NEUBERGER | BERMAN

INTERIM REPORT

AND UNAUDITED FINANCIAL STATEMENTS

NB Distressed Debt Investment Fund Limited

SIX MONTHS ENDED 30 JUNE 2016

PARTNERING WITH CLIENTS FOR OVER 70 YEARS

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COMPANY OVERVIEW

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

The Company is a closed-ended investment company incorporated and registered in Guernsey with registered number 51774. It is a non-cellular company limited by shares and has been approved by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme. The Company trades on the Specialist Fund Segment ("SFS") of the London Stock Exchange ("LSE") and the Official List of the Channel Islands Securities Exchange ("CISE"). The Company will cancel its listing on the CISE on 30 August 2016.

Alternative Investment Fund Manager ("AIFM") and Manager

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

Investment Objective

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

Investment Policy

More information on the Company's investment policy is provided in the Strategic Report on pages 12 and 13 of the 2015 Annual Report.

Capital Structure

At 30 June 2016 the Company's share capital comprised the following*:

Ordinary Share Class ("NBDD")

35,218,587 Ordinary Shares (of which Nil were held in treasury).

Extended Life Share Class ("NBDX")

228,570,809 Extended Life Shares (of which Nil were held in treasury).

New Global Share Class ("NBDG")

110,785,785 New Global Shares (of which 8,537,500 were held in treasury).

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

Non-Mainstream Pooled Investments

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

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

Company Numbers

Ordinary Shares
LSE ISIN code: GG00BYT2S112
Bloomberg code: NBDD:LN

Extended Life Shares
LSE ISIN code: GG00BYT2S336
Bloomberg code: NBDX:LN

New Global Shares
LSE ISIN code: GG00BH7JH183
Bloomberg code: NBDG:LN

Website

www.nbddif.com

*In addition the Company has 2 Class A Shares in issue. Further information is provided in the Capital Structure section of this report on page 57.

COMPANY OVERVIEW (CONTINUED)

Key Figures

At 30 June 2016 (US$ in millions, except per share data)	**Ordinary Share Class (NBDD)**	**Extended Life Share Clas (NBDX)**	**New Global Share Class (NBDG)**	**Aggregated**
Net Asset Value	40.3	228.8	109.7	378.8
Net Asset Value per Share	$1.1434	$1.0010	$1.0730	-
Share Price	$1.0450	$0.9175	$0.8288	-
Net Asset Value per Share	-	-	£0.8012	-
Share Price	-	-	£0.6200	-
Discount to Net Asset Value per share	8.61%	8.34%	22.76%	-
Investments	32.6	195.3	91.9	319.9
- Portfolio of Distressed Investments	32.6	195.3	85.2	313.2
- Temporary Investments	-	-	6.7	6.7
Cash and Cash Equivalents	7.4	26.7	19.3	53.4
Total Expense Ratio*	(2.05%)	(2.07%)	(2.21%)	

At 31 December 2015 (US$ in millions, except per share data)	**Ordinary Share Class (NBDD)**	**Extended Life Share Clas (NBDX)**	**New Global Share Class (NBDG)**	**Aggregated**
Net Asset Value	54.6	270.8	115.5	440.9
Net Asset Value per Share	$1.1184	$1.0003	$1.0820	-
Share Price	$1.0900	$0.8525	$0.9396	-
Net Asset Value per Share	-	-	£0.7459	-
Share Price	-	-	£0.63375	-
Discount to Net Asset Value per share	2.54%	14.78%	13.16%	-
Investments	52.5	267.6	100.4	420.5
- Portfolio of Distressed Investments	42.8	239.4	93.1	375.3
- Temporary Investments	9.7	28.2	7.3	45.2
Cash and Cash Equivalents	2.7	3.9	10.6	17.2
Total Expense Ratio*	(2.02%)	(2.05%)	(2.01%)	

*Management fees and all other operating expenses expressed as a percent of average net assets. The Total Expense Ratio at 30 June 2016 has been annualised by factoring up the first 6 months' expenses and applying an actual/actual day count basis whereas the Total Expense Ratio at 31 December 2015 is in respect of the actual expenses for the 12 months to 31 December 2015.

COMPANY OVERVIEW (CONTINUED)

Summary of Capital Movements

	Ordinary Share Class (NBDD)($)	Extended Life Share Class (NBDX)($)	New Global Share Class (NBDG)(£)
At 31 December 2015			
Original Capital Invested	(124,500,202)	(359,359,794)	(110,785,785)
Total Capital Distributions	93,433,659	90,478,566	-
Total Buybacks	-	2,574,727	2,898,235
NAV	54,610,406	270,818,231	78,344,071
Total of NAV Plus Capital Returned	148,044,065	363,871,524	81,242,306
Value in Excess of Original Capital Invested	23,543,863	4,511,730	(29,543,479)
% of Original Capital Invested	119%	101%	73%
At 30 June 2016			
Total Capital Distributions	108,409,530	129,454,409	-
Total Buybacks	-	3,702,077	5,777,406
NAV	40,269,266	228,787,978	82,072,887
Total of NAV Plus Capital Returned	148,678,796	361,944,464	87,850,293
Value in Excess of Original Capital Invested	24,178,594	2,584,670	(22,935,492)
% of Original Capital Invested	119%	101%	79%

Summary of Capital Distributions

(U.S. Dollars in millions)	Ordinary Share Class	Extended Life Share Class	New Global Share Class	Aggregated
Total Capital Distributions	108.4	129.5	-	237.9
Proportion of original capital	**87%**	**36%**	**-**	

A detailed breakdown of the Company's capital distributions is provided on the Company's website at www.nbddif.com under "Investor Information", "Capital Activity".

CHAIRMAN'S STATEMENT

Portfolios and Company Performance

The six months to 30 June 2016 was a challenging period for investors across many global markets. In a period where uncertainty was the norm, markets experienced heightened volatility against a backdrop of concerns over the impact of the result of the UK's referendum on EU membership ("Brexit"), loose monetary policy into zero or negative rates, an economic slowdown in China and uncertainty arising from the forthcoming U.S. elections. Despite these headwinds the distressed debt market proved resilient during the period as a result of improving credit markets and a recovery in the energy and commodity sectors.

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

The NBDD Share Class had returned, through capital distributions, $108.4m or 87% of investors' original capital of $125.0m by the end of the period. This, when added to the NAV of $40.3m, brings the ratio of total value to 119% of original capital invested. The net asset value ("NAV") per share increased by 2.2% during the period, compared to an increase of 3.5% in the HFRI Distressed/Restructuring Index[1] and a return of 9.8% in the defaulted loans segment of the S&P/LSTA Index[2]. The NBDD share price decreased by 4.1% during the same period reflecting a widening of the discount from 2.5% to 8.6%.

The NBDX Share Class had returned, through capital distributions, $129.5m or 36% of investors' original capital of $359.4m by the end of the period. This, when added to the NAV of $228.8m and buybacks of $3.7m brings the ratio of total value to 101% of original capital invested. The NAV per share modestly increased by nearly 0.1% during the period with declines in shipping and power investments being offset by the general recovery. The NBDX share price increased by 7.6% during the period reflecting a narrowing of the discount from 14.8% to 8.3%. Since the start of the period and up to the latest practicable date prior to writing the Company has continued to support a buyback programme and repurchased 1.3m NBDX shares at a total cost of $1.2m and at a weighted average discount of 6.6%.

At 30 June 2016 the NBDG Share Class was 79% invested and its investment period ends in March 2017. Although NBDG is yet to return capital to investors through capital distributions, the NBDG Share Class has returned £5.8m in buybacks, which when added to the NAV of £82.1m, brings the ratio of total value to 79% of £110.8m of original capital invested. During the period NBDG's NAV (which is expressed in Pound Sterling) increased by 9.3% primarily as a result of foreign exchange gains which were amplified post the Brexit result. During the same period the NBDG share price decreased by 2.2%, the combination of which resulted in a widening of the discount from 13.7% to 22.8%. This was unsurprising given the disruption caused by Brexit at the end of the period. Since the period end and up to the latest practicable date prior to writing the NBDG discount has narrowed to 17.2%. As with NBDX the Board has continued to support a buyback programme for NBDG. Since the start of the period and up to the latest practicable date prior to writing the Company has repurchased 4.5m NBDG shares at a total cost of $4.1m and at a weighted average discount of 11.2%.

Your Board believes that the Investment Manager is continuing to make good progress in restructuring the assets in the Portfolios and in the case of NBDG, making further investments.

Channel Island Securities Exchange De-Listing

As previously announced in a Circular dated 20 July 2016, the Company will de-list from the CISE with effect from 30 August 2016. Having considered the current advantages and disadvantages the Board took the view that there was no material commercial or regulatory benefit to the Company or its shareholders in retaining its listing on the CISE and that cost savings could be made for the Company by cancelling the listing and through other efficiencies which would flow from that decision.

This action has no impact on the Company's admission to the SFS.

CHAIRMAN'S STATEMENT (CONTINUED)

Shareholder Communications

A number of shareholders have provided feedback over recent months seeking greater transparency on the Company's investments and returns. We have listened. Whilst your Board does not deem it appropriate to make available a full listing of the Portfolios to shareholders, as the information is considered commercially sensitive and often subject to non-disclosure agreements, we have made a number of improvements to our disclosures.

The front pages of our annual and interim reports now include a table of a "Summary of Capital Movements". This provides a helpful update on the progress of the Portfolios. In addition, on a half yearly basis we make available on the Company's website (under the "Investor Information" tab) a since-inception NAV bridge report for each of the Portfolios.

This helps to explain the components of return. Importantly it demonstrates that, whilst the realised assets in NBDD, NBDX and NBDG have returned total weighted average Internal Rates of Return ("IRR") of 19%, 20% and 36% respectively (with NBDG still in its investment phase), the NAVs of the remaining Portfolios have been impacted by mark-to-market losses.

Also under "Investor Information" we now include an "Exits" report which provides salient details on the positions exited since the Company's inception, and a "Capital Activity" report, which provides details on the distributions to date. Shareholders should note that the Company has received and passed on a number of distributions from investments that are not fully exited and therefore these investments will not be reflected in the Exits report.

Finally, the Investment Manager has enhanced the content of the quarterly factsheets which are available on the Company's website and published through a Regulatory Information Service. These now include a quarter-to-quarter NAV bridge.

Outlook and Impact of Brexit

The Investment Manager's main objective for NBDD and NBDX is to maximise the value of these portfolios as they seek to restructure positions, realise exits and return capital to shareholders. Shareholders should be reminded that the NBDD and NBDX portfolios are U.S. Dollar denominated and any non-U.S. exposure is hedged back to the U.S. Dollar. Given that 77.2% and 83.4% of the NBDD and NBDX portfolios respectively are invested in U.S. Dollar denominated assets (at 30 June 2016) and taking account of the hedging arrangements for non-U.S. assets your Board does not anticipate a material direct impact from the Brexit decision.

