



NB Distressed Debt Investment Fund Limited

2019 INTERIM REPORT

Unaudited Consolidated Interim Financial Statements
For The Six Month Period Ended 30 June 2019

NEUBERGER BERMAN

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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 2018 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 – Loans & Bonds 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 2018.

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 2019 the Company’s share capital comprised the following¹:

Ordinary Share Class (“NBDD”)

15,382,770 Ordinary Shares, none of which were held in treasury.

Extended Life Share Class (“NBDX”)

132,406,021 Extended Life Shares, none of which were held in treasury.

New Global Share Class (“NBDG”)

75,271,400 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: GG00BDFZ6F78

Bloomberg code: NBDD:LN

Extended Life Shares

LSE ISIN code: GG00BDFZ6C48

Bloomberg code: NBDX:LN

New Global Shares

LSE ISIN code: GG00BDFZ6D54

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 a different geographical remit. In addition the Company has two Class A Shares in issue. While the Company's share classes are all now in harvest, returning capital to shareholders, the Company's corporate umbrella itself has an indefinite life to allow for flexibility for the Company to add new share classes if demand, market opportunities and shareholder approval supported such a move, although the Company has no current plans to create new share classes. Each share class 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 2019 (UNAUDITED)	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS	AGGREGATED
Net Asset Value ("NAV") (\$ millions)	14.4	125.9	87.2	227.5
NAV per Share (\$)	0.9386	0.9507	1.1583	–
Share Price (\$)	0.905	0.85	1.0007 ¹	–
NAV per Share (£)	–	–	0.9102	–
Share Price (£)	–	–	0.78625	–
Premium/(Discount) to NAV per Share	(3.58%)	(10.59%)	(13.61%)	–
Portfolio of Distressed Investments (\$ millions)	13.1	118.0	82.3	213.5
Cash and Cash Equivalents (\$ millions)	1.2	7.6	4.5	13.3
Total Expense Ratio ("TER") ²	(2.19%)	(2.22%)	(2.29%)	–
Ongoing Charges ³	2.13%	2.11%	2.13%	–

AT 31 DECEMBER 2018 (AUDITED)	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS	AGGREGATED
Net Asset Value ("NAV") (\$ millions)	22.9	148.5	97.0	268.4
NAV per Share (\$)	0.9778	0.9635	1.1724	–
Share Price (\$)	0.9150	0.9025	1.0507 ¹	–
NAV per Share (£)	–	–	0.9206	–
Share Price (£)	–	–	0.8250	–
Premium/(Discount) to NAV per Share	(6.42%)	(6.33%)	(10.38%)	–
Portfolio of Distressed Investments (\$ millions)	20.4	142.1	94.2	256.7
Cash and Cash Equivalents (\$ millions)	1.7	4.0	1.9	7.6
Total Expense Ratio ("TER") ²	(2.01%)	(2.16%)	(2.38%)	–
Ongoing Charges ³	1.95%	2.01%	2.14%	–

1 Stated in US Dollars, the £ price as at 30 June 2019 and 31 December 2018 converted to US Dollars using respective period/year 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 2019	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	129,627,394	221,389,953	21,980,378
Total Income Distributions ¹	3,166,835	13,904,610	2,685,521
Distributions as % of Original Capital	107%	65%	22%
Total Buybacks	–	9,147,436	8,859,452
NAV	14,438,096	125,878,067	68,508,367
Total of NAV Plus Capital and Income Returned (“Value”)	147,232,325	370,320,066	102,033,718
Value in Excess of Original Capital Invested	22,732,123	10,960,272	(8,752,067)
Value as % of Original Capital Invested	118%	103%	92%

AT 31 DECEMBER 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	201,398,001	15,486,915
Total Income Distributions ¹	3,166,835	13,904,610	2,685,521
Distributions as % of Original Capital	100%	60%	16%
Total Buybacks	–	8,229,063	8,620,393
NAV	22,876,360	148,482,314	76,195,678
Total of NAV Plus Capital and Income Returned (“Value”)	147,678,614	372,013,988	102,988,507
Value in Excess of Original Capital Invested	23,178,412	12,654,194	(7,797,278)
Value as % of Original Capital Invested	119%	104%	93%

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 2019, NB Distressed Debt Investment Fund delivered further capital distributions to the shareholders of the NBDG, NBDD and NBDX share classes consistent with the now well-established orderly realisation of the portfolios. With each share class in its harvest period, we seek to balance the pace of exits and the value achieved for shareholders as we continue to return capital to our investors.

Company Performance

By the 30 June 2019, the Company had returned a total of \$132.8m or 106.7% of NBDD investors' original capital of \$124.5m, \$235.3m or 65.5% of NBDX investors' original capital of \$359.4m and £24.7m or 22.3% of NBDG investors' original capital of £110.8m. Additionally, \$9.1m was spent on buying back NBDX shares and £8.9m was spent on buying back NBDG shares in a manner accretive to net asset value ("NAV"). The Board continually reviews the most appropriate means to return capital to shareholders to maximise the benefit to shareholders and I am pleased to report that further distributions totalling \$5m and £2.5m were declared in respect NBDX and NBDG earlier this month. We look forward to reporting further realisations in the coming quarters and the subsequent distribution of those proceeds on the receipt of the funds.

The Investment Manager's main objective is to maximise the value of the remaining underlying investments and return capital to shareholders. During the first quarter, one of our significant private equity investments owned across all classes was sold resulting in the receipt of cash substantially equal to the then current fair market value of that asset representing an IRR of 4% and ROR of between 13% and 40%. On 18 March 2019, we announced a capital distribution of \$8.0m for the holders of NBDD shares, \$20.0m for NBDX shareholders and £6.5m for NBDG shareholders.

Securing the balance between the pace of exits and the value for shareholders is an active exercise. In many instances, assets will need intense management to realise their full potential. To ensure shareholders' net returns remain managed, the Board continues to monitor all costs to ensure that they are appropriate. We are conscious that shareholders may be concerned about the impact of costs on a reducing portfolio during the harvest period.

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.

Board Composition

Cognisant of the time remaining for the realisation of all the portfolios by the end of 2020 and final distributions to shareholders as soon thereafter as possible, the Board has reviewed its composition and the size of the Board. In light of his nine years' tenure, and reducing size of the Company, Christopher Sherwell will step down at the end of 2019. I asked the other two independent directors, Messrs Legge and Vakil, to review my own position and they advised that they think it is prudent and in the best interests of shareholders to continue to have the depth of experience of a longer serving director on the Board and, to that end, I will remain as Chairman. Should the outlook of the Company change, we will undertake a programme to refresh the Board. We recognise that this approach does not strictly accord with best practice but hope that Shareholders will support it as a pragmatic approach to the current situation.

Outlook

With all share classes well into harvest mode, the Board considers it appropriate to give further details about the course of business for the fund over the next couple of years. The Ordinary class of shares will be the first to commence the final wind up process, followed by the Extended share class and the New Global share class. As is normally the case with investment companies, as opposed to those with commercial undertakings, this does not currently have any material impact on the Company's ability to continue as a going concern or remain viable however the whole process must be managed in a way that ensures compliance with UK regulations.

Accordingly, the Ordinary class shareholders will now only receive one final distribution once all assets have been realised, whereas the Extended and Global classes will continue to distribute until their net assets are reduced to approximately \$40m and £10m respectively. We have previously indicated that we expect all the assets attributable to the Ordinary class to be realised before the end of this year but some uncertainty has developed over the optimal timing in which the three key investments can be realised. Either way, this may mean that the final distribution will not be made in 2019 as, in certain cases, the cash will need to remain in underlying corporate vehicles while tax and other matters relating to those vehicles are concluded. We will keep investors apprised of developments in respect of these assets.

The wind up of the other two classes will take a little longer but we hope to complete the realisation process by the end of 2020 with the final payments to shareholders being made as soon as possible afterwards.

Needless to say, upheaval in financial markets and global trade uncertainty may impact these timings and we will keep shareholders updated via the quarterly fact sheets.

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 2019

Investment Manager's Report

Ordinary Share Class

Summary

The NAV per share, adjusted for the impact of distributions during the year, decreased by 4.01% for the six months ended 30 June 2019. The Investment Manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable. During the harvest period, a larger percentage of NBDD's investments was in reorganised equities, including public equities, which were affected by the market volatility during the year.

Portfolio Update

NBDD ended the first half of the year with a NAV per share of \$0.9386 compared to \$0.9778 at end of 2018. At 30 June 2019, 90% of NBDD's NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 10% held in cash net of payables (see table below).

Cash Analysis

Balance Sheet – Cash	\$1.3m
Cash held in wholly-owned subsidiary accounts	\$0.2m
Other payables	(\$0.1m)
Total available cash	\$1.4m

The portfolio consists of 12 issuers across 8 sectors. The largest sector concentrations were in surface transportation, utilities, building and development and auto components.

Notable events below describe activity in the investments during first half of 2019:

- **Vistra** – During the first quarter, the company initiated a quarterly dividend payment programme targeted to return cash to shareholders and increase share visibility.
- **Financial Intermediary investment** – Industry turmoil and illiquidity in the private notes negatively impacted pricing despite positive regulatory developments - including the approval of a distribution to noteholders in the third quarter of 2019.
- **Auto components investment** – during the second quarter the company completed a recapitalisation. It issued \$150m of super priority notes, completed coercive exchange offers for its existing first lien and second lien notes and amended its credit facilities. The company increased its current liquidity by \$125m, equitised nearly \$175m of debt, reduced its ongoing cash interest burden and extended its maturity profile.

Significant Price Movement during first half of 2019 (approximately 1% of NBDD NAV or \$140,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Building & Development	Public Equity	0.2	Company (Five Point Holdings LLC) is close to selling lots in Newhall Ranch development and cash flow positive.
Auto Components	Private Note	(0.6)	New financing transaction and coercive distressed exchange offer decreased valuation of existing securities.

