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NB DISTRESSED DEBT INVESTMENT FUND LIMITED
2018 INTERIM REPORT

INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

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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 primary objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic exposure to 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 page 4 of the Annual Report and Financial Statements for the year ended 31 December 2017.

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 2018 the Company's share capital comprised the following[1]:

Ordinary Share Class ("NBDD")

23,395,578 Ordinary Shares, none of which were held in treasury.

Extended Life Share Class ("NBDX")

158,099,991 Extended Life Shares, none of which were held in treasury.

New Global Share Class ("NBDG")

91,346,389 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 pooled investment ("NMPI") 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 NMPI products.

Company Numbers

Ordinary Shares
LSE ISIN code: GG00BG5NC876
Bloomberg code: NBDD:LN

Extended Life Shares
LSE ISIN code: GG00BG0QZP96
Bloomberg code: NBDX:LN

New Global Shares
LSE ISIN code: GG00BG0QZQ04
Bloomberg code: NBDG:LN

Legal Entity Identifier
YRFO7WKOU3V511VFX790

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 one instance, 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 debt market with a focus on North America. 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 debt market with a focus on North America. 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 2018 (UNAUDITED)	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS	AGGREGATED
Net Asset Value ("NAV") ($ millions)	26.0	171.4	123.0	320.4
NAV per Share ($)	1.1124	1.0840	1.3463	–
Share Price ($)	1.0400	0.9688	1.1519[1]	–
NAV per Share (£)	–	–	1.0197	–
Share Price (£)	–	–	0.8725	–
Premium/(Discount) to NAV per Share	(6.51%)	(10.62%)	(14.44%)	–
Portfolio of Distressed Investments ($ millions)	23.6	159.9	107.2	290.7
Cash and Cash Equivalents ($ millions)	1.1	4.9	5.2	11.2
Total Expense Ratio ("TER")[2]	2.04%	2.15%	2.26%	–
Ongoing Charges[3]	1.98%	2.04%	2.09%	–

AT 31 DECEMBER 2017 (AUDITED)	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS	AGGREGATED
Net Asset Value ("NAV") ($ millions)	29.7	180.0	123.0	332.7
NAV per Share ($)	1.1096	1.0387	1.2458	–
Share Price ($)	1.0400	0.8800	1.0619[1]	–
NAV per Share (£)	–	–	0.9210	–
Share Price (£)	–	–	0.7850	–
Premium/(Discount) to NAV per Share	(6.27%)	(15.28%)	(14.76%)	–
Portfolio of Distressed Investments ($ millions)	27.5	169.9	117.4	314.8
Cash and Cash Equivalents ($ millions)	1.6	10.5	11.7	23.8
Total Expense Ratio ("TER")[2]	2.06%	2.03%	1.97%	–
Ongoing Charges[3]	2.04%	2.01%	1.93%	–

1 Stated in US Dollars, the £ price as at 30 June 2018 and 31 December 2017 converted to US Dollars using respective period end exchange rates.

2 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 percentage of average net assets.

3 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.

Summary of Value in Excess of Original Capital Invested

AT 30 JUNE 2018	ORDINARY SHARE CLASS ($)	EXTENDED LIFE SHARE CLASS ($)	NEW GLOBAL SHARE CLASS (£)
Original Capital Invested	(124,500,202)	(359,359,794)	(110,785,785)
Total Capital Distributions	121,635,419	198,406,061	6,993,458
Total Income Distributions[1]	3,166,835	11,823,595	2,080,643
Total Buybacks	–	7,106,459	8,476,665
NAV	26,025,614	171,375,330	93,147,573
Total of NAV Plus Capital and Income Returned (“Value”)	150,827,868	388,711,445	110,698,339
Value in Excess of Original Capital Invested	26,327,666	29,351,651	(87,446)
Value as % of Original Capital Invested	121%	108%	100%

Summary of Distributions Paid Since Inception

AT 30 JUNE 2018	ORDINARY SHARE CLASS ($)	EXTENDED LIFE SHARE CLASS ($)	NEW GLOBAL SHARE CLASS (£)
Total Capital Distributions (millions)	121.6	198.4	7.0
Total Income Distributions (millions)[1]	3.2	11.8	2.1
Distributions as % of Original Capital	100%	59%	8%

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

Dear Shareholder

During the six-month period ended 30 June 2018, NB Distressed Debt Investment Fund delivered its first capital distribution to the shareholders of the NBDG share class, as well as further distributions to the NBDD and NBDX shareholders consistent with the now well-established orderly realisation of the NBDD and NBDX portfolios. We continue to make progress in restructuring and realising the assets in the Company. As ever we will seek to strike the right balance for shareholders between the speed of exit and realisation of value.

Performance

The performance of the NBDD, NBDX and NBDG portfolios (the "Portfolios") on a share class basis is set out in detail in the Investment Manager's Report but I would like to highlight the following:

Since inception, NBDD had returned $124.8m or 100% of investors' original capital of $124.5m to 30 June 2018, with a total value of 121% of original capital invested, including the net asset value ("NAV") of $26.0m.

Over the half-year, NBDD's net asset value per share ("NAV per share") rose 0.3%, while the NAV discount averaged (7.56%), ranging from (10.08%) to (5.54%). Available cash[1] stood at $0.2m as at 30 June 2018.

NBDD 100%
INVESTORS' ORIGINAL CAPITAL RETURNED

As at 30 June 2018, NBDX had returned $217.4m or 61% of investors' original capital of $359.4m, with a total value of 108% of original capital invested (including the NAV of $171.4m and buybacks of $7m). On 3 August 2018, the Board declared a further capital distribution of $3m, payable on the 31 August 2018, bringing total distributions approved to investors to $220.4m.

In the first half of 2018, NBDX's NAV per share gained 4.4%, while the NAV discount averaged (12.93%), ranging from (15.24%) to (10.63%). Available cash[1] was $2.3m as at 30 June 2018.

NBDX 61%
INVESTORS' ORIGINAL CAPITAL RETURNED

NBDG paid its first capital distribution of £7m and has returned a total of £17.5m (16%) of investors' original capital of £110.8m through capital distributions, buybacks and dividends as at 30 June 2018. On 3 August 2018, the Board declared a further capital distribution of £8.5m payable on the 31 August 2018, bringing total distributions approved to investors to £26m or 22.6% of investors' original capital.

NBDG's NAV per share increased by 10.7% during the period, with NAV per share accreting 0.015% due to buybacks in the half-year. The NAV discount averaged (13.89%), ranging from (16.45%) to (10.52%). Available cash was £3.4m at 30 June 2018.

NBDG 16%
INVESTORS' ORIGINAL CAPITAL RETURNED

The balance between capital distributions and buybacks is nuanced. Our policy continues to be to try to control the share price discount to NAV in a way that is accretive to those shareholders who do not wish to sell.

I would also remind shareholders that towards the end of each Share Class' respective harvest periods, a residual amount of cash will be retained in accordance with regulatory requirements until such time that all assets in that Portfolio can be liquidated and the final proceeds returned to shareholders. That said, I would note that the Board continually reviews both the most appropriate means of returning capital to shareholders as well as the structure of the Company to maximise the benefit to shareholders.

1 Net of cash held in subsidiaries and payables.

Annual General Meeting Results

At the 2018 Annual General Meeting (“AGM”), a significant number of shareholders lodged votes against Resolution 1, in relation to the receipt and consideration of the Company’s Annual Report. We understand that the Pensions & Investments Research Consultants (“PIRC”) had recommended shareholders vote against this resolution, which was due to the Company's income distribution policy not being put to a shareholder vote by way of a separate resolution at the AGM. As we noted at the time, Institutional Shareholder Services Inc. (“ISS”) recommended a vote in favour and the most recent Prospectus stated that “It is not anticipated that income on the portfolio will be material and therefore any dividends may be on an ad-hoc basis". We had also provided a detailed explanation of our income distribution policy in our Annual Accounts.

While the Investment Association’s requirement to file a related statement on its Public Register covers companies that are constituents of the FTSE All-Share index, we will endeavour to engage with shareholders in order to further understand their views in relation to that specific resolution. I am pleased to advise with respect to future AGMs that the Board intends to put its income distribution policy to a shareholder vote by way of a separate resolution which it hopes will address any shareholder concerns. In response to our proposed actions, the Investment Association noted *“we are pleased to understand the action you intend to take in response to the AGM vote”.*

Board Appointment

As signalled in the Annual Report 2017, I am delighted to advise that on 17 April 2018 immediately after the signing of the Annual Report and Financial Statements, Christopher Legge was appointed Chairman of the Audit Committee and a member of the Management Engagement Committee, Remuneration Committee and Inside Information Committee.

Outlook

The Investment Manager’s main objective continues to be to maximise the value of the Portfolios and return capital to shareholders. The realisation process will continue through the remainder of 2018 as we seek to realise acceptable value from the remaining holdings. Although the actual time and realisation values are uncertain, based on our current analysis we expect to continue to make distributions to investors throughout 2018 and 2019 and any remainder in 2020.

On behalf of the Board, I would like to thank our longstanding shareholders for your confidence in our Company. We look forward to updating you further on investment realisations throughout the remainder of the year.

John Hallam
Chairman

22 August 2018

Investment Manager's Report

Ordinary Share Class

Summary

The NAV per share was relatively flat during the six months ended 30 June 2018. The increase in price of a lodging & casino company was due to a negotiated sale of the property, and the price of Vistra (utilities) rose due to an improvement in Texas power prices and a merger with Dynegy. These were offset by losses in a European packaging company reflecting an increase in raw material prices, and in Five Point Holdings (see below).

NBDD had two exits and no new partial realisations in the first half of the year. The two exits, described in more detail below, had a total return of $1.9m. The total return for the partial realisations, also described in more detail below, was $2.2m. One investment moved from partial realisations to exits. A decline in the value of the packaging company caused the total return from partial realisations to fall during the period under review.

Net cash generated during the first half of the year was $3.2m with the majority of cash generated from the two exits. Capital distributions of $3.7m were paid to investors by way of redemption. This brings total distributions (capital and income distribution by way of dividend) paid since inception, $124.8m or 100% of investors' original capital since the realisation phase for this share class began. The ratio of total value (capital distribution, income distribution by way of dividend and current NAV) to original capital was steady at 121%.

NBDD
$124.8m
TOTAL DISTRIBUTIONS TO DATE

NBDD
0%
NAVPS FLAT FOR THE PERIOD

Portfolio Update

NBDD ended the first half of the year with a NAV per share of $1.1124 compared to $1.1096 at the 2017 year end. At 30 June 2018, 4% of NAV ($1.1m) was held in cash on the balance sheet, of which 3% of NAV ($0.8m) was held in wholly-owned subsidiary accounts, FX gain on forwards and net accruals which cannot be distributed at this time, and 1% of NAV ($0.2m) was available cash net of payables (see table below). The portfolio consists of 15 issuers across 10 sectors. The largest sector concentrations were in lodging & casinos, building & development, surface transportation and containers & packaging.

Cash Analysis

Balance Sheet – Cash	$1.1m
Cash held in wholly-owned subsidiary accounts	($0.8m)
Other payables	($0.1m)
Total available cash	**$0.2m**

Notable events below describe activity in the investments during first half of 2018:

- Lodging & Casino investment – In Q2 2018 a buyer submitted a letter of intent ("LOI") to purchase the 60 acres of land zoned for lodging and gaming in Las Vegas. Post quarter-end, the buyer asked to delay the proposed timing of the purchase. The owners did not accept the requested change and the LOI was terminated. Due to the increased uncertainty, the value of the investment was decreased 7% ($0.5m), compared to the value prior to receiving the LOI. At this point, we think it is more likely a sale will occur in the first half of 2019.
- Brazilian Trade Claim – The Brazilian courts ruled that taxpayers could use precatórios (trade claims) to pay state taxes. This creates new demand for the precatórios.
- Five Point Holdings – Uncertainty over the delivery of land at the company's shipyard development in San Francisco put pressure on the equity price during Q2 2018.

