | - | - | 1,010,555 | |
| Loss on non-cash investment transactions | - | - | - | - | - | - | - | - | |
| Realised gain/(loss) on sale of investments | 76,503 | - | 8,134,035 | 2,475 | - | - | - | 8,213,013 | |
| Unrealised (loss)/gain on investments | 2,830,403 | (211,465) | 1,320,811 | 41,173 | 272,541 | (9,313) | 843,575 | 5,087,725 | |
| Transfers into or (out of) Level 3 | (8,696,110) | - | (15,698,462) | - | - | 42,889 | - | (24,351,683) | |
| Balance, 30 June 2017 | 49,421,433 | 6,099,480 | 80,033,245 | 657,292 | 12,251,811 | 316,706 | 12,991,062 | 161,771,029 | |
| Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 30 June 2017 | 2,690,392 | (211,465) | 1,628,646 | (48,732) | 272,540 | (9,313) | 843,575 | 5,165,643 | |

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer. During the period the Company had seven transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of opening and closing balances of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs:

| FOR THE YEAR ENDED | BANK DEBT | PRIVATE BOND | PRIVATE EQUITY | REAL ESTATE | TRADE CLAIM | WARRANTS | PRIVATE NOTE | TOTAL |
|--|-------------------|----------------|-------------------|------------------|-------------------|----------------|-------------------|--------------------|
| 31 DECEMBER 2016 (AUDITED) | INVESTMENTS | BOND | EQUITY | DEVELOPMENT | CLAIM | | NOTE | |
| (Expressed in US Dollars) | | | | | | | | |
| Balance, 31 December 2015 | 72,644,678 | – | 105,127,348 | 4,787,223 | 9,267,308 | 210,523 | – | 192,037,080 |
| Purchases | 2,241,773 | 600,972 | 9,149,890 | – | – | – | – | 11,992,635 |
| Sales and distributions | (15,090,781) | – | (50,749,233) | (207,133) | – | – | – | (66,047,147) |
| Restructuring transactions | (364,656) | – | 1,494,794 | – | – | 318,384 | – | 1,448,522 |
| Loss on non-cash investment transactions | (10,694,561) | – | – | – | – | – | – | (10,694,561) |
| Realised gain/(loss) on sale of investments | 2,742,065 | – | 14,812,130 | – | – | – | – | 17,554,195 |
| Unrealised (loss)/gain on investments | (1,603,181) | – | (2,707,131) | (979,219) | 2,711,962 | (245,777) | – | (2,823,346) |
| Transfers into or (out of) Level 3 | (106,146) | – | 15,968,150 | – | – | – | 12,147,487 | 28,009,491 |
| Balance, 31 December 2016 | 49,769,191 | 600,972 | 93,095,948 | 3,600,871 | 11,979,270 | 283,130 | 12,147,487 | 171,476,869 |
| Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2016 | (10,839,234) | – | (239,033) | (979,223) | 2,711,963 | (245,777) | – | (9,591,304) |

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company did not have any transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTE 6 – RISKS

The Company is subject to various risks, including, but not limited to, market risk, credit risk and liquidity risk. The Investment Manager monitors and seeks to manage these risks on an ongoing basis. While the Investment Manager generally seeks to hedge certain portfolio risks, the Investment Manager is not required and may not attempt to hedge all market or other risks in the portfolio, and it may decide only to partially hedge certain risks.

Market Risk

Market risk is the potential for changes in the value of investments. Categories of market risk include, but are not limited to interest rates. Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Details of the Company's investment portfolio at 30 June 2017 and 31 December 2016 are disclosed in the Unaudited Consolidated Condensed Schedule of Investments. Each separate investment exceeding 5% of net assets is disclosed separately.

Credit Risk

The Company may invest in a range of corporate and other bonds and other credit sensitive securities. Until such investments are sold or are paid in full at maturity, the Company is exposed to credit risk relating to whether the issuer will meet its obligations when the securities come due. Distressed debt securities by nature are securities in companies which are in default or are heading into default and will expose the Company to a higher than normal amount of credit risk.

The Company maintains positions in a variety of securities, derivative financial instruments and cash and cash equivalents in accordance with its investment strategy and guidelines. The Company's trading activities expose the Company to counterparty credit risk from brokers, dealers and other financial institutions (collectively, "counterparties") with which it transacts business. "Counterparty credit risk" is the risk that a counterparty to a trade will fail to meet an obligation that it has entered into with the Company, resulting in a financial loss to the Company. The Company's policy with respect to counterparty credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out by the Investment Manager.