Exits

During the first half of the year, there was one exit, which generated a total return of \$2.1m. This brought the total number of exits since inception to 43 with a total return of \$43.1m. Detailed descriptions of the 2019 exits are at the end of this report.

Partial Realisations

The partial realisations generated a total return of \$6.2m as of 30 June 2019 and detailed descriptions are at the end of this report.

Distributions

Capital distributions of \$8.0m were paid to investors by way of compulsory share redemptions during the first half of 2019. This brings total distributions (capital and an income distribution by way of dividend) paid and approved to date to \$132.8m, or 107% of investors' original capital, since the realisation phase for this share class began. The ratio of total value (capital distributions, income distribution by way of dividend and current NAV) to original capital was 118%.

Extended Life Share Class

Summary

The NAV per share, adjusted for the impact of distributions during the first half of the year, decreased by 1.3% as of 30 June 2019. The Investment Manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable. During the harvest period, a larger percentage of the fund's investments in reorganised equities, including public equities, were affected by the market volatility during the year.

Portfolio Update

NBDX ended the period with a NAV per share of \$0.9507 compared to \$0.9635 at end of 2018. At 30 June 2019, 94% of NBDX's NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 6% held in cash (see table below). At 30 June 2019, the NBDX portfolio consisted of 28 issuers across 13 sectors. The largest sector concentrations were in shipping, lodging & casinos, auto components and surface transport.

Cash Analysis

Balance Sheet – Cash	\$7.6m
Cash held in wholly-owned subsidiary accounts	\$0.4m
Other payables	(\$0.5m)
Total available cash	\$7.5m

Notable events below describe activity in the investments during first half of 2019:

- Financial Intermediaries investment - Industry turmoil and illiquidity in the private notes negatively impacted pricing despite positive regulatory developments, including the approval of a distribution to noteholders in the third quarter of 2019.
- Auto Components investment – During the quarter the company completed a recapitalisation. It issued \$150m of super priority notes, completed coercive exchange offers for its existing first lien and second lien notes and amended its credit facilities. The company increased its current liquidity by \$125m, equitised nearly \$175m of debt, reduced its ongoing cash interest burden and extended its maturity profile.
- Twin River Worldwide Holdings – During the third quarter of 2018, the company announced its intention to merge with a publicly traded competitor, Dover Downs Gaming & Entertainment. The merger was completed, and Twin River Worldwide Holdings became publicly traded on the last day of the first quarter of 2019. Post quarter-end, Twin River conducted a Dutch auction tender. NBDX participated in the tender with approximately 6.2% of our shares accepted for tender and we expect to receive proceeds in the third quarter of 2019.
- Vistra – During the first quarter the company initiated a quarterly dividend payment programme targeted to return cash to shareholders and increase share visibility.
- Oil and Gas: As previously mentioned, the investment entity's directors and requisite shareholders approved the sale of one of its bio-fuel facilities that closed in the first quarter of 2019. The company distributed proceeds to shareholders, which resulted in approximately \$3.9m to NBDX.

Investment Manager's Report (continued)

Significant Price Movements during first half of 2019 (approximately 1% of NBDX NAV or \$1,300,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Financial Intermediaries	Private Note	(1.5)	Industry turmoil and illiquidity in the private notes negatively impacted pricing despite positive regulatory developments, including the approval of a distribution to noteholders.

Exits

During the first half of the year, there was one exit, which generated a total return of \$5.3m. This brought the total number of exits since inception to 53 with a total return of \$118.3m. Detailed descriptions of the 2019 exits are at the end of this report.

Partial Realisations

The partial realisations generated a net gain of \$23.7m over the life of the fund. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

During the first half of the year, capital distributions of \$20.0m were paid to investors by way of compulsory share redemptions. This brings total distributions (capital and an income distribution by way of dividend and share buy-backs) declared to date to \$249.5m, or 68% of investors' original capital, since the realisation phase for this share class began. The ratio of total value (capital distributions, income distribution by way of dividend, buybacks and current NAV) to original capital was 104%.

Share Buybacks

During the first six months of 2019, NBDX purchased 1.0m of its own shares under the buyback programme at a cost of \$0.9m and weighted average discount of (9.5%). The shares have been cancelled.

New Global Share Class

Summary

The NAV per share, adjusted for the impact of distributions during the year, decreased by 1% for the first half of the year. The investment manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable. During the harvest period, a larger percentage of the fund's investments has been in reorganised equities, including public equities, which were affected by the market volatility during the year.

Portfolio Update

NBDG ended 30 June 2019 with a NAV per share of £0.9102 compared to £0.9206 at the end of 2018. At 30 June 2019, 95% of NBDG's NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 5% held in cash (see table below). At 30 June 2019, the portfolio consisted of 21 issuers across 10 sectors. The largest sector concentrations were in lodging & casinos, shipping, auto components and commercial mortgages.

Cash Analysis

Balance Sheet – Cash	\$4.5m
Cash held in wholly-owned subsidiary accounts	\$0.2m
Other payables	(\$0.3m)
Total available cash	\$4.4m

Notable events involving NBDG's investments during first half of 2019 are below:

- Auto components investment - During the second quarter of 2019 the company completed a recapitalisation. It issued \$150m of super priority notes, completed coercive exchange offers for its existing first lien and second lien notes and amended its credit facilities. The company increased its current liquidity by \$125m, equitised nearly \$175m of debt, reduced its ongoing cash interest burden and extended its maturity profile.
- Twin River Worldwide Holdings – During the third quarter of 2018 the company announced its intention to merge with a publicly traded competitor, Dover Downs Gaming & Entertainment. The merger was completed and Twin River Worldwide Holdings became publicly traded on the last day of the first quarter of 2019. Post quarter-end, Twin River conducted a Dutch auction tender. NBDG participated in the tender with approximately 6.2% of our shares accepted for tender. We expect the proceeds to be received in the third quarter of 2019.
- Vistra – During the quarter, the company initiated a quarterly dividend payment programme targeted to return cash to shareholders and increase share visibility.
- Oil and Gas: The investment entity's directors and requisite shareholders approved the sale of one of its bio-fuel facilities that closed in the first quarter of 2019. The company distributed proceeds to shareholders, which resulted in approximately \$1.6m to NBDG.

Significant Price Movements during first half of 2019 (approximately 1% of NBDG NAV or £690,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (GBP MILLIONS)	COMMENT
Shipping	Public Equity	1.0	Improving product tanker market and announcement of an attractive fleet expansion transaction (Torm A/S).
Auto Components	Private Note	(1.0)	New financing transaction and coercive distressed exchange offer decreased valuation of existing securities.

Exits

During the first half of the year there was one exit, which generated a total return of £0.8m. This brought the total number of exits since inception to 17 with a total return of £10.8m. Detailed descriptions of the 2019 exits are at the end of this report.

Partial Realisations

The partial realisations generated total return as of 30 June 2019 of £2.8m. A detailed description of the 2019 partial realisation is at the end of this report.

Distributions

During the first half of 2019 capital distributions of £8.5m were paid to investors by way of share redemptions. This brings total distributions (capital and an income distribution by way of dividend and share buy-backs) declared to date to £36.0m, or 33% of investors' original capital, since the realisation phase for this share class began. The ratio of total value (capital distributions, income distribution by way of dividend, buybacks and current NAV) to original capital was 94%.

Share Buybacks

During the first half of the year, NBDG purchased 300,000 shares under the buyback programme at a cost of £239,059 and weighted average discount of (13.6%). The shares have been cancelled. Full details are set out in Note 5.

Investment Manager's Report (continued)

Summary of Exits across all Share Classes

There was one exit during the first half of the year.

Exits experienced from inception to date were:

- NBDD 43 exits with a total return of \$43.1m, IRR of 15% and ROR of 28%
- NBDX 53 exits with a total return of \$118.3m, IRR of 15% and ROR of 28%
- NBDG 17 exits with a total return of £10.8m, IRR of 17% and ROR of 24%

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 F (Exit 17 for NBDG)

EXIT F	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	17	£6.4	£7.2	£0.8	5.9%	12.8%	28

Exit G (Exit 43 for NBDD, 53 for NBDX)

EXIT G	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	43	\$5.2	\$7.3	\$2.1	4.3%	39.5%	98
NBDX	53	\$13.4	\$18.7	\$5.3	4.3%	39.5%	98

Summary of Partial Realisations across all Share Classes

All partial realisations currently in the portfolio are reported as at 30 June 2019 and it should be noted that their IRR and ROR are likely to be different at the time of the final exit. The partial realisations were:

- NBDD – Two
- NBDX – Three
- NBDG – One

Partial Realisation A:

This investment was Exit F (Exit 42 for NBDD and Exit 52 for NBDX) in 2018.

Partial Realisation B: NBDD and NBDX

51%

ROR AS AT 30 JUNE 2019

26%

IRR AS AT 30 JUNE 2019

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 \$1.7m 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 the second quarter of 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 \$0.7m generating a total return of \$3.6m as of 30 June 2019. IRR was 26% and ROR was 51% with a holding period of 79 months at 30 June 2019.

B	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	H1 2017	\$2.0	\$2.8	\$0.2	\$1.0	26%	51%	79
NBDX	H1 2017	\$5.1	\$7.2	\$0.5	\$2.6	26%	51%	79

Partial Realisation C: NBDD and NBDX

206%

ROR AS AT 30 JUNE 2019

53%

IRR AS AT 30 JUNE 2019

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 B, 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 \$5.0m, generating a total return of \$19.0m as at 30 June 2019. IRR was 53% and ROR was 206% with a holding period of 82 months at 30 June 2019.