Significant Price Movement (approximately 1% of NBDD NAV or $300,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN[1] (US DOLLARS MILLIONS)	COMMENT
Lodging & Casino	Private Equity	0.8	Negotiations were progressing with a potential buyer but letter of intent terminated post quarter-end
Utilities	Public Equity	0.5	Texas power prices rising and Vistra well positioned to improve cash flow
Containers & Packaging	Private Equity	(0.6)	Raw material prices increased, reducing profit margins
Building & Development	Public Equity	(0.9)	Uncertainty around development of land pressured the equity price

1 For the period 1 January 2018 to 30 June 2018.

Exits

During the period, NBDD saw two exits, which generated a total return of $1.9m. This brings the total number of exits since inception in NBDD to 41, with total return of $39.8m. Detailed descriptions of the exits are at the end of this report.

Partial Realisations

There were no new investments designated as partial realisations during the first half of 2018. One investment was exited during the period. The partial realisations generated a total return of $2.2m as of 30 June 2018. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

Capital distributions of $3.7m were paid to investors by way of compulsory share redemptions during the first half of 2018. This brings total distributions (capital and an income distribution by way of dividend) paid and approved to date to $124.8m, or 100% of investors' original capital, since the realisation phase for this share class began.

Extended Life Share Class

Summary

The NAV per share of NBDX increased 4.4% in the first half of the year, primarily from an increase in the price of Vistra (utilities) due to an improvement in Texas power prices and a merger with Dynegy, an increase in the value of the portfolio's Las Vegas land investment due to a negotiated sales transaction for the property which were offset by a loss in Five Point Holdings (building and development) (see below for further details).

NBDX had four exits and no new partial realisations during the first half of the year, with one investment migrating from partial realisation to exit. The exits, described in more detail below, had a total return of $5.5m. The total return for the existing partial realisations was $29.6m. Cash generated from exits during the first half was $12.8m and cash generated from existing portfolio investments was $3.0m. This cash was used to fund the $16.2m capital distribution by way of redemption paid to investors in the first half of the year. This brings total distributions (capital distribution, income distribution by way of dividend and cash used for share buybacks) to $217.4m or 61% of original capital. The ratio of total value distributed to original capital increased to 108% based on an increase in NAV and cash generated during the first half of 2018. Post 30 June 2018, the board of directors approved a $3.0m capital distribution bringing total distributions to $220.4m.

NBDX	NBDX
$217.4m	4.4%
TOTAL DISTRIBUTIONS TO DATE	NAVPS INCREASE FOR THE PERIOD

Investment Manager's Report (continued)

Extended Life Share Class (continued)

Portfolio Update

NBDX ended the period with a NAV per share of $1.0840 compared to $1.0387 at 2017 year-end. At 30 June 2018, 3% of NAV ($4.9m) was held in cash on the balance sheet, of which1% of NAV ($2.2m) was held in wholly-owned subsidiary accounts which cannot be distributed at this time, and 1% of NAV ($2.3m) was available cash net of payables (see table below). At 30 June 2018, the NBDX portfolio consisted of 29 issuers across 13 sectors. The largest sector concentrations were in lodging & casinos, shipping, oil & gas and industrials.

Cash Analysis

Balance Sheet – Cash	$4.9m
Cash held in wholly-owned subsidiary accounts	($2.2m)
Other payables	($0.4m)
Total available cash	**$2.3m**

Notable events below describe activity in the investments during first half of 2018:

- Lodging & Casino investment – In Q2 2018, a buyer submitted a letter of intent ("LOI") to purchase the 60 acres of land zoned for lodging and gaming in Las Vegas. Post period-end, the buyer asked to delay the proposed timing of the purchase. The owners did not accept the requested change and the LOI was terminated. Due to the increased uncertainty, the value of the investment was decreased 7% ($1.3m), compared to the value prior to receiving the LOI. At this point, we think it is more likely a sale will occur in the first half on 2019.
- Lodging & Casino investment – The US Supreme court ruled states could allow sports gambling, which could provide another source of gaming revenue for casinos. Post 30 June 2018, Twin Rivers, a private company, announced it was merging with Dover Downs, a public company. The value of the equity increased 3% on the news.
- Brazilian Trade Claim – The Brazilian courts ruled that taxpayers could use precatórios (trade claims) to pay state taxes. This creates new demand for the precatórios.
- Five Point Holdings – Uncertainty over the delivery of land at the company's shipyard development in San Francisco put pressure on the equity price during Q2 2018.
- Non-ferrous metals investment – NBDX owns private restructured equity in an aluminium manufacturer that announced a sale of the company. The valuation was depressed by tariff and trade issues and was at the low end of our price expectation. Post Q2 2018 the equity price declined 22% ($1.8m) on the news.

Significant Price Movements (approximately 1% of NBDX NAV or $1,700,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN[1] (US DOLLARS MILLIONS)	COMMENT
Utilities	Public Equity	2.1	Texas power prices rising and Vistra well positioned to improve cash flow
Lodging & Casino	Private Equity	2.0	Negotiations were progressing with a potential buyer but letter of intent terminated post quarter-end
Building & Development	Public Equity	(2.6)	Uncertainty around development of land pressured the equity price

1 For the period 1 January 2018 to 30 June 2018.

Exits

During the year, we saw four exits, which generated a total return of $5.8m. This brings the total number of exits since inception in NBDX to 51 with total return of $109.9m. Detailed descriptions of the exits are at the end of this report.

Partial Realisations

There was one investment newly designated as a partial realisation during the first half of 2018. One investment was exited during the period. The partial realisation generated a total return of $29.6m as of 30 June 2018. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

Capital distributions by way of a compulsory partial redemption of $16.2m were paid to investors in the first half of the year. This brings total distributions (capital distributions, income distributions by way of dividend and cash used for share buybacks) approved and paid to date of $220.4m or 61% of investors' original capital. The ratio of total value (total distributions plus current NAV) increased to 108% of original capital due to an increase in NAV. After the period ended 30 June 2018, the board of directors approved $3.0m capital distributions to be paid in the third quarter.

Share Buybacks

During the first six months of 2018, NBDX purchased 25,000 of its own shares under the buyback programme at a cost of $23,825 and weighted average discount of 11.7%. The shares have been cancelled.

New Global Share Class

Summary

The NAV per share for NBDG increased 10.7% in the first half of the year. Contributing to this strong increase were an increase in the price of private equity of an East Coast lodging & casino investment following a new US Supreme Court decision allowing individual states to allow sports betting, an increase in the public equity price of Eagle Bulk Shipping due to higher dry bulk charter rates, and an increase in the value of the portfolio's Las Vegas land investment due to a negotiated sales transaction for the property. Some of this increase was offset by a loss in Five Point Holdings (see below for further details).

NBDG had four exits and one new partial realisation during the first half of the year. The exits, described in more detail below, had a total return of £4.2m. The total return for the existing partial realisations was £2.6m. Cash generated from exits during the first half was £13.6m and cash generated from existing portfolio investments was £2.0m. Cash of £5.5m was used to increase the holding in the Spanish hotel investment during the first half of 2018. Post the end of the second quarter, Exit 16 settled (see below) and NBDG received £7.0m cash. These cash receipts were used to fund the £7.0m capital distribution in the first half of the year and the £8.5m capital distribution approved in Q3 2018 for payment in Q3 2018. This brings total distributions (capital distribution, income distribution by way of dividend and cash used for share buybacks) to £26.0m or 23% of original capital. The ratio of total value distributed to original capital increased to 100% based on an increase in NAV and cash generated during the first half of 2018.

NBDG
£26.0m
NBDG TOTAL DISTRIBUTIONS TO DATE

NBDG
10.7%
NAVPS INCREASE FOR THE PERIOD

Portfolio Update

NBDG ended 30 June 2018 with a NAV per share of £1.0197 compared to £0.9210 at the 2017 year-end. At 30 June 2018, 4% of NAV (£3.9m) was held in cash on the balance sheet. 0.3% of NAV (£0.3m) was held in wholly-owned subsidiary accounts which cannot be distributed at this time, 4% of NAV (£3.4m) is available cash net of payables (see table below). At 30 June 2018, the portfolio consisted of 21 issuers across 9 sectors. The largest sector concentrations were in lodging & casinos, shipping, oil & gas and industrials.

Investment Manager's Report (continued)

New Global Share Class (continued)

Portfolio Update (continued)

Cash Analysis

Balance Sheet – Cash	£3.9
Cash held in wholly-owned subsidiary accounts	(£0.3m)
Other payables	(£0.2m)
Total available cash	**£3.4m**

Notable events involving NBDG's investments during first half of 2018 are below:

- Lodging & Casino investment – In Q2 2018, a buyer submitted a letter of intent ("LOI") to purchase the 60 acres of land zoned for lodging and gaming in Las Vegas. Following the end of the second quarter, the buyer asked to delay the proposed timing of the purchase. The owners did not accept the requested change and the LOI was terminated. Due to the increased uncertainty, the value of the investment was decreased 7% (£0.5m), compared to the value prior to receiving the LOI. At this point, we think it is more likely a sale will occur in the first half of 2019.
- Five Point Holdings – Uncertainty over the delivery of land at the company's shipyard development in San Francisco put pressure on the equity price during the quarter.
- Non-ferrous metals investment – NBDG owns private restructured equity in an aluminium manufacturer that announced a sale of the company. The valuation was depressed by tariff and trade issues and at the low end of our price expectation. Post quarter end the equity price declined 22% (£1.1m) on the news.
- The US Supreme court ruled states could allow sports gambling, which could provide another source of gaming revenue for casinos. In Q3 2018, Twin Rivers, a private company, announced it was merging with Dover Downs, a public company. The value of the equity increased 3% on the news.

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

INDUSTRY	INSTRUMENT	TOTAL RETURN[1] (GBP MILLIONS)	COMMENT
Lodging & Casinos	Private Equity	3.1	Sport betting, rumours of corporate event increasing
Shipping	Public Equity	1.0	Charter rates improving, company performing well
Lodging & Casinos	Private Equity	0.9	Negotiations were progressing with a potential buyer but letter of intent terminated post quarter-end
Building & Development	Public Equity	(0.9)	Uncertainty around development of land in San Francisco pressured the equity price

1 For the period 1 January 2018 to 30 June 2018.

Exits

During the year, we saw four exits which generated a total return of £4.2m. This brought the total number of exits since inception to 16 with a total return of £10.0m. Detailed descriptions of the half year 2018 exits are at the end of the report.

Partial Realisations

NBDG had one partial realisation in the first half of 2018 from a lodging & casino investment which is repaying principal and interest throughout the year. The total return as of 30 June 2018 was £2.6m. Detailed description of the half year 2018 partial realisation is at the end of this report.

Distributions

NBDG paid its first capital distribution, by way of a partial redemption, to investors in the first half of the year of £7.0m. Following the end of the second quarter, the board of directors approved an £8.5m capital distribution to be paid in the third quarter. This brings total distributions (capital distributions, income distributions by way of dividend and cash used for share buybacks) approved/paid to date of £26.0m or 23% of investors' original capital, since the start of the realisation phase for this share class. The ratio of total value (total distributions plus current NAV) increased to 100% of original capital due to an increase in NAV.

Share Buybacks

There were no share buybacks during the first half of 2018. Between the 1 July 2018 and up to the 20 August, being the last practicable date prior to publishing, the Company repurchased 50,000 NBDG Shares for cancellation for a gross consideration of £0.89 per NBDG Share.

