



NB Distressed Debt Investment Fund Limited

2020 INTERIM REPORT

Unaudited Consolidated Interim Financial Statements
For The Six Month Period Ended 30 June 2020

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 2019.

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 2020 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”)

82,495,074 Extended Life Shares, none of which were held in treasury.

New Global Share Class (“NBDG”)

42,929,950 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: GG00BMY71631

Bloomberg code: NBDX:LN

New Global Shares

LSE ISIN code: GG00BMY71748

Bloomberg code: NBDG:LN

Legal Entity Identifier

YRF07WKOU3V511VFX790

Website

www.nbddif.com

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

Capital Structure

The Company's share capital consists of three different share classes, all of which are in the harvest period: the Ordinary Share Class; the Extended Life Share Class; and the New Global Share Class. These share classes each have different capital return profiles and, in 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 2020 (UNAUDITED) | ORDINARY SHARE CLASS | EXTENDED LIFE SHARE CLASS | NEW GLOBAL SHARE CLASS | AGGREGATED |
|---|-------------------------|------------------------------|---------------------------|------------|
| Net Asset Value ("NAV") (\$ millions) | 10.5 | 58.5 | 32.5 | 101.5 |
| NAV per Share (\$) | 0.6845 | 0.7087 | 0.7568 | – |
| Share Price (\$) | 0.655 | 0.48 | 0.6271 ¹ | – |
| NAV per Share (£) | – | – | 0.6125 | – |
| Share Price (£) | – | – | 0.5075 | – |
| Premium/(Discount) to NAV per Share | (4.31%) | (32.27%) | (17.14%) | – |
| Portfolio of Distressed Investments (\$ millions) | 6.4 | 48.1 | 29.9 | 84.4 |
| Cash and Cash Equivalents (\$ millions) | 4.2 | 20.0 | 15.0 | 39.2 |
| Total Expense Ratio ("TER") ² | 2.24% | 2.23% | 2.41% | – |
| Ongoing Charges ³ | 2.16% | 2.13% | 2.21% | – |

| AT 31 DECEMBER 2019 (AUDITED) | ORDINARY SHARE CLASS | EXTENDED LIFE SHARE CLASS | NEW GLOBAL SHARE CLASS | AGGREGATED |
|---|-------------------------|------------------------------|---------------------------|------------|
| Net Asset Value ("NAV") (\$ millions) | 14.0 | 105.8 | 79.3 | 199.1 |
| NAV per Share (\$) | 0.9086 | 0.9266 | 1.1047 | – |
| Share Price (\$) | 0.845 | 0.735 | 0.9432 ¹ | – |
| NAV per Share (£) | – | – | 0.8339 | – |
| Share Price (£) | – | – | 0.712 | – |
| Premium/(Discount) to NAV per Share | (7.00%) | (20.68%) | (14.62%) | – |
| Portfolio of Distressed Investments (\$ millions) | 13.2 | 102.8 | 76.8 | 192.8 |
| Cash and Cash Equivalents (\$ millions) | 1.9 | 1.6 | 2.4 | 5.9 |
| Total Expense Ratio ("TER") ² | 2.15% | 2.21% | 2.31% | – |
| Ongoing Charges ³ | 2.10% | 2.11% | 2.14% | – |

1 Stated in US Dollars, the £ price as at 30 June 2020 and 31 December 2019 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 In the year to 30 June 2020, the Company's annualised Ongoing Charges were 2.15%. This figure is based on an expense figure for the year to 30 June 2020 of \$1,771,494. This figure, which has been prepared in accordance with AIC guidance represents the Company's management fees and all other operating expenses, excluding finance costs payable, expressed as a percentage of average net assets. No performance fees were payable as at 30 June 2020. The Ongoing Charges by share class are disclosed above.

Summary of Value in Excess of Original Capital Invested

| AT 30 JUNE 2020 | 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 | 259,844,033 | 42,460,798 |
| Total Income Distributions ¹ | 3,166,835 | 14,896,010 | 2,685,521 |
| Distributions as % of Original Capital | 107% | 76% | 41% |
| Total Buybacks | – | 11,238,074 | 10,055,842 |
| NAV | 10,530,249 | 58,461,924 | 26,294,504 |
| Total of NAV Plus Capital and Income Returned (“Value”) | 143,324,478 | 344,440,041 | 81,494,858 |
| Value in Excess of Original Capital Invested | 18,824,276 | (14,919,753) | (29,290,927) |
| Value as % of Original Capital Invested | 115% | 96% | 74% |

| AT 31 DECEMBER 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 | 236,873,855 | 24,473,845 |
| Total Income Distributions ¹ | 3,166,835 | 14,896,010 | 2,685,521 |
| Distributions as % of Original Capital | 107% | 70% | 25% |
| Total Buybacks | - | 10,255,281 | 9,346,306 |
| NAV | 13,976,415 | 105,771,674 | 59,862,782 |
| Total of NAV Plus Capital and Income Returned (“Value”) | 146,770,644 | 367,796,820 | 96,368,454 |
| Value in Excess of Original Capital Invested | 22,270,442 | 8,437,026 | (14,417,331) |
| Value as % of Original Capital Invested | 118% | 102% | 87% |

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,

The six-month period ended 30 June 2020 was one of near unprecedented economic and social disruption but, notwithstanding, the Company delivered further capital distributions to the shareholders of the NBDX and NBDG share classes consistent with the now well-established and orderly realisation of the portfolios. With each share class in its harvest period, we continue to seek to balance the pace of exits and the value achieved for shareholders as we return capital to our investors. As a reminder the Ordinary class shareholders will no longer receive capital distributions until such time as all final assets attributable to them have been realised to ensure compliance with UK regulations.

Company Performance

By the 30 June 2020, the Company had returned a total of \$132.8m or 106.7% of NBDD investors' original capital of \$124.5m, \$251.7m or 70.06% of NBDX investors' original capital of \$359.4m and £27.1m or 24.52% of NBDG investors' original capital of £110.8m. Additionally, \$0.05m was spent on buying back NBDX shares and £11.5m 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 we look forward to reporting further realisations in the coming quarters and the subsequent distribution of those proceeds on the receipt of the funds.

On 17 June 2020, we announced a further capital distribution of \$10.5m to our NBDX shareholders and £10.5m to our NBDG shareholders which was paid to the NBDX and NBDG shareholders on 10 July 2020.

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. In response to the market improvements post the March lows the Investment Manager realised all the remaining holdings of listed equities so as to safeguard against any further market declines. The Board continues to monitor all costs to ensure that they are appropriate as 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 monitor and manage the share price discount to NAV in a way that is accretive to those shareholders who do not wish to sell.

Annual General Meeting ("AGM") Results

We were pleased to see that shareholders voted overwhelming in favour of all resolutions proposed at our AGM held on 25 June 2020 and would like to take the opportunity to thank you all for your votes and support.

Brexit

As previously reported in our annual report, Brexit has not impacted our operations in any material manner and having reviewed the portfolio extensively, we do not believe there is any significant impact from Brexit at the end of the transition period. Shareholders are reminded that the NBDD and NBDX Portfolios are US Dollar denominated and any non-US exposure is hedged back to the US Dollars. However, the outcome of Brexit has not had a material direct impact on these Portfolios. NBDG, on the other hand, is a Pound Sterling denominated, but unhedged, share class with a broader geographic remit than the other two share classes and the Board expects some continued volatility in the currency markets, which in turn would translate into volatility in the value of NBDG's non-Sterling assets. At the time of writing, uncertainty remains around the future relationship between the United Kingdom and the European Union.

COVID-19

As reported at the time of our Annual Report, the world has experienced unprecedented times as a result of the COVID-19 pandemic and the value of many of our assets have been negatively affected. I am pleased to be able to report that our key service providers have continued to provide services to the Company throughout the pandemic and thank them for their efforts.

The various valuation methodologies we use to value your portfolio's holdings have been reviewed and we consider that they remain appropriate for determining values at any given point in time. However, the timing of the orderly realisation of these assets is less certain and the quantum of the proceeds therefrom is difficult to predict. Our objectives will remain the same; to maximise the benefit to investors during this harvest period and to continue to provide updated information regarding asset values.

Outlook

As reported in the annual report the Ordinary class of shares will be the first to commence the final wind up process, followed by the Extended share class and then 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.

The Extended and Global classes will continue to distribute until their net assets are reduced to approximately \$34.4m and £8.1m respectively. In certain cases, the cash associated with these share classes 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 the remaining assets.

We had previously indicated that we expect the final distribution of the Ordinary share class to be made during the course of this year and that remains the case. The wind up of the other two classes will take a little longer but we hope to complete the realisation process in the next couple of years. As noted earlier, upheaval in financial markets and global trade uncertainty may impact these timings and we will keep shareholders updated via the quarterly fact sheets.

We have announced that with effect from 13 September 2020 Jefferies International Limited will replace Stifel Nicolaus Europe Limited ("Stifel") as sole broker and financial adviser to the Company and I would like to take this opportunity to thank Stifel for their services.

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

John Hallam

Chairman

26 August 2020

Investment Manager's Report

Ordinary Share Class

Summary

During the first half of 2020 the NAV per share decreased by 24.7%. We continued to see significant volatility in the markets due to the spread of COVID-19 and its impact on global growth expectations. The long term effects of COVID-19 on the global economy remain unknown at this time. With the sale of the public equities in the first half of the year, the remaining investments await realisation events. The Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable, but there is one asset we are working through which will determine the final distribution date. The Investment Manager is evaluating options to wind down the share class. For regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in NB Distressed Debt Investment Fund Limited ("NBDDIF") will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. As such, there will be no further distribution for NBDD until the final distribution to investors and the wind-down of the share class.

Portfolio Update

NBDD ended the first half of 2020 with a NAV per share of \$0.6845 compared to \$0.9086 at end of 2019. The NAV decrease was principally driven by lower prices in the investments in light of the COVID-19 crisis and realised losses in exits of public equities. At 30 June 2020, 93% of NBDD's NAV was invested in distressed assets (including cash, receivables and net payables) with 7% held in cash net of payables (see table below). Cash continues to build as assets are realised. The portfolio consisted of 7 issuers across 6 sectors. The largest sector concentrations were in surface transportation, financial intermediaries and packaging.

Cash Analysis

| | |
|-----------------------------|---------------|
| Balance Sheet – Cash | \$4.2m |
| Collateral cash | (\$3.5m) |
| Other payables | (\$0.0m) |
| Total available cash | \$0.7m |

Notable events below describe activity in the investments during the first six months of 2020:

- During the period, Exide Technologies filed for Chapter 11 bankruptcy due to the global shutdown and COVID-19. The company does not expect to reorganise and has begun a sales process for the various business units. The valuation impact was a (\$1.1m) unrealised loss. The magnitude of the unrealised loss is due to the decline in business operations as well as the decision to not reorganise and sell off the business units.
- The Company completed the exit of all public equities.

Significant Price Movement during first half of 2020 (approximately 1% of NBDD NAV or \$100,000)

| INDUSTRY | INSTRUMENT | TOTAL RETURN (US DOLLARS MILLIONS) | COMMENT |
|--------------------------|-------------------|--|--|
| Auto Components | Private Note | (1.1) | Company filed for Chapter 11 bankruptcy and intends to sell business units and not reorganise. |
| Surface Transport | Total Return Swap | (0.8) | Loss due to FX movement which was offset by FX hedge. |
| Containers & Packaging | Private Equity | (0.4) | Profitability affected by COVID-19 related business slowdown. |
| Financial intermediaries | Private Note | (0.2) | Underlying bonds decreased with effects from COVID-19. |

Exits

During the first half of the year, we saw four exits, which generated a total return of \$(3.4m). This brings the total number of exits since inception in NBDD to 49, with total return of \$40.2m. Detailed descriptions of the exits are at the end of this report.

Partial Realisations

The partial realisations generated a total return of \$(0.5m) as of 30 June 2020. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

To date, \$132.8m or 107% of original capital has been distributed to investors in the form of capital distributions via redemptions and income dividends. Total value available to investors including NAV and all distributions paid is \$143.3m (115% of original capital). As explained above, for regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in NBDDIF will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. The next distribution for NBDD will be the final distribution to investors and will wind down the share class. Our current expectation is to wind down the share class as soon as practicable. However there is one asset we are working through which will determine the final distribution date. We will continue to update investors as we gain clarity on the realisations.