C	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	H1 2017	\$2.6	\$6.5	\$1.4	\$5.3	53%	206%	82
NBDX	H1 2017	\$6.6	\$16.7	\$3.6	\$13.7	53%	206%	82

Investment Manager's Report (continued)

Summary of Partial Realisations across all Share Classes (continued)

Partial Realisation D: NBDX

32%	ROR AS AT 30 JUNE 2019	10%	IRR AS AT 30 JUNE 2019
------------	------------------------	------------	------------------------

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 72 months. The current value of the remaining investment is \$0.7m. To date, the total return is \$7.4m. Once certain reserves expire and any potential claims are resolved, we expect to exit this investment in full. The IRR was 10% and ROR was 32% as at 30 June 2019.

D	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDX	H1 2017	\$23.1	\$29.8	\$0.7	\$7.4	10%	32%	72

Partial Realisation E: NBDG

62%	ROR AS AT 30 JUNE 2019	18%	IRR AS AT 30 JUNE 2019
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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 £7.0m to date. The current value of the bank debt position is £0.3m, generating a total return to date of £2.8m. IRR was 18% and ROR was 62% with a holding period of 65 months at 30 June 2019.

E	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	H1 2018	£4.5	£7.0	£0.3	£2.8	18%	62%	65

Neuberger Berman Investment Advisers LLC

22 August 2019

Neuberger Berman Europe Limited

22 August 2019

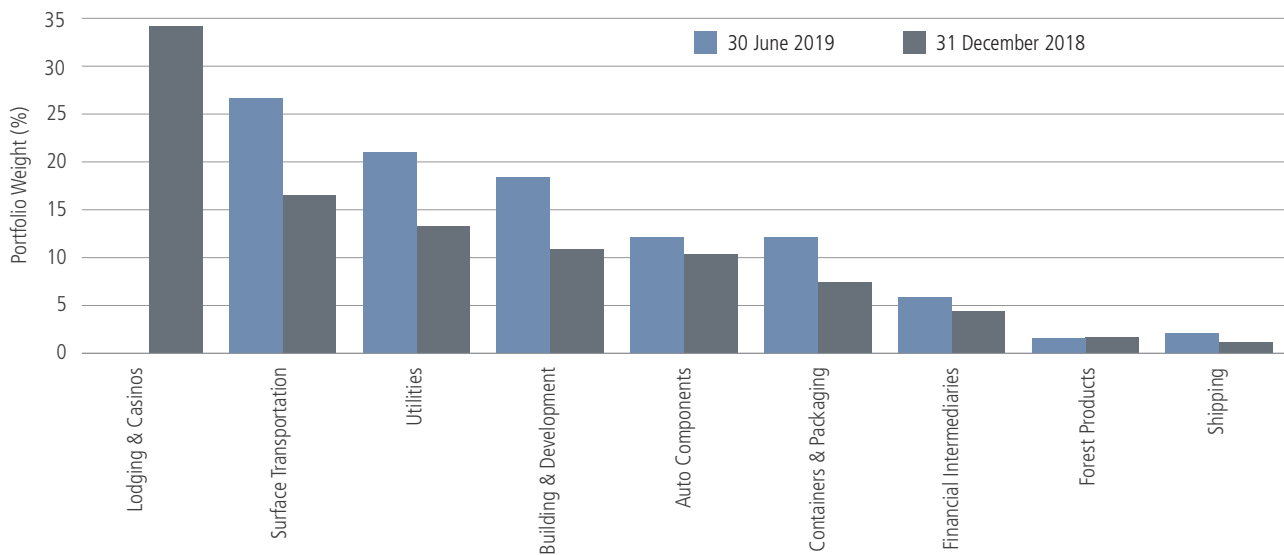
Portfolio Information

Ordinary Share Class

TOP 10 HOLDINGS AT 30 JUNE 2019

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Surface Transport	Trade Claim	Defaulted	Brazil	23.97%	Municipal claim
2	Utilities	Secured Loan	Post-Reorg	US	16.26%	Power plants
3	Building & Development	Post-Reorg Equity	Post-Reorg	US	16.20%	Residential real estate
4	Auto Components	Secured Notes	Post-Reorg	US	11.16%	Manufacturing plant
5	Containers & Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	9.69%	Manufacturing/distribution/real estate
6	Financial Intermediaries	Secured Notes	Defaulted	US	5.38%	Cash and securities
7	Utilities	Secured Loan	Post-Reorg	US	2.90%	Power plants
8	Forest Products	Secured Notes	Post-Reorg	Germany	1.46%	Manufacturing plant
9	Shipping	Secured Loan	Post-Reorg	US	1.45%	Maritime vessels
10	Containers & Packaging	Post-Reorg Equity	Post-Reorg	UK	1.34%	Manufacturing/distribution/real estate
Total					89.81%	

Sector Breakdown¹

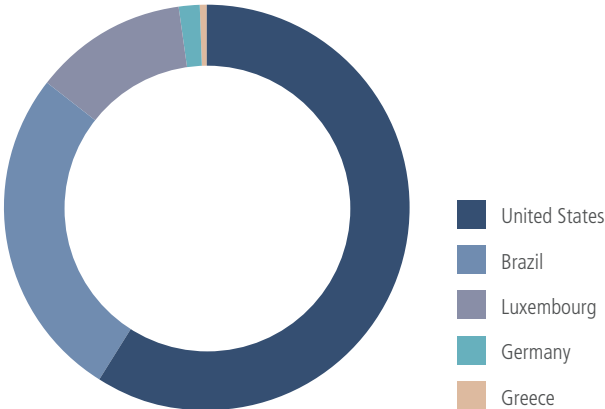


¹ Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bank Global Fund Services (Guernsey) Limited/ U.S. Bank Global Fund Services (Ireland) Limited as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which 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.

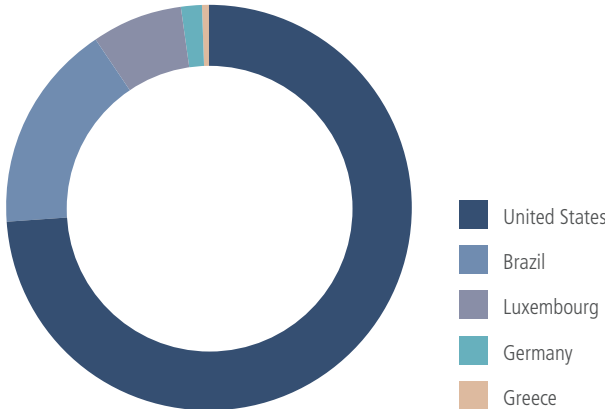
Portfolio Information (continued)

Country Breakdown²

30 JUNE 2019



31 DECEMBER 2018

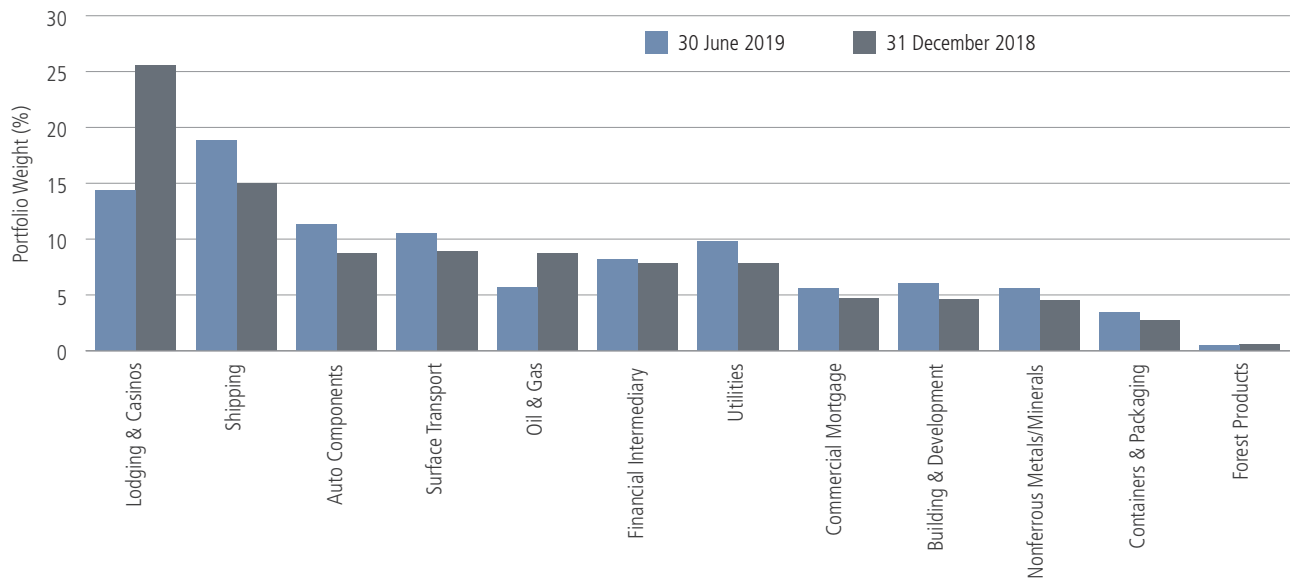


² Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2019 and 31 December 2018.