Summary of Exits across all Share Classes

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

- NBDD – Two exits
- NBDX – Four 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 pay downs), 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.

Exit A (Exit 40 for NBDD and Exit 48 for NBDX)

NBDD purchased senior notes at a price of 62% of face value 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 was sold in early 2018 and the notes were repaid with the proceeds and cancelled. Cash invested was $4.7m and cash received from coupon and principal repayments was $8.7m. The total return on the investment was $4.0m over 56 months. The IRR was 22% and ROR was 83% over the hold period of 56 months.

EXIT A	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	40	$1.3	$2.4	$1.1	22.2%	83.4%	56
NBDX	48	$3.4	$6.3	$2.9	22.2%	83.4%	56

Investment Manager's Report (continued)

Exit B (Exit 49 for NBDX and Exit 13 for NBDG)

NBDX and NBDG purchased subordinated bonds in an oil and natural gas exploration and production company headquartered in Plano, Texas. The company's principal focus is on developing and producing from low decline assets in the Gulf Coast and the Rocky Mountains. The company uses enhanced oil recovery technology to extend resource life and production capacity. NBDX and NBDG purchased subordinated bonds at a discount to par value. We believed the company would either refinance the bonds at par before maturity or holders would be converted to equity at an attractive valuation in a restructuring scenario. Despite commodity price volatility and various distressed exchange offers, the company avoided a debt to equity restructuring. As commodity prices recovered the bond price approached our base case exit value and we exited the position during the quarter.

EXIT B	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDX	49	$2.2	$2.5	$0.3	3.5%	11.0%	41
NBDG	13	£0.6	£0.7	£0.1	7.2%	23.5%	41

Exit C (Exit 41 for NBDD, 50 for NBDX and 14 for NBDG)

All of the portfolios purchased secured bank debt issued by an Australian wind farm company at a discount to par. The company is the largest owner of wind farms in Australia and when NBDD and NBDX purchased the bank debt in 2011, it also owned wind farms in Europe and USA. The credit agreement included a cash flow sweep that captured free cash flow to the lenders to the detriment of the equity holders. The company sold the European and US assets and repaid the bank debt with the sales proceeds. The company retained the Australian assets. NBDG purchased the bank debt in 2016 after the European and US wind farms had been sold. With profitability improving, the company was able to refinance the credit agreement and the remaining bank debt was repaid at par in Q218. Currency changes affected the return. FX risk was partially hedged over the life of the loan.

Exit C	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	41	$7.0	$7.8	$0.8	2.6%	12.0%	84
NBDX	50	$17.9	$20.1	$2.2	2.6%	12.0%	84
NBDG	14	£3.5	£5.4	£1.9	26.5%	54.2%	27

Exit D (Exit 15 for NBDG)

NBDG purchased 2nd lien notes in an industrial chemical manufacturer in anticipation of a chapter 11 bankruptcy. We expected the 2nd lien notes to be the fulcrum security and 2nd lien lenders would be converted to post-reorg equity, which occurred in 2014. During the restructuring we participated in two rights offerings at a discount to plan value, and due to a successful operational restructuring and a cyclical recovery in the company's end markets, the stock price climbed above our upside case and we exited the investment during the quarter.

EXIT D	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	15	£1.6	£1.5	(£0.1)	(2.6%)	(9.5%)	50

Exit E (Exit 51 for NBDX and Exit 16 for NBDG)

NBDX and NBDG purchased €11.4 million of a senior secured bank loan at a deep discount to par value, secured by a portfolio of nine hotels located throughout Spain. The hotels were located in attractive markets and included over 1,650 rooms. The borrower defaulted on the loan and the Company entered Spanish insolvency in 2015. While in the insolvency process, the lenders, including NB, received a bid at a slight discount to par value for the entire loan issue by a strategic buyer in May 2018. The IRR and ROR below are calculated on fund currency. Based on trade currency (Euro), IRR was 8.9% and ROR was 43.5%. FX risk was partially hedged over the life of the loan.

EXIT E	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDX	51	$1.7	$2.1	$0.4	4.6%	20.7%	52
NBDG	16	£5.4	£7.7	£2.3	8.9%	43.5%	52

Summary of Partial Realisations across all Share Classes

All partial realisations currently in the portfolio are reported as at 30 June 2018 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 – Three
- NBDX – Four
- NBDG – One

Partial Realisation A: NBDD and NBDX)

38%
ROR AS AT 30 JUNE 2018

11%
IRR AS AT 30 JUNE 2018

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 $0.6m as at 30 June 2018. We expect to complete an exit once certain claims against the estate are resolved. The IRR was 11% and ROR was 38% as at 30 June 2018.

A	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	Pre-2017	$3.1	$4.1	$0.2	$1.2	11%	38%	91
NBDX	Pre-2017	$8.0	$10.6	$0.4	$3.0	11%	38%	91

Investment Manager's Report (continued)

Partial Realisation B: NBDD and NBDX

53%
ROR AS AT 30 JUNE 2018

28%
IRR AS AT 30 JUNE 2018

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. In the third quarter, the funds received $1.5m cash as part of the sale proceeds from the disposal completed at the end of Q2 2017 and $1.0m for partial redemption of new shares received in the acquirer. The company's operating performance declined due to raw material price increases. The current value of the private equity position is $1.2m generating total return $3.7m as of 30 June 2018. IRR was 28% and ROR was 53% with a holding period of 66 months at period-end.

B	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	H12017	$2.0	$2.7	$0.3	$1.0	28%	53%	66
NBDX	H12017	$5.1	$6.9	$0.9	$2.7	28%	53%	66

Partial Realisation C: NBDD and NBDX

247%
ROR AS AT 30 JUNE 2018

57%
IRR AS AT 30 JUNE 2018

NBDD and NBDX invested $9.2m in preferred equity certificates ("PECs") and private equity of 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 $23.2m. In the second quarter, the company announced it was purchasing another complementary packaging company (Partial Realisation C, above) and completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. The company's operating performance declined due to raw material price increases. The current value of the private equity position is $8.7m, generating a total return of $22.7m as at 30 June 2018. IRR was 57% and ROR was 247% with a holding period of 69 months at 30 June 2018.

C	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	H12017	$2.6	$6.5	$2.4	$6.3	57%	247%	69
NBDX	H12017	$6.6	$16.7	$6.3	$16.4	57%	247%	69

Partial Realisation D: NBDX

32%
ROR AS AT 30 JUNE 2018

10%
IRR AS AT 30 JUNE 2018

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 53 months. The current value of the remaining investment is $0.8m. To date, the total return is $7.5m. Once certain reserves expire and any potential claims are resolved, we expect to exit this investment in full. The IRR was 10% and ROR was 32% as at 30 June 2018.

D	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDX	H12017	$23.1	$29.8	$0.8	$7.5	10%	32%	59

Partial Realisation E: NBDG

59%
ROR AS AT 30 JUNE 2018

18%
IRR AS AT 30 JUNE 2018

NBDG invested in a bank debt secured by a large tribal hotel and casino property located in New England. NBDG purchased its position for £4.5m and has received cash of £5.7m to date. The current value of the bank debt position is £1.4m, generating a total return of £2.6m as at 30 June 2018. IRR was 18% and ROR was 59% with a holding period of 52 months at 30 June 2018.

E	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	H12018	£4.5	£5.7	£1.4	£2.6	18%	59%	52

Neuberger Berman Investment Advisers LLC

22 August 2018

Neuberger Berman Europe Limited

22 August 2018

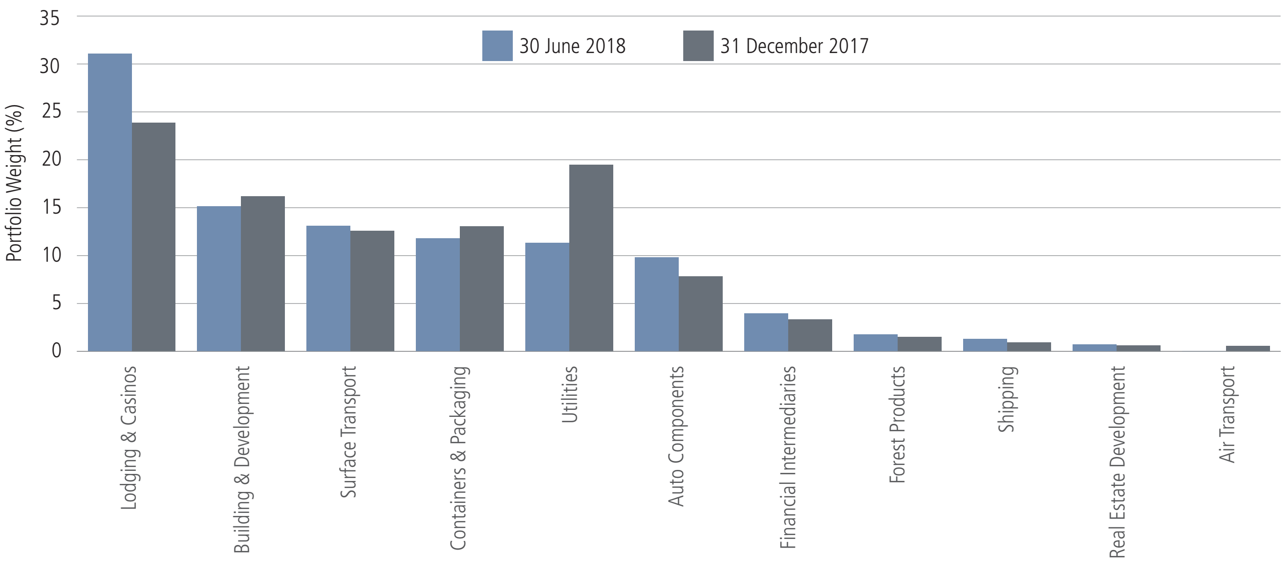
Portfolio Information

Ordinary Share Class

TOP 10 HOLDINGS AT 30 JUNE 2018

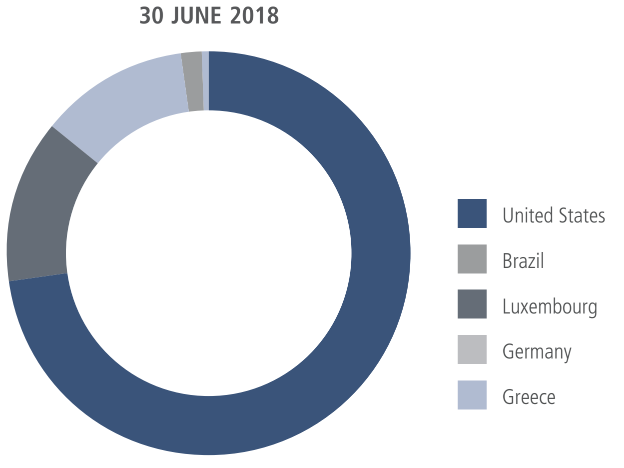
HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Lodging & Casinos	Private Equity	Post-Reorg	US	28%	Hotel/lodging real estate
2	Building & Development	Public Equity	Post-Reorg	US	13%	Residential real estate
3	Surface Transport	Trade Claim	Defaulted	Brazil	12%	Municipal claim
4	Containers & Packaging	Private Equity	Post-Reorg	Luxembourg	9%	Manufacturing/distribution/real estate
5	Utilities	Public Equity	Post-Reorg	US	9%	Manufacturing plant
6	Auto Components	Private Equity	Post-Reorg	US	9%	Power plants
7	Financial Intermediaries	Private Note	Defaulted	US	4%	Cash and securities
8	Forest Products	Private Equity	Post-Reorg	Germany	2%	Manufacturing plant
9	Containers & Packaging	Private Equity	Post-Reorg	Luxembourg	1%	Manufacturing/distribution/real estate
10	Utilities	Private Equity	Post-Reorg	US	1%	Power plants
Total					**88%**	

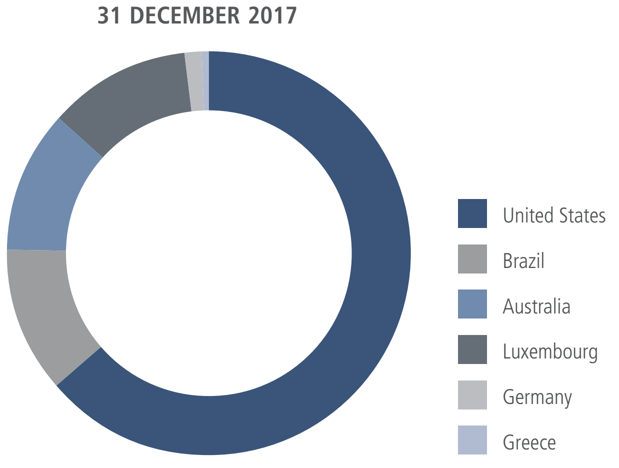
Sector Breakdown[1]



1 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bank Global Fund Services (Guernsey) Limited/ U.S. Bank Global Fund Services (Ireland) Limited (formerly known as 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 Breakdown[2]





2 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2018 and 31 December 2017.