All the Company's cash and investment assets other than derivative financial instruments are held by the Custodian. The Custodian segregates the assets of the Company from the Custodian's assets and other Custodian clients. Management believes the risk is low with respect to any losses as a result of this concentration. The Company conducts its trading activities with respect to non-derivative positions with a number of counterparties. Counterparty credit risk borne by these transactions is mitigated by trading with multiple counterparties.

In addition the Company may trade in OTC derivative instruments and in derivative instruments which trade on exchanges with generally a limited number of counterparties. The Company is subject to counterparty credit risk related to the potential inability of counterparties to these derivative transactions to perform their obligations to the Company. The Company's exposure to counterparty credit risk associated with counterparty non-performance is generally limited to the fair value (derivative assets and liabilities) of OTC derivatives reported as net assets, net of collateral received or paid, pursuant to agreements with each counterparty. The Investment Manager attempts to reduce the counterparty credit risk of the Company by establishing certain credit terms in its ISDA Master Agreements (with netting terms) with counterparties, and through credit policies and monitoring procedures. Under ISDA Master Agreements in certain circumstances (e.g. when a credit event such as a default occurs) all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions. The Company receives and gives collateral in the form of cash and marketable securities and it is subject to the ISDA Master Agreement Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction. The terms also give each party the right to terminate the related transactions on the other party's failure to post collateral. Exchange-traded derivatives generally involve less counterparty exposure because of the margin requirements of the individual exchanges.

Generally, these contracts can be closed out at the discretion of the Investment Manager and are governed by the futures and options clearing agreements signed with the future commission merchants ("FCMs"). FCMs have capital requirements intended to assure that they have sufficient capital to protect their customers in the event of any inadequacy in customer funds arising from the default of one or more customers, adverse market conditions, or for any other reason.

The credit risk relating to derivatives is detailed further in Note 4.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as and when these fall due.

Liquidity risk is managed by the Investment Manager so as to ensure that the Company maintains sufficient working capital in cash or near cash form so as to be able to meet the Company's ongoing requirements as these are budgeted for.

Other Risks

Legal, tax and regulatory changes could occur during the term of the Company that may adversely affect the Company. The regulatory environment for alternative investment vehicles is evolving, and changes in the regulation of alternative investment vehicles may adversely affect the value of investments held by the Company or the ability of the Company to pursue its trading strategies.

NOTE 7 – SHARE CAPITAL

The Company's authorised share capital consists of:

10,000 Class A Shares authorised, of par value \$1 each (which carry no voting rights); and, an unlimited number of shares of no par value which may upon issue be designated as Ordinary Shares, Extended Life Shares or New Global Shares and/or Subscription Shares (each of which carry voting rights) or Capital Distributions Shares.

The issued share capital of the Company, which is denominated in US Dollars, consists of Ordinary Shares, Class A Shares and Extended Life Shares and in Pound Sterling consists of New Global Shares. Shareholders of Ordinary Shares, Extended Life Shares and New Global Shares have the right to attend and vote at any general meeting of the Company. Class A shareholders do not have the right to attend and vote at a general meeting of the Company save where there are no other shares of the Company in issue.

The Class A Shares are held by the Trustee pursuant to a purpose trust established under Guernsey law. Under the terms of the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the right to receive notice of general meetings of the Company but the Trustee shall only have the right to attend and vote at general meetings of the Company when there are no other Shares of the Company in issue.

The original investment period expired on 10 June 2013 and a proposal was made to Ordinary Shareholders to extend the investment period by 21 months to 31 March 2015. A vote was held at a class meeting of shareholders on 8 April 2013 where the majority of shareholders voted in favour of the proposed extension.

Following this meeting and with the Ordinary Shareholders approval of the extension, a new class, Extended Life Shares, was created and the Extended Life Shares were issued to 72% of initial Investors who elected to convert their Ordinary Shares to Extended Life Shares. The rest of investors remain invested on the basis of the current investment period.