Extended Life Share Class

TOP 10 HOLDINGS AT 30 JUNE 2019

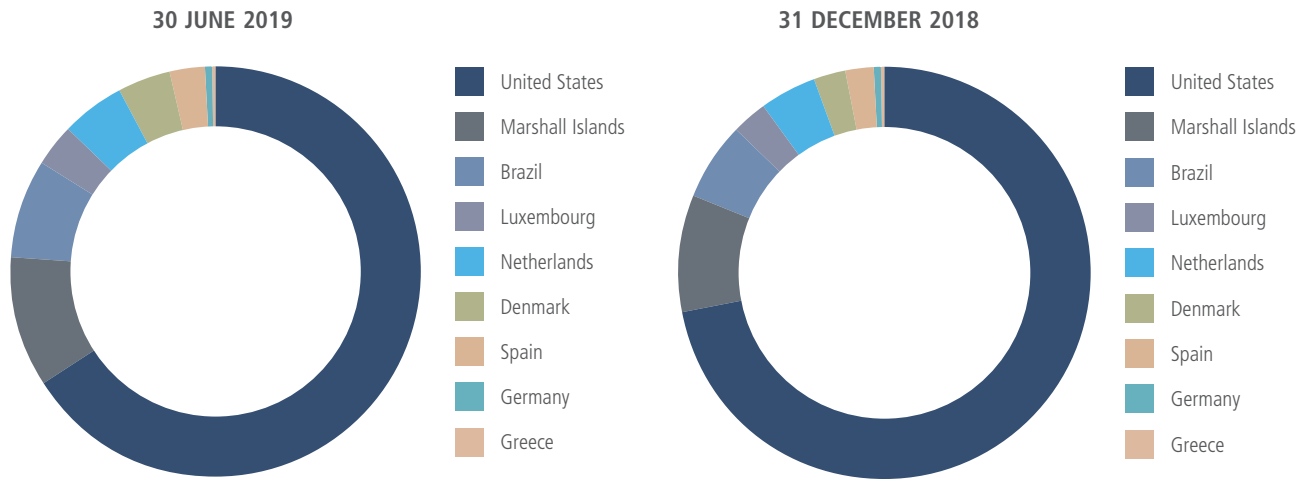
HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Auto Components	Secured Notes	Post-Reorg	US	10.65%	Manufacturing plant and equipment
2	Shipping	Secured Loan	Post-Reorg	Marshall Islands]	9.56%	Maritime vessels
3	Utilities	Secured Loan	Post-Reorg	US	7.86%	Power plants
4	Financial Intermediary	Secured Notes	Defaulted	US	7.69%	Cash & securities
5	Surface Transport	Trade Claim	Defaulted	Brazil	7.06%	Municipal claim
6	Lodging & Casinos	Post-Reorg Equity	Post-Reorg	US	5.98%	Hotel/lodging real estate
7	Building & Development	Post-Reorg Equity	Post-Reorg	US	5.47%	Residential real estate
8	Nonferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	5.25%	Manufacturing/distribution real estate
9	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	4.78%	Bio-fuel plant
10	Commercial Mortgage	Secured Loan	Defaulted	Netherlands	4.74%	Commercial real estate
Total					69.04%	

Sector Breakdown¹

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) 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.

Portfolio Information (continued)

Country Breakdown²

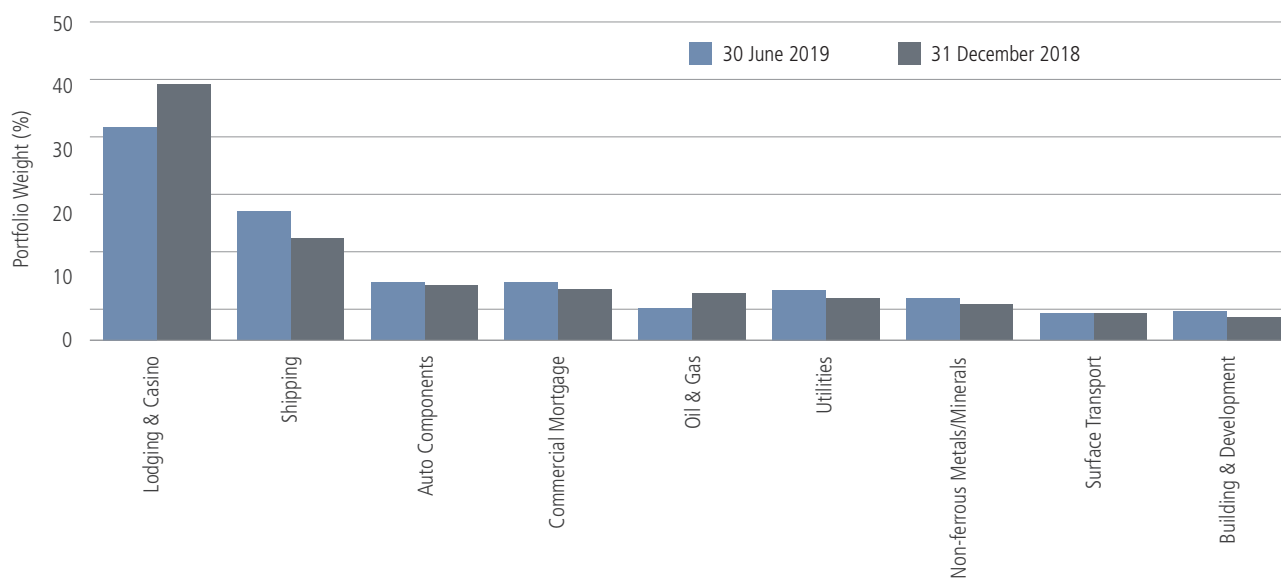


² Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2019 and 31 December 2018.

New Global Share Class

TOP 10 HOLDINGS AT 30 JUNE 2019

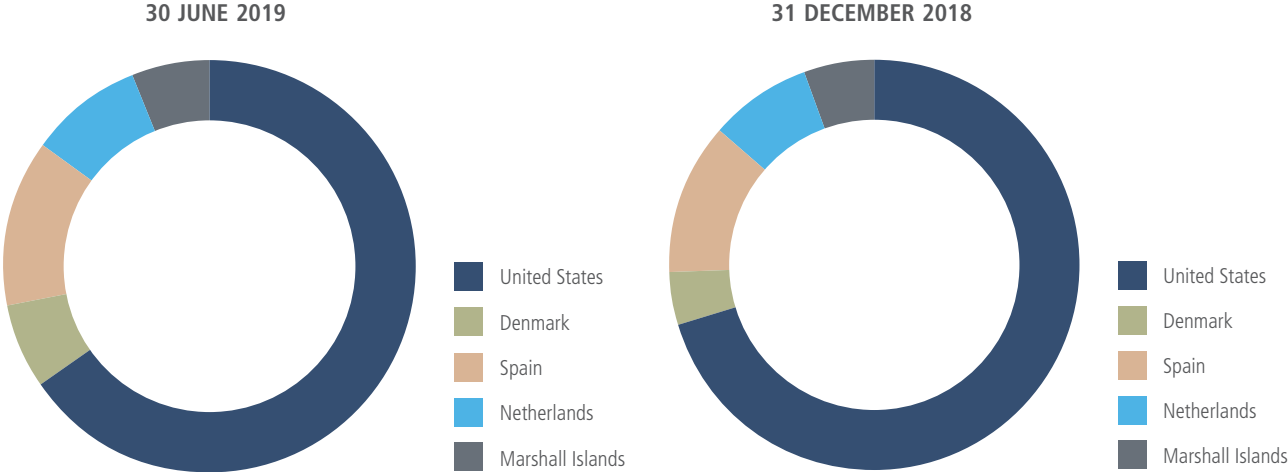
HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Lodging & Casino	Post-Reorg Equity	Post-Reorg	US	20.14%	Hotel/casino
2	Auto Components	Secured Notes	Post-Reorg	US	8.60%	Manufacturing plant and equipment
3	Commercial Mortgage	Secured Loan	Current	Netherlands	8.58%	Commercial real estate
4	Lodging & Casino	Post-Reorg Equity	Post-Reorg	Spain	8.45%	Hotel/lodging real estate
5	Shipping	Secured Loan	Post-Reorg	US	7.41%	Maritime vessels
6	Nonferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	6.20%	Manufacturing/distribution real estate
7	Shipping	Secured Loan	Post-Reorg	Denmark	6.14%	Maritime vessels
8	Shipping	Secured Loan	Post-Reorg	Marshall Islands	5.55%	Maritime vessels
9	Utilities	Post-Reorg Equity	Post-Reorg	US	5.19%	Power plants
10	Building & Development	Post-Reorg Equity	Post-Reorg	US	4.26%	Residential real estate
Total					80.52%	

Sector Breakdown¹

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 as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDG's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

Portfolio Information (continued)

Country Breakdown²



² Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2019 and 31 December 2018.

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 to harvest periods;
- level of premium or discount;
- 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 26 to 27 of the Company's latest annual report and audited financial statements for the year ended 31 December 2018, which can be found on the Company's website at www.nbddif.com/pdf/annual_report_nbddif_2018.pdf. The Board's view is that these risks remain appropriately identified for the remainder of 2019.

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 2019. Additional related party disclosures are given in Note 6 on page 52.

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.

Interim Management Report and Directors' Responsibility Statement (continued)

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

These Interim Report and Financial Statements have been reviewed by the Company's auditor and their report is set out on page 23.

By order of the Board

John Hallam

Chairman

22 August 2019

Christopher Legge

Director

22 August 2019

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 consolidated financial statements (the "Financial Statements") of the Company and its subsidiaries (together the "Group") in the half-yearly interim report for the six months ended 30 June 2019 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 six months ended 30 June 2019 do not give a true and fair view of the financial position of the Group as at 30 June 2019 and of its financial performance and its cash flows for the six months 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 and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly interim report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the 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 interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly interim 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 Financial Statements in the half-yearly interim 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 letter 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.