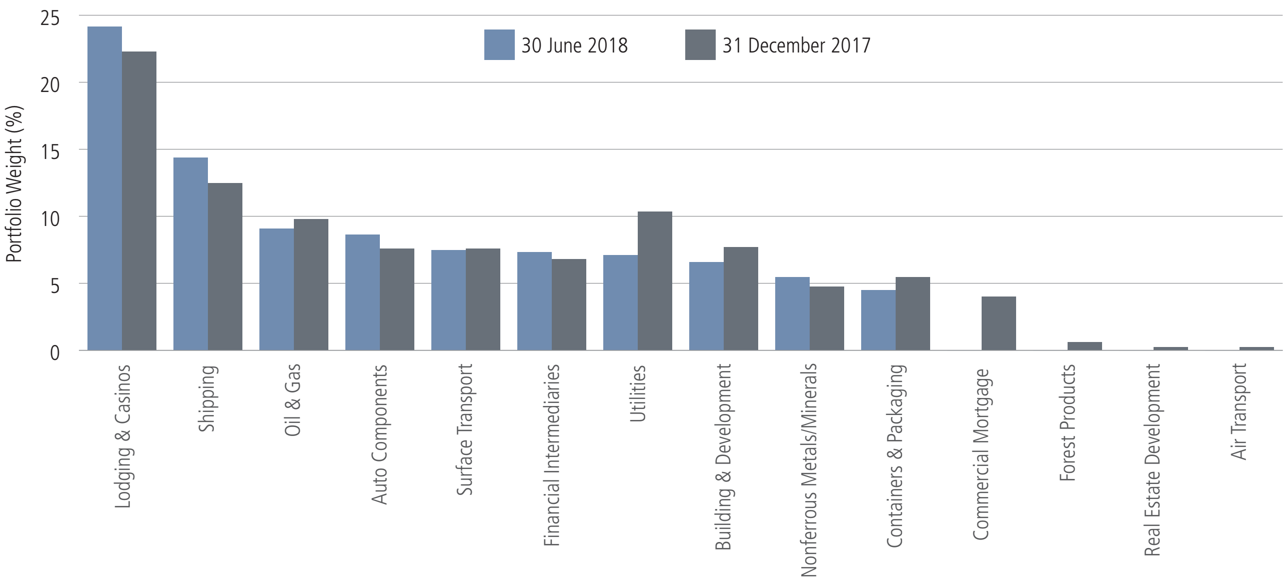
Portfolio Information (continued)

Extended Life Share Class

TOP 10 HOLDINGS AT 30 JUNE 2018

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Lodging & Casinos	Private Equity	Post-Reorg	US	11%	Hotel/lodging real estate
2	Auto Components	Private Equity	Post-Reorg	US	8%	Manufacturing plant and equipment
3	Shipping	Private Equity	Post-Reorg	Marshall Islands	8%	Maritime vessels
4	Financial Intermediaries	Private Note	Defaulted	US	7%	Cash & securities
5	Oil & Gas	Private Equity	Post-Reorg	US	7%	Bio-fuel plant
6	Building & Development	Public Equity	Post-Reorg	US	6%	Residential real estate
7	Utilities	Public Equity	Post-Reorg	US	6%	Power plants
8	Nonferrous Metals/Minerals	Private Equity	Post-Reorg	US	5%	Manufacturing/distribution real estate
9	Lodging & Casinos	Private Equity	Post-Reorg	US	5%	Hotel/lodging real estate
10	Surface Transport	Trade Claim	Defaulted	Brazil	5%	Municipal claim
Total					**68%**	

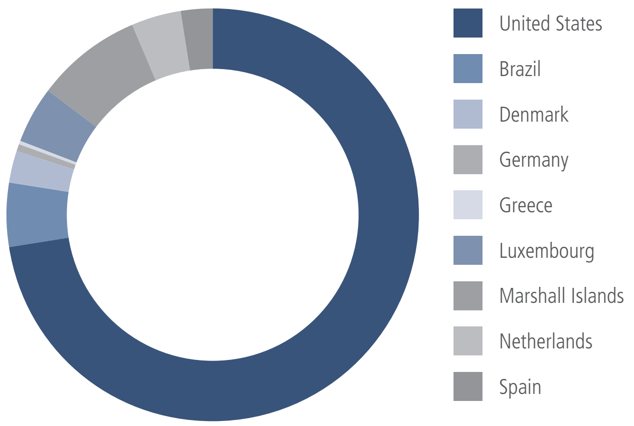
Sector Breakdown[1]



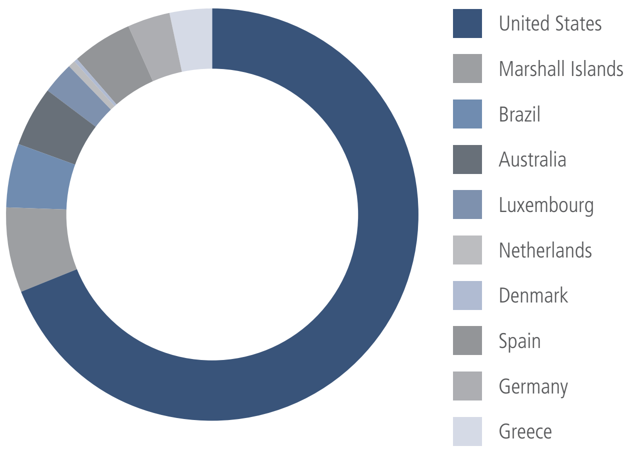
1 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/ U.S. Bank Global Fund Services (Ireland) Limited (formerly known as Quintillion Limited) as Administrator/Sub-Administrator to the Company. Please note that 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 Breakdown[2]

30 JUNE 2018



31 DECEMBER 2017



2 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2018 and 31 December 2017.

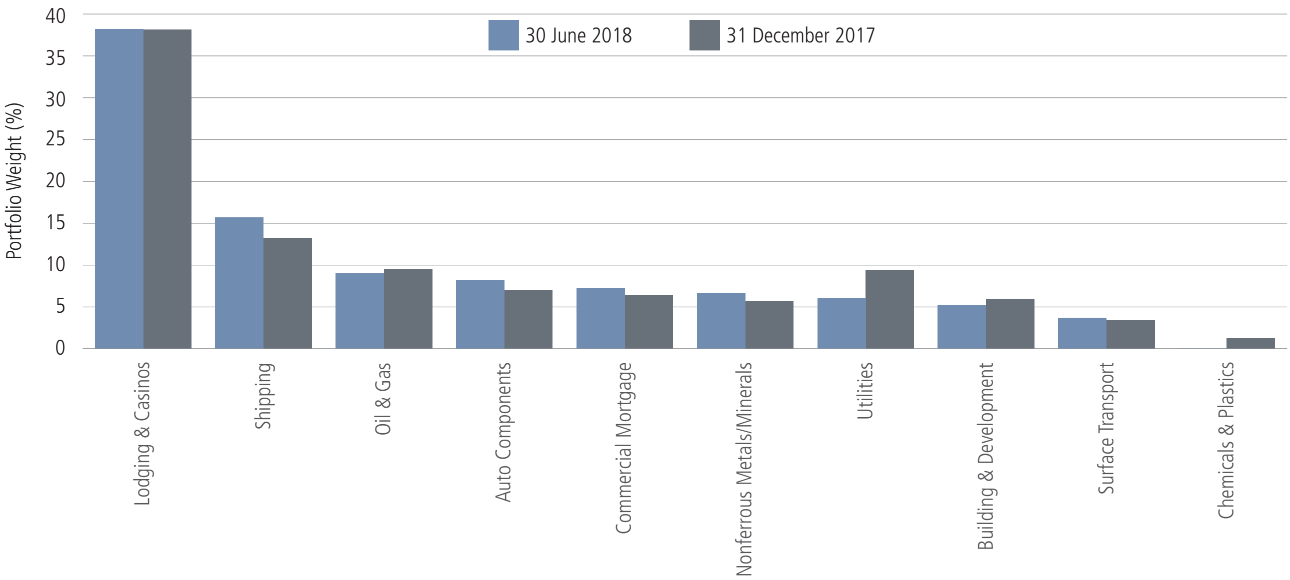
Portfolio Information (continued)

New Global Share Class

TOP 10 HOLDINGS AT 30 JUNE 2018

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Lodging & Casinos	Private Equity	Post-Reorg	US	16%	Hotel/casino
2	Lodging & Casinos	Private Equity	Post-Reorg	US	8%	Hotel/lodging real estate
3	Auto Components	Private Equity	Post-Reorg	US	7%	Manufacturing plant and equipment
4	Lodging & Casinos	Term Loan	Defaulted	Spain	6%	Hotels
5	Commercial Mortgage	Bank Debt Investments	Current	Netherlands	6%	Commercial real estate
6	Nonferrous Metals/Minerals	Private Equity	Post-Reorg	US	6%	Manufacturing/distribution real estate
7	Shipping	Public Equity	Post-Reorg	US	5%	Maritime vessels
8	Building & Development	Public Equity	Post-Reorg	US	5%	Residential real estate
9	Shipping	Private Equity	Post-Reorg	Marshall Islands	4%	Maritime vessels
10	Shipping	Public Equity	Post-Reorg	Denmark	4%	Maritime vessels
Total					**67%**	

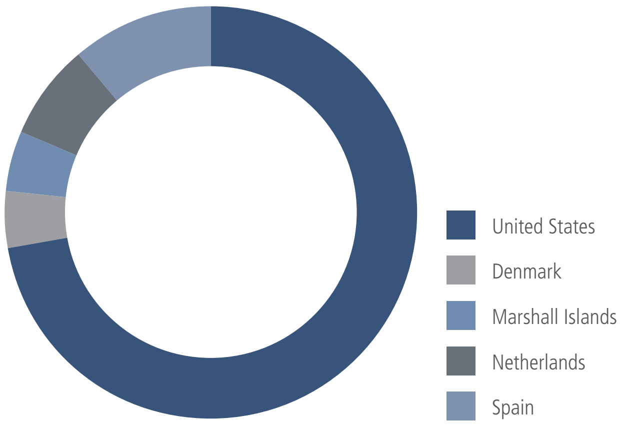
Sector Breakdown[1]



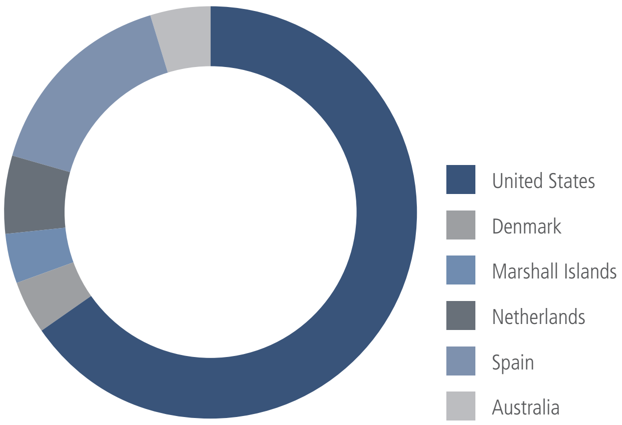
1 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/ U.S. Bank Global Fund Services (Ireland) Limited (formerly known as Quintillion Limited)/Sub-Administrator to the Company. Please note that irrespective of 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 Breakdown[2]

30 JUNE 2018



31 DECEMBER 2017



2 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2018 and 31 December 2017.