NBDG is a Pound Sterling denominated, unhedged share class with a broader geographic remit than the other two share classes. At 30 June 2016 the NBDG portfolio was invested 59.3% in the U.S., 25.3% in Europe, 7.3% in the UK and 8.1% in other jurisdictions. Whilst the full impact of Brexit is unknown your Board does expect continued volatility in the currency markets which in turn will translate to variability in the value of the NBDG assets. Whatever the full impact of Brexit might be we believe it will present some interesting and attractive prospects, particularly in the UK and Europe, where, through its disciplined and robust investment approach, our Investment Manager will be seeking out opportunities to add value to the portfolio.

CHAIRMAN'S STATEMENT (CONTINUED)

Outlook and Impact of Brexit (continued)

Your Board looks forward to providing further updates on investment realisations and new opportunities throughout the remainder of 2016.

John Hallam
Chairman
24 August 2016

[1]The HFRI Distressed/Restructuring Index reflects distressed restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings (provided by Hedge Fund Research, Inc.).

[2]This refers to the D-rated cohort of the S&P /LSTA Leveraged Loan Index indicating defaulted loans. The S&P/LSTA Leveraged Loan Index is designed to mirror the investible universe of the $US-denominated leveraged loan market.

[3]The term "weighted average IRR" is determined by Neuberger Berman, for each share class, by calculating, for each investment exit in such share class, (A) the investment exit's original purchase price, divided by (B) the total of all investment exits' original purchase prices in such share class, multiplied by (C) the IRR for the applicable investment exit. Then the sum of each these results are totalled for all investment exits in each share class to reflect a "total weighted average IRR".

INVESTMENT MANAGER'S REPORT

Market Update

The surprise result of the UK's EU membership referendum, zero and negative sovereign interest rates, concerns over a China slowdown as well as the upcoming U.S. presidential election have all contributed to market volatility and investor uncertainty through the first six months of 2016. However, market sentiment rebounded from a nadir in February as prices for energy-related commodities improved, resulting in a recovery of credit and equity markets from February lows.

Recent global and macro-economic events have confirmed our belief that volatility in global markets will continue to create new investment opportunities for the New Global Share Class. While energy and commodity related sectors provide opportunities in North America, we continue to see attractive opportunities in Europe across a broad spectrum of industries. Despite a post-crisis high in sales of non-performing loans ("NPL") and other non-core assets in 2015, NPL levels remain elevated in Europe with a €1 trillion[1] overhang plaguing banks in the region. We believe banks will continue to divest assets for the remainder of 2016 and beyond providing opportunities for investors in distressed debt.

Ordinary Share Class Portfolio ("NBDD")

Summary

We continue to focus on maximising the value of the portfolio as we work to restructure, realise exits and return capital to NBDD investors. Since the end of the investment period in June 2013, NBDD has made a capital distribution in every quarter and we aim to continue making distributions in the forthcoming quarters. NBDD had one exit in the first half of the year which contributed positively to NAV and generated a total return[2] of $0.5m over the life of the investment. In addition, NBDD received approximately $8.9m cash from activity (e.g. dividends and principal payments) on existing investments that was used to fund distributions to investors. Approximately $15.0m was distributed to investors in the form of redemptions in the first six months. At 30 June 2016, $108.4m or 87% of original capital has been distributed to NBDD investors and this brings the ratio of total value (distributions and current NAV) to 119% of original capital invested.

We continue to manage the investments to generate profitable realisations and distributions through significant events (asset sale, legal outcome, foreclosure, etc.). We remain confident about the investments in the portfolio and seek to generate positive returns from current marks.

Portfolio Update

At 30 June 2016, 99% of NBDD's NAV, including restricted cash, was invested in distressed assets. NBDD ended the period with 1.0% of NAV in unrestricted cash. NBDD's NAV per share increased 2.2% in the first six months of the year, to $1.1434 from $1.1184 per share as markets generally recovered from significant volatility at the end of 2015 and beginning of 2016.

Portfolio Events[3]

- The sale of a power plant located in the northeast U.S. was finalised and NBDD received $6.9m in sales proceeds. Final distributions from escrow holdbacks will be distributed when received.
- NBDD sold its position in a U.S. REIT that generated proceeds of $2.7m in the first half of 2016 and a total return[2] of $0.5m. More detail is provided in the Exit section below.
- NBDD's investment in debt secured by a portfolio of aircraft increased by 22% after the aircraft trust announced a sale of the portfolio to a strategic buyer. Proceeds from the sale will be used to repay principal through the third quarter of 2016.
- A German forest products company repaid one tranche of debt from a debt recapitalisation transaction, generating $0.7m cash. We continue to hold other outstanding debt investments in this company.

See footnotes on page 12.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Ordinary Share Class Portfolio ("NBDD") (continued)

Significant Value Changes (approximately 1% of NBDD NAV or +/- $400,000)[4]

Sector	Instrument	1H16 Total Return[2]	Comment
Container/Packaging	Private equity	$0.9m	Improving operations
Aircraft	Secured notes	$0.4m	Sale of portfolio of aircraft

Exits

During the first half of the year, we saw our 31st exit since inception in NBDD, which generated a total return[2] of $0.5m over the life of the investment. The total return[2] on all 31 exits in NBDD is $26.4m over the life of the portfolio. The total weighted average IRR[5] for the 31 exits is 19% and the total weighted average Return on Revenue ("ROR")[5] is 26%. A detailed description of the exit is provided at the end of this report.

Exit	Cash Invested	Cash Receieved	Total Return[2]	Holding Period	IRR	ROR
31	$5.9m	$6.4m	$0.5m	39 months	3%	8%

Capital Distribution

During the first half of the year, the Board of the Company resolved to return approximately $15.0m to holders of NBDD Shares by way of a compulsory partial redemption of NBDD Shares. At 30 June 2016, $108.4m or 87% of investors' original capital has been distributed to investors.

Extended Life Share Class Portfolio ("NBDX")

Summary

We continue to focus on maximising the value of the portfolio as we work to restructure, realise exits and return capital to NBDX investors. Since the end of the investment period in March 2015, NBDX has made a capital distribution in every quarter and we aim to continue making distributions in the forthcoming quarters. In the first half of the year, we exited two investments that generated a total return[2] of $6.3m over the life of the investments. We also received cash of $31.9m from activity (e.g. dividends and principal payments) on existing investments that have not been fully exited. During the first six months, we distributed $39.0m to NBDX investors through redemptions bringing total distributed capital to $129.5m or 36% of original capital and this brings the ratio of total value (distributions, share buybacks and current NAV) to 101% of original capital invested.

We continue to manage the investments to generate profitable realisations and distributions through significant events (asset sale, legal outcome, foreclosure, etc.). We remain confident about the investments in the portfolio and seek to generate positive returns from current valuations.

Portfolio Update

At 30 June 2016, 93.7% of NBDX's NAV was invested in distressed assets. The portfolio ended the period with 6.3% of NAV in unrestricted cash. NBDX's NAV per share increased marginally by 0.1% in the first half of 2016 to $1.0010 from $1.0003 per share. The primary drivers of NBDX's NAV movements were declines in shipping and power investments being offset by a recovery in credit markets from the significant volatility at the end of 2015 and beginning of 2016 as well as certain credit specific improvements.

See footnotes on page 12.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Extended Life Share Class Portfolio ("NBDX") (continued)

Portfolio Events[3]

- NBDX exited an investment in a financial intermediary through the sale of the company which concluded at the end of the second quarter. The exit price reflected a significant increase over the year end value, generating proceeds of $5.5m and a total return[2] during the first half of the year of $3.6m. More detail is provided in the Exit section below.
- NBDX's investment in debt secured by a portfolio of aircraft increased by 22% after the aircraft trust announced a sale of the portfolio to a strategic buyer. Proceeds from the sale will be used to repay principal through 3Q16.
- The portfolio sold its position in a U.S. REIT that generated proceeds of $6.9m in the first half of 2016 and a total return[2] of $1.2m. More detail is provided in the Exit section below.
- The sale of a power plant located in the northeast U.S. was finalised and NBDX received $17.9m sales proceeds. Final distributions from escrow holdbacks will be distributed when received.
- A lodging and casino investment tendered for contingent equity rights cleaning up the capital structure to better enable a liquidity event. Cash of $0.3m was received on the tender and the remaining equity appreciated 40% during the first half.
- A German forest products company repaid one tranche of debt from a debt recapitalisation transaction, generating $1.9m cash. We continue to hold other outstanding debt investments in this company.
- The sale of the underlying property in an infrastructure investment generated a partial repayment of bank debt (cash proceeds of $0.9m). We are awaiting final payment on the debt from escrow releases.
- A shipping investment sought to raise debt financing and additional equity from existing equity holders and NBDX participated to protect against dilution of its equity position.

Significant Value Changes (approximately 1% NBDX NAV or +/- $2,200,000)[4]

Sector	Investment	1H16 Total Return[2]	Comment
Financial Intermediary	Private equity	$3.6m	Sale of company
Oil & Gas	Private equity	$3.1m	Improving operations at bio-fuels plant
Lodging & Casino	Secured bank debt	$2.4m	Improving operations
Container/Packaging	Private equity	$2.3m	Improving operations
Utility	Secured debt and private equity	($2.3)m	Decline in west coast power prices
Shipping	Public equity	($2.4)m	Decline in shipping rates
Shipping	Private equity and secured debt	($2.7)m	Decline in shipping rates
Shipping	Secured debt	($6.0)m	Decline in shipping rates and liquidity issues

Exits

During the first half of the year, we saw our 35th and 36th exits since inception, which generated a total return[2] of $6.3m over the life of the investments. Total return[2] on all 36 exits is $72.0m for NBDX over the life of the portfolio. The total weighted average IRR[5] on the 36 exits is 20% and the total weighted average ROR[5] is 27%. Detailed descriptions of the investments are provided at the end of this report.

Exit	Cash Invested	Cash Received	Total Return[2]	Holding Period	IRR	ROR
35	$15.1m	$16.4m	$1.3m	39 months	3%	8%
36	$1.7m	$6.7m	$5.0m	31 months	81%	292%

See footnotes on page 12.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Extended Life Share Class Portfolio ("NBDX") (continued)

Capital Distribution

During the first six months of 2016, the Board of the Company resolved to return approximately $39.0m to holders of NBDX Shares by way of a compulsory partial redemption of NBDX Shares. At 30 June 2016, $129.5m or 36% of investors' original capital has been distributed to investors.

New Global Share Class Portfolio ("NBDG")

Summary

During the second quarter, NBDG benefited from a combination of credit specific events and the decline of the Pound Sterling against the U.S. Dollar and Euro as a result of the UK exit referendum. As described in the Company's prospectus dated 28 January 2014, the New Global Share Class generally does not hedge currency exposure at the portfolio level. With a significant amount of the portfolio invested in U.S. Dollar and Euro assets, volatility in the FX markets leading up to and after the referendum contributed to NAV growth. NBDG had one exit during the first half of the year, which generated £4.1m proceeds during the first six months and generated a total return[2] of £1.3m. NBDG received £8.4m cash from distributions and activity (e.g. dividends and principal payments) on existing investments which will be reinvested into new investments over the next nine months. We are seeing attractive investment opportunities in the lodging, real estate, infrastructure, and energy sectors.

We remain committed to managing actively the existing investments to generate profitable realisations through significant events (asset sale, legal outcome, foreclosure, etc.). We remain confident about the investments in the portfolio and seek to generate positive returns from the current valuations.