Barry Ryan

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants

Glategny Court, Glategny Esplanade

St Peter Port, Guernsey

GY1 1WR

22 August 2019

Unaudited Consolidated Statement of Assets and Liabilities

(EXPRESSED IN US DOLLARS EXCEPT WHERE STATED OTHERWISE)	30 JUNE 2019 (UNAUDITED)	31 DECEMBER 2018 (AUDITED)
Assets		
Investments at fair value (2019: cost of \$287,661,953; 2018: cost of \$329,777,268)	213,452,878	256,655,356
Forward currency contracts	2,445	587,558
Warrants (2019: cost of \$752,955; 2018: cost of \$752,955)	318	200,664
Cash and cash equivalents	13,285,474	7,596,274
	226,741,115	265,039,852
Other assets		
Interest receivables	691,253	267,711
Receivables for investments sold	758,407	780,712
Other receivables and prepayments	374,452	377,496
Federal tax receivable	94,875	2,913,342
Total assets	228,660,102	269,379,113
Liabilities		
Credit default swap (2019: cost of \$32,357; 2018: cost of \$32,357)	35,277	1,175
Forward currency contracts	244,631	3,884
Accrued expenses and other liabilities	296,576	277,315
Payables to Investment Manager and affiliates	576,855	340,193
Deferred tax liability	–	355,057
Total liabilities	1,153,339	977,624
Net assets	227,506,763	268,401,489
Net assets attributable to Ordinary Shares (shares 2019: 15,382,770; 2018: 23,395,578)	14,438,096	22,876,360
Net asset value per Ordinary Share	0.9386	0.9778
Net assets attributable to Extended Life Shares (shares 2019: 132,406,021; 2018: 154,104,598)	125,878,067	148,482,314
Net asset value per Extended Life Share	0.9507	0.9635
Net assets attributable to New Global Shares (shares 2019: 75,271,400; 2018: 82,770,361)	£68,508,367	£76,195,678
Net asset value per New Global Share	£0.9102	£0.9206
Net assets attributable to New Global Shares (USD equivalent)	87,190,600	97,042,815
Net asset value per New Global Share (USD equivalent)	1.1583	1.1724

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 August 2019, 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 2019 (UNAUDITED)	30 JUNE 2018 (UNAUDITED)
Income		
Interest income	3,770,658	3,584,489
Dividend income net of withholding tax (2019: \$Nil; 2018: \$Nil)	252,474	–
	4,023,132	3,584,489
Expenses		
Investment management fee	1,873,729	2,498,253
Professional and other expenses	571,981	744,547
Administration fee	115,761	151,636
Loan administration and custody fees	112,216	105,948
Directors' fees and expenses	127,029	122,116
	2,800,716	3,622,500
Net investment income/(loss)	1,222,416	(38,011)
Realised and unrealised (loss)/gain from investments and foreign exchange		
Net realised (loss)/gain on investments, credit default swap, warrants and forward currency transactions	(2,565,444)	1,546,514
Net change in unrealised (loss)/gain on investments, credit default swap, warrants and forward currency transactions	(2,120,343)	15,487,924
Income taxes from net realised/unrealised gain on investments	315,071	42,247
Realised and unrealised (loss)/gain from investments and foreign exchange	(4,370,716)	17,076,685
Net (decrease)/increase in net assets resulting from operations	(3,148,300)	17,038,674

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 2019 (UNAUDITED) (EXPRESSED IN US DOLLARS)	30 JUNE 2019 ORDINARY SHARES	30 JUNE 2019 EXTENDED LIFE SHARES	30 JUNE 2019 NEW GLOBAL SHARES	30 JUNE 2019 AGGREGATED
Net assets at the beginning of the period	22,876,360	148,482,314	97,042,815	268,401,489
Net investment (loss)/gain	(72,200)	979,245	315,371	1,222,416
Net realised gain on investments, credit default swap and forward currency transactions	(389,893)	(2,467,320)	291,769	(2,565,444)
Net change in unrealised loss on investments, credit default swap, warrants and forward currency transactions	(94,150)	(447,790)	(1,578,403)	(2,120,343)
Income taxes from net realised/unrealised gains on investments	109,954	241,943	(36,826)	315,071
Net cost of share buybacks	–	(918,373)	(308,469)	(1,226,842)
Shares redeemed during the period	(7,991,975)	(19,991,952)	(8,535,657)	(36,519,584)
Net assets at the end of the period	14,438,096	125,878,067	87,190,600	227,506,763
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)/gain	(152,142)	318,506	(204,375)	(38,011)
Net realised (loss)/gain on investments, credit default swap 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

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

Unaudited Consolidated Statement of Cash Flows

SIX MONTH PERIOD ENDED 30 JUNE 2019 (EXPRESSED IN US DOLLARS)	30 JUNE 2019 (UNAUDITED)	30 JUNE 2018 (UNAUDITED)
Cash flows from operating activities:		
Net (decrease)/increase in net assets resulting from operations	(3,148,300)	17,038,674
<i>Adjustment to reconcile net decrease in net assets resulting from operations to net cash flow provided by operations:</i>		
Net realised gain on investments, credit default swap, warrants and forward currency transactions	2,565,444	(1,546,514)
Net change in unrealised (loss)/gain on investments, credit default swap, warrants and forward currency transactions	2,120,343	(15,487,924)
Accretion of discount on loans and bonds	(298,350)	(413,262)
Changes in interest receivable	(423,542)	998,216
Changes in receivables for investments sold	22,305	(9,121,263)
Changes in other receivables and prepayments	3,044	968,120
Changes in federal tax receivable	2,818,467	–
Changes in deferred tax liability	(355,057)	–
Changes in payables for investments purchased	–	(7,760,428)
Changes in payables, accrued expenses and other liabilities	255,923	(164,641)
Cash received/(paid) on settled forward currency contracts and spot currency contracts	972,266	(1,041,615)
Purchase of investments	(3,606,497)	(1,927,868)
Sale of investments	42,520,216	41,398,745
Net sale of short term investments	–	8,102
Net cash provided by operating activities	43,446,262	22,948,342
Cash flows from financing activities:		
Net cost of share buybacks	(1,226,842)	(23,826)
Shares redeemed during the period	(36,519,584)	(29,294,297)
Dividends paid	–	(6,038,502)
Net cash used in financing activities	(37,746,426)	(35,356,625)
Net increase/(decrease) in cash and cash equivalents	5,699,836	(12,408,283)
Cash and cash equivalents at the beginning of the period	7,596,274	23,824,956
Effect of exchange rate changes on cash and cash equivalents	(10,636)	(206,830)
Cash and cash equivalents at the end of the period	13,285,474	11,209,843

Supplemental cash flow information

\$933,040 has been excluded from purchases of and proceeds from the sale of investments in relation to the value of non-cash investment transactions, including transfers, reorganisations and exchanges.

Net tax received during the period was \$476,577 (30 June 2018: \$42,247).

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

Unaudited Consolidated Condensed Schedule of Investments (by financial instrument)

AT 30 JUNE 2019 (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	84,993,473	48,458,581	1.98	21.02	24.91	21.30
Private Equity	59,864,526	58,585,973	14.02	21.68	33.56	25.75
Private Note	64,820,721	40,011,799	16.85	22.12	11.17	17.59
Public Equity	64,951,144	53,892,676	33.77	21.77	24.79	23.69
Trade Claim ²	13,032,089	12,503,849	24.22	7.16	–	5.50
Total Investments	287,661,953	213,452,878	90.84	93.75	94.43	93.83
Ordinary Shares	18,541,263	13,115,397	90.84	–	–	5.76
Extended Life Shares	166,964,477	118,013,748	–	93.75	–	51.88
New Global Shares	102,156,213	82,323,733	–	–	94.43	36.19
	287,661,953	213,452,878	90.84	93.75	94.43	93.83
Credit Default Swap						
Ordinary Shares	(9,168)	(9,995)	(0.07)	–	–	–
Extended Life Shares	(23,189)	(25,282)	–	(0.02)	–	(0.01)
	(32,357)	(35,277)	(0.07)	(0.02)	–	(0.01)
Forward Currency Contracts						
Ordinary Shares	–	(43,459)	(0.30)	–	–	(0.02)
Extended Life Shares	–	(198,727)	–	(0.16)	–	(0.09)
	–	(242,186)	(0.30)	(0.16)	–	(0.11)
Warrants						
Extended Life Shares	478,733	227	–	–	–	–
New Global Shares	274,222	91	–	–	–	–
	752,955	318	–	–	–	–

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.

Consolidated Condensed Schedule of Investments (by financial instrument)

AT 31 DECEMBER 2018 (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	90,219,466	54,152,197	1.82	20.24	24.41	20.18
Private Equity	100,143,233	98,416,196	38.65	33.21	41.47	36.66
Private Note	61,431,337	41,865,849	13.56	19.14	10.66	15.60
Public Equity	64,951,143	50,139,798	20.51	17.23	20.48	18.68
Trade Claim ²	13,032,089	12,081,316	14.75	5.86	0.00	4.50
	329,777,268	256,655,356	89.29	95.68	97.02	95.62
Total Investments	329,777,268	256,655,356	89.29	95.68	97.02	95.62
Ordinary Shares	25,932,255	20,427,220	89.29	–	–	7.61
Extended Life Shares	191,384,472	142,072,933	–	95.68	–	52.93
New Global Shares	112,460,541	94,155,203	–	–	97.02	35.08
	329,777,268	256,655,356	89.29	95.68	97.02	95.62
Credit Default Swap						
Ordinary Shares	(9,168)	(333)	–	–	–	–
Extended Life Shares	(23,189)	(842)	–	–	–	–
	(32,357)	(1,175)	–	–	–	–
Forward Currency Contracts						
Ordinary Shares	–	125,152	0.55	–	–	0.05
Extended Life Shares	–	458,522	–	0.31	–	0.17
	–	583,674	0.55	0.31	–	0.22
Warrants						
Extended Life Shares	478,733	143,332	–	0.10	–	0.05
New Global Shares	274,222	57,332	–	–	0.06	0.02
	752,955	200,664	–	0.10	0.06	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