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 associated with 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 32 to 33 of the Company's latest annual report and audited financial statements for the year ended 31 December 2017, which can be found on the Company's website at www.nbddif.com/pdf/annual_report_nbddif_2017.pdf. The Board's view is that these risks remain appropriate for the remainder of 2018

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 2018. Additional related party disclosures are given in Note 6 on page 54 and 55.

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 Financial Conduct Authority (the "UK FCA") and
- The combination of 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.

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 26.

By order of the Board

John Hallam
Chairman

22 August 2018

Christopher Legge
Director

22 August 2018

Independent Review Report to NB Distressed Debt Investment 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 interim 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 2018 do not give a true and fair view of the financial position of the Group as at 30 June 2018 and of its financial performance and its cash flows for the six month period then ended in conformity with U.S. 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) 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 interim 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 U.S. 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
Glategny Court, Glategny Esplanade
St Peter Port, Guernsey
GY1 1WR
22 August 2018

Unaudited Consolidated Statement of Assets and Liabilities

(EXPRESSED IN US DOLLARS EXCEPT WHERE STATED OTHERWISE)	30 JUNE 2018 (UNAUDITED)	31 DECEMBER 2017 (AUDITED)
Assets		
Investments at fair value (2018: cost of $335,030,048; 2017: cost of $370,742,695)	290,697,292	314,800,289
Forward currency contracts	3,556,827	257,290
Warrants (2018: cost of $752,955; 2017: cost of $752,955)	214,460	287,087
Cash and cash equivalents	11,209,843	23,824,956
	305,678,422	**339,169,622**
Other assets		
Interest receivables	467,794	1,466,010
Receivables for investments sold	11,414,776	2,293,513
Other receivables and prepayments	484,966	1,453,086
Federal tax receivable	3,086,623	3,086,623
Total assets	**321,132,581**	**347,468,854**
Liabilities		
Payables for investments purchased	–	7,760,428
Credit default swap (2018: cost of $61,053; 2017: cost of $Nil)	5,011	–
Forward currency contracts	–	98,264
Accrued expenses and other liabilities	347,476	501,135
Income distribution payable	–	6,038,502
Payables to Investment Manager and affiliates	401,068	412,050
Total liabilities	**753,555**	**14,810,379**
Net assets	**320,379,026**	**332,658,475**
Net assets attributable to Ordinary Shares (shares 2018: 23,395,578; 2017: 26,714,397)	**26,025,614**	**29,641,938**
Net asset value per Ordinary Share	**1.1124**	**1.1096**
Net assets attributable to Extended Life Shares (shares 2018: 158,099,991; 2017: 173,302,953)	**171,375,330**	**180,009,723**
Net asset value per Extended Life Share	**1.0840**	**1.0387**
Net assets attributable to New Global Shares (shares 2018: 91,346,389; 2017: 98,733,585)	**£93,147,573**	**£90,930,929**
Net asset value per New Global Share	**£1.0197**	**£0.9210**
Net assets attributable to New Global Shares (USD equivalent)	**122,978,082**	**123,006,814**
Net asset value per New Global Share (USD equivalent)	**1.3463**	**1.2458**

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 August 2018, and signed on its behalf by:

John Hallam
Chairman

Christopher Legge
Director

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

Unaudited Consolidated Statement of Operations

(EXPRESSED IN US DOLLARS)	30 JUNE 2018 (UNAUDITED)	30 JUNE 2017 (UNAUDITED)
Income		
Interest income	3,854,489	6,738,101
	3,584,489	**6,738,101**
Expenses		
Investment management fee	2,498,253	2,714,625
Professional and other expenses	744,547	536,431
Administration fee	151,636	165,579
Loan administration and custody fees	105,948	119,856
Directors' fees and expenses	122,116	127,526
	3,622,500	**3,664,017**
Net investment (loss)/income	**(38,011)**	**3,074,084**
Realised and unrealised gain/(loss) from investments and foreign exchange		
Net realised gain on investments, credit default swap, warrants and forward currency transactions	1,546,514	10,353,671
Non cash loss on investment restructuring transactions	–	(1,275,098)
Net change in unrealised gain on investments, credit default swap, warrants and forward currency transactions	15,487,924	1,346,421
Income taxes from net realised/unrealised gain on investments	42,247	85,453
Realised and unrealised gain from investments and foreign exchange	**17,076,685**	**10,510,447**
Net increase in net assets resulting from operations	**17,038,674**	**13,584,531**

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 2018 (UNAUDITED) (EXPRESSED IN US DOLLARS)	**30 JUNE 2018 ORDINARY SHARES**	**30 JUNE 2018 EXTENDED LIFE SHARES**	**30 JUNE 2018 NEW GLOBAL SHARES**	**30 JUNE 2018 AGGREGATED**
Net assets at the beginning of the period	**29,641,938**	**180,009,723**	**123,006,814**	**332,658,475**
Net investment loss	(152,142)	318,506	(204,375)	(38,011)
Net realised loss/gain on investments, credit default swap, warrants and forward currency transactions	(413,908)	(1,178,001)	3,138,423	1,546,514
Net change in unrealised gain on investments, credit default swap, warrants and forward currency transactions	679,887	8,460,425	6,347,612	15,487,924
Income taxes from net realised/unrealised gains on investments	11,807	30,440	–	42,247
Net cost of share buybacks	–	(23,826)	–	(23,826)
Shares redeemed during the period	(3,741,968)	(16,241,937)	(9,310,392)	(29,294,297)
Net assets at the end of the period	**26,025,614**	**171,375,330**	**122,978,082**	**320,379,026**

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017 (UNAUDITED) (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	(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 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**

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 2018 AND 30 JUNE 2017 (EXPRESSED IN US DOLLARS)	**30 JUNE 2018 (UNAUDITED)**	**30 JUNE 2017 (UNAUDITED)**
Cash flows from operating activities:		
Net increase in net assets resulting from operations	17,038,674	13,584,531
Adjustment to reconcile net increase/(decrease) in net assets resulting from operations to net cash flow provided by operations:		
Net realised loss/(gain) on investments, credit default swap, warrants and forward currency transactions	(1,546,514)	(10,353,671)
Non cash loss on investment restructuring transactions	–	1,275,098
Net change in unrealised gain on investments, credit default swap, warrants and forward currency transactions	(15,487,924)	(1,346,421)
Accretion of discount on loans and bonds	(413,262)	(2,319,846)
Changes in interest receivable	998,216	(579,971)
Changes in receivables for investments sold	(9,121,263)	3,513,996
Changes in other receivables and prepayments	968,120	545,360
Change in deferred taxes	–	(99,549)
Changes in payables for investments purchased	(7,760,428)	(356,975)
Changes in payables, accrued expenses and other liabilities	(164,641)	279,559
Cash paid on settled forward currency contracts and spot currency contracts	(1,041,615)	(50,051)
Purchase of investments	(1,927,868)	(15,631,562)
Sale of investments	41,398,745	29,786,105
Net sale of short term investments	8,102	4,050,317
Net cash provided by operating activities	**22,948,342**	**22,296,920**
Cash flows from financing activities:		
Net cost of share buybacks	(23,826)	(2,204,853)
Value of shares redeemed during the period	(29,294,297)	(10,491,943)
Dividend	(6,038,502)	–
Net cash used in financing activities	**(35,356,625)**	**(12,696,796)**
Net (decrease)/increase in cash and cash equivalents	**(12,408,283)**	**9,600,124**
Cash and cash equivalents at the beginning of the period	23,824,956	38,615,044
Effect of exchange rate changes on cash and cash equivalents	(206,830)	(106,385)
Cash and cash equivalents at the end of the period	**11,209,843**	**48,108,783**

Supplemental cash flow information

$Nil (30 June 2017: $13,974,717) 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 received/(paid) during the period was $42,247 (30 June 2017: ($14,096)).

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

Unaudited Consolidated Condensed Schedule of Investments (by financial instrument)

AT 30 JUNE 2018 (UNAUDITED) (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	90,060,617	57,763,727	1.88	18.77	20.42	18.03
Private Equity	108,259,712	112,594,324	39.74	33.33	36.70	35.14
Private Equity: Real Estate Development	–	600,308	0.64	0.25	–	0.19
Private Note	60,390,146	44,625,058	12.74	17.65	9.00	13.93
Public Equity	63,287,483	64,059,209	23.71	18.65	21.09	19.99
Trade Claim[2]	13,032,090	11,054,666	11.88	4.65	–	3.45
Total Investments	**335,030,048**	**290,697,292**	**90.59**	**93.30**	**87.21**	**90.73**
Ordinary Shares	27,036,069	23,574,480	90.59	–	–	7.36
Extended Life Shares	193,754,568	159,882,852	–	93.30	–	49.9
New Global Shares	114,239,411	107,239,960	–	–	87.21	33.47
	335,030,048	**290,697,292**	**90.59**	**93.30**	**87.21**	**90.73**
Credit Default Swap						
Ordinary Shares	(16,959)	(1,392)	(0.01)	–	–	–
Extended Life Shares	(44,094)	(3,619)	–	(0.01)	–	–
	(61,053)	**(5,011)**	**(0.01)**	**(0.01)**	**–**	**–**
Forward Currency Contracts						
Ordinary Shares	–	711,505	2.73	–	–	0.22
Extended Life Shares	–	2,845,322	–	1.66	–	0.89
	–	**3,556,827**	**2.73**	**1.66**	**–**	**1.11**
Warrants						
Extended Life Shares	478,733	151,967	–	0.09	–	0.05
New Global Shares	274,222	62,493	–	–	0.05	0.02
	752,955	**214,460**	**–**	**0.09**	**0.05**	**0.07**

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 2017 (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	118,293,825	83,508,629	13.37	24.44	28.90	25.10
Private Equity	111,913,489	108,691,513	34.78	30.46	35.40	32.67
Private Equity: Real Estate Development	–	620,287	0.58	0.25	–	0.19
Private Note	59,431,556	41,271,822	10.59	15.62	8.15	12.41
Public Bond	3,053,000	2,272,000	–	0.91	0.52	0.68
Public Equity	65,018,736	66,075,191	21.84	17.73	22.52	19.85
Trade Claim[2]	13,032,089	12,360,847	11.66	4.95	–	3.72
	370,742,695	**314,800,289**	**92.82**	**94.36**	**95.49**	**94.62**
Total Investments	**370,742,695**	**314,800,289**	**92.82**	**94.36**	**95.49**	**94.62**
Ordinary Shares	31,036,493	27,509,333	92.82	–	–	–
Extended Life Shares	209,442,596	169,843,585	–	94.36	–	–
New Global Shares	130,263,606	117,447,371	–	–	95.49	–
	370,742,695	**314,800,289**	**92.82**	**94.36**	**95.49**	**94.62**
Forward Currency Contracts						
Ordinary Shares	–	77,176	0.26	–	–	0.02
Extended Life Shares	–	81,850	–	0.05	–	0.03
	–	**159,026**	**0.26**	**0.05**	**–**	**0.05**
Warrants						
Extended Life Shares	478,733	197,638	–	0.11	–	0.06
New Global Shares	274,222	89,449	–	–	0.07	0.03
	752,955	**287,087**	**–**	**0.11**	**0.07**	**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