Extended Life Share Class

Summary

During the first six months, the NAV per share decreased by 23.5%. We continued to see significant volatility in the markets due to the spread of COVID-19 and its impact on global growth expectations and economic recovery. The effects of COVID-19 on the global economy remain unknown at this time. With the sale of the public equities in the first half of the year, the remaining investments await realisation events. The Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable.

Portfolio Update

NBDX ended the first half of the year with a NAV per share of \$0.7087 compared to \$0.9266 at end of 2019. At 30 June 2020, 98% of NBDX's NAV was invested in distressed assets (including cash, receivables and net payables held in subsidiaries) with 2% held in cash (see table below). At 30 June 2020, NAV decreased 23.5% during the period principally due to losses in public equities and unrealised losses in the existing portfolio with the impact of COVID-19. With the exit of the public equities, the NBDX portfolio consisted of 13 issuers across 10 sectors. The largest sector concentrations were in surface transportation, shipping, lodging & casinos, and financial intermediaries.

Cash Analysis

| | |
|---|---------------|
| Balance Sheet – Cash | \$20.0m |
| Cash held in wholly-owned subsidiary accounts | \$0.0m |
| Collateral cash | (\$7.9m) |
| Cash held for income distribution payable | (\$10.5m) |
| Other payables | (\$0.3m) |
| Total available cash | \$1.3m |

Notable events below describe activity in the investments during first half of 2020:

- During the period, Exide Technologies filed for Chapter 11 bankruptcy due to the global shutdown and COVID-19. The company does not expect to reorganise and has begun a sales process for the various business units. The valuation impact was a (\$9.7m) unrealised loss. The magnitude of the unrealised loss is due to the decline in business operations as well as the decision to not reorganise and sell off the business units.
- The Company completed the exit of all public equities.
- Non Ferrous Metals investment – The sale of the company was completed and private shares tendered for cash.

Investment Manager's Report (continued)

Significant Price Movements during first half of 2020 (approximately 1% of NBDX NAV or \$600,000)

| INDUSTRY | INSTRUMENT | TOTAL RETURN (US DOLLARS MILLIONS) | COMMENT |
|--------------------------|-----------------------|--|--|
| Auto Components | Private Note | (9.7) | Company filed for Chapter 11 bankruptcy and intends to sell business units and not reorganise. |
| Financial intermediaries | Private Note | (3.0) | Underlying bonds decreased with effects from COVID-19. |
| Surface Transport | Total Return Swap | (2.1) | Loss due to FX movement which was offset by FX hedge. |
| Shipping | Bank debt Investments | (1.3) | Decline in vessel valuations due to global downturn related to COVID-19. |
| Containers & packaging | Private Equity | (1.2) | Profitability affected by COVID-19 related business slowdown. |

Exits

During the first half of the year, we saw nine exits for NBDX, which generated a total return of \$(37.7m). This brings the total number of exits since inception in NBDX to 66 with total return of \$77.7m. Detailed descriptions of the exits are at the end of this report.

Partial Realisations

The partial realisations generated a net gain of \$(1.2m) in the first half of the year and \$15.4m over the life of the Company. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

During the first six months of 2020, NBDX approved distributions of \$23m. The company made a \$12.5m capital distribution via redemption of shares which, when combined with a further distribution of \$10.5m approved in the second quarter and paid in July 2020, gives total distributions (dividends, redemptions and buy-backs) of \$286.1m or 80% of original capital. Total value available to investors including NAV and all distributions paid is \$344.4m or 96% of original capital. With the uncertainty as to how long the economic downturn will last, certain realisations in NBDX have been delayed. For regulatory reasons, the final 10% of total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all of the outstanding shares of that class. The Investment Manager is committed to realising the investments in a timely manner to distribute cash to investors as soon as possible.

Share Buybacks

During the first six months of 2020, NBDX purchased 1.7m of its own shares under the buyback programme at a cost of \$1m and weighted average discount of (27.97%). The shares have been cancelled.

New Global Share Class

Summary

During the first six months, the NAV per share decreased by 26.5%. We continued to see significant volatility in the markets due to the spread of COVID-19 and its impact on global growth expectations and economic recovery. The effects of COVID-19 on the global economy remain unknown at this time. With the sale of the public equities in the first half of the year, the remaining investments await realisation events. The Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable.

Portfolio Update

NBDG ended the first half of 2020 with a NAV per share of £0.6125 compared to £0.8339 at the end of 2019. At 30 June 2020, 94% of NBDG's NAV was invested in distressed assets (including cash, receivables and net payables held in subsidiaries) with 6% held in cash (see table below).

NAV decreased 26.5% during the quarter principally due to losses in public equities and unrealised losses in the existing portfolio with the impact of COVID-19. With the exit of the public equity investments, the portfolio consisted of 13 issuers across 7 sectors. The largest sector concentrations were in lodging & casinos, commercial mortgage, surface transportation and shipping.

Cash Analysis

| | |
|---|---------------|
| Balance Sheet – Cash | \$15.0m |
| Cash held in wholly-owned subsidiary accounts | \$0.0m |
| Cash held for income distribution payable | (\$13.0m) |
| Other payables | (\$0.1m) |
| Total available cash | \$1.9m |

Notable events involving NBDG's investments during the first half of 2020 are below:

- During the period, Exide Technologies filed for Chapter 11 bankruptcy due to the global shutdown and COVID-19. The company does not expect to reorganise and has begun a sales process for the various business units. The valuation impact was a (£4.0m) unrealised loss. The magnitude of the unrealised loss is due to the decline in business operations as well as the decision to not reorganise and sell off the business units.
- The Company completed the exit of all public equities.
- Non Ferrous Metals investment – The sale of the company was completed and private shares tendered for cash.

Significant Price Movements during first half of 2020 (approximately 1% of NBDG NAV or £300,000)

| INDUSTRY | INSTRUMENT | TOTAL RETURN (GBP MILLIONS) | COMMENT |
|-------------------|-----------------------|--------------------------------|--|
| Surface Transport | Bank Debt Investments | 0.4 | Arbitration progressing during COVID-19. |
| Lodging & Casinos | Bank Debt Investments | (1.6) | Hotel shutdown due to COVID-19 quarantine. |
| Auto Components | Private Note | (4.0) | Company filed for Chapter 11 bankruptcy and intends to sell business units and not reorganise. |

Exits

During the first six months of 2020, we saw ten exits, which generated a total return of £(14.4m). This brought the total number of exits since inception to 29 with a total return of £(5.5m). Detailed descriptions of the exits are at the end of this report.

Partial Realisations

There were no partial realisations in NBDG during the first six months of 2020.

Distributions

During the first six months of 2020, the company made a £7.5m capital distribution via redemption of shares which, when combined with a further distribution of £10.5m approved in the second quarter and paid in July 2020, gives total distributions (dividends, redemptions and buy-backs) of £55.2m or 50% of original capital. Total value available to investors including NAV and all distributions paid is £81.5m or 74% of original capital. With the uncertainty as to how long the economic downturn will last, certain realisations in NBDG have been delayed. For regulatory reasons, the final 10% of total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all of the outstanding shares of that class. The Investment Manager is committed to realising the investments in a timely manner to distribute cash to investors as soon as possible.

Share Buybacks

During the first six months, NBDG purchased 1.2m shares under the buyback programme at a cost of £0.7m and weighted average discount of (17.45%). The shares have been cancelled.

Investment Manager's Report (continued)

Summary of Exits across all Share Classes

The total exits during the first half of 2020 can be summarised as follows:

- NBDD – Four exits
- NBDX – Nine exits
- NBDG – Ten exits

Exits experienced from inception to date were as follows:

NBDD 49 exits with a total return of \$40.2m, IRR of 12% and ROR of 22%

NBDX 66 exits with a total return of \$77.5m, IRR of 7% and ROR of 13%

NBDG 29 exits with a total return of (£5.5m), IRR of (4)% and ROR of (5)%

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 L (Exit 20 for NBDG and Exit 58 for NBDD)

| EXIT L | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|---------|-------|----------------|
| NBDG | 20 | £1.5 | £0.2 | (£1.3) | (32.3)% | 85.2% | 59 |
| NBDD | 58 | \$5.7 | \$0.7 | (\$5.0) | (34.2)% | 87.1% | 59 |

Exit M (Exit 21 for NBDG and Exit 59 for NBDD)

| EXIT M | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|---------|-------|----------------|
| NBDG | 21 | £1.6 | £0.6 | (£1.0) | (29.2)% | 62.4% | 59 |
| NBDD | 59 | \$1.7 | \$0.5 | (\$1.2) | (30.5)% | 68.9% | 59 |

Exit N (Exit 46 for NBDD and Exit 60 for NBDX)

| EXIT N | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|---------|---------|----------------|
| NBDD | 46 | \$2.0 | \$1.6 | (\$0.4) | (23.3)% | (21.0)% | 84 |
| NBDX | 60 | \$5.1 | \$4.0 | (\$1.1) | (23.3)% | (21.0)% | 84 |

Exit O (Exit 22 for NBDG and 61 for NBDX)

| EXIT O | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|---------|---------|----------------|
| NBDG | 22 | £8.8 | £3.4 | (£5.4) | (44.2)% | (61.1)% | 64 |
| NBDX | 61 | \$7.5 | \$2.3 | (\$5.2) | (52.9)% | (69.9)% | 64 |

Exit P (Exit 23 for NBDG, Exit 47 for NBDD and Exit 62 for NBDX)

| EXIT P | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|---------|---------|----------------|
| NBDG | 23 | £15.9 | £10.9 | (£5.0) | (22.1)% | (31.6)% | 71 |
| NBDD | 47 | \$3.0 | \$1.5 | (\$1.5) | (7.1)% | (45.1)% | 111 |
| NBDX | 62 | \$10.1 | \$4.8 | (\$5.3) | (9.1)% | (52.5)% | 111 |

Exit Q (Exit 24 for NBDG and Exit 63 for NBDX)

| EXIT Q | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|--------|---------|----------------|
| NBDG | 24 | £6.2 | £5.6 | (£0.6) | (2.1)% | (9.4)% | 75 |
| NBDX | 63 | \$10.1 | \$6.8 | (\$3.3) | (7.7)% | (32.1)% | 75 |

Exit R (Exit 25 for NBDG)

| EXIT R | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|---------|---------|----------------|
| NBDG | 25 | £1.3 | £0.8 | (£0.5) | (20.1)% | (39.6)% | 44 |

Exit S (Exit 26 for NBDG and Exit 64 for NBDX)

| EXIT S | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|-------|-------|----------------|
| NBDG | 26 | £5.8 | £9.6 | £3.8 | 11.8% | 66.4% | 74 |
| NBDX | 64 | \$3.2 | \$4.9 | \$1.7 | 9.0% | 53.8% | 74 |

Investment Manager's Report (continued)

Exit T (Exit 27 for NBDG and Exit 65 for NBDX)

| EXIT T | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|--------|---------|----------------|
| NBDG | 27 | £5.4 | £4.5 | (£0.9) | (3.4)% | (16.5)% | 74 |
| NBDX | 65 | \$11.8 | \$6.8 | (\$5.0) | (9.0)% | (41.8)% | 80 |

Exit U (Exit 28 for NBDG, Exit 48 for NBDD and Exit 66 for NBDX)

| EXIT U | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|---------|---------|----------------|
| NBDG | 28 | £9.1 | £6.7 | (£2.4) | (13.5)% | (26.8)% | 68 |
| NBDD | 48 | \$1.0 | \$0.3 | (\$0.7) | (26.6)% | (66.3)% | 85 |
| NBDX | 66 | \$19.6 | \$6.1 | (\$13.5) | (28.4)% | (69.0)% | 85 |

Exit V (Exit 29 for NBDG and Exit 49 for NBDD)

| EXIT V | EXIT | CASH INVESTED (MILLIONS) | CASH RECEIVED (MILLIONS) | TOTAL RETURN (MILLIONS) | IRR | ROR | MONTHS HELD |
|--------|------|-----------------------------|-----------------------------|----------------------------|--------|--------|----------------|
| NBDG | 29 | £12.8 | £12.0 | (£0.8) | (3.7)% | (6.0)% | 76 |
| NBDD | 49 | \$8.8 | \$7.9 | (\$0.9) | (3.4)% | (9.5)% | 111 |