Portfolio Update

At 30 June 2016, 79% of NBDG's NAV was invested in distressed assets. NBDG has 27 investments across 11 industries. The largest concentrations were in lodging and casinos, utilities, oil & gas and shipping. In the first quarter we added exposure to an Australian wind farm and added incremental exposure to existing names including a liquidation investment of a marine services company, a western U.S. land bank and a dry bulk shipping company. We reduced exposure to a lodging and casino investment through a tender offer.

NBDG's NAV increased 9.3% in the first six months of 2016 to 80.27 pence per share from 73.41 pence per share. FX volatility leading up to and immediately following the UK exit referendum was significant and a substantial portion of the increase in NAV was due to changes in FX rates in the period.

Portfolio Events[3]

- We exited an investment in a Midwest U.S. infrastructure asset through sale of the underlying property. This transaction closed during the first half of 2016 and generated cash of £4.1m in the first half and a total return[2] of £1.3m over the life of the investment.
- A lodging and casino investment tendered for contingent equity rights cleaning up the capital structure to better enable a liquidity event. Cash of £1.0m received on the tender and remaining equity appreciated 40% during the first half.
- The sale of a power plant located in the northeast U.S. was executed and NBDG received £5.0m sales proceeds. Final distributions from escrow holdbacks will be distributed when received.
- The sale of the underlying property in an infrastructure investment generated a partial repayment of bank debt (cash proceeds of £1.43m). We are awaiting final payment on the debt from escrow releases.
- A shipping investment sought to raise debt financing and additional equity from existing equity holders and NBDG participated to protect against dilution of its equity position.

See footnotes on page 12.

INVESTMENT MANAGER'S REPORT (CONTINUED)

New Global Share Class Portfolio ("NBDG") (continued)

Significant Value Change (approximately 1% NBDG NAV or +/- £800,000)[4]

Sector	Investment	1H16 Total Return[2]	Comment
Lodging & Casino	Private equity	£3.1m	Improvement in operations and equity holders dispute resolved
Lodging & Casino	Secured bank debt	£1.2m	Improving operations
Oil & Gas	Private equiyty	£1.1m	Improving operations at bio-fuels plant
Commercial Mortgage	Secured debt	£1.0m	Improvements in building and FX gain
Surface Transportation	Secured bank debt	£0.9m	Sale of property
Shipping	Public equity	(£1.0)m	Decline in shipping rates
Shipping	Public equity and secured debt	(£1.0)m	Decline in shipping rates
Shipping	Secured bank debt	(£1.5)m	Decline in shipping rates and liquidity issues

Exits

During the first half of 2016 we saw one exit in NBDG, our 7th since inception. This exit contributed a total return[2] of £1.3m over the life of the investment. Total return[2] on the 7 exits over the life of the portfolio is £2.8m. The total weighted average IRR[5] on the 7 exits is 36% and the total weighted average ROR[5] is 22%. See detailed description below.

Exit	Cash Invested	Cash Received	Total Return[2]	Holding Period	IRR	ROR
7	£3.8m	£5.1m	£1.3m	21 months	21%	34%

Exit Descriptions

NBDD – One exit during the first six months to 30 June 2016

NBDX – Two exits during the first six months to 30 June 2016

NBDG – One exit during the first six months to 30 June 2016

Exit 1 (Exit 31 for NBDD and Exit 35 for NBDX)
NBDD and NBDX invested $21.0m in a private REIT that was formed to buy foreclosed homes and build a portfolio of single family rental homes in areas particularly affected by the U.S. housing downturn. We expected to earn a return through a combination of dividends, home price appreciation from a housing recovery and a consolidation of the industry into a new institutionalised real estate asset class. The company completed an IPO to convert to a public REIT. We decided to sell our shares after the company failed to display the appreciation of its portfolio since inception, leading to tepid growth in the share price. We ultimately sold our shares for $22.8m. Total return[2] from this investment was $1.8m, generating an IRR of 3% and ROR of 8%.

See footnotes on page 12.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Exit Descriptions (continued)

Exit 2 (Exit 36 for NBDX)
The company is a monoline insurance company that was operating in run-off in October 2013. NBDX purchased shares in October 2013. We purchased the shares at a substantial discount to shareholders' surplus which we expected to be returned to holders via dividends and share buybacks. As expected we received dividends in December 2014 and November 2015. In September 2015 the company received an unsolicited offer from a strategic buyer. We subsequently assisted the company in evaluating the offer and in running a competitive sales process that resulted in a final sales price in excess of the original offer. We realised a total return[2] of approximately $5.0m, for an IRR of 81% and a ROR of 292% on the investment.

Exit 3 (Exit 7 for NBDG)
NBDG purchased $3.8m face value of a term loan A at 94.25% of par and $6.1m face value of a term loan B at 36.25% of par secured by a concession agreement to a parking garage in a Midwestern city in the United States. Prior to our purchase, the borrower had defaulted on its payments on the loan and the lenders had taken control of the concession. Our investment thesis was that our cost basis represented a significant valuation discount relative to the concession value. Ultimately, proceeds from the sale of the concession allowed for a full payment of the Term Loan A and the Term Loan B at 50% of par. Total return[2] from this investment was £1.3m, generating an IRR of 21% and ROR of 34%.

Neuberger Berman Investment Advisers LLC	Neuberger Berman Europe Limited
24 August 2016	24 August 2016

[1] Source: International Monetary Fund.

[2] Total Return determined by the Administrator and includes realised and unrealised gains and losses, expenses, FX gains and losses, and all income on investments according to US GAAP accounting.

[3] Portfolio events may or may not result in an increase or decrease in the value of an NBBD/NBDX/NBDG investment or a change in NAV per share. Please note that an investment may experience a change in value (positive or negative) during the time period whether or not it was mentioned as a portfolio event. Not all events involving existing investments are disclosed above. In addition, certain corporate events may not have been disclosed due to confidentiality obligations.

[4] Sector categorisations determined by Neuberger Berman.

[5] The terms "weighted average IRR" and "weighted average ROR", as used in this report, are determined by Neuberger Berman, for each share class, by calculating, for each investment exit in such share class, (A) the investment exit's original purchase price, divided by (B) the total of all investment exits' original purchase prices in such share class, multiplied by (C) the IRR or ROR for the applicable investment exit. Then the sum of each these results are totalled for all investment exits in each share class to reflect a "total weighted average IRR" and "total weighted average ROR".

PORTFOLIO ANALYSES

Ordinary Shares

Top 10 Holdings at 30 June 2016[1]

Holding	Sector	Purchased Instrument	Status	Country	% of NAV	Primary Asset
1	Lodging & Casinos	Secured Loan	Defaulted	US	17.3%	Hotel/lodging real estate
2	Building & Development	Post-Reorg Equity	Post-Reorg	US	12.8%	Residential real estate
3	Surface Transportation	Trade Claim	Defaulted	Brazil	8.2%	Municipal claim
4	Utilities	Secured Loan	Current	Australia	7.5%	Power plants
5	Containers and Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	5.5%	Manufacturing/ distribution/real estate
6	Utilities	Secured Loan	Defaulted	US	5.1%	Power plants
7	Air Transport	Secured Loan	Defaulted	US	4.6%	Aircraft
8	Utilities	Secured Loan	Post-Reorg	US	3.2%	Power plants
9	Commercial Mortgage	Secured Loan	Current	US	3.1%	Commercial real estate
10	Containers and Packaging	Secured Notes	Post-Reorg	US	2.4%	Manufacturing/ distribution/real estate
Total					**69.7%**	

Sector Breakdown[1,2]

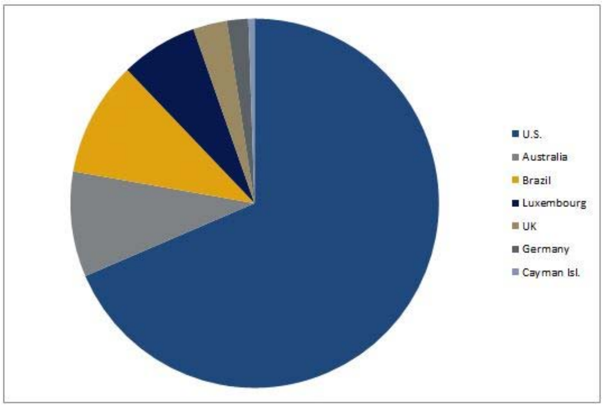
Sector	30 June 2016 Weight	31 December 2015 Weight
Utilities	17.1%	24.6%
Lodging & Casinos	17.3%	12.7%
Building & Development	13.3%	10.3%
Containers and Packaging	7.9%	4.0%
Surface Transport	8.2%	4.8%
Financial Intermediaries	4.5%	5.9%
Air Transport	4.6%	2.9%
Real Estate Development	2.9%	2.4%
Commercial Mortgage	3.1%	2.3%
Auto Components	1.3%	1.4%
Forest Products	0.8%	1.8%
Shipping	0.2%	0.3%
Real Estate Investment Trusts (REITs)	0.0%	5.1%
Restricted Cash	16.5%	12.9%
Unrestricted Cash and Accruals	2.3%	8.6.%
Total	**100.0%**	**100.0%**

PORTFOLIO ANALYSES (CONTINUED)

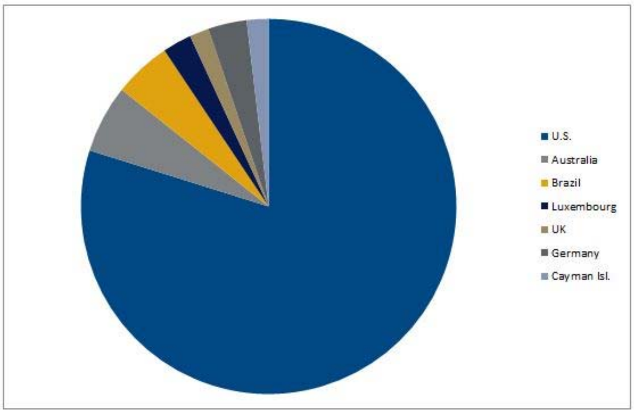
Ordinary Shares (continued)

Country Breakdown[2]

30 June 2016



31 December 2015



[1] Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bancorp Fund Services (Guernsey) Limited / Quintillion Limited as 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.

[2] Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values as of 30 June 2016.