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

30 JUNE 2018 (UNAUDITED) (EXPRESSED IN US DOLLARS)	COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Securities									
Harko LLC	United States	Lodging & Casinos	2,517,756	34,067,954	35,777,313	28.15	11.02	7.78	11.17
Twin River Worldwide Holdings	United States	Lodging & Casinos	211,702	6,777,499	27,556,614	–	4.82	15.69	8.60
Five Point Holdings LLC (formally known as Newhall Holding Company, LLC)	United States	Building & Development	1,720,599	23,945,425	19,356,739	13.42	6.01	4.52	6.04
Vistra Energy Corp	United States	Utilities	714,872	11,437,963	16,921,020	9.10	5.84	3.69	5.28
Exide Technologies 7.000% 30/04/25 SR:AI CVT	United States	Auto Components	15,180,698	12,751,098	9,867,454	2.99	3.60	2.37	3.08
Exide Technologies 11% 30/04/2022	United States	Auto Components	8,607,444	7,669,027	7,703,662	0.19	3.19	1.78	2.40
Exide Technologies 7.25% 30/04/25 SR:AI	United States	Auto Components	6,767,590	6,202,974	7,038,293	5.57	1.15	2.95	2.20
Dumas Shipping Term Loan B	Marshall Islands	Shipping	15,124,671	14,418,738	15,291,042	–	6.36	3.57	4.77
Dumas Shipping Term Loan A	Marshall Islands	Shipping	1,793,285	1,793,285	1,813,011	–	0.75	0.42	0.57
Dumas Shipping	Marshall Islands	Shipping	349	1,003,803	1,017,773	–	0.42	0.24	0.32
				120,067,766	**142,342,921**	**59.42**	**43.16**	**43.01**	**44.43**

31 DECEMBER 2017 (AUDITED) (EXPRESSED IN US DOLLARS)	COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Securities									
Harko LLC	United States	Lodging & Casinos	2,517,756	34,067,954	32,076,211	22.16	9.41	6.97	9.66
Five Point Holdings LLC (formally known as Newhall Holding Company, LLC)	United States	Building & Development	1,720,599	23,945,425	24,277,652	14.78	7.18	5.67	7.30
Twin River Worldwide Holdings	United States	Lodging & Casinos	211,702	6,777,499	22,202,247	–	–	12.64	6.67
Exide Technologies 11% 30/04/22	United States	Auto Components	8,316,371	7,290,956	7,484,734	0.16	2.95	1.73	2.24
Exide Technologies 7.000% 30/04/25 SR:AI CVT	United States	Auto Components	14,667,341	12,427,684	9,020,415	2.40	3.13	2.17	2.70
Exide Technologies 7.25% 30/04/25 SR:AI	United States	Auto Components	6,557,610	5,963,964	6,688,762	4.65	1.04	2.80	2.01
				90,473,482	**101,750,021**	**44.15**	**23.71**	**31.98**	**30.58**

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 2018 (UNAUDITED) (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						
Brazil	13,032,089	11,054,666	11.88	4.65	–	3.45
Denmark	14,207,442	9,160,871	–	2.51	3.95	2.86
Germany	–	1,482,295	1.59	0.62	–	0.46
Greece	357,242	320,569	0.34	0.13	–	0.10
Luxembourg	1,893,980	9,934,517	10.67	4.18	–	3.10
Marshall Islands	17,215,826	18,121,827	–	7.54	4.23	5.66
Netherlands	13,646,548	13,995,182	–	3.62	6.34	4.37
Spain	26,161,374	15,878,980	–	2.33	9.66	4.98
United States	248,515,547	210,748,385	66.12	67.72	63.03	65.75
	335,030,048	**290,697,292**	**90.60**	**93.30**	**87.21**	**90.73**

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 2017 (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	18,554,191	17,652,774	11.21	4.76	4.68	5.31
Brazil	13,032,089	12,360,847	11.66	4.95	–	3.72
Denmark	14,207,442	9,899,862	–	2.58	4.27	2.98
Germany	–	1,476,112	1.39	0.59	–	0.44
Greece	357,242	280,404	0.26	0.11	–	0.08
Luxembourg	1,893,980	12,858,961	12.12	5.15	–	3.87
Marshall Islands	15,997,340	16,493,553	–	6.53	3.85	4.96
Netherlands	13,646,547	13,470,497	–	3.32	6.10	4.05
Spain	35,993,209	24,920,519	–	3.10	15.72	7.50
United States	257,060,655	205,386,760	56.18	63.27	60.87	61.71
	370,742,695	**314,800,289**	**92.82**	**94.36**	**95.49**	**94.62**

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 30 JUNE 2018 (UNAUDITED) (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	20,522	4,079	–	–	–	–
Auto Components	28,308,485	24,973,639	8.89	8.07	7.18	7.80
Building & Development	25,893,454	19,627,984	13.72	6.13	4.52	6.13
Commercial Mortgage	13,646,548	14,775,832	–	4.08	6.34	4.61
Containers & Packaging	1,893,980	9,934,517	10.68	4.18	–	3.10
Financial Intermediaries	21,464,317	12,653,632	3.60	6.84	–	3.95
Forest Products	–	1,482,295	1.59	0.62	–	0.46
Lodging & Casinos	68,434,793	86,929,165	28.15	22.53	33.35	27.11
Nonferrous Metals/Minerals	20,100,668	15,919,497	–	5.11	5.83	4.97
Oil & Gas	24,863,152	24,142,750	–	8.46	7.84	7.54
Real Estate Development	–	600,308	0.64	0.25	–	0.19
Shipping	39,362,636	40,109,543	1.18	13.41	13.67	12.53
Surface Transportation	32,520,597	19,031,091	11.88	6.98	3.23	5.94
Utilities	58,520,896	20,512,960	10.27	6.64	5.25	6.40
	335,030,048	**290,697,292**	**90.60**	**93.30**	**87.21**	**90.73**

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 2017 (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	631,151	541,827	0.51	0.22	–	0.16
Auto Components	27,367,990	23,360,850	7.27	7.18	6.73	7.02
Building & Development	25,893,453	24,548,897	15.03	7.29	5.67	7.38
Chemicals & Plastics	1,525,664	1,450,002	–	–	1.18	0.44
Commercial Mortgage	13,646,548	14,284,947	–	3.77	6.10	4.29
Containers & Packaging	1,893,980	12,858,961	12.12	5.15	–	3.87
Financial Intermediaries	21,464,317	12,484,917	3.12	6.42	–	3.75
Forest Products	–	1,476,112	1.39	0.59	–	0.44
Lodging & Casinos	82,358,287	89,201,164	22.18	21.03	36.43	26.79
Nonferrous Metals/Minerals	20,100,461	14,740,275	–	4.50	5.39	4.43
Oil & Gas	28,121,742	27,869,619	–	9.25	9.11	8.38
Real Estate Development	–	620,287	0.58	0.25	–	0.19
Shipping	38,144,150	36,992,077	0.87	11.76	12.65	11.13
Surface Transportation	32,525,287	20,321,759	11.66	7.16	3.23	6.11
Utilities	77,069,665	34,048,595	18.09	9.79	9.00	10.24
	370,742,695	**314,800,289**	**92.82**	**94.36**	**95.49**	**94.62**

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.

Notes to the Unaudited Consolidated Interim Financial Statements

NOTE 1 – ORGANISATION AND 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 Pounds Sterling for New Global Shares.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

There were no recent standards and pronouncements relevant to the Company.

(a) Basis of Preparation

The accompanying Unaudited Consolidated Interim Financial Statements ("Financial Statements") give a true and fair view of the assets, liabilities, financial position and return and have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and Companies Law and are expressed in US Dollars. All adjustments considered necessary for the fair presentation of the financial statements, for the period presented, have been included.

The Company is regarded as an Investment Company and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. Accordingly, the Company reflects its investments on the Unaudited Consolidated Statement of Assets and Liabilities at their estimated fair values, with unrealized gains and losses resulting from changes in fair value reflected in net change in unrealised gain/(loss) on investments, credit default swap, warrants and forward currency transactions in the Unaudited Consolidated Statement of Operations.

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

Wholly-owned subsidiaries, London Granite Ridge LLC, London Jackson LLC, London Madison LLC, London Wabash LLC, London Washington LLC, London Randolph Holdco LLC, London Washington Holdco LLC, London Jackson Holdco LLC, London Tides Holdco 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. and London Lux Propco 1 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 six month period ended 30 June 2018, London Lake Erie (Global) LP and London Lake Erie LP were dissolved on 31 March 2018. Furthermore, London Washington LLC, London Jackson LLC, and London Randolph Holdco LLC were dissolved on 19 June 2018.

(b) Use of Estimates

The preparation of these Financial Statements in accordance with U.S.GAAP requires that the Directors make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period.

Actual results could differ significantly from these estimates.

(c) Cash and Cash Equivalents

The Company holds cash and cash equivalents in U.S. and non-U.S. denominated currencies 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 change in value to be cash equivalents. As at 30 June 2018, the Company has cash balances in various currencies equating to $11,209,843 (31 December 2017: $23,824,956). These balances consisted of Pound Sterling: $2,173,706 (31 December 2017: $3,429,128), Euro: $1,899,298 (31 December 2017: $875,586), US Dollar: $7,067,008 (31 December 2017: $19,165,424), and Australian Dollar: $69,831 (31 December 2017: $354,818).

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(d) Payables/Receivables on Investments Purchased/Sold

At 30 June 2018, 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.

(e) Foreign Currency Translation

Assets and liabilities denominated in foreign currency are translated into US Dollars at the currency exchange rates on the date of valuation. 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.

(f) Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities that qualify as financial instruments under FASB ASC 825, Financial Instruments, approximate the carrying amounts presented in the Unaudited Consolidated Statement of Assets and Liabilities.

Fair value prices are estimates 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 2018 and 31 December 2017 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 the bid price provided by third party broker / dealer 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 (g), "Investment transactions, investment income/expenses and valuation", on page 46.
- 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 Unaudited Consolidated Statement of Assets and Liabilities date.