Summary of Partial Realisations across all Share Classes

All partial realisations currently in the portfolio are reported as at 30 June 2020 and it should be noted that their IRR and ROR are likely to be different at the time of the final exit. These were the following partial realisations:

- NBDD – Two
- NBDX – Two
- NBDG – None

Partial Realisation B: NBDD and NBDX

| | | | |
|------------|------------------------|------------|------------------------|
| 48% | ROR AS AT 30 JUNE 2020 | 25% | IRR AS AT 30 JUNE 2020 |
|------------|------------------------|------------|------------------------|

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 Company 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 of 2017, the Company 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 \$0.5m generating a total return of \$3.4m as of 30 June 2020. IRR was 25% and ROR was 48% with a holding period of 92 months at 30 June 2020.

| 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 | \$0.1 | \$1.0 | 25% | 48% | 92 |
| NBDX | H1 2017 | \$5.1 | \$7.2 | \$0.4 | \$2.5 | 25% | 48% | 92 |

Partial Realisation C: NBDD and NBDX

| | | | |
|-------------|------------------------|------------|------------------------|
| 193% | ROR AS AT 30 JUNE 2020 | 52% | IRR AS AT 30 JUNE 2020 |
|-------------|------------------------|------------|------------------------|

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 \$3.8m, generating a total return of \$17.8m as at 30 June 2020. IRR was 52% and ROR was 193% with a holding period of 94 months at 30 June 2020.

| 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 | \$1.1 | \$5.0 | 52% | 193% | 94 |
| NBDX | H1 2017 | \$6.6 | \$16.7 | \$2.7 | \$12.8 | 52% | 193% | 94 |

Neuberger Berman Investment Advisers LLC

26 August 2020

Neuberger Berman Europe Limited

26 August 2020

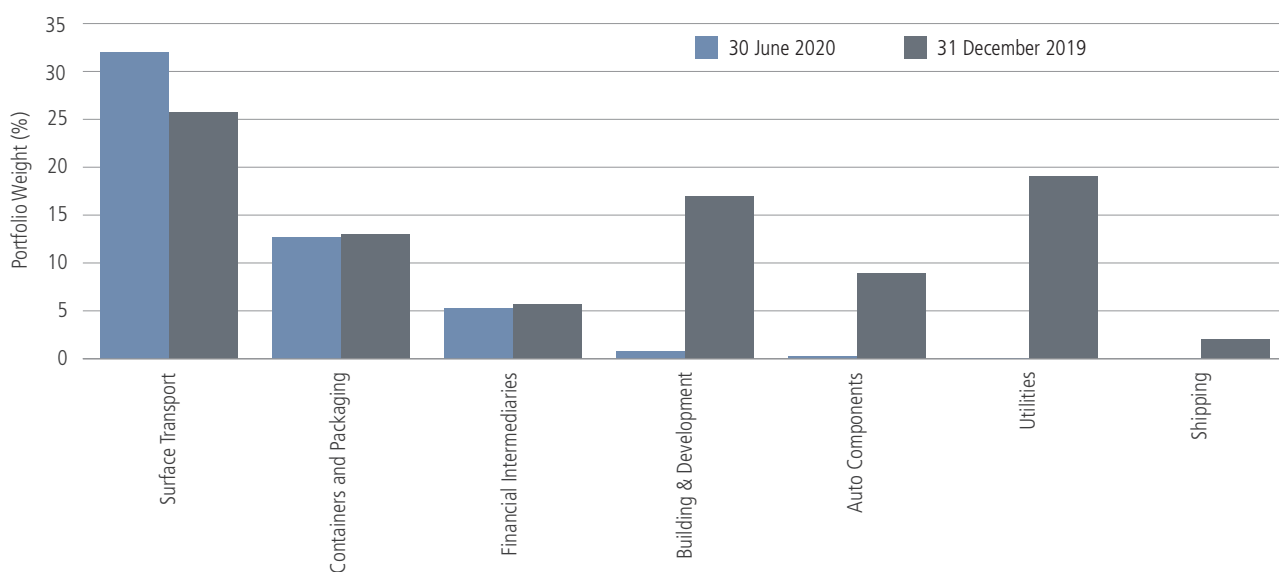
Portfolio Information

Ordinary Share Class

TOP 7¹ HOLDINGS AT 30 JUNE 2020

| HOLDING | SECTOR | PURCHASED INSTRUMENT | STATUS | COUNTRY | % OF NAV | PRIMARY ASSET |
|--------------|--------------------------------|----------------------|------------|------------|------------|--|
| 1 | Surface Transport ² | Trade Claim | Defaulted | Brazil | 28.7% | Municipal claim |
| 2 | Specialty Packaging | Post-Reorg Equity | Post-Reorg | Luxembourg | 10.0% | Manufacturing Plant and Equipment |
| 3 | Financial Intermediaries | Secured Notes | Post-Reorg | US | 4.7% | Residential real estate |
| 4 | Specialty Packaging | Post-Reorg Equity | Post-Reorg | Luxembourg | 1.4% | Manufacturing/distribution/real estate |
| 5 | Building & Development | Secured Loan | Defaulted | US | 0.7% | Manufacturing Plant and equipment |
| 6 | Auto Components | Secured Loan | Post-Reorg | US | 0.2% | Cash & securities |
| 7 | Utilities | Secured Loan | Post-Reorg | US | 0.0% | Cash & securities |
| Total | | | | | 46% | |

Sector Breakdown³



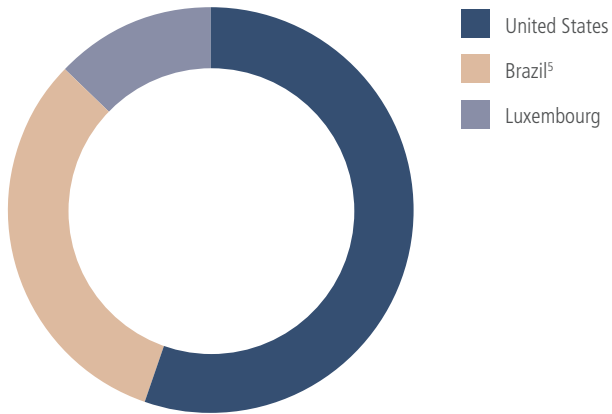
1 Ordinary Share Class holds seven investments by issuer.

2 As at 30 June collateral pledged is included in the Surface Transport Market Value.

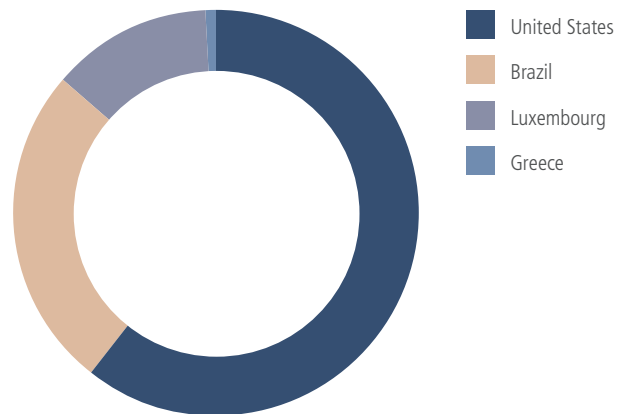
3 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bank Global Fund Services (Guernsey) Limited/U.S. Bank Global Fund Services (Ireland) Limited as Administrator / Sub-Administrator to the Company. Please note that irrespective of the "sector" in which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

Country Breakdown⁴

30 JUNE 2020



31 DECEMBER 2019



4 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2020 and 31 December 2019.

5 As at 30 June collateral pledged is included in the Brazil Market Value.

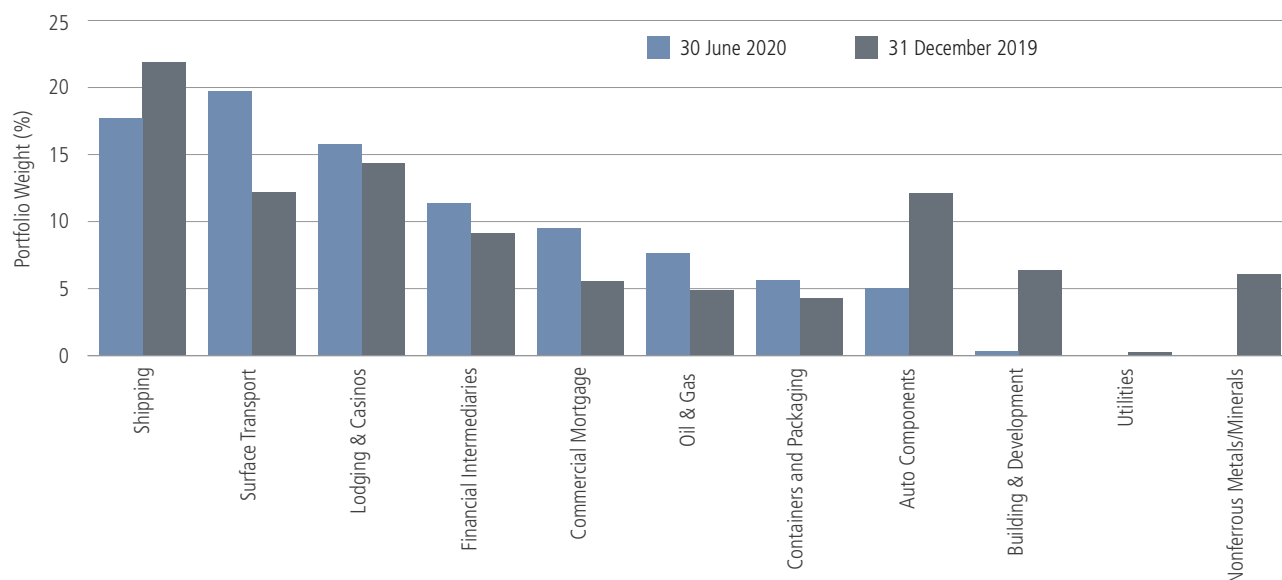
Portfolio Information (continued)

Extended Life Share Class

TOP 10 HOLDINGS AT 30 JUNE 2020

| HOLDING | SECTOR | PURCHASED INSTRUMENT | STATUS | COUNTRY | % OF NAV | PRIMARY ASSET |
|--------------|--------------------------------|---------------------------------|------------|------------------|------------|--------------------------------------|
| 1 | Shipping | Secured Loan/ Private Equity | Post-Reorg | Marshall Islands | 17% | Ships |
| 2 | Surface Transport ¹ | Trade Claim | Defaulted | Brazil | 11% | Municipal Claim |
| 3 | Financial Intermediaries | Secured Notes | Defaulted | US | 11% | Cash and Securities |
| 4 | Commercial Mortgage | Secured Loan | Defaulted | Netherlands | 9% | Commercial Real Estate |
| 5 | Lodging & Casinos | Secured Notes | Post-Reorg | US | 8% | Hotel/Lodging Real Estate and Casino |
| 6 | Oil & Gas | Post-Reorg Equity | Post-Reorg | US | 7% | Ethanol Plant |
| 7 | Surface Transport | Secured Loan | Defaulted | Spain | 7% | Concession |
| 8 | Lodging & Casinos | Secured Loan | Defaulted | US | 7% | Hotel/Lodging Real Estate and Casino |
| 9 | Auto Components | Secured Loan | Post-Reorg | US | 5% | Manufacturing Plant and Equipment |
| 10 | Specialty Packaging | Post-Reorg Equity | Post-Reorg | Luxembourg | 5% | Manufacturing Plant and Equipment |
| Total | | | | | 87% | |

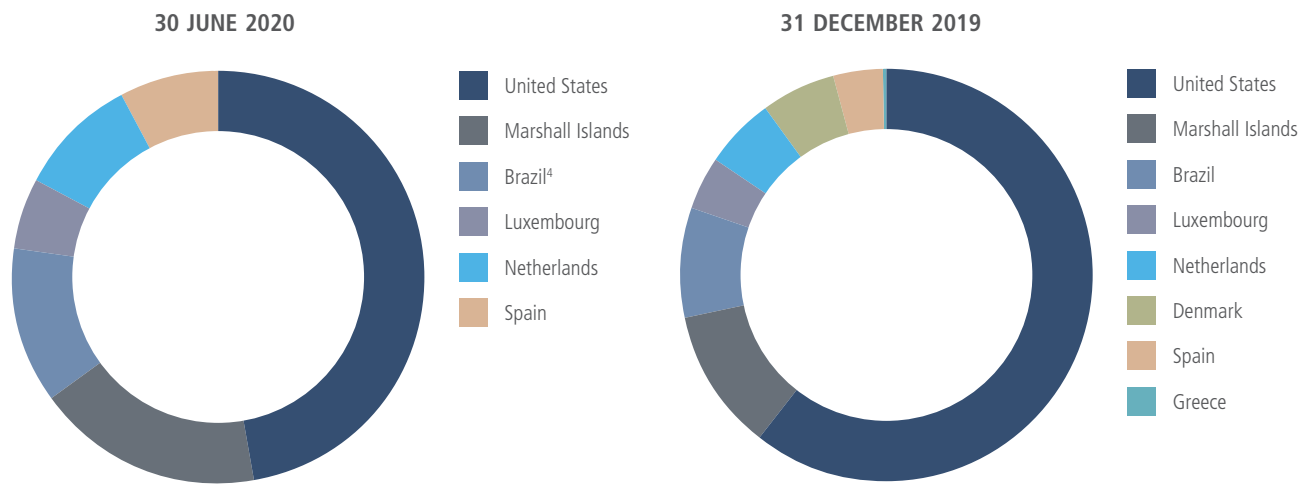
Sector Breakdown²



1 As at 30 June collateral pledged is included in the Surface Transport Market Value.

2 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.