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

30 JUNE 2019 (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									
Twin Rivers Worldwide Holdings	United States	Lodging & Casinos	846,808	6,777,499	25,116,325	–	5.98	20.14	11.04
Vistra Energy Corp	United States	Utilities	714,872	11,437,963	16,184,702	15.69	7.61	4.97	7.11
Dumas Shipping Term Loan B	Marshall Islands	Shipping	16,022,475	15,482,913	13,939,553	–	7.90	4.58	6.13
Dumas Shipping Term Loan A	Marshall Islands	Shipping	1,899,735	1,899,735	1,652,769	–	0.94	0.54	0.73
Dumas Shipping	Marshall Islands	Shipping	349	1,003,803	1,289,598	–	0.73	0.42	0.56
AB Zwolle T/L EUR 01/06/2020	Netherlands	Commercial Mortgage	18,526,730	13,646,548	13,460,677	–	4.74	8.58	5.92
Five Point Holdings LLC-CL A	United States	Building & Development	1,720,599	23,945,425	12,938,904	16.17	5.47	4.26	5.69
Eagle Bulk Shipping Inc	United States	Shipping	2,303,182	7,582,125	11,976,545	1.45	4.21	7.41	5.26
Aleris International Inc	United States	Nonferrous Metals/Minerals	589,611	20,100,668	11,792,220	–	5.15	6.08	5.18
Tratex III	Brazil	Surface Transport	9	12,015,693	11,411,035	22.09	6.53	–	5.02
Exide Technologies 11% 30/04/2022	United States	Auto Components	9,220,509	8,476,860	7,560,818	0.34	4.26	2.46	3.32
Exide Technologies 7.000% 04/30/25 SR:AI CVT	United States	Auto Components	16,261,944	13,388,289	7,317,875	4.00	3.63	2.48	3.22
Exide Technologies 7.25% 04/30/20	United States	Auto Components	7,296,913	6,795,427	4,378,148	6.24	0.97	2.58	1.92
Exide Intl Hldgs Lp 10.750% 10/31/21 SR:Regs	United States	Auto Components	2,607,254	2,347,786	2,607,254	0.12	1.47	0.85	1.15
Exide Private Common 2	United States	Auto Components	164,922	992,386	288,614	0.13	0.15	0.10	0.13
Exide Private Common	United States	Auto Components	138,600	693,000	242,550	0.24	0.11	0.08	0.11
Exide Technologies Common Stock Escrow	United States	Auto Components	23,389,000	–	2	–	0.00	0.00	–
			146,586,120	142,157,589		66.47	59.85	65.53	62.49

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.

Consolidated Condensed Schedule of Investments

31 DECEMBER 2018 (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	34,065,239	30.49	12.11	9.38	12.69
Twin Rivers Worldwide Holdings	United States	Lodging & Casinos	211,702	6,777,499	25,263,035	–	5.10	18.23	9.41
Vistra Energy Corp	United States	Utilities	714,872	11,437,963	16,356,271	10.01	6.52	4.52	6.09
Dumas Shipping Term Loan B	Marshall Islands	Shipping	15,964,343	15,332,632	14,878,768	–	7.15	4.40	5.54
Dumas Shipping Term Loan A	Marshall Islands	Shipping	1,892,842	1,892,842	1,764,129	–	0.85	0.52	0.66
Dumas Shipping	Marshall Islands	Shipping	349	1,003,803	1,340,260	–	0.64	0.40	0.50
White Energy Holding Company LLC	United States	Oil & Gas	367	14,680,000	14,680,000	–	7.06	4.33	5.47
Exide Technologies 7.000% 30/04/2025 SR:AI CVT	United States	Auto Components	15,712,023	13,085,833	8,641,613	2.98	3.64	2.63	3.22
Exide Technologies 11% 30/04/2022	United States	Auto Components	8,908,705	8,065,437	7,126,964	0.20	3.41	2.08	2.66
Exide Technologies 7.25% 30/04/2020	United States	Auto Components	7,012,915	6,479,544	6,662,269	6.00	1.25	3.53	2.47
Exide Private Common 2	United States	Auto Components	164,922	693,000	97,020	0.06	0.04	0.03	0.03
Exide Private Common	United States	Auto Components	138,600	992,386	115,445	0.03	0.05	0.03	0.03
Exide Technologies Common Stock Escrow	United States	Auto Components	23,389,000	0	2	0.00	0.00	0.00	-0.01
AB Zwolle T/L EUR 01/06/2020	Netherlands	Commercial Mortgage	18,526,730	13,646,548	13,427,379	–	4.01	7.70	5.00
			128,155,441	144,418,394		49.77	51.83	57.78	53.76

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

Unaudited Consolidated Condensed Schedule of Investments (by geography)

AT 30 JUNE 2019 (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 Portfolios						
Portfolio of Distressed Investments						
Brazil	13,032,089	12,503,848	24.21	7.16	–	5.50
Denmark	14,207,442	10,115,007	–	3.77	6.16	4.45
Germany	–	751,584	1.46	0.43	–	0.33
Greece	357,242	240,239	0.47	0.14	–	0.11
Luxembourg	1,893,980	5,689,977	11.01	3.26	–	2.50
Marshall Islands	18,386,451	16,881,920	–	9.56	5.55	7.42
Netherlands	13,646,548	13,460,677	–	4.74	8.59	5.92
Spain	26,568,720	14,110,303	–	2.74	12.22	6.20
United States	199,569,481	139,699,323	53.69	61.95	61.91	61.40
	287,661,953	213,452,878	90.84	93.75	94.43	93.83

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.

Consolidated Condensed Schedule of Investments (by geography)

AT 31 DECEMBER 2018 (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 Portfolios						
Portfolio of Distressed Investments						
Brazil	13,032,089	12,081,315	14.75	5.86	–	4.50
Denmark	14,207,442	7,809,069	–	2.47	4.27	2.91
Germany	–	1,220,949	1.49	0.59	–	0.45
Greece	357,242	228,016	0.28	0.11	–	0.08
Luxembourg	1,893,980	5,451,450	6.66	2.65	–	2.03
Marshall Islands	18,229,277	17,983,157	–	8.64	5.32	6.70
Netherlands	13,646,548	13,427,379	–	4.01	7.70	5.00
Spain	26,283,871	15,182,559	–	2.68	11.54	5.66
United States	242,126,819	183,271,462	66.11	68.67	68.19	68.29
	329,777,268	256,655,356	89.29	95.68	97.02	95.62

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.

Unaudited Consolidated Condensed Schedule of Investments (by sector)

AT 30 JUNE 2019 (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	32,693,749	22,395,260	11.07	10.60	8.55	9.84
Building & Development	25,893,454	13,210,149	16.69	5.63	4.26	5.81
Commercial Mortgage	13,646,548	14,145,453	–	5.28	8.59	6.22
Containers and Packaging	1,893,980	5,689,977	11.01	3.26	–	2.50
Financial Intermediaries	21,464,316	10,460,336	5.37	7.69	–	4.60
Forest Products	–	751,584	1.46	0.43	–	0.33
Lodging & Casinos	30,087,520	44,531,006	–	13.47	31.64	19.58
Nonferrous Metals/Minerals	20,303,171	12,018,480	–	5.25	6.21	5.28
Oil & Gas	16,884,421	10,824,881	–	5.37	4.69	4.76
Shipping	40,533,260	39,213,712	1.92	17.66	19.13	17.24
Surface Transport	32,782,123	19,387,594	24.21	9.90	3.94	8.52
Utilities	51,458,888	20,820,367	19.11	9.21	7.42	9.15
	287,661,953	213,452,878	90.84	93.75	94.43	93.83

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.

Consolidated Condensed Schedule of Investments (by sector)

AT 31 DECEMBER 2018 (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	20,522	4,079	–	–	–	–
Auto Components	29,316,200	22,643,313	9.27	8.39	8.32	8.44
Building & Development	25,893,454	12,212,201	9.75	4.41	3.54	4.55
Commercial Mortgage	13,646,548	14,142,054	–	4.49	7.70	5.27
Containers & Packaging	1,893,980	5,451,450	6.66	2.65	–	2.03
Financial Intermediaries	21,464,317	12,039,509	3.90	7.51	–	4.49
Forest Products	-	1,220,949	1.49	0.59	–	0.45
Lodging & Casinos	67,386,065	81,106,379	30.49	24.47	38.95	30.22
Nonferrous Metals/Minerals	20,303,171	11,732,055	–	4.34	5.44	4.37
Oil & Gas	26,324,309	19,348,602	–	8.40	7.09	7.21
Shipping	40,376,087	36,614,877	1.09	14.37	15.48	13.64
Surface Transportation	32,644,021	20,030,460	14.75	8.55	4.08	7.46
Utilities	50,508,594	20,109,428	11.89	7.51	6.42	7.49
	329,777,268	256,655,356	89.29	95.68	97.02	95.62

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.

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

In March 2017, FASB issued Accounting Standard Update (“ASU”) 2017-08, Receivables – Non-refundable Fees and Other Costs (Subtopic 310-20) – Premium Amortisation on Purchased Callable Debt Securities. The amendments in this ASU require that certain callable debt securities held at a premium be amortised to the earliest call date. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The standard is not expected to have a significant impact on the Company’s financial statements.

In August 2018, FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU modify the disclosure requirements on fair value measurements. Among the requirements, entities will be required to make additional disclosures about significant unobservable inputs in developing Level 3 fair value measurements and are permitted to remove disclosure of the amount and reason for transfers between Level 1 and Level 2. This ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company has not elected early adoption for the removal of the transfers between Level 1 and Level 2 disclosure and is currently evaluating the impact that the remainder of the ASU will have on the Company’s financial statements in future.

(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 unrealised 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, whose accounting policies are consistent with those of the Company.

Wholly-owned subsidiaries, London Granite Ridge LLC, London Madison LLC, London Wabash LLC, London Jackson 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 and London Lake Michigan (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.

(b) Use of Estimates

The preparation of these Financial Statements in conformity with US 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.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)**(c) Cash and Cash Equivalents**

The Company holds cash and cash equivalents in US Dollar and non-US Dollar 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 2019, the Company has cash balances in various currencies equating to \$13,285,474 (31 December 2018: \$7,596,274). These balances consisted of Pound Sterling: \$156,388 (31 December 2018: \$400,458), Euro: \$1,081,232 (31 December 2018: \$958,696), US Dollar: \$12,024,885 (31 December 2018: \$6,214,077), and Australian Dollar: \$22,969 (31 December 2018: \$23,043).

(d) Payables/Receivables on Investments Purchased/Sold

At 30 June 2019, 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 that will be realised on disposal 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 2019 and 31 December 2018 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 44.
- 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 maximises the use of observable market data and minimises the use of unobservable inputs to establish a classification of fair value measurements for disclosure purposes.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)
(f) Fair Value of Financial Instruments (continued)

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.