The Company follows guidance in ASC 820, Fair Value Measurement ("ASC 820"), where fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are determined within a framework that establishes a three-tier hierarchy which maximizes the use of observable market data and minimizes the use of unobservable inputs to establish a classification of fair value measurements for disclosure purposes.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as the risk inherent in a particular valuation technique used to measure fair value using a pricing model and/or the risk inherent in the inputs for the valuation technique. Inputs may be observable or unobservable.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Fair Value of Financial Instruments (continued)

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the information available. The inputs or methodology used for valuing assets or liabilities may not be an indication of the risks associated with investing in those assets or liabilities.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs used in the determination of the fair value require significant management judgment or estimation

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

The following is a summary of the levels within the fair value hierarchy in which the Company invests:

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 30 JUNE 2018 (UNAUDITED)

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	12,217,993	45,545,734	57,763,727
Private Equity	–	60,809,740	51,784,584	112,594,324
Private Equity: Real Estate Development	–	–	600,308	600,308
Private Note	–	44,264,024	361,034	44,625,058
Public Equity	64,059,209	–	–	64,059,209
Trade Claim	–	–	11,054,666	11,054,666
Warrants	11,755	195,070	7,635	214,460
Credit Default Swap	–	(5,011)	–	(5,011)
Forward currency contracts	–	3,556,827	–	3,556,827
Total investments that are accounted for at fair value	**64,070,964**	**121,038,643**	**109,353,961**	**294,463,568**

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2017 (AUDITED)

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	34,205,399	49,303,230	83,508,629
Private Equity	–	39,264,153	69,427,360	108,691,513
Private Equity: Real Estate Development	–	–	620,287	620,287
Private Note	–	34,310,812	6,961,010	41,271,822
Public Bond	–	2,272,000	–	2,272,000
Public Equity	66,075,191	–	–	66,075,191
Trade Claim	–	–	12,360,847	12,360,847
Warrants		195,070	92,017	287,087
Forward currency contracts	–	159,026	–	159,026
Total investments that are accounted for at fair value	**66,075,191**	**110,406,460**	**138,764,751**	**315,246,402**

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) 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 2018. 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	Building & Development	271,244	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	13,995,182	Discount Rate	15% discount rate on loan payments	N/A	N/A
Bank Debt Investments	Forest Products	1,482,295	Market Comparables	10% liquidity discount	N/A	N/A
Bank Debt Investments	Lodging & Casinos	3,996,534	Market Comparables	EBITDA Multiple	10x	N/A
Bank Debt Investments	Shipping	17,104,054	Market Information	Value of Shipping Vessels	$10m per vessel	N/A
Bank Debt Investments	Surface Transport	7,976,425	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	720,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity: Real Estate Development	Real Estate Development	600,308	Market Comparables	Price per square foot	$324 per sq. foot	N/A
Private Equity	Air Transport	4,079	Discounted Cash Flow (DCF)	Residual Value/Cash Receivable	N/A	N/A
Private Equity	Auto Components	364,227	Discounted Cash Flow (DCF)	Residual Value/Cash Receivable	N/A	N/A
Private Equity	Commercial Mortgage	780,650	Residual Value	Litigation Reserves	61% recovery value	N/A
Private Equity	Containers & Packaging	9,934,517	Discount Rate	5% liquidity discount	N/A	N/A
Private Equity	Lodging & Casinos	3,906,021	Market Comparables	EBITDA Multiple	10x	N/A
Private Equity	Lodging & Casinos	35,777,317	Market Comparables	Land value per acre	$2.3m per acre	N/A
Private Equity	Shipping	1,017,773	Market Information	Value of Shipping Vessels	$10m per vessel	N/A
Private Note	Utilities	361,034	Market Information	Unadjusted Broker Quote	N/A	N/A
Trade Claim	Surface Transport	11,054,666	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Lodging & Casinos	7,635	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		**109,353,961**				

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) 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 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	537,748	Market Information	Value of remaining Aircraft	$12.3m	N/A
Bank Debt Investments	Building & Development	271,244	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	13,470,496	Discount Rate	15% discount rate on loan payments	N/A	N/A
Bank Debt Investments	Forest Products	1,476,111	Market Comparables	10% liquidity discount	N/A	N/A
Bank Debt Investments	Lodging & Casinos	9,480,319	Market Comparables	EBITDA Multiple	13.5	N/A
Bank Debt Investments	Shipping	15,206,399	Market Information	Value of Shipping Vessels	$9.5m per vessel	N/A
Bank Debt Investments	Surface Transport	7,960,913	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	900,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Air Transport	4,079	Discounted Cash Flow (DCF)	Residual Value/Cash Receivable	N/A	N/A
Private Equity	Auto Components	166,939	Discounted Cash Flow (DCF)	Residual Value/Cash Receivable	N/A	N/A
Private Equity	Commercial Mortgage	814,450	Residual Value	Litigation Reserves	71% recovery value	N/A
Private Equity	Containers & Packaging	12,858,962	Discount Rate	5% liquidity discount	N/A	N/A
Private Equity	Lodging & Casinos	7,479,289	Market Comparables	EBITDA Multiple	8.0x	N/A
Private Equity	Lodging & Casinos	32,076,211	Market Comparables	Land value per acre	$2.1m per acre	N/A
Private Equity	Nonferrous Metals/Minerals	14,740,276	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Shipping	1,287,154	Market Information	Value of Shipping Vessels	$9.5m per vessel	N/A
Private Equity: Real Estate Development	Real Estate Development	620,287	Market Comparables	Price per square foot	$324 per sq. foot	N/A
Private Note	Auto Components	6,688,762	Purchase Price	Weighted Average Valuation	N/A	N/A
Private Note	Utilities	272,248	Market Information	Unadjusted Broker Quote	N/A	N/A
Trade Claim	Surface Transport	12,360,847	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Oil & Gas	45,367	Market Comparables	Unadjusted Broker Quote	N/A	N/A
Warrants	Shipping	46,650	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		**138,764,751**				

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) 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 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) 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 2018 (UNAUDITED) (EXPRESSED IN US DOLLARS)	BANK DEBT INVESTMENTS	PRIVATE EQUITY	PRIVATE EQUITY: REAL ESTATE DEVELOPMENT	TRADE CLAIM	WARRANTS	PRIVATE NOTE	TOTAL
Balance, 31 December 2017	**49,303,230**	**69,427,360**	**620,287**	**12,360,847**	**92,017**	**6,961,010**	**138,764,751**
Purchases	1,138,993	11,286	–	–	–	228,074	**1,378,353**
Sales and distributions	(12,841,297)	–	–	–	–	–	**(12,841,297)**
Realised gain/(loss) on sale of investments	2,564,298	–	–	–	–	–	**2,564,298**
Unrealised (loss)/gain on investments	1,719,431	1,926,514	(19,979)	(1,306,181)	(72,627)	210,243	**2,457,401**
Reclassification within level 3 categories	3,661,079	(3,661,079)	–	–	–	–	**–**
Transfers into or (out of) Level 3	–	(15,919,497)	–	–	(11,755)	(7,038,293)	**(22,969,545)**
Balance, 30 June 2018	**45,545,734**	**51,784,584**	**600,308**	**11,054,666**	**7,635**	**361,034**	**109,353,961**
Change in unrealised (loss)/gain on investments included in Unaudited Consolidated Statement of Operation for Level 3 investments held as of 30 June 2018	**1,460,500**	**751,483**	**(19,979)**	**(1,306,181)**	**(39,015)**	**70,692**	**917,500**

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 zero transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) 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 31 DECEMBER 2017 (EXPRESSED IN US DOLLARS)	BANK DEBT INVESTMENTS	PRIVATE BOND	PRIVATE EQUITY	PRIVATE EQUITY: REAL ESTATE DEVELOPMENT	TRADE CLAIM	WARRANTS	PRIVATE NOTE	TOTAL
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	3,705,632	–	7,514,142	–	–	–	5,969,791	**17,189,565**
Sales and distributions	(7,514,023)	–	(42,332,636)	(2,987,227)	–	–	–	**(52,833,886)**
Restructuring transactions	3,822,012	–	2,104,422	–	–	–	–	**5,926,434**
Gain on non–cash investment transactions	–	–	1,041,626	–	–	–	–	**1,041,626**
Realised gain/(loss) on sale of investments	46,367	–	33,023,319	401,310	–	–	–	**33,470,996**
Unrealised (loss)/gain on investments	3,971,074	–	(9,263,813)	(394,667)	381,577	(42,713)	724,565	**(4,623,977)**
Reclassification within level 3 categories	–	(600,972)	–	–	–	–	600,972	–
Transfers into or (out of) Level 3	(4,497,023)	–	(15,755,648)	–	–	(148,400)	(12,481,805)	**(32,882,876)**
Balance, 31 December 2017	**49,303,230**	**–**	**69,427,360**	**620,287**	**12,360,847**	**92,017**	**6,961,010**	**138,764,751**
Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2017	**4,935,830**	**–**	**3,007,216**	**(85,737)**	**381,577**	**(119,791)**	**387,135**	**8,506,230**

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 had seven transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(g) Investment transactions, investment income/expenses and valuation

Investment transactions are accounted for 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 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. Any costs incurred by a share buyback are charged to that share class.

For the period ended 30 June 2018, $413,262 (30 June 2017: $2,319,846) was recorded to reflect accretion of discount on loans and bonds during the period.

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

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.

The Company carries investments on its Unaudited Consolidated Statement of Assets and Liabilities 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. 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;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(h) Derivative Contracts

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.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies on the reporting date and the value recorded in the financial statements represents net unrealised gain and loss on forwards as at 31 December. 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 (2017: six warrants) which it prices based on the bid price provided by a third party broker/dealer quote.

(i) Taxation

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 Unaudited 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.

There were no uncertain tax positions at 30 June 2018 or 31 December 2017. The Company is subject to examination for US Federal and state tax returns for calendar years 2015-2018.

During the period ended 30 June 2018, the Company recorded current income tax benefit from realised gain/loss on investments of $42,247 (31 December 2017: $3,208,466 income tax expense). 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/expense for the period ended 30 June 2018 is equal to $Nil (31 December 2017: $2,987,074 deferred income tax benefit). The net total income tax expense from realised/unrealised gains/(losses) on investments for the period ended 30 June 2018 was $42,247 (31 December 2017 income tax expense: $221,390).

NOTE 3 – 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.

NOTE 3 – DERIVATIVES (continued)

Credit Default Swap

The Company uses 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) from time to time. There was one credit default swap position, Brazil CDS (Government), held at 30 June 2018 which was entered into on 10 January 2018. There was no credit default swap held at 31 December 2017.

Derivative activity

For the six month period ended 30 June 2018 and the year ended 31 December 2017 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 2018 (UNAUDITED)	LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
Foreign currency exchange rate				
Forward currency contracts	$55,162,920	9	$10,516,614	6
Total	**$55,162,920**	**9**	**$10,516,614**	**6**
Equity price				
Warrants	$752,955	6	–	–

31 DECEMBER 2017 (AUDITED)	LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
Foreign currency exchange rate				
Forward currency contracts	$61,249,519	9	$5,643,647	12
Total	**$61,249,519**	**9**	**$5,643,647**	**12**
Equity price				
Warrants	$239,443	6	–	–

The following tables show, at 30 June 2018 and 31 December 2017, 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 2018 and 31 December 2017, the realised and unrealised gain and loss amounts included in the Unaudited Consolidated Statement of Operations, categorised by primary underlying risk:

30 JUNE 2018 (UNAUDITED) PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS ($)	DERIVATIVE LIABILITIES ($)	REALISED GAIN (LOSS) ($)	UNREALISED GAIN (LOSS) ($)
Foreign currency exchange rate				
Forward currency contracts	3,556,827	–	(324,373)	3,397,800
Credit				
Purchased protection				
Credit default swap	–	(5,011)	(63,700)	56,043
Equity price				
Warrants	214,460	–	–	(260)
Total	**3,771,287**	**(5,011)**	**(388,073)**	**3,453,583**

NOTE 3 – DERIVATIVES (continued)

Derivative activity (continued)

31 DECEMBER 2017 (AUDITED) PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS ($)	DERIVATIVE LIABILITIES ($)	REALISED GAIN (LOSS) ($)	UNREALISED GAIN (LOSS) ($)
Foreign currency exchange rate				
Forward currency contracts	257,290	(98,264)	(3,585,616)	(1,600,477)
Credit				
Purchased protection				
Credit default swap	–	–	(78,385)	(13,753)
Equity price				
Warrants	287,087	–	–	(192,893)
Total	**544,377**	**(98,264)**	**(3,664,001)**	**(1,807,123)**

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 Unaudited 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 of $Nil (31 December 2017: $Nil), and foreign currency exchange contracts with Royal Bank of Canada of $554,028 (31 December 2017: ($98,264)), Societe Generale of $24,374 (31 December 2017: $80,919) and UBS AG of $2,978,425 (31 December 2017: $176,371). 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.