Country Breakdown³



³ Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2020 and 31 December 2019.

⁴ As at 30 June collateral pledged is included in the Brazil Market Value.

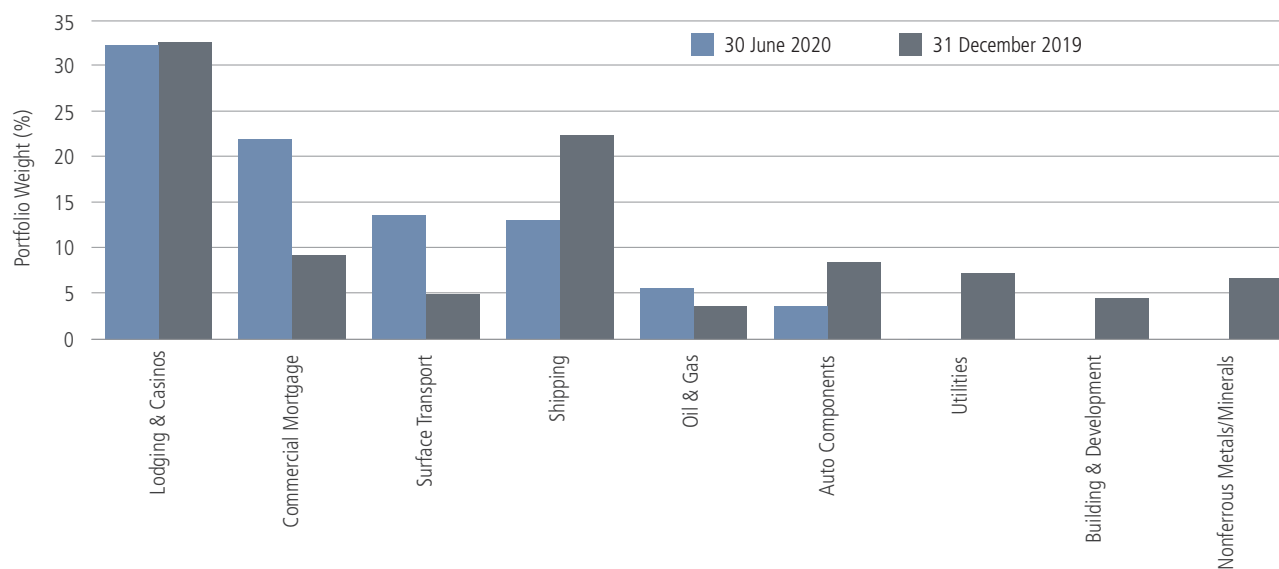
Portfolio Information (continued)

New Global Share Class

TOP 8¹ HOLDINGS AT 30 JUNE 2020

| HOLDING | SECTOR | PURCHASED INSTRUMENT | STATUS | COUNTRY | % OF NAV | PRIMARY ASSET |
|--------------|------------------------|---------------------------------|------------|------------------|------------|------------------------|
| 1 | Lodging & Casino | Secured Loan/ Private Equity | Current | Spain | 23% | Hotel/Casino |
| 2 | Commercial Mortgage | Secured Loan | Defaulted | Netherlands | 20% | Commercial Real Estate |
| 3 | Surface Transportation | Secured Loan | Defaulted | Spain | 13% | Legal Claim |
| 4 | Shipping | Secured Loan/ Private Equity | Post-Reorg | Marshall Islands | 12% | Ships |
| 5 | Lodging & Casino | Secured Notes | Defaulted | US | 7% | Hotel/Casino |
| 6 | Oil & Gas | Private Equity | Post-Reorg | US | 5% | Ethanol Plant |
| 7 | Auto Components | Secured Loan | Post-Reorg | US | 3% | Manufacturing Plant |
| 8 | Utilities | Private Claim | Post-Reorg | US | 0% | Power Plants |
| Total | | | | | 83% | |

Sector Breakdown²

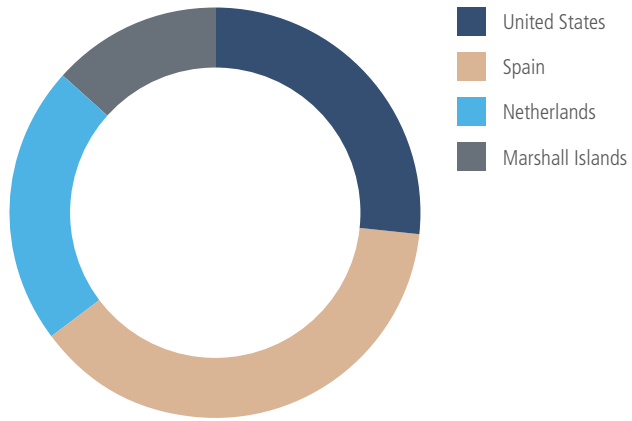


1 Global Share Class holds eight investments by issuer.

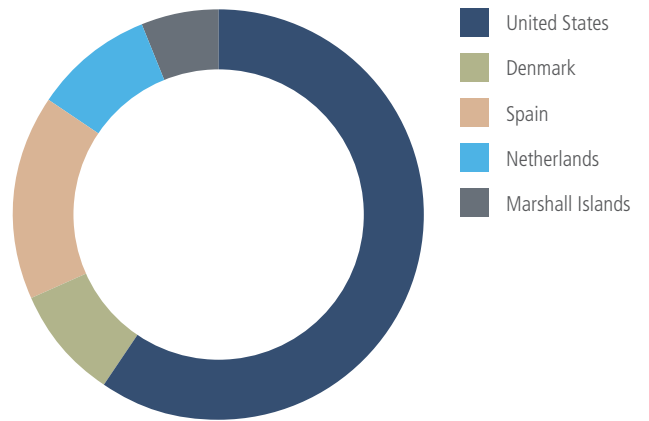
2 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bank Global Fund Services (Guernsey) Limited / U.S. Bank Global Fund Services (Ireland) Limited as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which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

Country Breakdown³

30 JUNE 2020



31 DECEMBER 2019



³ Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2020 and 31 December 2019.

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;
- principal 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 28 of the Company's latest annual report and audited financial statements for the year ended 31 December 2019, which can be found on the Company's website at www.nbddf.com/pdf/annual_report_nbddf_2019.pdf. The Board's view is that these risks remain appropriately identified for the remainder of 2020.

In addition to the Principal Risks, there remains uncertainty of the full and long term impacts of the global novel coronavirus ("COVID-19") pandemic. The Board considers downside risk to global growth and delay in global economic recovery and market liquidity arising from the COVID-19 pandemic could potentially result in a risk of the reduction in portfolio performance and delays to realisation of assets. The Investment Manager reviews the portfolio on a regular basis for impact of COVID-19 on underlying assets, performance etc. To manage this risk further, the Investment Manager reviews time to realisation quarterly to ensure balance between timing and value. In addition to its usual quarterly risk review, the Board will monitor the impact of the COVID-19 outbreak as the pandemic develops and further information becomes available.

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 2020. Additional related party disclosures are given in Note 6 on pages 51 to 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.

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 24.

By order of the Board

John Hallam

Chairman

26 August 2020

Christopher Legge

Director

26 August 2020

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”) in the half-yearly financial report for the six months ended 30 June 2020 of the Company and its subsidiaries (together the “Group”) which comprises the unaudited consolidated statement of assets and liabilities, unaudited consolidated statement of operations, unaudited consolidated statement of changes in net assets, unaudited consolidated statement of cash flows, unaudited consolidated condensed schedule of investments and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements for the period ended 30 June 2020 do not give a true and fair view of the financial position of the Company as at 30 June 2020 and of its financial performance and its cash flows for the six month period then ended in conformity with U.S. generally accepted accounting principles and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

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

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

Directors’ responsibilities

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

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

Our responsibility

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

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

This report is made solely to the Company in accordance with the terms of our engagement 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, Guernsey

26 August 2020

Unaudited Consolidated Statement of Assets and Liabilities

| (EXPRESSED IN US DOLLARS EXCEPT WHERE STATED OTHERWISE) | 30 JUNE 2020 (UNAUDITED) | 31 DECEMBER 2019 (AUDITED) |
|---|-----------------------------|-------------------------------|
| Assets | | |
| Investments at fair value (2020: cost of \$159,954,482; 2019: cost of \$248,770,370) | 84,414,417 | 192,864,208 |
| Forward currency contracts | 1,690,599 | – |
| Warrants (2020: cost of \$371,508; 2019: cost of \$752,955) | – | 153 |
| Cash and cash equivalents | 27,405,645 | 4,990,652 |
| Restricted Cash: | | |
| Money Market Fund | 390,793 | 819,074 |
| Total return Swap Collateral | 11,395,000 | – |
| | 125,296,454 | 198,674,087 |
| Other assets | | |
| Interest receivables | 1,340,075 | 707,187 |
| Receivables for investments sold | 1,325,088 | 895,182 |
| Other receivables and prepayments | 201,544 | 643,658 |
| Withholding tax receivable | 143,348 | – |
| Total assets | 128,306,509 | 200,920,114 |
| Liabilities | | |
| Credit default swap (2020: cost of \$99,945; 2019: cost of \$99,945) | 16,370 | 77,983 |
| Total return swap (2020: cost of \$Nil) | 1,689,548 | – |
| Forward currency contracts | 1,224,039 | 890,781 |
| Accrued expenses and other liabilities | 300,247 | 406,717 |
| Redemption payable | 23,457,699 | – |
| Payables to Investment Manager and affiliates | 139,176 | 493,060 |
| Total liabilities | 26,827,079 | 1,868,541 |
| Net assets | 101,479,430 | 199,051,573 |
| Net assets attributable to Ordinary Shares (shares 2020: 15,382,770; 2019: 15,382,770) | 10,530,249 | 13,976,415 |
| Net asset value per Ordinary Share | 0.6845 | 0.9086 |
| Net assets attributable to Extended Life Shares (shares 2020: 82,495,074; 2019: 114,146,794) | 58,461,923 | 105,771,674 |
| Net asset value per Extended Life Share | 0.7087 | 0.9266 |
| Net assets attributable to New Global Shares (shares 2020: 42,929,950; 2019: 71,787,915) | £26,294,504 | £59,862,782 |
| Net asset value per New Global Share | £0.6125 | £0.8339 |
| Net assets attributable to New Global Shares (USD equivalent) | 32,487,258 | 79,303,484 |
| Net asset value per New Global Share (USD equivalent) | 0.7568 | 1.1047 |

The Financial Statements were approved and authorised for issue by the Board of Directors on 26 August 2020, and signed on its behalf by:

John Hallam
Chairman

Christopher Legge
Director

The accompanying notes on pages 37 to 54 are an integral part of the Interim Financial Statements.