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 2019 (UNAUDITED)

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	1,572,185	46,886,396	48,458,581
Private Equity	25,116,325	593,073	32,876,575	58,585,973
Private Note	–	17,741,357	22,270,442	40,011,799
Public Equity	53,892,676	–	–	53,892,676
Trade Claim	–	–	12,503,849	12,503,849
Warrants	–	318	–	318
Credit Default Swap	–	(35,277)	–	(35,277)
Forward Currency Contracts	–	(242,186)	–	(242,186)
Total investments that are accounted for at fair value	79,009,001	19,629,470	114,537,262	213,175,733

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2018 (AUDITED)

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	15,950,837	38,201,360	54,152,197
Private Equity	–	52,904,670	45,511,526	98,416,196
Private Note	–	34,809,068	7,056,781	41,865,849
Public Equity	50,139,798	–	–	50,139,798
Trade Claim	–	–	12,081,316	12,081,316
Warrants	919	–	199,745	200,664
Credit Default Swap	–	(1,175)	–	(1,175)
Forward Currency Contracts	–	583,674	–	583,674
Total investments that are accounted for at fair value	50,140,717	104,247,074	103,050,728	257,438,519

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 2019. 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	13,460,677	Market Comparables	Discount Rate	10%	N/A
Bank Debt Investments	Forest Products	751,584	Market Comparables	Discount Rate	10%	N/A
Bank Debt Investments	Lodging & Casinos	4,041,680	Market Comparables	EBITDA Multiple	7x	N/A
Bank Debt Investments	Lodging & Casinos	4,907,103	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Shipping	15,592,322	Market Information	Value Per Vessel	\$9.25 million	N/A
Bank Debt Investments	Surface Transport	6,883,746	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	978,040	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Air Transport	4,079	Market Information	Residual Value/Cash Receivable	N/A	N/A
Private Equity	Auto Components	531,165	Market Information	Adjusted Broker Quote	N/A	N/A
Private Equity	Commercial Mortgage	684,775	Residual Value	Recovery Estimate	63%	N/A
Private Equity	Containers and Packaging	5,689,977	Market Comparables	EBITDA Multiple	10x	N/A
Private Equity	Lodging & Casinos	3,184,876	Market Comparables	EBITDA Multiple	7x	N/A
Private Equity	Nonferrous Metals/Minerals	11,792,223	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Oil & Gas	8,441,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Oil & Gas	172,862	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Shipping	1,289,598	Market Information	Value Per Vessel	\$9.25 million	N/A
Private Equity	Utilities	1,086,020	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Note	Auto Components	21,864,094	Market Information	Adjusted Broker Quote	N/A	N/A
Private Note	Utilities	406,348	Market Information	Unadjusted Broker Quote	N/A	N/A
Trade Claim	Surface Transport	12,503,849	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		114,537,262				

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 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	13,427,379	Market Comparables	Discount Rate	10%	N/A
Bank Debt Investments	Forest Products	1,220,949	Market Comparables	Discount Rate	10%	N/A
Bank Debt Investments	Lodging & Casinos	3,910,371	Market Comparables	EBITDA Multiple	14x	N/A
Bank Debt Investments	Oil & Gas	1,292,077	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Shipping	16,642,897	Market Information	Value of Shipping Vessels	\$9.75 million per vessel	N/A
Bank Debt Investments	Surface Transport	1,076,443	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	360,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Air Transport	4,079	Residual Value	Residual Value/ Cash Receivable	N/A	N/A
Private Equity	Auto Components	212,465	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Commercial Mortgage	714,675	Residual Value	Recovery Estimate	63%	N/A
Private Equity	Containers & Packaging	5,451,450	Market Information	EBITDA Multiple	10x	N/A
Private Equity	Lodging & Casinos	3,323,041	Market Comparables	EBITDA Multiple	14x	N/A
Private Equity	Lodging & Casinos	34,065,244	Market Comparables	Land value per acre	\$2.2 million	N/A
Private Equity	Oil & Gas	400,312	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Shipping	1,340,260	Market Information	Value Per Vessel	\$9.75 million	N/A
Private Note	Auto Components	6,662,269	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Note	Utilities	394,512	Market Information	Unadjusted Broker Quote	N/A	N/A
Trade Claim	Surface Transport	12,081,316	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Oil & Gas	199,745	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		103,050,728				

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 at 30 June 2019 and 31 December 2018 are outlined in the tables above.

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 valued 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	BANK DEBT	PRIVATE EQUITY	TRADE CLAIM	WARRANTS	PRIVATE NOTE	TOTAL
30 JUNE 2019 (UNAUDITED)						
(EXPRESSED IN US DOLLARS)						
Balance, 31 December 2018	38,201,360	45,511,526	12,081,316	199,745	7,056,781	103,050,728
Purchases	1,282,912	–	–	–	3,256,625	4,539,537
Sales and distributions	(2,002,074)	(34,294,836)	–	–	–	(36,296,910)
Realised gain on sale of investments	(2,973,754)	(478,868)	–	–	–	(3,452,622)
Unrealised (loss)/gain on investments	968,814	1,114,319	422,533	(199,745)	(3,811,540)	(1,505,619)
Transfers into Level 3	11,409,137	21,024,434	–	–	15,768,576	48,202,148
Balance, 30 June 2019	46,886,396	32,876,575	12,503,849	–	22,270,442	114,537,262
Change in unrealised (loss)/gain on investments included in						
Unaudited Consolidated Statement of Operation for Level 3						
investments held as of 30 June 2019	(3,236,869)	(3,619,108)	422,532	(199,745)	(3,811,540)	(10,444,730)

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 two transfers out of Level 1 into Level 2 of fair value amounting to \$318 due to only one quoted price being observable. The Company also had one transfer out of Level 2 into Level 1 of fair value amounting to \$25,116,325 as quoted prices were observable.

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 2018 (AUDITED) (EXPRESSED IN US DOLLARS)	PRIVATE EQUITY:						TOTAL
	BANK DEBT INVESTMENTS	PRIVATE EQUITY	REAL ESTATE DEVELOPMENT	TRADE CLAIM	WARRANTS	PRIVATE NOTE	
Balance, 31 December 2017	49,303,230	69,427,360	620,287	12,360,847	92,017	6,961,010	138,764,751
Purchases	2,201,646	3,056	–	–	–	261,552	2,466,254
Sales and distributions	(12,841,297)	7,301	(665,979)	–	–	–	(13,499,975)
Realised gain on sale of investments	2,396,427	–	665,979	–	–	–	3,062,406
Unrealised loss on investments	(2,297,922)	(9,136,217)	(620,287)	(279,531)	(91,097)	210,243	(12,214,811)
Reclassification within level 3 categories	3,658,607	(3,658,607)	–	–	–	–	–
Transfers into or (out of) Level 3	(4,219,331)	(11,131,367)	–	–	198,825	(376,024)	(15,527,897)
Balance, 31 December 2018	38,201,360	45,511,526	–	12,081,316	199,745	7,056,781	103,050,728
Change in unrealised loss on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2018	(2,603,732)	(5,075,649)	–	(279,532)	(8,624)	(411,107)	(8,378,644)

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 zero 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 2019, \$298,350 (30 June 2018: \$413,262) 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 conformity 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 (2018: 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 2019 or 31 December 2018. The Company is subject to examination for US Federal and state tax returns for calendar years 2015-2019.

During the period ended 30 June 2019, the Company recorded current income tax benefit from realised gain/loss on investments of \$4,036 (31 December 2018: \$139,788 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 for the period ended 30 June 2019 is equal to \$355,057 (31 December 2018: \$355,057 deferred income tax benefit). The net total income tax expense from realised/unrealised gains/(losses) on investments for the period ended 30 June 2019 was \$359,093 (31 December 2018 income tax expense: \$494,845).

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.

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 held at 30 June 2019 (31 December 2018: one).

Derivative activity

For the six month period ended 30 June 2019 and for the year ended 31 December 2018 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 2019 (UNAUDITED)	LONG EXPOSURE		SHORT EXPOSURE	
	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
PRIMARY UNDERLYING RISK				
Foreign currency exchange rate				
Forward Currency Contracts	\$43,669,253	8	\$10,670,199	9
Financial assets				
Credit Default Swap	\$12,000,000	1	–	–
Total	\$55,669,253	8	\$10,670,199	9
Equity price				
Warrants	\$752,955	6	–	–

31 DECEMBER 2018 (AUDITED)	LONG EXPOSURE		SHORT EXPOSURE	
	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
PRIMARY UNDERLYING RISK				
Foreign currency exchange rate				
Forward Currency Contracts	\$45,863,164	9	\$9,976,010	4
Financial assets				
Credit Default Swap	\$12,000,000	1	–	–
Total	\$57,863,164	9	\$9,976,010	4
Equity price				
Warrants	\$752,955	6	–	–

NOTE 3 – DERIVATIVES (continued)**Derivative activity (continued)**

The following tables show, at 30 June 2019 and 31 December 2018, 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 2019 and 31 December 2018, the realised and unrealised gain and loss amounts included in the Unaudited Consolidated Statement of Operations, categorised by primary underlying risk:

30 JUNE 2019 (UNAUDITED)	DERIVATIVE	DERIVATIVE	REALISED	NET CHANGE IN
PRIMARY UNDERLYING RISK	ASSETS	LIABILITIES	GAIN (LOSS)	UNREALISED GAIN
	(\$)	(\$)	(\$)	(LOSS)
				(\$)
Foreign currency exchange rate				
Forward Currency Contracts	2,445	(244,631)	932,638	(825,860)
Credit				
Purchased protection				
Credit Default Swap	–	(35,277)	(60,667)	(34,102)
Equity price				
Warrants	318	–	–	(200,345)
Total	2,763	(279,908)	871,971	(1,060,307)

31 DECEMBER 2018 (AUDITED)	DERIVATIVE	DERIVATIVE	REALISED	NET CHANGE IN
PRIMARY UNDERLYING RISK	ASSETS	LIABILITIES	GAIN (LOSS)	UNREALISED GAIN
	(\$)	(\$)	(\$)	(LOSS)
				(\$)
Foreign currency exchange rate				
Forward Currency Contracts	587,558	(3,884)	3,417,058	424,647
Credit				
Purchased protection				
Credit Default Swap	–	(1,175)	(97,337)	31,183
Equity price				
Warrants	200,664	–	–	(6,422)
Total	788,222	(5,059)	3,319,721	449,408

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.