NOTE 3 – DERIVATIVES (continued)

Offsetting assets and liabilities (continued)

The following tables, at 30 June 2018 and 31 December 2017, show the gross and net derivatives assets and liabilities by contract type and amount for those derivatives contracts for which netting is permissible.

30 JUNE 2018 (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 UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward Currency Contracts	3,788,042	(231,215)	3,556,827
Warrant	214,460	–	214,460
Total	**4,002,502**	**(231,215)**	**3,771,287**

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward Currency Contracts	(231,215)	231,215	–
Credit Default Swap	(5,011)	–	(5,011)
Total	**(236,226)**	**231,215**	**(5,011)**

31 DECEMBER 2017 (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	261,024	(3,734)	257,290
Warrant	287,087	–	287,087
Total	**548,111**	**(3,734)**	**544,377**

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward Currency Contracts	(101,998)	3,734	(98,264)
Total	**(101,998)**	**3,734**	**(98,264)**

NOTE 4 – RISK FACTORS

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 2018 and 31 December 2017 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 fall 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 3.

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 5 – 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 Distribution 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 Pounds 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, the 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 existing investment period.

The New Global Share Class was created in March 2014 and its investment period ended on 31 March 2017.

At 30 June 2018, the Company had the following number of shares in issue:

	30 JUNE 2018 (UNAUDITED)	31 DECEMBER 2017 (AUDITED)
Issued and fully paid up:		
Class A Shares	2	2
Ordinary Share Class of no par value (Nil in treasury; 2017: Nil)	23,395,578	26,714,397
Extended Life Share Class of no par value (Nil in treasury; 2017: Nil)	158,099,991	173,302,953
New Global Share Class of no par value (Nil in treasury; 2017: Nil)	91,346,389	98,733,585

Reconciliation of the number of shares in issue in each class at 30 June 2018:

(UNAUDITED)	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	TOTAL
Balance at 31 December 2017	26,714,397	173,302,953	98,733,585	298,750,935
Shares redeemed during the year	(3,318,819)	(15,177,962)	(7,387,196)	(25,883,977)
Buybacks (Shares repurchased)	–	(25,000)	–	(25,000)
Treasury shares cancelled during the year	–	–	–	–
Balance at 30 June 2018	**23,395,578**	**158,099,991**	**91,346,389**	**272,841,958**

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

NOTE 5 – SHARE CAPITAL (continued)

Reconciliation of the number of shares in issue in each class at 31 December 2017:

	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 year	(8,504,190)	(40,663,033)	–	–	(49,167,223)
Buybacks (Shares repurchased)	–	(1,907,868)	(1,842,200)	1,842,200	(1,907,868)
Treasury shares cancelled during the year	–	–	–	(12,052,200)	(12,052,200)
Balance at 31 December 2017	**26,714,397**	**173,302,953**	**98,733,585**	**–**	**298,750,935**

Distributions

Set out below are details of the capital returns by way of compulsory partial redemptions approved during the period ended 30 June 2018 and 31 December 2017.

2018 (UNAUDITED)	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
25 May 2018	$3,741,968	3,318,819	$1.1275	$16,241,937	15,177,962	$1.0701	$9,310,391	7,387,196	$1.2603
	$3,741,968	**3,318,819**	**$1.1275**	**$16,241,937**	**15,177,962**	**$1.0701**	**$9,310,391**	**7,387,196**	**$1.2603**

2017 (AUDITED)	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION 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	–	–	–
4 September 2017	$6,491,959	5,861,814	1.1075	$10,491,946	10,030,541	$1.0460	–	–	–
13 November 2017	$2,991,962	2,642,376	1.1323	$4,241,944	3,972,974	$1.0677	–	–	–
	$9,483,921	**8,504,190**	**–**	**$41,717,773**	**40,663,033**	**–**	**–**	**–**	**–**

Buybacks

Under the authority granted to the Directors at the 2017 and 2018 AGMs, between 1 January 2018 and 30 June 2018, 25,000 Extended Life Shares were repurchased by the Company for gross consideration of $0.953 per Extended Life Share and were subsequently cancelled. Subsequently on 8 July 2018, 50,000 New Global Shares were repurchased by the Company for gross consideration of £0.89 per New Global Share and were subsequently cancelled.

NOTE 6 – MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS

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. On 31 December 2017 the Company entered into an Amendment Agreement amending the IMA in respect of the manufacture of the Company's Key Information Document by the AIFM, MiFID II, anti-money laundering and bribery, cyber security and data protection.

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 charged 0.125% per month on the NAV of the New Global Share Class.

For the period ended 30 June 2018, the management fee expense was $2,498,253 (30 June 2017: $2,714,625). At 30 June 2018, the management fee payable was $401,068 (31 December 2017: $412,050).

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.

No performance fees were paid or payable in respect of any of the classes for the period ending 30 June 2018 or year ending 31 December 2017, nor would any be paid if the company were to realise all its assets at the year end.

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

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 U.S. Bank Global Fund Services (Ireland) Limited (formerly known as 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 U.S. Bank Global Fund Services (Ireland) Limited (formerly known as 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 $500m of net asset value, 0.08% for the next $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.

NOTE 6 – MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS (continued)

Administration, Company Secretarial and Custody Agreements (continued)

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 plus fees for ad-hoc board meetings and additional services.

For the period ended 30 June 2018, the administration fee expense was $151,636 (30 June 2017: $165,579), the secretarial fee was $78,033 of which $2,601[1] was in relation to the administration of the ongoing buyback programme, (30 June 2017: $61,784) and the loan administration and custody fee expense was $105,948 (30 June 2017: $119,856). At 30 June 2018, the administration fee payable is $24,026[2] (31 December 2017: $24,688), the secretarial fee payable is $81,998[2] (31 December 2017: $66,586) and the loan administration and custody fee payable is $51,449[2] (31 December 2017: $54,844).

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 Chairman of the Audit Committee). For the period ended 30 June 2018, the Directors' fees and travel expenses amounted to $122,116 (30 June 2017: $127,526). Michael J. Holmberg, the non-independent Director, has waived the fees for his services as a Director. There were no other related interests for the period ended 30 June 2018.

1 Amount is included under Professional and other expenses in the Statement of Operations.

2 Amounts are included under Accrued expenses and other liabilities in the Statement of Assets and Liabilities.

NOTE 7 – 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 2018 (UNAUDITED)	PERIOD ENDED 30 JUNE 2018 (UNAUDITED)	PERIOD ENDED 30 JUNE 2018 (UNAUDITED)	YEAR ENDED 31 DECEMBER 2017 (AUDITED)	YEAR ENDED 31 DECEMBER 2017 (AUDITED)	YEAR ENDED 31 DECEMBER 2017 (AUDITED)
Net asset value per share at beginning of the year	**1.1096**	**1.0387**	**0.9210**	**1.0583**	**1.0035**	**0.9417**
Impact of share buybacks	–	–	–	–	0.0012	0.0029
Distributions	–	–	–	(0.0140)	(0.0245)	(0.0106)
Income/(loss) from investment operations[1]						
Net investment (loss)/income	(0.0058)	0.0019	(0.0015)	(0.0063)	0.0118	0.0081
Net realised and unrealised (loss)/gain from investments and foreign exchange	0.0086	0.0434	0.1002	0.0716	0.0467	(0.0211)
Total income/(loss) from investment operations	**0.0028**	**0.0453**	**0.0987**	**0.0653**	**0.0585**	**(0.0130)**
Net asset value per share at end of the year	**1.1124**	**1.0840**	**1.0197**	**1.1096**	**1.0387**	**0.9210**

1 Weighted average number of shares outstanding was used for calculation.

NOTE 7 – FINANCIAL HIGHLIGHTS (continued)

	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 2018 (UNAUDITED)**	**PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**	**PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**	**YEAR ENDED 31 DECEMBER 2017 (AUDITED)**	**YEAR ENDED 31 DECEMBER 2017 (AUDITED)**	**YEAR ENDED 31 DECEMBER 2017 (AUDITED)**
NAV Total Return before performance fee	0.25%	4.36%	10.72%	6.17%	5.95%	(1.07%)
Performance fee	–	–	–	–	–	–
NAV Total Return after performance fee including an income distribution by way of dividend	**0.25%**	**4.36%**	**10.72%**	**6.17%**	**5.95%**	**(1.07%)**

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.

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES
RATIOS TO AVERAGE NET ASSETS	**PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**	**PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**	**PERIOD ENDED 30 JUNE 2018 (UNAUDITED)**	**YEAR ENDED 31 DECEMBER 2017 (AUDITED)**	**YEAR ENDED 31 DECEMBER 2017 (AUDITED)**	**YEAR ENDED 31 DECEMBER 2017 (AUDITED)**
Net investment income before and after performance fee	(1.05%)	0.36%	(0.33%)	(0.58%)	1.14%	0.70%
Total expenses after performance fee	**(2.03%)**	**(2.15%)**	**(2.25%)**	**(2.06%)**	**(2.03%)**	**(1.96%)**

NOTE 8 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

In preparing the Financial Statements, there were post period end adjustments relating to investment valuations. 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 2018	26,025,614	1.1124	171,375,330	1.0840	93,147,573	1.0197
Valuation adjustments	–	–	–	–	–	–
Net assets per Unaudited Consolidated Interim Financial Statements	**26,025,614**	**1.1124**	**171,375,330**	**1.0840**	**93,147,573**	**1.0197**

	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 2017	29,411,826	1.1010	179,277,706	1.0345	90,854,307	0.9202
Valuation adjustments	230,112	0.0086	732,017	0.0042	76,622	0.0008
Net assets per Consolidated Financial Statements	**29,641,938**	**1.1096**	**180,009,723**	**1.0387**	**90,930,929**	**0.9210**

NOTE 9 – SUBSEQUENT EVENTS

Capital Distribution

On 3 August 2018, the Board declared further capital distributions of £8.5m for NBDG shareholders and $3m for the NBDX shareholders payable on 31 August 2018.

Buybacks

On 8 July 2018, the Company repurchased for immediate cancellation 50,000 New Global Shares for gross consideration of £0.89 per share.

Contact Details

Directors

John Hallam (Chairman)
Michael Holmberg
Christopher Legge (appointed on 12 April 2018)
Christopher Sherwell
Stephen Vakil

All c/o the Company's registered office.

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GY1 1EW

Company Secretary

Carey Commercial Limited

Alternative Investment Fund Manager

Neuberger Berman Investment Advisers LLC

Manager

Neuberger Berman Europe Limited

Designated Administrator

U.S. Bank Global Fund Services (Guernsey) Limited
(formerly known as U.S. Bancorp Fund Services (Guernsey) Limited)

Custodian and Principal Bankers

U.S. Bank National Association

Sub-Administrator

U.S. Bank Global Fund Services (Ireland) Limited
(formerly known as Quintillion Limited)

Joint Financial Adviser and Joint Corporate Broker

Stifel Nicolaus Europe Limited

Winterflood Securities Limited

Solicitors to the Company (as to English law and U.S. securities law)

Herbert Smith Freehills LLP

Advocates to the Company (as to Guernsey law)

Carey Olsen

Registrar

Link Market Services (Guernsey) Limited

UK Transfer Agent

Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU
United Kingdom

Shareholders holding shares directly and not through a broker, saving scheme or ISA and have queries in relation to their shareholdings should contact the Registrar on +44 (0)371 664 0445. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9 a.m. to 5:30 p.m. (excluding bank holidays). Shareholders can also access their details via the Registrar's website: www.signalshares.com.

Full contact details of the Company's advisers and Manager can be found on the Company's website.