Unaudited Consolidated Statement of Operations

| (EXPRESSED IN US DOLLARS) | 30 JUNE 2020 (UNAUDITED) | 30 JUNE 2019 (UNAUDITED) |
|--|-----------------------------|-----------------------------|
| Income | | |
| Interest income | 2,359,532 | 3,770,658 |
| Dividend income net of withholding tax (2020: \$Nil; 2019: \$Nil) | 197,103 | 252,474 |
| | 2,556,635 | 4,023,132 |
| Expenses | | |
| Investment management fee | 1,183,176 | 1,873,729 |
| Professional and other expenses | 510,222 | 571,981 |
| Administration fee | 75,824 | 115,761 |
| Loan administration and custody fees | 21,177 | 112,216 |
| Directors' fees and expenses | 97,466 | 127,029 |
| | 1,887,865 | 2,800,716 |
| Net investment income | 668,770 | 1,222,416 |
| Realised and unrealised loss from investments and foreign exchange | | |
| Net realised loss on investments, credit default swap, warrants, total return swap and forward currency transactions | (31,783,615) | (2,565,444) |
| Net change in unrealised loss on investments, credit default swap, warrants, total return swap and forward currency transactions | (19,507,965) | (2,120,343) |
| Income taxes from net realised/unrealised (loss)/gain on investments | – | 315,071 |
| Realised and unrealised loss from investments and foreign exchange | (51,291,580) | (4,370,716) |
| Net decrease in net assets resulting from operations | (50,622,810) | (3,148,300) |

The accompanying notes on pages 37 to 54 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 2020 (UNAUDITED) (EXPRESSED IN US DOLLARS) | 30 JUNE 2020 ORDINARY SHARES | 30 JUNE 2020 EXTENDED LIFE SHARES | 30 JUNE 2020 NEW GLOBAL SHARES | 30 JUNE 2020 AGGREGATED |
|--|---|--|---|------------------------------------|
| Net assets at the beginning of the period | 13,976,415 | 105,771,674 | 79,303,484 | 199,051,573 |
| Net investment (loss)/income | (53,929) | 570,576 | 152,123 | 668,770 |
| Net realised loss on investments, credit default swap, warrants, total return swap and forward currency transactions | (1,425,243) | (12,427,388) | (17,930,984) | (31,783,615) |
| Net change in unrealised loss on investments, credit default swap, warrants, total return swap and forward currency transactions | (1,966,994) | (11,499,968) | (6,041,003) | (19,507,965) |
| Income taxes from net realised/unrealised loss on investments | – | – | – | – |
| Net cost of share buybacks | – | (982,793) | (894,202) | (1,876,995) |
| Shares redeemed during the period | – | (22,970,178) | (22,102,160) | (45,072,338) |
| Net assets at the end of the period | 10,530,249 | 58,461,923 | 32,487,258 | 101,479,430 |
| 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)/income | (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 |

The accompanying notes on pages 37 to 54 are an integral part of the Interim Financial Statements.

Unaudited Consolidated Statement of Cash Flows

| FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020 AND 30 JUNE 2019 (EXPRESSED IN US DOLLARS) | 30 JUNE 2020 (UNAUDITED) | 30 JUNE 2019 (UNAUDITED) |
|--|-----------------------------|-----------------------------|
| Cash flows from operating activities: | | |
| Net decrease in net assets resulting from operations | (50,622,810) | (3,148,300) |
| <i>Adjustment to reconcile net decrease in net assets resulting from operations to net cash flow provided by operations:</i> | | |
| Net realised loss on investments, credit default swap, warrants, total return swap and forward currency transactions | 31,783,615 | 2,565,444 |
| Net change in unrealised gain on investments, credit default swap, warrants, total return swap and forward currency transactions | 19,507,965 | 2,120,343 |
| Accretion of discount on loans and bonds | 21,780 | (298,350) |
| Changes in interest receivable | (632,888) | (423,542) |
| Changes in receivables for investments sold | (429,906) | 22,305 |
| Changes in other receivables and prepayments | 442,114 | 3,044 |
| Changes in deferred tax asset | (143,348) | 2,818,467 |
| Changes in deferred tax liability | – | (355,057) |
| Changes in payables, accrued expenses and other liabilities | (460,354) | 255,923 |
| Cash received on settled forward currency contracts and spot currency contracts | 2,351,563 | 972,266 |
| Purchase of investments | (2,629,750) | (3,606,497) |
| Sale of investments | 64,961,134 | 42,520,216 |
| Purchase of short term investments | (44,506,881) | – |
| Sale of short term investments | 37,351,466 | – |
| Net cash provided by operating activities | 56,993,700 | 43,446,262 |
| Cash flows from financing activities: | | |
| Cost of share buybacks | (1,876,995) | (1,226,842) |
| Shares redeemed during the period | (21,614,639) | (36,519,584) |
| Net cash used in financing activities | (23,491,634) | (37,746,426) |
| Net increase in cash, cash equivalents and restricted cash | 33,502,066 | 5,699,836 |
| Cash and cash equivalents at the beginning of the period | 4,990,652 | 7,596,274 |
| Restricted cash at the beginning of the year | 819,074 | – |
| Effect of exchange rate changes on cash and cash equivalents | (120,354) | (10,636) |
| Cash and cash equivalents at the end of the period | 27,405,645 | 12,572,424 |
| Restricted cash at the end of the year | 11,785,793 | 713,050 |

The accompanying notes on pages 37 to 54 are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by financial instrument)

| AT 30 JUNE 2020 (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 | 64,950,484 | 42,737,531 | 0.71 | 38.97 | 61.19 | 42.11 |
| Private Equity | 39,027,593 | 12,653,882 | 11.44 | 13.22 | 11.45 | 12.47 |
| Private Note | 44,600,790 | 17,591,257 | 4.96 | 23.33 | 10.56 | 17.33 |
| Temporary Investments | | | | | | |
| US Treasury Bills | 11,375,615 | 11,431,747 | 43.89 | 6.75 | 8.82 | 11.27 |
| Total Investments | 159,954,482 | 84,414,417 | 61.00 | 82.27 | 92.02 | 83.18 |
| Ordinary Shares | 12,798,292 | 6,422,974 | 61.00 | – | – | 6.33 |
| Extended Life Shares | 98,888,393 | 48,095,743 | – | 82.27 | – | 47.39 |
| New Global Shares | 48,267,797 | 29,895,700 | – | – | 92.02 | 29.46 |
| | 159,954,482 | 84,414,417 | 61.00 | 82.27 | 92.02 | 83.18 |
| Credit Default Swap | | | | | | |
| Ordinary Shares | (28,318) | (4,638) | (0.04) | – | – | – |
| Extended Life Shares | (71,627) | (11,732) | – | (0.02) | – | (0.01) |
| | (99,945) | (16,370) | (0.04) | (0.02) | – | (0.01) |
| Forward Currency Contracts | | | | | | |
| Assets | | | | | | |
| Ordinary Shares | – | 405,566 | 3.85 | – | – | 0.40 |
| Extended Life Shares | – | 1,285,033 | – | 2.20 | – | 1.27 |
| | – | 1,690,599 | 3.85 | 2.20 | – | 1.67 |
| Liabilities | | | | | | |
| Ordinary Shares | – | (269,748) | (2.56) | – | – | (0.27) |
| Extended Life Shares | – | (954,291) | – | (1.63) | – | (0.94) |
| | – | (1,224,039) | (2.56) | (1.63) | – | (1.21) |
| Total Return Swap² | | | | | | |
| Ordinary Shares | – | (471,781) | (4.48) | – | – | (0.46) |
| Extended Life Shares | – | (1,217,767) | – | (2.09) | – | (1.20) |
| | – | (1,689,548) | (4.48) | (2.09) | – | (1.66) |
| Warrants | | | | | | |
| Extended Life Shares | 206,269 | – | – | – | – | – |
| New Global Shares | 165,239 | – | – | – | – | – |
| | 371,508 | – | – | – | – | – |

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 held as per the 2019 comparative has been structured into a fully funded Total Return Swap with a major US financial institution. See Note 3 on page 45.

The accompanying notes on pages 37 to 54 are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by financial instrument) (continued)

| AT 31 DECEMBER 2019 (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 | 63,993,341 | 44,839,681 | 0.54 | 23.20 | 25.50 | 22.53 |
| Private Equity | 60,966,636 | 39,031,269 | 21.17 | 19.57 | 19.39 | 19.61 |
| Private Note | 44,371,898 | 28,347,559 | 6.30 | 20.81 | 6.88 | 14.24 |
| Public Equity | 62,363,549 | 64,453,075 | 33.83 | 22.64 | 45.11 | 32.38 |
| Trade Claim ² | 13,032,089 | 12,149,475 | 24.31 | 8.27 | – | 6.10 |
| Temporary Investments | | | | | | |
| US Treasury Bills | 4,042,857 | 4,043,149 | 8.22 | 2.74 | – | 2.03 |
| Total Investments | 248,770,370 | 192,864,208 | 94.37 | 97.23 | 96.88 | 96.89 |
| Ordinary Shares | 17,758,457 | 13,188,939 | 94.37 | – | – | 6.63 |
| Extended Life Shares | 141,969,927 | 102,843,628 | – | 97.23 | – | 51.66 |
| New Global Shares | 89,041,986 | 76,831,641 | – | – | 96.88 | 38.60 |
| | 248,770,370 | 192,864,208 | 94.37 | 97.23 | 96.88 | 96.89 |
| Credit Default Swap | | | | | | |
| Ordinary Shares | (28,318) | (22,095) | (0.16) | – | – | (0.01) |
| Extended Life Shares | (71,627) | (55,888) | – | (0.05) | – | (0.03) |
| | (99,945) | (77,983) | (0.16) | (0.05) | – | (0.04) |
| Forward Currency Contracts | | | | | | |
| Assets | | | | | | |
| Ordinary Shares | – | 121,184 | 0.87 | – | – | 0.06 |
| Extended Life Shares | – | 335,899 | – | 0.32 | – | 0.17 |
| | – | 457,083 | 0.87 | 0.32 | – | 0.23 |
| Liabilities | | | | | | |
| Ordinary Shares | – | (280,190) | (2.00) | – | – | (0.14) |
| Extended Life Shares | – | (1,067,674) | – | (1.01) | – | (0.54) |
| | – | (1,347,864) | (2.00) | (1.01) | – | (0.68) |
| Warrants | | | | | | |
| Extended Life Shares | 478,733 | 109 | – | – | – | – |
| New Global Shares | 274,222 | 44 | – | – | – | – |
| | 752,955 | 153 | – | – | – | – |