At 30 June 2017, the Company had the following number of shares in issue:

| | 30 JUNE 2017 (UNAUDITED) | 31 DECEMBER 2016 (AUDITED) |
|--|-------------------------------------|---------------------------------------|
| Issued and fully paid up: | | |
| Class A Shares | 2 | 2 |
| Ordinary Share Class of no par value (Nil in treasury) | 35,218,587 | 35,218,587 |
| Extended Life Share Class of no par value (Nil in treasury) | 187,931,468 | 215,873,854 |
| New Global Share Class of no par value (Nil in treasury; 2016: 10,210,000) | 99,538,585 | 110,785,785 |

Reconciliation of the number of shares in issue in each class at 30 June 2017 (Unaudited):

| | ORDINARY SHARES | EXTENDED LIFE SHARES | NEW GLOBAL SHARES | NEW GLOBAL TREASURY SHARES | TOTAL |
|---|----------------------------|---------------------------------|------------------------------|---|--------------------|
| Balance at 31 December 2016 | 35,218,587 | 215,873,854 | 100,575,785 | 10,210,000 | 361,878,226 |
| Shares redeemed during the period | – | (26,659,518) | – | – | (26,659,518) |
| Buybacks (Shares repurchased) | – | (1,282,868) | (1,037,200) | 1,037,200 | (1,282,868) |
| Treasury shares cancelled during the period | – | – | – | (11,247,200) | (11,247,200) |
| Balance at 30 June 2017 | 35,218,587 | 187,931,468 | 99,538,585 | – | 322,688,640 |

Reconciliation of the number of shares in issue in each class at 31 December 2016 (Audited):

| | ORDINARY SHARES | EXTENDED LIFE SHARES | NEW GLOBAL SHARES | NEW GLOBAL TREASURY SHARES | TOTAL |
|--|----------------------------|---------------------------------|------------------------------|---|--------------------|
| Balance at 31 December 2015 | 48,830,771 | 270,733,913 | 106,720,785 | 4,065,000 | 430,350,469 |
| Shares redeemed during the year | (13,612,184) | (51,890,380) | – | – | (65,502,564) |
| Buybacks (Shares repurchased) | – | (2,969,679) | (6,145,000) | 6,145,000 | (2,969,679) |
| Balance at 31 December 2016¹ | 35,218,587 | 215,873,854 | 100,575,785 | 10,210,000 | 361,878,226 |

1 Balance of issued shares (less Treasury shares) used to calculate NAV.

NOTE 7 – SHARE CAPITAL (CONTINUED)**Distributions**

Set out below are details of the capital returns by way of compulsory partial redemptions approved during the period ended 30 June 2017 and year ended 31 December 2016.

| 2017 (UNAUDITED) | ORDINARY SHARE CLASS | | | EXTENDED LIFE SHARE CLASS | | | NEW GLOBAL SHARE CLASS | | |
|------------------|----------------------|------------------|------------------|---------------------------|-------------------|------------------|------------------------|------------------|------------------|
| | DISTRI-BUTION AMOUNT | NUMBER OF SHARES | PER SHARE AMOUNT | DISTRI-BUTION AMOUNT | NUMBER OF SHARES | PER SHARE AMOUNT | DISTRI-BUTION AMOUNT | NUMBER OF SHARES | PER SHARE AMOUNT |
| 22 February 2017 | – | – | – | \$10,491,943 | 10,427,294 | 1.0062 | – | – | – |
| 23 June 2017 | – | – | – | \$16,491,940 | 16,232,224 | 1.0160 | – | – | – |
| | – | – | – | \$26,983,883 | 26,659,518 | – | – | – | – |

| 2016 (AUDITED) | ORDINARY SHARE CLASS | | | EXTENDED LIFE SHARE CLASS | | | NEW GLOBAL SHARE CLASS | | |
|------------------|----------------------|-------------------|------------------|---------------------------|-------------------|------------------|------------------------|------------------|------------------|
| | DISTRI-BUTION AMOUNT | NUMBER OF SHARES | PER SHARE AMOUNT | DISTRI-BUTION AMOUNT | NUMBER OF SHARES | PER SHARE AMOUNT | DISTRI-BUTION AMOUNT | NUMBER OF SHARES | PER SHARE AMOUNT |
| 29 February 2016 | \$6,991,959 | 6,484,844 | \$1.0782 | \$19,991,948 | 21,162,219 | \$0.9447 | – | – | – |
| 28 April 2016 | \$4,491,953 | 4,080,255 | \$1.1009 | \$10,991,949 | 11,628,001 | \$0.9453 | – | – | – |
| 16 June 2016 | \$3,491,959 | 3,047,085 | \$1.1460 | \$7,991,945 | 8,130,158 | \$0.9830 | – | – | – |
| 6 December 2016 | – | – | – | \$10,991,943 | 10,970,002 | \$1.0020 | – | – | – |
| | \$14,975,871 | 13,612,184 | – | \$49,967,785 | 51,890,380 | – | – | – | – |

Buybacks

Under the authority granted to the Directors at the 2016 and 2017 AGMs, between 1 January 2017 and 30 June 2017, 1,037,200 New Global Shares were repurchased by the Company for gross consideration of \$1,027,448 and were subsequently cancelled. In addition, 1,282,868 Extended Life Shares were repurchased during the period for gross consideration of \$1,177,405 and were cancelled immediately. The Company did not repurchase any Ordinary Shares during this period.