Extended Life Shares

Top 10 Holdings at 30 June 2016[1]

Holding	Sector	Purchased Instrument	Status	Country	% of NAV	Primary Asset
1	Lodging & Casinos	Secured Loan	Post-Reorg	US	7.8%	Hotel/lodging real estate
2	Commercial Mortgage	Secured Loan	Defaulted	US	7.3%	Multifamily residential real estate
3	Building & Development	Post-Reorg Equity	Post-Reorg	US	6.7%	Residential real estate
4	Lodging & Casinos	Secured Loan	Current	US	5.0%	Hotel/casino
5	Financial Intermediary	Private Notes	Post-Reorg	US	4.9%	Cash & securities
6	Oil&Gas	Post-Reorg Equity	Post-Reorg	US	4.2%	Bio-fuel plant
7	Utilities	Secured Loan	Defaulted	US	3.8%	Power plants
8	Surface Transport	Trade Claim	Defaulted	Brazil	3.7%	Municipal claim
9	Nonferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	3.6%	Manufacturing plant and equipment
10	Auto Components	Secured Notes	Post-Reorg	US	3.5%	Manufacturing plant and equipment
Total					**50.5%**	

PORTFOLIO ANALYSES (CONTINUED)

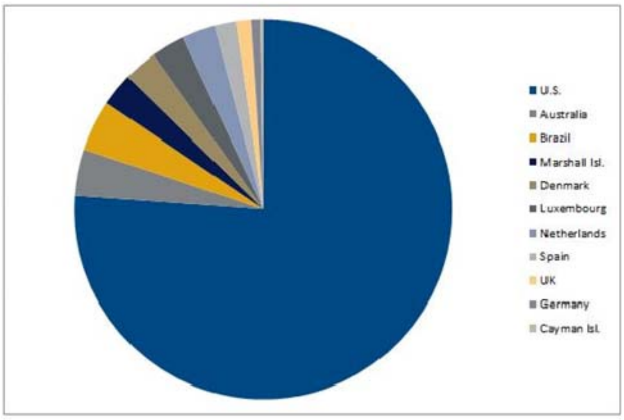
Extended Life Shares (continued)

Sector Breakdown[1,2]

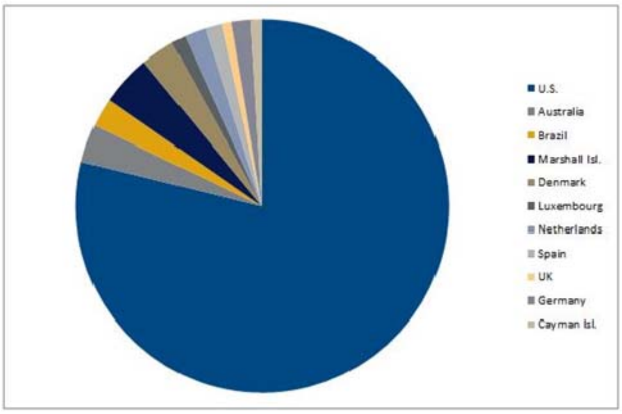
Sector	30 June 2016 Weight	31 December 2015 Weight
Lodging & Casinos	17.4%	14.1%
Utilities	11.6%	17.0%
Commercial Mortgage	11.1%	10.8%
Financial Intermediaries	7.1%	8.5%
Building & Development	6.9%	6.1%
Oil and Gas	6.3%	4.0%
Shipping	5.7%	8.5%
Surface Transport	4.7%	3.8%
Nonferrous Metals/Minerals	3.6%	3.4%
Containers and Packaging	3.6%	2.1%
Auto Components	3.5%	3.6%
Air Transport	2.4%	2.0%
Real Estate Development	1.3%	1.3%
Forest Products	0.4%	0.9%
Real Estate Investment Trusts (REITs)	0.0%	2.6%
Restricted Cash	7.5%	6.7.%
Unrestricted Cash and Accruals	6.9%	4.6%
Total	**100.0%**	**100.0%**

Country Breakdown[2]

30 June 2016



31 December 2015



[1] Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bancorp Fund Services (Guernsey) Limited / Quintillion Limited as 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.

[2] Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values as of 30 June 2016.

PORTFOLIO ANALYSES (CONTINUED)

New Global Shares

Top 10 Holdings at 30 June 2016[1]

Holding	Sector	Purchased Instrument	Status	Country	% of NAV	Primary Asset
1	Lodging & Casino	Post-Reorg Equity	Post-Reorg	US	10.7%	Casino
2	Building & Development	Post-Reorg Equity	Post-Reorg	US	6.6%	Residential real estate
3	Commercial Mortgage	Secured Loan	Current	Netherlands	6.3%	Commercial real estate
4	Lodging & Casino	Secured Loan	Defaulted	Spain	6.1%	Hotels
5	Lodging & Casino	Secured Loan	Current	US	5.7%	Casino/hotel real estate
6	Utilities	Secured Loan	Current	Australia	4.9%	Power plants
7	Nonferrous Metals/Minerals	Post-Reorg Equity	Post-Reorg	US	4.7%	Manufacturing/distribution real estate
8	Shipping	Secured Loan	Post-Reorg	Denmark	4.2%	Maritime vessels
9	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	4.0%	Ethanol plant
10	Utilities	Secured Loan	Defaulted	US	3.5%	Power plants
Total					**56.7%**	

Sector Breakdown[1,2]

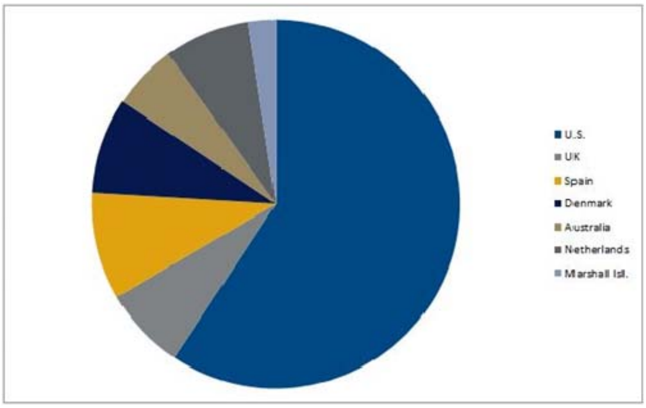
Sector	30 June 2016 Weight	31 December 2015 Weight
Lodging & Casinos	23.2%	20.6%
Utilities	11.6%	13.7%
Oil and Gas	11.4%	6.8%
Shipping	8.0%	11.2%
Building & Development	6.6%	5.3%
Commercial Mortgage	6.3%	5.4%
Sovereign	6.1%	0.0%
Nonferrous Metals/Minerals	4.2%	4.4%
Auto Components	3.2%	3.8%
Surface Transport	2.2%	8.1%
Chemicals & Plastics	0.5%	0.6%
Air Transport	0.5%	1.0%
Restricted Cash	0.2%	0.0%
Unrestricted Cash and Accruals	16.0%	19.1%
Total	**100.0%**	**100.0%**

PORTFOLIO ANALYSES (CONTINUED)

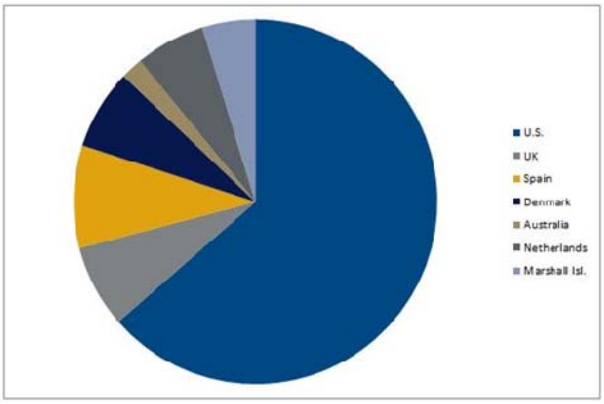
New Global Shares (continued)

Country Breakdown[2]

30 June 2016



31 December 2015



[1] *Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bancorp Fund Services (Guernsey) Limited / Quintillion Limited as 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.*

[2] *Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values as of 30 June 2016.*

INTERIM MANAGEMENT REPORT AND RESPONSIBILITY STATEMENT

Principal Risks and Uncertainties

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

- investment activity and performance;
- level of discount or premium;
- market price risk;
- 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 6 to 13 of the Company's latest annual report and audited financial statements for the year ended 31 December 2015, which can be found on the Company's website at www.nbddif.com under "Investor Information" then "Fund Documents". The Board's view is that these risks remain appropriate for the remainder of 2016. In addition, the Board has considered the risks faced by the Company in light of the result of Brexit and its conclusions are outlined in the "Outlook and Impact of Brexit" section of the Chairman's Statement on page 5 of this report.

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 financial period to 30 June 2016. Additional related party disclosures are given in Note 3 on pages 38 to 40.

Directors' Responsibilities Statement

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

- the Financial Statements have been prepared in conformity with U.S. 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 and Transparency Rules ("DTR") of the UK's FCA; and

- the Chairman's Statement, the Investment Manager's Report, this Interim Management Report and the notes to the Financial Statements meet the requirements of an interim management report, and include a fair view of the information required by:

  1. DTR 4.2.7R of the DTR of the UK's FCA, being an indication of important events that have occurred during the first six months of the 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 of the DTR of the UK's FCA, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

INTERIM MANAGEMENT REPORT AND RESPONSIBILITY STATEMENT (CONTINUED)

Directors' Responsibilities Statement (continued)

This interim financial report has been reviewed by the Company's auditor and their report is set out on page 20.

Signed on behalf of the Board of Directors on 24 August 2016.

By order of the Board

John Hallam
Chairman
24 August 2016

Sarah Evans
Director
24 August 2016

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

INDEPENDENT REVIEW REPORT TO NB DISTRESSED DEBT INVESTMENT FUND LIMITED

Introduction

We have been engaged by the Company to review the unaudited consolidated interim financial statements (the "financial statements") of the Company together with its subsidiaries (together "the Group") included in the interim report for the six months ended 30 June 2016 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. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement letter dated 20 July 2016, to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("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.

Directors' responsibilities

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

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the interim report based on our review.

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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements included in the interim report for the six month period ended 30 June 2016 do not give a true and fair view of the financial position of the Group as at 30 June 2016 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 DTR of the UK FCA.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey

24 August 2016

UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
At 30 June 2016 and 31 December 2015

(Expressed in U.S. Dollars except where stated otherwise)

Assets		**30 June 2016 (Unaudited)**		**31 December 2015 (Audited)**
Investments, at fair value		319,872,764		420,511,732
(2016: cost of $457,022,855; 2015: cost of $543,795,215)				
Forward currency contracts		-		453,177
Credit default swaps (2015: cost of $24,883)		-		58,892
Warrants (2016: cost of $371,508; 2015: cost of $371,508)		28,794		210,523
Cash and cash equivalents		53,338,186		17,168,855
		373,239,744		438,403,179
Other assets:				
Interest receivables		1,721,341		1,908,701
Receivables for investments sold		5,456,721		4,629,030
Other receivables and prepayments		139,437		355,202
Deferred tax asset		2,987,074		-
Total assets		**383,544,317**		**445,296,112**
Liabilities				
Payables for investments purchased		2,949,682		169,673
Forward currency contracts		1,038,696		-
Credit default swaps (2016: cost of $24,883)		10,168		-
Accrued expenses and other liabilities		310,100		451,962
Payables to Investment Manager and affiliates		466,016		553,726
Deferred tax liability		-		3,220,787
Total liabilities		**4,774,662**		**4,396,148**
Net assets		**378,769,655**		**440,899,964**
Net assets attributable to Ordinary Shares		**40,269,266**		**54,610,406**
Net asset value per Ordinary Share		**1.1434**		**1.1184**
Net assets attributable to Extended Life Shares		**228,787,978**		**270,818,231**
Net asset value per Extended Life Share		**1.0010**		**1.0003**
Net assets attributable to New Global Shares	**£**	**82,070,924**	**£**	**78,344,071**
Net asset value per New Global Share	**£**	**0.8027**	**£**	**0.7341**
Net assets attributable to New Global Shares (USD equivalent)		**109,712,411**		**115,471,327**
Net asset value per New Global Share (USD equivalent)		**1.0730**		**1.0820**