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 on pages 37 to 54 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 2020 (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 | | | | | | | | | |
| Dumas Shipping TL A | Marshall Islands | Shipping | 2,120,719 | 2,120,719 | 1,378,468 | – | 1.68 | 1.22 | 1.36 |
| Dumas Shipping TL B | Marshall Islands | Shipping | 17,886,272 | 17,558,117 | 11,626,077 | – | 14.18 | 10.27 | 11.46 |
| AB Zwolle T/L EUR 01/06/2020 | Netherlands | Commercial Mortgage | 18,526,730 | 13,646,548 | 11,787,900 | – | 8.94 | 20.20 | 11.62 |
| US Treasury N/B 1.500% 02/15/30 | United States | United States | 9,650,000 | 10,376,253 | 10,431,801 | 34.39 | 6.75 | 8.82 | 10.28 |
| Buffalo Thunder Dev Auth 11.000% 12/09/22 SR: Regs | United States | Lodging & Casinos | 14,001,965 | 11,641,233 | 7,000,982 | – | 7.99 | 7.18 | 6.90 |
| Hotel Puerta America (Equity) | Spain | Lodging & Casinos | 934 | 3,013,332 | 1,850,423 | – | – | 5.70 | 1.82 |
| Hotel Puerta America Pik Addon EUR | Spain | Lodging & Casinos | 1,384,196 | 1,488,764 | 1,554,660 | – | – | 4.79 | 1.53 |
| Hotel Puerta America Pik TL EUR | Spain | Lodging & Casinos | 3,506,761 | 3,793,212 | 3,938,619 | – | – | 12.12 | 3.88 |
| TP Ferro Concesionaria TL 1L 31/03/2016 | Spain | Surface Transport | 18,787,735 | 18,531,522 | 6,330,433 | – | 5.43 | 9.71 | 6.24 |
| TP Ferro Concesionaria TP Ferro 1L TL-B EUR (First-Lien) EUR | Spain | Surface Transport | 253,557 | 291,509 | 284,783 | – | 0.24 | 0.44 | 0.28 |
| TP Ferro Concesionaria TP Ferro 1L TL-C (First-Lien) | Spain | Surface Transport | 109,686 | 109,686 | 109,686 | – | 0.09 | 0.17 | 0.11 |
| TP Ferro Concesionaria TP Ferro TL-A (First-Lien) | Spain | Surface Transport | 1,259,335 | 1,259,335 | 1,259,335 | – | 1.08 | 1.94 | 1.24 |
| ACA Fin Guaranty Corp 12-31/12/2019 Frn | United States | Financial Intermediaries | 69,599,357 | 11,086,183 | 3,479,968 | 4.72 | 5.10 | – | 3.43 |
| ACA Fin Gur Sur Non Vt 12-31/12/2019 Frn | United States | Financial Intermediaries | 64,723,682 | 10,274,884 | 3,236,184 | – | 5.54 | – | 3.20 |
| White Energy Holding Company LLC (Equity) | United States | Oil & Gas | 367 | 9,174,989 | 5,872,000 | – | 7.17 | 5.17 | 5.79 |
| | | | 114,366,286 | 70,141,319 | | 39.11 | 64.19 | 87.71 | 69.14 |

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 on pages 37 to 54 are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (continued)

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

| 31 DECEMBER 2019 (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 | | | | | | | | | | |
| Twin Rivers Worldwide Holdings | United States | Lodging & Casinos | 793,386 | 6,349,931 | 20,318,615 | – | 5.76 | 17.94 | 10.21 | |
| Dumas Shipping TL B | Marshall Islands | Shipping | 17,232,859 | 16,788,999 | 13,596,726 | – | 9.17 | 4.92 | 6.83 | |
| Dumas Shipping TL A | Marshall Islands | Shipping | 2,043,246 | 2,043,246 | 1,612,121 | – | 1.09 | 0.58 | 0.81 | |
| Torm plc | Denmark | Shipping | 1,169,202 | 14,207,442 | 13,049,678 | – | 5.80 | 8.73 | 6.56 | |
| AB Zwolle T/L EUR 01/06/2020 | Netherlands | Commercial Mortgage | 18,526,730 | 13,646,548 | 12,810,493 | – | 5.37 | 8.99 | 6.44 | |
| Five Point Holdings LLC-CL A | United States | Building & Development | 1,720,599 | 23,945,425 | 11,975,369 | 15.46 | 6.03 | 4.34 | 6.02 | |
| Aleris International Inc | United States | Nonferrous Metals/Minerals | 589,611 | 20,100,668 | 11,202,609 | – | 5.82 | 6.35 | 5.63 | |
| Tratex III | Brazil | Surface Transport | 9 | 12,015,693 | 11,092,750 | 22.18 | 7.56 | – | 5.57 | |
| Eagle Bulk Shipping Inc | United States | Shipping | 2,303,182 | 7,582,125 | 10,571,605 | 1.32 | 4.42 | 7.20 | 5.31 | |
| Exide Technologies 11.000% 10/31/24 SR:REGs | United States | Auto Components | 2,810,467 | 2,505,671 | 2,388,897 | 0.11 | 1.60 | 0.85 | 1.20 | |
| Exide Technologies 11.000% 10/31/24 SR:REGs | United States | Auto Components | 6,778,720 | 6,043,543 | 6,100,848 | 0.28 | 4.09 | 2.18 | 3.05 | |
| Exide Private Common | United States | Auto Components | 4,913,258 | 8,210,824 | 8,598,201 | 7.73 | 4.08 | 4.04 | 4.32 | |
| Exide Technologies Common Stock Escrow | United States | Auto Components | 23,389,000 | – | 2 | – | – | – | – | |
| | | | | 133,440,115 | 123,317,914 | 47.08 | 60.79 | 66.13 | 61.95 | |

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 on pages 37 to 54 are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by geography)

| AT 30 JUNE 2020 (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 | | | | | | |
| Luxembourg | 1,893,980 | 4,297,745 | 11.41 | 5.30 | – | 4.24 |
| Marshall Islands | 20,682,639 | 13,610,037 | – | 16.60 | 12.02 | 13.41 |
| Netherlands | 13,646,548 | 11,787,900 | – | 8.94 | 20.20 | 11.62 |
| Spain | 28,710,672 | 15,551,250 | – | 7.04 | 35.19 | 15.32 |
| United States | 83,645,029 | 27,735,738 | 5.70 | 37.64 | 15.79 | 27.32 |
| Temporary Investments | | | | | | |
| United States | 11,375,614 | 11,431,747 | 43.89 | 6.75 | 8.82 | 11.27 |
| | 159,954,482 | 84,414,417 | 61.00 | 82.27 | 92.02 | 83.18 |

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) (continued)

| AT 31 DECEMBER 2019 (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 | 12,149,474 | 24.31 | 8.27 | – | 6.10 |
| Denmark | 14,207,442 | 13,049,678 | – | 5.80 | 8.73 | 6.56 |
| Greece | 357,242 | 293,876 | 0.59 | 0.20 | – | 0.15 |
| Luxembourg | 1,893,981 | 6,115,253 | 12.23 | 4.17 | – | 3.07 |
| Marshall Islands | 19,836,048 | 16,144,863 | – | 10.88 | 5.84 | 8.11 |
| Netherlands | 13,646,548 | 12,810,493 | – | 5.37 | 8.99 | 6.44 |
| Spain | 26,822,155 | 16,158,401 | – | 3.59 | 15.58 | 8.12 |
| United States | 154,932,009 | 112,099,021 | 49.02 | 56.21 | 57.74 | 56.31 |
| Temporary Investments | | | | | | |
| United States | 4,042,856 | 4,043,149 | 8.22 | 2.74 | – | 2.03 |
| | 248,770,370 | 192,864,208 | 94.37 | 97.23 | 96.88 | 96.89 |

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 on pages 37 to 54 are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by sector)

| AT 30 JUNE 2020 (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 | | | | | | |
| Auto Components | 20,059,797 | 3,874,127 | 0.24 | 4.70 | 3.38 | 3.82 |
| Building & Development | 1,934,272 | 269,330 | 0.71 | 0.33 | – | 0.27 |
| Commercial Mortgage | 13,646,548 | 11,787,900 | – | 8.94 | 20.20 | 11.62 |
| Containers and Packaging | 1,893,981 | 4,297,744 | 11.41 | 5.30 | – | 4.24 |
| Financial Intermediaries | 21,361,067 | 6,716,151 | 4.72 | 10.64 | – | 6.62 |
| Lodging & Casinos | 23,930,029 | 18,319,613 | – | 14.78 | 29.78 | 18.02 |
| Oil & Gas | 9,174,989 | 5,872,000 | – | 7.18 | 5.17 | 5.79 |
| Shipping | 20,682,639 | 13,610,037 | – | 16.60 | 12.02 | 13.41 |
| Surface Transport | 20,415,364 | 8,207,549 | – | 7.04 | 12.60 | 8.09 |
| Utilities | 15,480,182 | 28,219 | 0.03 | 0.01 | 0.05 | 0.03 |
| Temporary Investments | | | | | | |
| United States | 11,375,614 | 11,431,747 | 43.89 | 6.75 | 8.82 | 11.27 |
| | 159,954,482 | 84,414,417 | 61.00 | 82.27 | 92.02 | 83.18 |

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 on pages 37 to 54 are an integral part of the Interim Financial Statements.

Unaudited Consolidated Condensed Schedule of Investments (by sector) (continued)

| AT 31 DECEMBER 2019 (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 | 21,125,365 | 20,189,585 | 8.38 | 11.81 | 8.23 | 10.14 |
| Building & Development | 25,882,044 | 12,245,025 | 16.00 | 6.21 | 4.34 | 6.15 |
| Commercial Mortgage | 13,646,548 | 12,810,493 | – | 5.37 | 8.99 | 6.44 |
| Containers and Packaging | 1,893,980 | 6,115,253 | 12.23 | 4.17 | – | 3.07 |
| Financial Intermediaries | 21,009,992 | 10,122,906 | 5.37 | 8.86 | – | 5.09 |
| Lodging & Casinos | 28,850,186 | 39,919,106 | – | 13.97 | 31.70 | 20.05 |
| Nonferrous Metals/Minerals | 20,303,171 | 11,435,364 | – | 5.94 | 6.49 | 5.74 |
| Oil & Gas | 14,717,311 | 7,813,912 | – | 4.71 | 3.56 | 3.93 |
| Shipping | 41,982,857 | 40,060,022 | 1.91 | 21.30 | 21.77 | 20.13 |
| Surface Transport | 33,035,557 | 19,729,734 | 24.30 | 11.88 | 4.77 | 9.91 |
| Utilities | 22,259,980 | 8,375,580 | 17.96 | 0.27 | 7.03 | 4.21 |
| Temporary Investments | | | | | | |
| United States | 4,042,856 | 4,043,149 | 8.22 | 2.74 | – | 2.03 |
| | 248,770,370 | 192,864,208 | 94.37 | 97.23 | 96.88 | 96.89 |

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 on pages 37 to 54 are an integral part of the Interim Financial Statements.

Notes to the Unaudited Consolidated Interim Financial Statements

NOTE 1 – ORGANISATION AND DESCRIPTION OF BUSINESS

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

The Company's objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic stressed, distressed and special situation credit-related investments while seeking to limit downside risk by, amongst other things, focusing on senior and senior secured debt with both collateral and structural protection.

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

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

In August 2018, Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Update ("ASU") 2018-13, Fair Value Measurement (Accounting Standards Codification ("ASC") 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The Company has adopted ASU 2018-13 for the interim period. The adoption resulted in the removal of Level 1 and Level 2 transfer disclosures.

(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, total return swap and forward currency transactions in the Unaudited Consolidated Interim Statement of Operations.

The Board recognises that the Portfolios are now in their harvest periods. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the twelve months from the date these accounts are signed and the foreseeable future. Thus, they continue to prepare the Financial Statements in accordance with U.S. generally accepted accounting principles, as liquidation is not imminent.

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 Wabash LLC, London Jackson Holdco 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 (as mentioned in detail on note 2 (f) below) 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 2020, the Company has cash balances in various currencies equating to \$39,191,438 (Cost: \$39,242,835) (31 December 2019: \$5,809,726). These balances consisted of Pound Sterling: \$520,878 (31 December 2019: \$301,217), Euro: \$639,650 (31 December 2019: \$2,368,477), US Dollar: \$38,008,375 (31 December 2019: \$3,117,024), and Australian Dollar: \$22,535 (31 December 2019: \$23,008).

(d) Payables/Receivables on Investments Purchased/Sold

At 30 June 2020, 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, total return swap 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 2020 and 31 December 2019 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 43.
- 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.
- Total Return Swaps are priced using Mark to market prices provided by a third party broker.

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

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.