Treasury Shares

On 18 May 2017 the company cancelled 10,657,000 New Global Shares held in treasury 10,210,000 of which were repurchased in prior years.

NOTE 8 – FINANCIAL HIGHLIGHTS

| | ORDINARY SHARES (\$) | EXTENDED LIFE SHARES (\$) | NEW GLOBAL SHARES £ | ORDINARY SHARES (\$) | EXTENDED LIFE SHARES (\$) | NEW GLOBAL SHARES £ |
|--|--|--|--|--|--|--|
| PER SHARE OPERATING PERFORMANCE | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) |
| Net asset value per share at beginning of the period/year | 1.0583 | 1.0035 | 0.9417 | 1.1184 | 1.0003 | 0.7341 |
| Impact of share buybacks | – | 0.0006 | 0.0016 | – | 0.0008 | 0.0058 |
| Distributions | – | – | – | (0.0793) | (0.0332) | (0.0102) |
| Income/(loss) from investment operations¹ | | | | | | |
| Net investment income | (0.0033) | 0.0086 | (0.0108) | 0.0151 | 0.0217 | 0.0232 |
| Net realised and unrealised (loss)/gain from investments and foreign exchange | 0.0613 | 0.0339 | (0.0097) | 0.0041 | 0.0139 | 0.1888 |
| Total income/(loss) from investment operations | 0.0580 | 0.0425 | (0.0205) | 0.0192 | 0.0356 | 0.2120 |
| Net asset value per share at end of the period/year | 1.1163 | 1.0466 | 0.9228 | 1.0583 | 1.0035 | 0.9417 |

1 Weighted average numbers of shares outstanding were used for calculation.

| | ORDINARY SHARES | EXTENDED LIFE SHARES | NEW GLOBAL SHARES | ORDINARY SHARES | EXTENDED LIFE SHARES | NEW GLOBAL SHARES |
|--|--|--|--|--|--|--|
| NAV TOTAL RETURN ^{1,2} | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) |
| NAV Total Return before performance fee | 5.48% | 4.29% | (2.01%) | 1.72% | 3.64% | 29.67% |
| Performance fee | – | – | – | – | – | – |
| NAV Total Return after performance fee including Dividend | 5.48% | 4.29% | (2.01%) | 1.72% | 3.64% | 29.67% |

1 NAV Total Return is calculated for the Ordinary Shares, Extended Life Shares and New Global Shares only and is calculated based on movement in the NAV, and does not reflect any movement in the market value of the shares. A shareholder's return may vary from these returns based on participation in new issues, the timing of capital transactions etc. It assumes that all income distributions of the Company, paid by way of dividend, were reinvested, without transaction costs. Class A shares are not presented as they are not profit participating shares.

2 An individual shareholder's return may vary from these returns based on the timing of the shareholder's subscriptions.

NOTE 8 – FINANCIAL HIGHLIGHTS (CONTINUED)

| | ORDINARY SHARES | EXTENDED LIFE SHARES | NEW GLOBAL SHARES | ORDINARY SHARES | EXTENDED LIFE SHARES | NEW GLOBAL SHARES |
|--|--|--|--|--|--|--|
| | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | PERIOD ENDED 30 JUNE 2017 (UNAUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) | YEAR ENDED 31 DECEMBER 2016 (AUDITED) |
| Ratios to average net assets | | | | | | |
| Net investment income before and after performance fee | (0.63%) | 1.72% | 2.39% | 1.35% | 2.19% | 1.59% |
| Expenses before and after performance fee | (2.06%) | (2.07%) | (1.92%) | (2.10%) | (2.22%) | (2.55%) |
| Total expenses after performance fee | (2.06%) | (2.07%) | (1.92%) | (2.10%) | (2.22%) | (2.55%) |