The Financial Statements were approved and authorised for issue by the Board of Directors on 24 August 2016, and signed on its behalf by:

John Hallam
Chairman

Sarah Evans
Director

The accompanying notes form an integral part of the Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
Six months to 30 June 2016 and 30 June 2015

(Expressed in U.S. Dollars)

	30 June 2016	30 June 2015
Income		
Interest income	7,854,072	6,971,584
Dividend income net of withholding tax: (2016: $8,921; 2015: $41,633)	20,817	97,142
Expenses		
Investment management fee	2,945,681	4,460,022
Professional and other expenses	864,804	1,107,326
Administration fee	181,650	271,560
Loan administration and custody fees	40,731	103,384
Directors' fees and expenses	148,869	135,985
	4,181,735	**6,078,277**
Net investment income/(loss)	**3,693,154**	**990,449**
Realised and unrealised gain/(loss) from investments and foreign exchange		
Net realised gain on investments, credit default swaps, warrants and forward currency transactions	10,908,080	27,658,942
Non cash gain/(loss) on investment restructuring transactions	-	(21,209,272)
Net change in unrealised loss on investments, credit default swaps, warrants and forward currency transactions	(16,269,310)	(36,568,017)
Income taxes from net realised/unrealised loss on investments	(1,239,469)	(1,883,507)
Realised and unrealised loss from investments and foreign exchange	**(6,600,699)**	**(32,001,854)**
Net decrease in net assets resulting from operations	**(2,907,545)**	**(31,011,405)**

The accompanying notes form an integral part of the Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
Six months to 30 June 2016

(Expressed in U.S. Dollars)

	30 June 2016 Ordinary Shares	30 June 2016 Extended Life Shares	30 June 2016 New Global Shares	30 June 2016 Aggregated
Net assets at the beginning of the period	**54,610,406**	**270,818,231**	**115,471,327**	**440,899,964**
Net investment income	54,343	2,386,665	1,252,146	3,693,154
Net realised gain on investments, credit default swaps and forward currency transactions	1,591,484	7,508,113	1,808,483	10,908,080
Non cash gain/(loss) on investment restructuring transactions	-	-	-	-
Net change in unrealised loss on investments, credit default swap, warrants and forward currency transactions	(771,627)	(11,199,025)	(4,298,658)	(16,269,310)
Income taxes from net realised/unrealised gains from investments	(239,469)	(622,814)	(377,186)	(1,239,469)
Net cost of share buybacks	-	(1,127,350)	(4,143,701)	(5,271,051)
Shares redeemed during the period	(14,975,871)	(38,975,842)	-	(53,951,713)
Net assets at the end of the period	**40,269,266**	**228,787,978**	**109,712,411**	**378,769,655**

The accompanying notes form an integral part of the Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
Six months to 30 June 2015

(Expressed in U.S. Dollars)

	30 June 2015 Ordinary Shares	30 June 2015 Extended Life Shares	30 June 2015 New Global Shares	30 June 2015 Aggregated
Net assets at the beginning of the period	**93,920,322**	**395,281,487**	**153,044,225**	**642,246,034**
Net investment income	(336,404)	616,573	710,280	990,449
Net realised gain/(loss) on investments, credit default swaps and forward currency transactions	6,329,771	22,291,255	(962,084)	27,658,942
Non cash gain/(loss) on investment restructuring transactions	(3,581,310)	(12,496,265)	(5,131,697)	(21,209,272)
Net change in unrealised loss on investments, credit default swap, and forward currency transactions	(3,913,975)	(26,531,736)	(6,122,306)	(36,568,017)
Income taxes from net realised/unrealised gains from investments	(519,763)	(1,357,118)	(6,626)	(1,883,507)
Net cost of share buybacks	-	(607,325)	(543,207)	(1,150,532)
Shares redeemed during the period	(17,483,906)	(12,935,889)	-	(30,419,795)
Net assets at the end of the period	**74,414,735**	**364,260,982**	**140,988,585**	**579,664,302**

The accompanying notes form an integral part of the Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
Six months to 30 June 2016 and 30 June 2015

(Expressed in U.S. Dollars)

	30 June 2016	30 June 2015
Cash flows from operating activities:		
Net decrease in net assets resulting from operations	(2,907,545)	(31,011,405)
Adjustment to reconcile net decrease in net assets resulting from operations to net cash flow provided by/(used in) operations:		
Net realised gain on investments	(10,908,080)	(27,658,942)
Non cash gain on restructuring	-	21,209,272
Net change in unrealised loss on investments and forward currency transactions	16,269,310	36,568,017
Accretion of discount on loans and bonds	(1,583,025)	(207,643)
Changes in interest receivable	187,360	(762,182)
Changes in receivables for investments sold	(827,691)	8,678,337
Changes in other receivables and prepayments	215,765	(165,447)
Change in deferred tax	(6,207,861)	(730,895)
Changes in payables for investments purchased	2,780,009	(41,080,922)
Changes in payables, accrued expenses and other liabilities	(229,572)	458,135
Cash (paid)/received on settled forward currency contracts	(1,708,301)	5,869,809
Purchase of investments	(15,522,972)	(141,509,428)
Sale of investments	78,616,117	154,088,922
Net sale/(purchase) of short term investments	37,848,060	41,735,205
Net cash provided by operating activities	**96,021,574**	**25,480,833**
Cash flows from financing activities:		
Net cost of share buybacks	(5,271,051)	(1,150,532)
Shares redeemed during the period	(53,951,713)	(30,419,795)
Net cash provided by/(used in) financing activities	(59,222,764)	(31,570,327)
Net increase/(decrease) in cash and cash equivalents	**36,798,810**	**(6,089,494)**
Cash and cash equivalents at the beginning of the period	17,168,855	59,305,660
Effect of exchange rate changes on cash and cash equivalents	(629,479)	(2,047,103)
Cash and cash equivalents at the end of the period	**53,338,186**	**51,169,063**

Supplemental cash flow information

$Nil (30 June 2015: $22,601,679) related to the value of non-cash investment transactions, including reorganisations and exchanges and is excluded from purchases of and proceeds from sales of investments. Tax paid during the period was $7,447,330 (30 June 2015: $2,614,402).

The accompanying notes form an integral part of the Financial Statements.

UNAUDITED CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
At 30 June 2016
(Expressed in U.S. Dollars)

	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Portfolio of Distressed Investments						
Bank Debt Investments	181,361,796	106,775,529	21.74	26.45	34.20	28.19
Investment Partnership	4,415,354	1,662,314	1.15	0.52	-	0.44
Private Bond	29,173,387	18,400,387	1.26	3.43	9.16	4.86
Private Equity	132,800,720	133,184,198	42.39	37.82	26.96	35.16
Private Equity: Real Estate Development	2,793,050	4,194,788	2.91	1.32	-	1.11
Private Note	33,381,812	18,451,483	2.23	6.75	1.91	4.87
Public Bond	22,064,546	8,055,511	1.09	2.77	1.17	2.13
Public Equity	30,669,929	10,704,434	0.10	2.62	4.27	2.83
Trade Claim (ii)	13,032,089	11,767,325	8.17	3.71	-	3.11
	449,692,683	313,195,969	81.04	85.39	77.67	82.70
Temporary Investments						
UK Treasury Bills	7,330,172	6,676,795	-	-	6.09	1.76
	7,330,172	6,676,795	-	-	6.09	1.76
Total Investments	**457,022,855**	**319,872,764**	**81.04**	**85.39**	**83.76**	**84.46**
Ordinary Shares	39,093,133	32,632,931	81.04	-	-	-
Extended Life Shares	277,850,473	195,346,054	-	85.39	-	-
New Global Shares	140,079,249	91,893,779	-		83.76	-
	457,022,855	**319,872,764**	**81.04**	**85.39**	**83.76**	**84.46**
Credit Default Swaps						
Ordinary Shares	7,147	(2,921)	(0.01)	-	-	-
Extended Life Shares	17,736	(7,247)	-	-	-	-
	24,883	**(10,168)**	**(0.01)**	**-**	**-**	**-**
Forward Currency Contracts						
Ordinary Shares	-	(308,138)	(0.77)	-	-	(0.08)
Extended Life Shares	-	(730,558)	-	(0.32)	-	(0.19)
	-	**(1,038,696)**	**(0.77)**	**(0.32)**	**-**	**(0.27)**
Warrants						
Extended Life Shares	206,269	15,987	-	0.01	-	0.01
New Global Shares	165,239	12,807	-	-	0.01	-
	371,508	**28,794**	**-**	**0.01**	**0.01**	**0.01**

(i) This represents the percentage of Fair Value attributed to total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

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

The accompanying notes form an integral part of the Financial Statements.

AUDITED CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
At 31 December 2015
(Expressed in U.S. Dollars)

	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Portfolio of Distressed Investments						
Bank Debt Investments	182,029,312	114,834,083	16.55	24.99	33.01	26.05
Investment Partnership	11,303,825	6,307,236	3.23	1.68	-	1.43
Private Bond	28,392,971	20,338,524	1.32	3.53	8.70	4.61
Private Equity	165,829,026	161,927,803	42.06	39.01	28.81	36.73
Private Equity: Real Estate Development	2,793,046	4,787,223	2.45	1.27	-	1.09
Private Note	33,286,313	21,302,871	1.95	6.62	2.01	4.83
Public Bond	22,149,082	7,254,764	0.73	2.10	1.02	1.65
Public Equity	39,486,775	29,241,385	5.33	6.72	7.05	6.63
Trade Claim (ii)	13,032,089	9,267,308	4.74	2.47	-	2.10
	498,302,439	375,261,197	78.36	88.39	80.60	85.12
Temporary Investments						
US Treasury Bills	37,881,401	37,881,521	17.72	10.41	-	8.59
UK Treasury Bills	7,611,375	7,369,014	-	-	6.38	1.67
	45,492,776	45,250,535	17.72	10.41	6.38	10.26
Total Investments	**543,795,215**	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**
Ordinary Shares	58,628,292	52,473,234	96.08	-	-	-
Extended Life Shares	340,112,220	267,596,946	-	98.80	-	-
New Global Shares	145,054,703	100,441,552	-	-	86.98	-
	543,795,215	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**
Credit Default Swaps						
Ordinary Shares	7,147	16,916	0.03	-	-	-
Extended Life Shares	17,736	41,976	-	0.02	-	0.01
	24,883	**58,892**	**0.03**	**0.02**	**-**	**0.01**
Forward Currency Contracts						
Ordinary Shares	-	134,086	0.25	-	-	0.03
Extended Life Shares	-	319,091	-	0.12	-	0.07
	-	**453,177**	**0.25**	**0.12**	**-**	**0.10**
Warrants						
Extended Life Shares	206,269	116,887	-	0.04	-	0.03
New Global Shares	165,239	93,636	-	-	0.08	0.02
	371,508	**210,523**	**-**	**0.04**	**0.08**	**0.05**

(i) This represents the percentage of Fair Value attributed to total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

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

The accompanying notes form an integral part of the Financial Statements.