NOTE 3 – DERIVATIVES (continued)
Derivative activity (continued)

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 2018: \$Nil), and foreign currency exchange contracts with Royal Bank of Canada of (\$10,686) (31 December 2018: \$211,558), Societe Generale of \$2,445 (31 December 2018: (\$3,884)) and UBS AG of (\$233,945) (31 December 2018: \$376,000). 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 new collateral arrangements during the period.

The following tables, at 30 June 2019 and 31 December 2018, 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 2019 (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	156,175	(153,730)	2,445
Warrant	318	–	318
Total	156,493	(153,730)	2,763

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	(398,361)	153,730	(244,631)
Credit Default Swap	(35,277)	–	(35,277)
Total	(433,638)	153,730	(279,908)

31 DECEMBER 2018 (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 UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward Currency Contracts	628,158	(40,600)	587,558
Warrant	200,664	–	200,664
Total	828,822	(40,600)	788,222

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	(44,484)	40,600	(3,884)
Credit Default Swap	(1,175)	–	(1,175)
Total	(45,659)	40,600	(5,059)

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 2019 and 31 December 2018 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 International Swaps and Derivatives Association (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 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 2019, the Company had the following number of shares in issue:

	30 JUNE 2019 (UNAUDITED)	31 DECEMBER 2018 (AUDITED)
Issued and fully paid up:		
Class A Shares	2	2
Ordinary Share Class of no par value (Nil in treasury; 2018: Nil)	15,382,770	23,395,578
Extended Life Share Class of no par value (Nil in treasury; 2018: Nil)	132,406,021	154,104,598
New Global Share Class of no par value (Nil in treasury; 2018: Nil)	75,271,400	82,770,361

Reconciliation of the number of shares in issue in each class (excluding Class A) at 30 June 2019:

(UNAUDITED)	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	TOTAL
Balance at 31 December 2018	23,395,578	154,104,598	82,770,361	260,270,537
Shares redeemed during the period	(8,012,808)	(20,648,577)	(7,198,961)	(35,860,346)
Buybacks (Shares repurchased)	–	(1,050,000)	(300,000)	(1,350,000)
Balance at 30 June 2019 ¹	15,382,770	132,406,021	75,271,400	223,060,191

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 2018:

(AUDITED)	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)	(17,978,355)	(15,798,224)	(37,095,398)
Buybacks (Shares repurchased)	–	(1,220,000)	(165,000)	(1,385,000)
Balance at 31 December 2018 ¹	23,395,578	154,104,598	82,770,361	260,270,537

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

Distributions

Set out below are details of the capital returns by way of compulsory partial redemptions approved during the period ended 30 June 2019 and year ended 31 December 2018.

2019 (UNAUDITED)	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRI- BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRI- BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRI- BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
01 April 2019	7,991,975	8,012,808	0.9974	19,991,952	20,648,577	0.9682	8,535,657	7,198,961	1.1857
	\$7,991,975	8,012,808	–	\$19,991,952	20,648,577	–	\$8,535,657	7,198,961	–

2018 (AUDITED)	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRI- BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRI- BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRI- BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
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
17 August 2018	–	–	–	\$2,991,940	2,800,393	\$1.0684	\$10,820,239	8,411,028	\$1.2864
	\$3,741,968	3,318,819	–	\$19,233,877	17,978,355	–	\$20,130,630	15,798,224	–

Buybacks

Under the authority granted to the Directors at the 2018 and 2019 AGMs, between 1 January 2019 and 30 June 2019, 1,050,000 Extended Life Shares were repurchased and cancelled by the Company for gross consideration of \$918,373 and 300,000 New Global Shares were repurchased and cancelled by the Company for gross consideration of \$308,469 (£239,060).

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.

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 2019, the management fee expense was \$1,873,729 (30 June 2018: \$2,498,253). At 30 June 2019, the management fee payable was \$576,855 (31 December 2018: \$340,193).

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 ended 30 June 2019 or year ended 31 December 2018, nor would any be paid if the Company were to realise all its assets at the period 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. Bank Global Fund Services (Guernsey) Limited and U.S. Bank Global Fund Services (Ireland) 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 (the “Sub-Administrator”). The Sub-Administration Service Level Agreement was amended and approved on 21 February 2018.

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. 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 2019, the administration fee expense was \$115,761 (30 June 2018: \$151,636), the secretarial fee was \$72,405¹ of which \$13,604 was in relation to the administration of the ongoing buyback programme, (30 June 2018: \$78,033) and the loan administration and custody fee expense was \$112,216 (30 June 2018: \$105,948). At 30 June 2019, the administration fee payable is \$16,505² (31 December 2018: \$20,364), the secretarial fee payable is \$55,006² (31 December 2018: \$123,520) and the loan administration and custody fee payable is \$15,211² (31 December 2018: \$17,500).

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 2019, the Directors' fees and travel expenses amounted to \$127,029 (30 June 2018: \$122,116). 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 2019.

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

2 Amounts are included under Accrued expenses and other liabilities in the Unaudited Consolidated 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 2019 (UNAUDITED)	PERIOD ENDED 30 JUNE 2019 (UNAUDITED)	PERIOD ENDED 30 JUNE 2019 (UNAUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)
Net asset value per share at beginning of the period/year	0.9778	0.9635	0.9206	1.1096	1.0387	0.9210
Impact of share buybacks	–	0.0007	0.0005	–	0.0004	0.0002
Impact of share redemptions	(0.0020)	0.0001	(0.0003)	(0.0024)	(0.0142)	(0.0055)
Income/(loss) from investment operations¹						
Net investment (loss)/income	(0.0037)	0.0068	0.0032	(0.0109)	0.0078	0.0001
Net realised and unrealised (loss)/gain from investments and foreign exchange	(0.0335)	(0.0204)	(0.0138)	(0.1185)	(0.0692)	0.0048
Total (loss)/ income from investment operations	(0.0372)	(0.0136)	(0.0106)	(0.1294)	(0.0614)	0.0049
Net asset value per share at end of the period/year	0.9386	0.9507	0.9102	0.9778	0.9635	0.9206

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
	PERIOD ENDED 30 JUNE 2019 (UNAUDITED)	PERIOD ENDED 30 JUNE 2019 (UNAUDITED)	PERIOD ENDED 30 JUNE 2019 (UNAUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)
NAV TOTAL RETURN^{1,2}						
NAV Total Return before performance fee	(4.01%)	(1.33%)	(1.13%)	(11.66%)	(5.87%)	0.55%
Performance fee	–	–	–	–	–	–
NAV Total Return after performance fee including an income distribution by way of dividend	(4.01%)	(1.33%)	(1.13%)	(11.66%)	(5.87%)	0.55%

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
	PERIOD ENDED 30 JUNE 2019 (UNAUDITED)	PERIOD ENDED 30 JUNE 2019 (UNAUDITED)	PERIOD ENDED 30 JUNE 2019 (UNAUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)	YEAR ENDED 31 DECEMBER 2018 (AUDITED)
RATIOS TO AVERAGE NET ASSETS						
Net investment income before and after performance fee	(0.75%)	1.42%	0.68%	(1.00%)	0.74%	(0.04%)
Total expenses after performance fee	(2.19%)	(2.22%)	(2.29%)	(2.01%)	(2.16%)	(2.38%)

NOTE 8 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

In preparing the Financial Statements, there were 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 2019	14,404,978	0.9364	125,973,776	0.9514	68,593,866	0.9113
Deferred Tax Adjustment	–	–	–	–	–	–
Valuation adjustments	33,118	0.0022	(95,709)	(0.0007)	(85,499)	(0.0011)
Net assets per Unaudited Consolidated Interim Financial Statements	14,438,096	0.9386	125,878,067	0.9507	68,508,367	0.9102

	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 2018	22,983,960	0.9824	148,828,076	0.9658	76,511,273	0.9244
Deferred Tax Adjustment	(106,864)	(0.0046)	(275,713)	(0.0018)	(265,174)	(0.0032)
Valuation adjustments	(736)	–	(70,049)	(0.0005)	(50,421)	(0.0006)
Net assets per Consolidated Financial Statements	22,876,360	0.9778	148,482,314	0.9635	76,195,678	0.9206

NOTE 9 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events from the year through to 22 August 2019 which is the date that the Financial Statements are available for issue.

On 12 August 2019, the Company declared a capital distribution by way of partial redemption for the holders of NBDX and NBDG shares. The Board approved capital distributions of \$5.0m for the holders of NBDX shares and £2.5m for the holders of NBDG payable on 10 September 2019.

From 30 June 2019 to 22 August 2019, the Company repurchased 495,499 NBDX and 70,000 NBDG shares.

Contact Details

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Michael Holmberg
Christopher Legge
Christopher Sherwell
Stephen Vakil

All c/o the Company's registered office.

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Company Secretary

Carey Commercial Limited

Alternative Investment Fund Manager

Neuberger Berman Investment Advisers LLC

Manager

Neuberger Berman Europe Limited

Custodian and Principal Bankers

US Bank National Association

Designated Administrator

U.S. Bank Global Fund Services (Guernsey) Limited

Independent Auditor

KPMG Channel Islands Limited

Sub-Administrator

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

Financial Adviser and Corporate Broker

Stifel Nicolaus Europe 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

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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.