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 2020 (UNAUDITED)

| (EXPRESSED IN US DOLLARS) | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|-------------------|-------------------|-------------------|-------------------|
| Bank Debt Investments | – | 10,305,364 | 32,432,167 | 42,737,531 |
| Private Equity | – | 28,220 | 12,625,662 | 12,653,882 |
| Private Note | – | 13,717,134 | 3,874,123 | 17,591,257 |
| US Treasury Bills | 11,431,747 | – | – | 11,431,747 |
| Investments at fair value | 11,431,747 | 24,050,718 | 48,931,952 | 84,414,417 |
| Credit Default Swap | – | (16,370) | – | (16,370) |
| Total Return Swap | – | (1,689,548) | – | (1,689,548) |
| Forward Currency Contracts | – | 466,560 | – | 466,560 |
| Total investments that are accounted for at fair value | 11,431,747 | 22,811,360 | 48,931,952 | 83,175,059 |

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2019 (AUDITED)

| (EXPRESSED IN US DOLLARS) | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|-------------------|-------------------|-------------------|--------------------|
| Bank Debt Investments | – | 11,102,474 | 33,737,207 | 44,839,681 |
| Private Equity | – | 11,690,747 | 27,340,522 | 39,031,269 |
| Private Note | – | 17,123,888 | 11,223,671 | 28,347,559 |
| Public Equity | 64,453,075 | – | – | 64,453,075 |
| Trade Claim | – | – | 12,149,475 | 12,149,475 |
| US Treasury Bills | 4,043,149 | – | – | 4,043,149 |
| Investments at fair value | 68,496,224 | 39,917,109 | 84,450,875 | 192,864,208 |
| Warrants | – | 153 | – | 153 |
| Credit Default Swap | – | (77,983) | – | (77,983) |
| Forward Currency Contracts | – | (890,781) | – | (890,781) |
| Total investments that are accounted for at fair value | 68,496,224 | 38,948,498 | 84,450,875 | 191,895,597 |

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 2020. 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 |
|-----------------------|--------------------------|-------------------|-----------------------------|---------------------------------|---------------------------|
| Bank Debt Investments | Building & Development | 269,329 | Market Information | Unadjusted Broker Quote | N/A |
| Bank Debt Investments | Commercial Mortgage | 11,787,900 | Market Comparatives | Discount Rate | 10% |
| Bank Debt Investments | Lodging & Casinos | 5,493,278 | Market Comparatives | EBITDA Multiple | 7x |
| Bank Debt Investments | Shipping | 13,004,543 | Market Information | Value Per Vessel | \$7.75 million per vessel |
| Bank Debt Investments | Surface Transport | 1,877,116 | Market Information | Unadjusted Broker Quote | N/A |
| Private Equity | Auto Components | 3 | Market Comparatives | EBITDA Multiple | 6-7x |
| Private Equity | Containers and Packaging | 4,297,744 | Market Comparatives | EBITDA Multiple | 8.75x |
| Private Equity | Lodging & Casinos | 1,850,423 | Market Comparatives | EBITDA Multiple | 7x |
| Private Equity | Oil & Gas | 5,872,000 | Market Information | Unadjusted Broker Quote | N/A |
| Private Equity | Shipping | 605,493 | Market Information | Value Per Vessel | \$7.75 million per vessel |
| Private Note | Auto Components | 3,874,123 | Market Comparatives | EBITDA Multiple | 7x |
| Total | | 48,931,952 | | | |

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 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 |
|-----------------------|--------------------------|-------------------|-----------------------------|------------------------------------|------------------------|
| Bank Debt Investments | Building & Development | 269,656 | Market Information | Unadjusted Broker Quote | N/A |
| Bank Debt Investments | Commercial Mortgage | 12,810,493 | Market Comparatives | Discount Rate | 10% |
| Bank Debt Investments | Lodging & Casinos | 3,983,830 | Market Comparatives | EBITDA Multiple | 13-14x |
| Bank Debt Investments | Shipping | 15,208,846 | Market Information | Value Per Vessel | \$9 million per vessel |
| Bank Debt Investments | Surface Transport | 1,464,382 | Market Information | Unadjusted Broker Quote | N/A |
| Private Equity | Air Transport | 4,079 | Market Information | Residual Value/ Cash Receivable | N/A |
| Private Equity | Auto Components | 9,181,463 | Market Information | EBITDA Multiple | 6-7x |
| Private Equity | Containers and Packaging | 6,115,253 | Market Comparatives | EBITDA Multiple | 10x |
| Private Equity | Lodging & Casinos | 4,594,312 | Market Comparatives | EBITDA Multiple | 13-14x |
| Private Equity | Oil & Gas | 6,509,399 | Market Information | Unadjusted Broker Quote | N/A |
| Private Equity | Shipping | 936,016 | Market Information | Value Per Vessel | \$9 million per vessel |
| Private Note | Auto Components | 11,008,124 | Market Information | EBITDA Multiple | 6-7x |
| Private Note | Utilities | 215,547 | Market Information | Unadjusted Broker Quote | N/A |
| Trade Claim | Surface Transport | 12,149,475 | Market Information | Unadjusted Broker Quote | N/A |
| Total | | 84,450,875 | | | |

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 2020 and 31 December 2019 are outlined in the tables above.

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

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.

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:

| | BANK DEBT | | | | TOTAL |
|---|--------------------|---------------------|-------------------|--------------------|---------------------|
| | INVESTMENTS | PRIVATE EQUITY | TRADE CLAIM | PRIVATE NOTE | |
| FOR THE PERIOD ENDED | | | | | |
| 30 JUNE 2020 (UNAUDITED) | | | | | |
| (EXPRESSED IN US DOLLARS) | | | | | |
| Balance, 31 December 2019 | 33,737,207 | 27,340,522 | 12,149,475 | 11,223,671 | 84,450,875 |
| Purchases | 2,619,404 | – | – | 10,346 | 2,629,750 |
| Sales and distributions | (32,662) | (563,490) | (10,963,563) | – | (11,559,715) |
| Realised gain/(loss) on sale of investments | 30,315 | (881,071) | (2,068,527) | – | (2,919,283) |
| Unrealised (loss)/gain on investments | (3,922,097) | (13,270,299) | 882,615 | (7,359,894) | (23,669,675) |
| Transfers from level 2 into Level 3 | – | – | – | – | – |
| Balance, 30 June 2020 | 32,432,167 | 12,625,662 | – | 3,874,123 | 48,931,952 |
| Change in unrealised (loss)/gain on investments included in Unaudited Consolidated | | | | | |
| Statement of Operation for Level 3 investments held as of 30 June 2020 | (3,922,094) | (13,270,302) | 882,614 | (7,359,895) | (23,669,677) |

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 | BANK DEBT | PRIVATE EQUITY | TRADE CLAIM | WARRANTS | PRIVATE NOTE | TOTAL |
|--|-------------------|-----------------------|--------------------|------------------|---------------------|--------------------|
| 31 DECEMBER 2019 (AUDITED) | | | | | | |
| (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 | 1,957,203 | 7,341,874 | – | – | 4,254,321 | 13,553,398 |
| Sales and distributions | (2,818,093) | (38,966,767) | – | – | (7,517,824) | (49,302,684) |
| Realised loss on sale of investments | (22,089,132) | (202,957) | – | – | (13,285,081) | (35,577,170) |
| Unrealised gain/(loss) on investments | 18,485,869 | (1,023,154) | 68,159 | (199,745) | 4,946,900 | 22,278,029 |
| Transfers from level 2 into Level 3 | – | 14,680,000 | – | – | 15,768,574 | 30,448,574 |
| Balance, 31 December 2019 | 33,737,207 | 27,340,522 | 12,149,475 | – | 11,223,671 | 84,450,875 |
| Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2019 | 18,485,869 | (1,023,166) | 68,159 | (199,745) | 4,759,549 | 22,090,666 |

The Company's policy is to recognise transfers into and out of Level 3 as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company had three transfers out of Level 2 into Level 3 of fair value amounting to \$30,448,574 as prices were unobservable.

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 2020, (\$21,780) (30 June 2019: \$298,350) 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 swaps, total return swaps 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 total return swap is valued using a mark to market prices provided by a third party broker.

The Company to date also holds two warrants (2019: 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 2020 or 31 December 2019. The Company is subject to examination for US Federal and state tax returns for calendar years 2017–2020.

During the period ended 30 June 2020, the Company recorded current income tax benefit/expense \$ Nil (31 December 2019 income tax expense: \$134,860). 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 deferred tax benefit recorded for the period ended 30 June 2020 was \$ Nil (31 December 2019 deferred tax benefit: \$355,057). The net total income tax benefit/expense from realised/unrealised gains/(losses) on investments for the period ended 30 June 2020 was \$Nil (31 December 2019 income tax benefit: \$220,197).

NOTE 3 – DERIVATIVES

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

Forward Contracts

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

NOTE 3 – DERIVATIVES (continued)**Credit Default Swap**

The Company uses credit default swap agreements on corporate or sovereign issues to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a Company owns or has exposure to the referenced obligation) from time to time.

There was one credit default swap position (Brazilian Government) held at 30 June 2020 (31 December 2019: one).

Total Return Swap

The Company entered into two fully funded total return swaps on 2 May 2011 and 18 April 2012. These swaps matured on 25 February 2020 and rolled over into a new swap agreement. New ISDA regulations enacted in 2019 require booking the total return swaps with cash collateral maintained vs fully funded swaps.

As at 31 December 2019 the net value of the swaps was \$12,149,475. As of 30 June 2020 the net value of the swap and related cash collateral was \$9,705,452 (comprised of restricted cash collateral of \$11,395,000 and Total Return Swap liability of \$(1,689,548), as reflected in the unaudited interim consolidated balance sheet. From the year end until the maturity date of 25 February 2020, there was a decline in the fair value of the swaps of \$1,185,912 which is included in "Net realised loss on investments, credit default swap, warrants, total return swap and forward currency transactions" on pages 26 to 28. Of this amount, \$1,434,274 was an unrealised loss relating to the change in foreign exchange rates during that period which was partially offset by a change in the fair value of the position. When the new swap was booked, cash collateral was required to be deposited with a banking intermediary and is included in restricted cash as of 30 June 2020. The underlying asset of the swaps is denominated in Brazilian Real and the foreign exchange exposure is hedged to offset any change in value in underlying asset due to the FX movements.

Derivative activity

For the period ended 30 June 2020 and for the year ended 31 December 2019 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 2020 (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 | \$98,040,992 | 7 | \$108,357,010 | 9 |
| Financial assets | | | | |
| Credit default swap | \$12,000,000 | 1 | – | – |
| Total return swap | – | – | \$10,963,562 | 2 |
| Total | \$110,040,992 | 8 | \$119,320,572 | 11 |
| Equity price | | | | |
| Warrants | \$371,508 | 2 | – | – |

| 31 DECEMBER 2019 (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 | \$210,139,227 | 8 | \$210,690,634 | 9 |
| Financial assets | | | | |
| Credit default swap | \$12,000,000 | 1 | – | – |
| Total return swap | – | – | – | – |
| Total | \$222,139,227 | 9 | \$210,690,634 | 9 |
| Equity price | | | | |
| Warrants | \$752,955 | 6 | – | – |

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

The following tables show, at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019, the realised and unrealised gain and loss amounts included in the Unaudited Consolidated Statement of Operations, categorised by primary underlying risk:

| 30 JUNE 2020 (UNAUDITED) | DERIVATIVE | DERIVATIVE | REALISED | NET CHANGE IN |
|---------------------------------------|-------------------|--------------------|--------------------|------------------------|
| PRIMARY UNDERLYING RISK | ASSETS | LIABILITIES | GAIN (LOSS) | UNREALISED GAIN |
| | (\$) | (\$) | (\$) | (LOSS) |
| | | | | (\$) |
| Foreign currency exchange rate | | | | |
| Forward currency contracts | 1,690,599 | (1,224,039) | 2,352,752 | 1,357,341 |
| Credit | | | | |
| Purchased protection | | | | |
| Credit default swap | – | (16,370) | (91,999) | 61,613 |
| Total return swap | – | (1,689,548) | – | (1,689,548) |
| Equity price | | | | |
| Warrants | – | – | – | 381,294 |
| Total | 1,690,599 | (2,929,957) | 2,260,753 | 110,700 |

| 31 DECEMBER 2019 (AUDITED) | DERIVATIVE | DERIVATIVE | REALISED | NET CHANGE IN |
|---------------------------------------|-------------------|--------------------|--------------------|------------------------|
| PRIMARY UNDERLYING RISK | ASSETS | LIABILITIES | GAIN (LOSS) | UNREALISED GAIN |
| | (\$) | (\$) | (\$) | (LOSS) |
| | | | | (\$) |
| Foreign currency exchange rate | | | | |
| Forward currency contracts | – | (890,781) | 2,591,545 | (1,474,455) |
| Credit | | | | |
| Purchased protection | | | | |
| Credit default swap | – | (77,983) | (89,643) | (9,220) |
| Equity price | | | | |
| Warrants | 153 | – | – | (200,511) |
| Total | 153 | (968,764) | 2,501,902 | (1,684,187) |

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 2019: \$Nil), and foreign currency exchange contracts with Royal Bank of Canada of (\$77,069) (31 December 2019: (\$2,979)), Societe Generale of (\$172,160) (31 December 2019: (\$1,861)) and UBS AG of \$715,789 (31 December 2019: (\$885,939)). 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 was a new collateral arrangement during the period for the total return swaps of \$11,395,000.