UNAUDITED CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
At 30 June 2016 and 31 December 2015

(Expressed in U.S. Dollars)

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

(Unaudited)

30 June 2016	Country	Industry	Nominal	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Securities									
Newhall Holding Company, LLC	United States	Building & Development	10,524,112	22,933,986	27,625,794	12.81	6.65	6.61	7.29
Harko LLC	United States	Lodging & Casinos	1,844,671	27,670,065	24,903,059	17.28	7.84	-	6.57
				50,604,051	**52,528,853**	**30.09**	**14.49**	**6.61**	**13.86**

(Audited)

31 December 2015	Country	Industry	Nominal	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Securities									
Newhall Holding Company, LLC	United States	Building & Development	9,988,960	21,595,838	27,469,640	9.89	5.89	5.30	6.23
Granite Ridge Holdings, LLC	United States	Utilities	132,017	20,885,571	31,684,080	12.62	6.56	6.09	7.19
Harko LLC	United States	Lodging & Casinos	1,844,671	27,670,065	24,903,059	12.74	6.63	-	5.65
Temporary Investments									
US Treasury Bills	United States	Government	37,890,000	37,881,400	37,881,521	17.72	10.42	-	8.59
				108,032,874	**121,938,300**	**52.97**	**29.50**	**11.39**	**27.66**

(i) This represents the percentage of Fair Value attributed to total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share Class NAV.

The accompanying notes form an integral part of the Financial Statements.

UNAUDITED CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
At 30 June 2016
(Expressed in U.S. Dollars)

	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Geographic diversity of Portfolio						
Portfolio of Distressed Investments						
Australia	21,925,541	16,018,907	7.48	3.40	4.76	4.23
Brazil	13,032,089	11,767,325	8.17	3.71	-	3.11
Cayman Islands	630,483	632,036	0.44	0.20	-	0.17
Denmark	15,759,652	13,179,891	-	2.38	7.04	3.48
Germany	3,326,977	2,188,851	1.52	0.69	-	0.58
Greece	357,242	70,493	0.05	0.02	-	0.02
Japan	457,894	-	-	-	-	-
Luxembourg	2	7,887,489	5.47	2.48	-	2.08
Marshall Islands	24,580,862	7,774,293	-	2.42	2.03	2.05
Netherlands	14,428,683	12,426,054	-	2.41	6.30	3.28
Spain	28,335,085	12,218,628	-	1.58	7.85	3.23
United Kingdom	1,131,455	3,463,926	2.40	1.09	-	0.91
United States	325,726,718	225,568,076	55.51	65.01	49.69	59.56
Temporary Investments						
United Kingdom	7,330,172	6,676,795	-	-	6.09	1.76
	457,022,855	**319,872,764**	**81.04**	**85.39**	**83.76**	**84.46**

(i) This represents the percentage of Fair Value attributed to total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share Class NAV.

The accompanying notes form an integral part of the Financial Statements.

AUDITED CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
At 31 December 2015
(Expressed in U.S. Dollars)

	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Geographic diversity of Portfolios						
Portfolio of Distressed Investments						
Australia	19,260,795	13,858,775	5.63	3.26	1.68	3.14
Brazil	13,032,089	9,267,308	4.74	2.47	-	2.10
Cayman Islands	3,535,143	3,558,537	1.82	0.95	-	0.81
Denmark	13,433,868	14,926,190	-	2.88	6.18	3.39
Germany	11,121,873	6,289,344	3.22	1.67	-	1.43
Greece	357,242	74,484	0.04	0.02	-	0.02
Japan	486,440	-	-	-	-	-
Luxembourg	2	4,710,617	2.41	1.25	-	1.07
Marshall Islands	24,609,267	16,483,758	-	4.34	4.09	3.74
Netherlands	14,428,683	11,277,900	-	1.85	5.44	2.56
Spain	28,335,086	13,012,381	-	1.43	7.91	2.95
United Kingdom	1,131,455	3,055,344	1.55	0.81	-	0.69
United States	368,570,496	278,746,559	58.95	67.46	55.30	63.22
Temporary Investments						
United Kingdom	7,611,375	7,369,014	-	-	6.38	1.67
United States	37,881,401	37,881,521	17.72	10.41	-	8.59
	543,795,215	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**

(i) This represents the percentage of Fair Value attributed to total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share Class NAV.

The accompanying notes form an integral part of the Financial Statements.

UNAUDITED CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
At 30 June 2016
(Expressed in U.S. Dollars)

	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Industry diversity of Portfolios						
Portfolio of Distressed Investments						
Air Transport	5,347,858	7,897,127	4.59	2.39	0.54	2.08
Auto Components	19,557,759	11,918,115	1.30	3.47	3.15	3.15
Building & Development	26,544,377	28,276,841	13.26	6.86	6.61	7.47
Chemicals & Plastics	1,525,664	602,655	-	-	0.55	0.16
Commercial Mortgage	28,345,652	33,573,700	3.10	11.11	6.30	8.86
Containers & Packaging	1,131,456	11,351,415	7.88	3.57	-	3.00
Financial Intermediaries	32,108,082	17,968,011	4.48	7.07	-	4.74
Forest Products	-	1,158,573	0.80	0.36	-	0.31
Lodging & Casinos	76,313,799	72,303,686	17.28	17.42	23.23	19.09
Nonferrous Metals/Minerals	18,417,593	12,890,302	-	3.61	4.21	3.40
Oil & Gas	52,310,097	26,838,864	-	6.27	11.39	7.09
Real Estate Development	2,793,050	4,194,788	2.91	1.32	-	1.11
Shipping	58,347,109	21,751,777	0.24	5.66	7.93	5.74
Surface Transport	34,697,317	16,514,201	8.17	4.74	2.17	4.36
Utilities	92,252,870	45,955,914	17.03	11.54	11.59	12.14
Temporary Investments						
UK Treasury Bills	7,330,172	6,676,795	-	-	6.09	1.76
	457,022,855	**319,872,764**	**81.04**	**85.39**	**83.76**	**84.46**

(i) This represents the percentage of Fair Value attributed to total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share Class NAV.

The accompanying notes form an integral part of the Financial Statements.

AUDITED CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
At 31 December 2015
(Expressed in U.S. Dollars)

	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Industry diversity of Portfolios						
Portfolio of Distressed Investments						
Air Transport	7,219,919	8,141,822	2.89	2.00	0.99	1.85
Auto Components (ii)	18,777,343	14,825,074	1.38	3.60	3.74	3.36
Building & Development	25,206,230	28,255,599	10.30	6.10	5.30	6.41
Chemicals & Plastics	1,525,664	713,964	-	-	0.62	0.16
Commercial Mortgage	33,630,470	36,821,722	2.30	10.81	5.44	8.35
Containers & Packaging	1,131,456	7,765,960	3.97	2.07	-	1.76
Financial Intermediaries	40,691,941	26,226,694	5.90	8.49	-	5.95
Forest Products	3,839,631	3,540,645	1.81	0.94	-	0.80
Lodging & Casinos	81,259,283	68,957,816	12.74	14.11	20.58	15.64
Nonferrous Metals/Minerals	18,417,593	14,154,056	-	3.35	4.40	3.21
Oil & Gas	50,068,849	18,148,995	-	3.86	6.66	4.12
Real Estate Development	2,793,046	4,787,223	2.45	1.27	-	1.09
Real Estate Investment Trusts	9,008,143	9,908,536	5.06	2.64	-	2.25
Shipping	55,087,895	35,816,608	0.27	8.43	11.14	8.12
Surface Transport	40,494,663	22,092,009	4.74	3.74	8.11	5.01
Utilities	109,150,313	75,104,474	24.55	16.97	13.62	17.04
Temporary Investments						
UK Treasury Bills	7,611,375	7,369,014	-	-	6.38	1.67
U.S.Treasury Bills	37,881,401	37,881,521	17.72	10.42	-	8.59
	543,795,215	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**

(i) This represents the percentage of Fair Value attributed to total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share Class NAV.

(ii) In 2015 this industry was categorised as "Industrials".

The accompanying notes form an integral part of the Financial Statements.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS

The Company is a closed-ended investment company registered and incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (as amended), (the "Companies Law"), on 20 April 2010, with registration number 51774. The Company's shares were admitted to the SFS of the London Stock Exchange and to the CISE on 10 June 2010. The Company will cancel its listing on the CISE on 30 August 2016.

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 U.S. Dollars for Ordinary Shares and Extended Life Shares and Pound Sterling for New Global Shares.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Standards and Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2015-07, Fair value measurement (Topic 820), Disclosures for Investments in Certain entities that Calculate Net Asset Value per share (or its equivalent). ASU 2015-07 removes the requirement to categorise within the fair value hierarchy all investments for which fair value is measured using net asset value per share practical expedient. The Company has adopted ASU 2015-07 for the period beginning 1 January 2016 and applied the guidance retrospectively for all periods presented.

Basis of Preparation

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

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

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

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

Wholly-owned subsidiaries, London Lux Masterco 1 S.a.r.l., London Lux Debtco 1 S.a.r.l., London Lux Propco 1 S.a.r.l. and London (Lux) PropCo 2 S.a.r.l. (incorporated on 2 August 2016) 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Preparation (continued)

During the period ended 30 June 2016, no subsidiaries were wound up. All inter-company balances have been eliminated fully on consolidation.

Reclassifications

Certain amounts relating to 2015 in these Financial Statements have been reclassified to conform to the 2016 presentation.

Use of Estimates

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

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

Valuation of Investments accounting policy and Note 6 “Fair Valuation of Financial Instruments” discloses further detail on the use of estimates.

Revenue Recognition

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

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.

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

For the period ended 30 June 2016, $1,583,025 (30 June 2015: $207,643) was recorded to reflect accretion of discount on loans and bonds during the period.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Company's cash and cash equivalents comprise cash on hand and demand deposits and highly liquid investments with original maturities of less than 90 days that are both readily convertible to known amounts of cash and so near maturity that they represent an insignificant risk of changes in value. At 30 June 2016, the Company held cash balances in various currencies to the value of $53,338,186 (31 December 2015: $17,168,855). These balances consisted of Pound Sterling: $10,408,639 (31 December 2015: $6,365,768), Euro: $829,052 (31 December 2015: $601,624), U.S. Dollar: $42,002,145 (31 December 2015: $9,478,650), and Australian Dollar: $98,350 (31 December 2015: $722,813).

Valuation of Investments

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

Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources the Company will seek bid prices from third party broker/dealer quotes for the investments. The Investment Manager believes that bid price is the best estimate of fair value and is in line with the valuation policy adopted by the Company.

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

The following criteria are considered when applicable:

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

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

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

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

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

The Company also holds one warrant (2015: one warrant) which it prices based on the bid price provided by a third party broker/dealer quote.

Realised and Unrealised Gains and Losses on Investments

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

All transactions relating to the re-organisation of current investments are recorded at the date of such reorganisation. 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 year 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Expenses

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

Performance Fee

Performance fee amounts (see note 3) are computed and accrued daily in accordance with the terms of the IMA.

Currency Translation

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

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

Payables/Receivables on Investments Purchased/Sold

At 30 June 2016, the amount payable/receivable on investments purchased/sold represents amounts due for investments purchased/sold that have been contracted for but not settled on the Unaudited Consolidated Statement of Assets and Liabilities date.