NOTE 9 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

In preparing the Financial Statements, there were post year end adjustments relating to investment valuations and deferred taxes. The impact of these adjustments on the NAV per Ordinary Share, Extended Life Share and New Global Share is detailed below:

| | ORDINARY SHARE CLASS NET ASSETS (\$) | ORDINARY SHARE CLASS NAV PER SHARE (\$) | EXTENDED LIFE SHARE CLASS NET ASSETS (\$) | EXTENDED LIFE SHARE CLASS NAV PER SHARE (\$) | NEW GLOBAL SHARE CLASS NET ASSETS (£) | NEW GLOBAL SHARE CLASS NAV PER SHARE (£) |
|---|---|---|--|--|--|--|
| Published net assets at 30 June 2017 | 39,315,927 | 1.1163 | 196,696,598 | 1.0466 | 91,857,116 | 0.9228 |
| Valuation adjustments | – | – | – | – | – | – |
| Net assets per consolidated Financial Statements (Unaudited) | 39,315,927 | 1.1163 | 196,696,598 | 1.0466 | 91,857,116 | 0.9228 |
| | | | | | | |
| | ORDINARY SHARE CLASS NET ASSETS (\$) | ORDINARY SHARE CLASS NAV PER SHARE (\$) | EXTENDED LIFE SHARE CLASS NET ASSETS (\$) | EXTENDED LIFE SHARE CLASS NAV PER SHARE (\$) | NEW GLOBAL SHARE CLASS NET ASSETS (£) | NEW GLOBAL SHARE CLASS NAV PER SHARE (£) |
| Published net assets at 31 December 2016 | 36,902,214 | 1.0478 | 215,306,914 | 0.9974 | 94,573,591 | 0.9403 |
| Valuation adjustments | 368,892 | 0.0105 | 1,321,346 | 0.0061 | 141,874 | 0.0014 |
| Net assets per consolidated Financial Statements (Audited) | 37,271,106 | 1.0583 | 216,628,260 | 1.0035 | 94,715,465 | 0.9417 |

NOTE 10 - SUBSEQUENT EVENTS

Since the 30 June 2017 and up to the last practicable date prior to approval of this Report, the Company has repurchased 220,000 NBDG shares and 480,000 NBDX shares for cancellation.

On 18 August 2017, the Board declared a capital distribution by way of partial redemption of \$6.5m for the Ordinary Share Class holders and \$10.5m for the Extended Life Shareholders.

Contact Details

Directors

John Hallam (Chairman)

Sarah Evans

Michael Holmberg

Christopher Sherwell

Stephen Vakil

All c/o the Company's registered office.

Alternative Investment Fund Manager

Neuberger Berman Investment Advisers LLC

190 South LaSalle Street

Chicago IL 60603

United States of America

Designated Administrator

U.S. Bancorp Fund Services (Guernsey), Limited

1st Floor

Tudor House

Le Bordage

St Peter Port

Guernsey

GY1 1DB

Custodian and Principal Bankers

U.S. Bank National Association

214 North Tryon Street

26th Floor

Charlotte

North Carolina 28202

United States of America

Joint Financial Adviser and Joint Corporate Broker

Stifel Nicolaus Europe Limited

150 Cheapside

London

United Kingdom

EC2V 6ET

Registered Office

1st & 2nd Floors

Elizabeth House

Les Ruettes Brayes

St Peter Port

Guernsey

GY1 1EW

Manager

Neuberger Berman Europe Limited

4th Floor

57 Berkeley Square

London

United Kingdom

W1J 6ER

Sub-Administrator

Quintillion Limited

24/26 City Quay

Dublin

Ireland

Company Secretary

Carey Commercial Limited

(C.L. Secretaries Limited until 20th June 2017)

1st & 2nd Floors

Elizabeth House

Les Ruettes Brayes

St Peter Port

Guernsey

GY1 1EW

Joint Financial Adviser and Joint Corporate Broker

Winterflood Securities Limited

The Atrium Building

Cannon Bridge

London

United Kingdom

EC4R 2GA

Solicitors to the Company (as to English law and US securities law)

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London
United Kingdom
EC2A 2EG

Independent Auditors

KPMG Channel Islands Limited
Gategny Court
Gategny Esplanade
St Peter Port
Guernsey
GY1 1WR

Advocates to the Company (as to Guernsey law)

Carey Olsen
Carey House
Les Banques St Peter Port
Guernsey
Channel Islands
GY1 4BZ

Registrar

Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey
GY2 4LH