The following tables, at 30 June 2020 and 31 December 2019, 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 2020 (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 | 1,690,599 | – | 1,690,599 |
| Total | 1,690,599 | – | 1,690,599 |

| 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 | (1,224,039) | – | (1,224,039) |
| Credit default swap | (16,370) | – | (16,370) |
| Total return swap | (1,703,520) | – | (1,703,520) |
| Total | (2,929,957) | – | (2,929,957) |

31 DECEMBER 2019 (AUDITED)**(Expressed in US Dollars)**

| DESCRIPTION | GROSS AMOUNTS OF RECOGNISED ASSETS | GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES | NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES |
|----------------------------|------------------------------------|--|--|
| Forward currency contracts | 457,083 | (457,083) | – |
| Warrant | 153 | – | 153 |
| Total | 457,236 | (457,083) | 153 |

| DESCRIPTION | GROSS AMOUNTS OF RECOGNISED LIABILITIES | GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES | NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES |
|----------------------------|---|--|---|
| Forward currency contracts | (1,347,864) | 457,083 | (890,781) |
| Credit default swap | (77,983) | – | (77,983) |
| Total | (1,425,847) | 457,083 | (968,764) |

NOTE 4 – RISK FACTORS

The Company's investments are subject to various risk factors including market and credit risk, interest rate and foreign exchange risk, and the risks associated with investing in private securities. Investments in private securities and partnerships are illiquid, and there can be no assurances that the Fund will be able to realise the value of such investments in a timely manner. Additionally, the Fund's investments may be highly concentrated in certain industries. Non-U.S. dollar denominated investments may result in foreign exchange losses caused by devaluations and exchange rate fluctuations. In addition, consequences of political, social, economic, diplomatic changes or public health condition may have disruptive effects on market prices or fair valuations of foreign investments.

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 2020 and 31 December 2019 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 may invest a relatively large percentage of its assets in issuers located in a single country, a small number of countries, or a particular geographic region. As a result, the Company's performance may be closely aligned with the market, currency or economic, political or regulatory conditions and developments in those countries or that region, and could be more volatile than the performance of more geographically diversified investments. Refer to the Schedule of Investments on pages 29 to 36 for concentration 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 and as a consequence 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.

NOTE 4 – RISK FACTORS (continued)**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.

COVID-19 Risk

The recent outbreak of the COVID-19 pandemic in many countries remains a rapidly evolving situation, has disrupted global travel and supply chains, and has adversely impacted global commercial activity, the transportation industry and various financial sectors. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on economic and market conditions and trigger a period of global economic downturn. Such conditions (which may be across industries, sectors or geographies) may impact the financial performance of the Company.

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 Carey Trustees Limited (the "Trustee"), pursuant to a purpose trust established under Guernsey law. Under the terms of the NBDDIF Purpose 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 2020, the Company had the following number of shares in issue:

| | 30 JUNE 2020 (UNAUDITED) | 31 DECEMBER 2019 (AUDITED) |
|--|-------------------------------------|---------------------------------------|
| Class A Shares | 2 | 2 |
| Ordinary Share Class of no par value (Nil in treasury; 2019: Nil) | 15,382,770 | 15,382,770 |
| Extended Life Share Class of no par value (Nil in treasury; 2019: Nil) | 82,495,074 | 114,146,794 |
| New Global Share Class of no par value (Nil in treasury; 2019: Nil) | 42,929,950 | 71,787,915 |

NOTE 5 – SHARE CAPITAL (continued)

Reconciliation of the number of shares in issue in each class (excluding Class A) at 30 June 2020:

| (UNAUDITED) | ORDINARY SHARES | EXTENDED LIFE SHARES | NEW GLOBAL SHARES | TOTAL |
|--------------------------------------|--------------------|-------------------------|----------------------|--------------------|
| Balance at 31 December 2019 | 15,382,770 | 114,146,794 | 71,787,915 | 201,317,479 |
| Shares redeemed during the period | – | (29,939,898) | (27,635,465) | (57,575,363) |
| Buybacks (Shares repurchased) | – | (1,711,822) | (1,222,500) | (2,934,322) |
| Balance at 30 June 2020 ¹ | 15,382,770 | 82,495,074 | 42,929,950 | 140,807,794 |

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

Reconciliation of the number of shares in issue in each class at 31 December 2019:

| (AUDITED) | 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 year | (8,012,808) | (37,527,305) | (10,032,446) | (55,572,559) |
| Buybacks (Shares repurchased) | – | (2,430,499) | (950,000) | (3,380,499) |
| Balance at 31 December 2019 ¹ | 15,382,770 | 114,146,794 | 71,787,915 | 201,317,479 |

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 2020 and year ended 31 December 2019.

| 2020 (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 |
| 19 March 2020 | – | – | – | \$4,986,260 | 5,434,023 | \$0.9176 | – | – | – |
| 18 May 2020 | – | – | – | \$7,491,958 | 9,536,606 | \$0.7856 | \$9,136,423 | 11,206,038 | \$0.8153 |
| 30 June 2020 | – | – | – | \$10,491,960 | 14,969,269 | \$0.7009 | \$12,965,737 | 16,429,427 | \$0.8153 |
| | – | – | – | \$22,970,178 | 29,939,898 | – | \$22,102,160 | 27,635,465 | – |

| 2019 (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 |
| 1 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 |
| 27 August 2019 | – | – | – | \$4,991,952 | 5,418,379 | \$0.9213 | \$3,060,855 | 2,833,485 | \$1.0802 |
| 25 November 2019 | – | – | – | \$10,491,950 | 11,460,349 | \$0.9155 | – | – | – |
| | \$7,991,975 | 8,012,808 | – | \$35,475,854 | 37,527,305 | – | \$11,596,512 | 10,032,446 | – |

Buybacks

Under the authority granted to the Directors at the 2019 and 2020 AGMs, between 1 January 2020 and 30 June 2020, 1,711,822 Extended Life Shares were repurchased and cancelled by the Company for gross consideration of \$982,793 and 1,222,500 New Global Shares were repurchased and cancelled by the Company for gross consideration of \$894,202 (£709,536).

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 2020, the management fee expense was \$1,183,176 (30 June 2019: \$1,873,729). At 30 June 2020, the management fee payable was \$139,176 (31 December 2019: \$493,060).

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 2020 or 31 December 2019, nor would any be paid if the Company were to realise all its assets at their carrying values 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 2020, the administration fee expense was \$75,824 (30 June 2019: \$115,761), the secretarial fee was \$28,386¹ of which \$7,286¹ was in relation to the administration of the ongoing buyback programme, (30 June 2019: \$72,405) and the loan administration and custody fee expense was \$21,177¹ (30 June 2019: \$112,216). At 30 June 2020, the administration fee payable is \$8,977² (31 December 2019: \$14,535), the secretarial fee payable is \$73,831² (31 December 2019: \$86,256) and the loan administration and custody fee payable is \$5,620² (31 December 2019: \$11,779).

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 2020, the Directors' fees and travel expenses amounted to \$97,466¹ (30 June 2019: \$127,029). 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 2020.

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 and Unaudited Consolidated Statement of Operations.

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 2020 (UNAUDITED) | PERIOD ENDED 30 JUNE 2020 (UNAUDITED) | PERIOD ENDED 30 JUNE 2020 (UNAUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) |
| Net asset value per share at beginning of the period/year | 0.9086 | 0.9266 | 0.8339 | 0.9778 | 0.9635 | 0.9206 |
| Impact of share buybacks | – | 0.0034 | 0.0021 | – | 0.0020 | 0.0015 |
| Impact of share redemptions | – | (0.0025) | (0.0031) | (0.0022) | 0.0008 | (0.0009) |
| Income/(loss) from investment operations³ | | | | | | |
| Net investment (loss)/ income | (0.0033) | 0.0087 | 0.0022 | (0.0063) | 0.0183 | 0.0098 |
| Net realised and unrealised loss from investments and foreign exchange | (0.2208) | (0.2275) | (0.2226) | (0.0607) | (0.0580) | (0.0971) |
| Total loss from investment operations | (0.2241) | (0.2188) | (0.2204) | (0.0670) | (0.0397) | (0.0873) |
| Net asset value per share at end of the period/year | 0.6845 | 0.7087 | 0.6125 | 0.9086 | 0.9266 | 0.8339 |

3 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 2020 (UNAUDITED) | PERIOD ENDED 30 JUNE 2020 (UNAUDITED) | PERIOD ENDED 30 JUNE 2020 (UNAUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) |
| NAV TOTAL RETURN^{1,2} | | | | | | |
| NAV Total Return before performance fee | (24.66%) | (23.52%) | (26.55%) | (7.08%) | (3.83%) | (9.42%) |
| Performance fee | – | – | – | – | – | – |
| NAV Total Return after performance fee including an income distribution by way of dividend | (24.66%) | (23.52%) | (26.55%) | (7.08%) | (3.83%) | (9.42%) |

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 2020 (UNAUDITED) | PERIOD ENDED 30 JUNE 2020 (UNAUDITED) | PERIOD ENDED 30 JUNE 2020 (UNAUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) | YEAR ENDED 31 DECEMBER 2019 (AUDITED) |
| RATIOS TO AVERAGE NET ASSETS | | | | | | |
| Net investment income/(loss) before and after performance fees | (0.83%) | 2.11% | 0.49% | (0.66%) | 1.92% | 1.13% |
| Total expenses after performance fee | (2.24%) | (2.23%) | (2.41%) | (2.15%) | (2.21%) | (2.31%) |

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 2020 | 10,530,249 | 0.6845 | 58,461,923 | 0.7087 | 26,292,698 | 0.6125 |
| Deferred Tax Adjustment | – | – | – | – | – | – |
| Valuation adjustments | – | – | – | – | – | – |
| Net assets per Unaudited Consolidated Financial Statements | 10,530,249 | 0.6845 | 58,461,923 | 0.7087 | 26,292,698 | 0.6125 |

| | 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 2019 | 13,976,415 | 0.9086 | 105,771,674 | 0.9266 | 59,934,598 | 0.8349 |
| Deferred Tax Adjustment | – | – | – | – | (71,816) | (0.0010) |
| Valuation adjustments | – | – | – | – | – | – |
| Net assets per Consolidated Financial Statements | 13,976,415 | 0.9086 | 105,771,674 | 0.9266 | 59,862,782 | 0.8339 |

NOTE 9 – SIGNIFICANT EVENTS DURING THE PERIOD

COVID-19

The recent outbreak of the COVID-19 in many countries, which is a rapidly evolving situation, has, among other things, disrupted global travel and supply chains, and has adversely impacted global commercial activity, the transportation industry and commodity prices in the energy sector. The impact of this virus has negatively affected and may continue to affect the economies of many nations, individual companies and the global securities and commodities markets, including liquidity and volatility, in ways that cannot necessarily be foreseen at the present time. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on economic and market conditions and trigger a period of global economic downturn. Such conditions (which may be across industries, sectors or geographies) have impacted and may continue to impact operating performance at the Company's portfolio companies.

NOTE 10 – SUBSEQUENT EVENTS

In the period 30 June 2020 to 19 August 2020, being the last practicable date prior to signing, the Company has bought back 1,175,000 NBDX shares and 783,333 NBDG shares for cancellation.

The Directors have evaluated subsequent events up to 26 August 2020, which is the date that the Unaudited Consolidated Interim Financial Statements were available to be issued, and have concluded there are no further items that require disclosure or adjustment to the Unaudited Consolidated Interim Financial Statements.

Contact Details

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 Michael Holmberg
 Christopher Legge
 Stephen Vakil

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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

Financial Adviser and Corporate Broker

Stifel Nicolaus Europe Limited until 13 September 2020
 Jefferies International Limited after 13 September 2020

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

Herbert Smith Freehills LLP

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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.