Cost of Buybacks

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

Income Taxes

The Company is not subject to income taxes in Guernsey; however it may be subject to taxes imposed by other countries on income it derives from investments. Such taxes are reflected in the 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. This pronouncement 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 2016 or 31 December 2015. The Company is subject to examination for US Federal and state tax returns for calendar years 2011–2016.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

During the period ended 30 June 2016, the Company recorded current income tax from realised/unrealised gain on investments of $7,447,330 (30 June 2015: $2,614,402). Deferred taxes are recorded to reflect the tax consequences of future years' differences between the tax basis of assets and their financial reporting basis. The amount of deferred tax benefit for the period ended 30 June 2016 is equal to $(6,207,861) (31 December 2015: ($1,579,637)). Total income tax from realised/unrealised gain on investments for the period ended 30 June 2016 was $1,239,469 (30 June 2015: $1,883,507).

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES

Investment Management Agreement

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

The Manager of the Company is Neuberger Berman Europe Limited (which is a related party), an indirectly wholly-owned subsidiary of NB Group. On 17 July 2014, the Company, the Manager and Neuberger Berman Investment Advisers LLC (formerly Neuberger Berman Fixed Income LLC) (which was the Sub-Investment Manager) made certain classificatory amendments to the Agreement 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. The Manager, Neuberger Berman Europe Limited, was appointed under the same agreement to provide, amongst other things, certain administrative services to the Company.

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

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

For the period ended 30 June 2016, the management fee expense was $2,945,681 (30 June 2015: $4,460,022). At 30 June 2016, the management fee payable was $466,016 (31 December 2015: $553,726).

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - MATERIAL AGREEMENTS AND RELATED PARTIES (CONTINUED)

Performance Fee

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

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

For the period ended 30 June 2016, the performance fee expense for the Ordinary Shares, Extended Life Shares and New Global Shares was $Nil (30 June 2015:$Nil), $Nil (30 June 2015: $Nil), and $Nil (30 June 2015: $Nil) respectively. The cumulative performance fee for the Ordinary Shares, Extended Life Shares and New Global Shares of $Nil (31 December 2015: $Nil), $Nil (31 December 2015: $Nil), and $Nil (31 December 2015: $Nil) respectively would be payable if the Company was to realise all investments at the period end.

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

Administration, Company Secretarial and Custody Agreements

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

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

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

Effective 1 March 2015, the Company entered into a Custody Agreement with US Bank National Association 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.

C.L. Secretaries Limited, a wholly owned subsidiary of Carey Commercial Limited, as Company Secretary is entitled to an annual fee of £50,800, an annual compliance fee of £250 plus fees for ad-hoc board meetings and additional services.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - MATERIAL AGREEMENTS AND RELATED PARTIES (CONTINUED)

Administration, Company Secretarial and Custody Agreements (continued)

For the period ended 30 June 2016, the administration fee expense was $181,650 (30 June 2015: $271,560), the secretarial fee was $81,711 (30 June 2015: $79,197) and the loan administration and custody fee expense was $40,730 (30 June 2015: $103,384). At 30 June 2016, the administration fee payable is $27,961 (31 December 2015: $33,214), the secretarial fee payable is $18,361 (31 December 2015: $134) and the loan administration and custody fee payable is $33,693 (31 December 2015: $50,593).

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). With the launch of NBDG in March 2014 it was agreed that the Directors' remuneration would increase by £10,000 each per annum. In addition the Chairman of the Audit Committee receives an additional $5,000 for his/her services in this role. Both Michael J. Holmberg and Patrick H. Flynn (left the Board on 31 December 2015), the non-independent Directors, have waived their fees for their services as Directors. For the period ended 30 June 2016, the Directors' fees and travel expenses amounted to $148,869 (30 June 2015: $135,985). At 30 June 2016, the Directors' fee payable is $Nil (31 December 2015: Nil).

Other Interests

There were no other related party interests for the period ended 30 June 2016.

NOTE 4 – DERIVATIVES

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

Forward Contracts

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

Forward currency transactions are contracts or agreements for delayed delivery of specific currencies in which the seller agrees to make delivery at a specified future date of specified currencies. Risks associated with forward currency contracts are the inability of counterparties to meet the terms of their respective contracts and movements in exchange rates. As a result a relatively small foreign currency exchange rates movement may result in substantial losses to the Company.

Credit Default Swaps

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - DERIVATIVES (CONTINUED)

Credit Default Swaps (continued)

Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return if a credit event occurs for the referenced entity, obligation or index. A credit event is defined under the terms of each swap agreement and may include, but is not limited to, underlying entity default, bankruptcy, write-down, principal shortfall, or interest shortfall.

The Company can be either a seller or buyer of protection when entering into a credit default swap agreement. If the Company is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Company will either receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

Until a credit event occurs recovery values are determined by market makers considering either industry standard recovery rates or entity specific factors and considerations. Either as a seller of protection or a buyer of protection of a credit default swap agreement the Company's maximum risk of loss from counterparty risk is the fair value of the agreement. The fair value of open swaps reported in the Unaudited Consolidated Statement of Assets and Liabilities may differ from that which would be realised in the event the Company terminated its position in the contract. Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of a counterparty is generally limited to the aggregate fair value of swap contracts in an unrealised gain position as well as any collateral posted with the counterparty. The risk is mitigated by the posting of collateral by the counterparty to the Company to cover the Company’s exposure to the counterparty. The Company considers the creditworthiness of each counterparty to a swap contract in evaluating potential credit risk. Additionally risks may arise from unanticipated movements in the fair value of the underlying investments.

Warrants

On 16 July 2015, as part of a restructuring of one of its private equity holdings, the Company received warrants on the new equity holding. These warrants provide the Company with exposure and potential gains upon the appreciation of the underlying equity’s share price.

The value of a warrant has two components: time value and intrinsic value. A warrant has a limited life and expires on a certain date. As the expiration date of a warrant approaches the time value of a warrant will decline. In addition if the stock underlying the warrant declines in price, the intrinsic value of an “in the money” warrant will decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result there is the potential for the Company to lose its entire investment in a warrant.

The Company is exposed to counterparty risk from the potential failure of an issuer of warrants to settle its exercised warrants. The maximum risk of loss from counterparty risk to the Company is the fair value of the contracts. The Company considers the effects of counterparty risk when determining the fair value of its investments in warrants.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - DERIVATIVES (CONTINUED)

Derivative activity

For the period ended 30 June 2016 and year ended 31 December 2015 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 2016

	Long exposure		Short exposure	
Primary underlying risk	**Notional amounts**	**Number of Contracts**	**Notional amounts**	**Number of Contracts**
Foreign currency exchange rate				
Forward currency contracts	$47,758,728	5	$(2,490,651)	9
Credit				
Purchased protection				
Credit default swap	9,400,000	1	-	-
Total	**$57,158,728**	**6**	**$(2,490,651)**	**9**
Equity price				
Warrants	96,416	1		

31 December 2015

	Long exposure		Short exposure	
Primary underlying risk	**Notional amounts**	**Number of Contracts**	**Notional amounts**	**Number of Contracts**
Foreign currency exchange rate				
Forward currency contracts	$48,568,118	7	$(5,102,998)	2
Credit				
Purchased protection				
Credit default swap	9,400,000	1	-	-
Total	**$57,968,118**	**8**	**$(5,102,998)**	**2**
Equity price				
Warrants	96,416	1	-	-

The following tables show, at 30 June 2016 and 31 December 2015, 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 2016 and 30 June 2015, the realised and unrealised gain and loss amounts included in the Unaudited Consolidated Statement of Operations, categorised by primary underlying risk:

30 June 2016

Primary underlying risk	**Derivative Assets ($)**	**Derivative Liabilities ($)**	**Realised gain (loss) ($)**	**Unrealised loss ($)**
Foreign currency exchange rate				
Forward currency contracts	481,833	(1,520,529)	(1,708,301)	(1,491,872)
Credit				
Purchased protection				
Credit default swap	-	(10,168)	(47,522)	(69,060)
Equity price				
Warrants	28,794	-	-	(181,728)
Total	**510,627**	**(1,530,697)**	**(1,755,823)**	**(1,742,660)**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - DERIVATIVES (CONTINUED)

Derivative activity (continued)

30 June 2015

Primary underlying risk	Derivative Assets ($)	Derivative Liabilities ($)	Realised gain (loss) ($)	Unrealised gain (loss) ($)
Foreign currency exchange rate				
Forward currency contracts	181,212	(4,029)	5,869,809	(1,746,115)
Credit				
Purchased protection				
Credit default swap	-	(8,901)	-	14,154
Total	**181,212**	**(12,930)**	**5,869,809**	**(1,731,961)**

Offsetting assets and liabilities

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

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

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

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

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

The Company is subject to enforceable master netting agreements with its counterparties Bank of America Merrill Lynch (($10,168)), Royal Bank of Canada ($201,108), Societe Generale (($1,187)) and UBS AG (($1,238,615)). These agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying offsetting mechanisms and collateral posting arrangements at pre-arranged exposure levels. There were no collateral arrangements during the period.

The following tables show, at 30 June 2016 and 31 December 2015, the gross and net derivatives assets and liabilities by contract type and amount for those derivatives contracts for which netting is permissible.

30 June 2016

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	481,833	(481,833)	-
Warrant	28,794	-	28,794
Total	**510,627**	**(481,833)**	**28,794**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - DERIVATIVES (CONTINUED)

Offsetting assets and liabilities (continued)

30 June 2016 (continued)

Description	Gross Amounts of Recognised Liabilities ($)	Gross Amounts Offset in the Statements of Assets and Liabilities ($)	Net Amounts of Recognised Assets Presented in the Consolidated Statement of Assets and Liabilities ($)
Forward Currency Contracts	(1,520,529)	481,833	(1,038,696)
Credit Default Swap	(10,168)	-	(10,168)
Total	**(1,530,697)**	**481,833**	**(1,048,864)**

31 December 2015

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	472,322	(19,145)	453,177
Credit Default Swap	58,892	-	58,892
Warrant	210,523	-	210,523
Total	**741,737**	**(19,145)**	**722,592**

Description	Gross Amounts of Recognised Liabilities ($)	Gross Amounts Offset in the Statements of Assets and Liabilities ($)	Net Amounts of Recognised Assets Presented in the Consolidated Statement of Assets and Liabilities ($)
Forward Currency Contracts	(19,145)	19,145	-
Total	**(19,145)**	**19,145**	**-**

NOTE 5 – UNFUNDED LOAN COMMITMENTS

At 30 June 2016 and 31 December 2015, the Company has no unfunded loan commitments.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following estimates and assumptions were used at 30 June 2016 and 31 December 2015 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents - The carrying value reasonably approximates fair value due to the short-term nature of these instruments.
- Receivables for investments sold - The carrying value reasonably approximates fair value as it reflects the value at which investments are sold to a willing buyer and the settlement period on their balances is short term.
- Interest receivables and other receivables and prepayments - The carrying value reasonably approximates fair value.
- Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the investments.
- Warrants are priced using third party market quotes.
- In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Investment Manager determines the valuation based on its fair valuation policy. Further information on valuations is provided in note 2, "Valuation of Investments", on pages 35.
- Payables for investments purchased - The carrying value reasonably approximates fair value as they reflect the value at which investments are purchased from a willing seller and the settlement period on their balances is short term.
- Payables to Investment Manager and affiliates and accrued expenses and other liabilities - The carrying value reasonably approximates fair value.
- Forward currency contracts are revalued using the forward exchange rate prevailing at the Consolidated Statement of Assets and Liabilities date.
- Investments in private investment companies/partnerships are valued utilising the net asset valuations provided by the underlying private investment companies/partnerships as a practical expedient. The Company applies the practical expedient consistently in its Portfolios unless it is probable that the Company will sell a portion of an investment at an amount different from the net asset valuation.

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

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

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

Level 3: Significant unobservable inputs.

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments at Fair Value at 30 June 2016

(Expressed in U.S. Dollars)	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Bank Debt Investments	-	54,562,471	52,213,058	-	106,775,529
Investment Partnership	-	-	-	1,662,314	1,662,314
Private Bond	-	18,400,387	-	-	18,400,387
Private Equity	-	57,846,426	75,337,772	-	133,184,198
Private Equity: Real Estate Development	-	-	4,194,788	-	4,194,788
Private Note	-	18,451,483	-	-	18,451,483
Public Bond	-	8,055,511	-	-	8,055,511
Public Equity	10,704,434	-	-	-	10,704,434
Trade Claim	-	-	11,767,325	-	11,767,325
UK Treasury Bills	-	6,676,795	-	-	6,676,795
Warrants	-	-	28,794	-	28,794
Credit Default Swap	-	(10,168)	-	-	(10,168)
Forward currency contracts	-	(1,038,696)	-	-	(1,038,696)
Total investments that are accounted for at fair value	**10,704,434**	**162,944,209**	**143,541,737**	**1,662,314**	**318,852,694**

Investments at Fair Value at 31 December 2015

(Expressed in U.S. Dollars)	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Bank Debt Investments	-	42,189,405	72,644,678	-	114,834,083
Investment Partnership	-	-	-	6,307,236	6,307,236
Private Bond	-	20,338,524	-	-	20,338,524
Private Equity	-	56,800,455	105,127,348	-	161,927,803
Private Equity: Real Estate Development	-	-	4,787,223	-	4,787,223
Private Note	-	21,302,871	-	-	21,302,871
Public Bond	-	7,254,764	-	-	7,254,764
Public Equity	29,241,385	-	-	-	29,241,385
Trade Claim	-	-	9,267,308	-	9,267,308
UK Treasury Bills	-	7,369,014	-	-	7,369,014
US Treasury Bills	-	37,881,521	-	-	37,881,521
Credit Default Swaps	-	58,892	-	-	58,892
Forward currency contracts	-	453,177	-	-	453,177
Warrants	-	-	210,523	-	210,523
Total investments that are accounted for at fair value	**29,241,385**	**193,648,623**	**192,037,080**	**6,307,236**	**421,234,324**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - 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 2016. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

Type	Sector	Fair Value ($)	Primary Valuation Technique	Unobservable Inputs	Range Input	Weighted Average
Bank Debt Investments	Air Transport	6,611,340	Market Information	Portfolio Sale	$14.4m net sales proceeds per aircraft (9 aircrafts) in July 2016	N/A
Bank Debt Investments	Building & Development	271,245	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	12,426,054	Discounted Cash Flow (DCF)	WACC	15% discount rate on loan payments	N/A
Bank Debt Investments	Commercial Mortgage1	4,462,292	Discounted Cash Flow (DCF)	WACC and Price per sq foot	17% discount rate on loan amortisation payments	N/A
Bank Debt Investments	Forest Products	1,158,573	Market Comparables	EBITDA Multiple	5.92	N/A
Bank Debt Investments	Lodging & Casinos	7,543,272	Market Comparables	EBITDA Multiple	13.80	N/A
Bank Debt Investments	Shipping	10,673,344	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Surface Transport	71,520	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	8,995,418	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity: Real Estate Development	Real Estate Development	4,194,788	Discounted Cash Flow (DCF)	WACC and Price per sq foot	5% and $556/sf	N/A
Private Equity	Air Transport	1,285,788	Discounted Cash Flow (DCF)	Sale Leaseback Revenue and WACC	20% discount rate on lease payments and cash held	N/A
Private Equity	Building & Development	379,801	Market Information	Escrow analysis after sale transaction	N/A	N/A
Private Equity	Chemicals and Plastic	602,655	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Commercial Mortgage	16,685,355	Discounted Cash Flow (DCF)	WACC and Price per sq foot	10% and $452/sf	N/A
Private Equity	Containers and Glass Products	3,463,926	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Containers and Packaging	7,887,489	Market Comparables	Enterprise Value Multiple	7.00	N/A
Private Equity	Industrials	151,784	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Oil & Gas	13,579,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Lodging & Casinos	24,903,059	Market Comparables / Discounted Cash Flow (DCF)	Expected Transaction	$2,500,000 per Acre in March 2017 - 15% Discount Rate	N/A
Private Equity	Shipping	374,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Utilities	6,024,915	Market Information	Unadjusted Broker Quote	N/A	N/A
Trade Claim	Surface Transport	11,767,325	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Shipping	28,794	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		**143,541,737**				

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2015. 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	Unobservable inputs	Range Input	Weighted Average
Bank Debt Investments	Lodging & Casinos	7,932,805	Comps	EBITDA Multiple	12.80	N/A
Bank Debt Investments	Shipping	16,483,758	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Surface Transport	9,969,120	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Air Transport	5,651,160	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Building & Development	406,867	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	12,882,199	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	11,277,901	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Healthcare	9	Expected Realisable Value	N/A	N/A	N/A
Bank Debt Investments	Forest Products	3,540,645	Comps	EBITDA Multiple	5.92	N/A
Bank Debt Investments	Commercial Mortgage	4,500,214	Discounted Cash Flow (DCF)	WACC	17% discount rate on loan amortisation payments	N/A
Private Equity	Auto Components[(i)]	303,522	Market Information	Unadjusted Broker Quote		N/A
Private Equity	Auto Components[(i)]	23	N/A - 0 Value	N/A - 0 Value	N/A - 0 Value	N/A
Private Equity	Containers and Packaging	4,710,616	Comps	Enterprise Value Multiple	N/A	N/A
Private Equity	Air Transport	19,328	Scenario Analysis	Value of CAF and cash/accruals	20% discount rate on lease payments and cash held	N/A
Private Equity	Air Transport	2,471,334	Discounted Cash Flow	Sale Leaseback Revenue and WACC	20% discount rate on lease payments and cash held	N/A
Private Equity	Nonferrous Metals/Minerals	14,154,056	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Financial Intermediaries	1,816,485	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Utilities	32,270,880	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Commercial Mortgage	21,043,608	Discounted Cash Flow (DCF)	WACC and Price per sq foot	10% and $452/sf	N/A
Private Equity	Lodging & Casinos	24,903,059	Comps	Sales Offer	$2,500,000 per acre	N/A
Private Equity	Containers and glass products	3,055,344	Market Information	Unadjusted Broker Quote	N/A	
Private Equity	Building & Development	379,093	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity: Real Estate Development	Real Estate Development	4,787,223	Discounted Cash Flow (DCF)	WACC and Price per sq foot	5% and $556/sf	N/A
Trade Claim	Surface Transport	9,267,308	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Shipping	210,523	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		**192,037,080**				

(i) In 2015 this industry was categorized as "Industrials".

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

Investments in private investment companies/partnerships are valued utilising the net asset valuations provided by the underlying private investment companies/partnerships as a practical expedient. The Company applies the practical expedient consistently in its Portfolios unless it is probable that the Company will sell a portion of an investment at an amount different from the net asset valuation.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

For the period ended 30 June 2016

(Expressed in U.S. Dollars)	Bank Debt Investments	Private Equity	Private Equity: Real Estate Development	Trade Claim	Warrants	Total
Balance, 31 December 2015	**72,644,678**	**105,127,348**	**4,787,223**	**9,267,308**	**210,523**	**192,037,080**
						-
Purchases	3,290,504	374,000	-	-	-	3,664,504
Sales and distributions	(9,510,087)	(44,951,385)	-	-	-	(54,461,472)
Restructuring assets	-	-	-	-	-	-
Non cash (loss)gain on restructuring	-	-	-	-	-	-
Realised gain/(loss) on sale of investments	1,325,620	14,823,873	-	-	-	16,149,493
Unrealised (loss)/gain on investments	(10,279,763)	(2,686,242)	(592,435)	2,500,017	(181,729)	(11,240,152)
Reclassification within Level 3 categories	-	-	-	-	-	-
Transfers into or (out of) Level 3	(5,257,894)	2,650,178	-	-	-	(2,607,716)
Balance, 30 June 2016	**52,213,058**	**75,337,772**	**4,194,788**	**11,767,325**	**28,794**	**143,541,737**
Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 30 June 2016	**(13,022,116)**	**(1,960,397)**	**(592,435)**	**2,500,017**	**(181,729)**	**(13,256,660)**

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

For the year ended 31 December 2015

(Expressed in U.S. Dollars)	Bank Debt Investments	Commercial Mortgage	Ownership in Senior Living Facility	Private Equity	Private Placement Bonds	Private Equity: Real Estate Development
Balance, 31 December 2014	**104,896,647**	**4,219,287**	**13,665,456**	**99,711,073**	**3,063,979**	**20,263,099**
Purchases	11,441,645	-	-	7,812,937	-	-
Sales and distributions	(18,874,426)	-	(18,522,439)	(11,416,223)	-	(13,197,987)
Restructuring assets	(14,860,514)	-	-	747,710	-	-
Non cash (loss)/gain on restructuring	(2,967,399)	-	-	-	-	-
Realised (loss)/gain on sale of investments	1,356,286	-	8,836,140	1,032,595	-	2,879,750
Unrealised gain/(loss) on investments	(18,573,886)	-	(3,979,157)	(6,330,491)	476,666	(5,157,639)
Reclassification within Level 3 categories	7,759,932	(4,219,287)	-	-	(3,540,645)	-
Transfers into or (out of) Level 3	2,466,393	-	-	13,569,747	-	-
Balance, 31 December 2015	**72,644,678**	**-**	**-**	**105,127,348**	**-**	**4,787,223**
Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2015	**(26,282,761)**	**-**	**-**	**522,069**	**-**	**(5,157,639)**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

For the year ended 31 December 2015 (continued)

	Private Note	Trade Claim	Warrants	Total
Balance, 31 December 2014	**31,950,069**	**10,859,649**	**-**	**288,629,259**
Purchases	-	-	-	**19,254,582**
Sales and distributions	-	-	-	**(62,011,075)**
Restructuring assets	-	-	371,508	**(13,741,296)**
Non cash (loss)/gain on restructuring	-	-	-	**(2,967,399)**
Realised (loss)/gain on sale of investments	(664,681)	-	-	**13,440,090**
Unrealised gain/(loss) on investments	(4,902,918)	(1,592,341)	(160,985)	**(40,220,751)**
Reclassification within Level 3 categories	-	-	-	**-**
Transfers into or (out of) Level 3	(26,382,470)	-	-	**(10,346,330)**
Balance, 31 December 2015	**-**	**9,267,308**	**210,523**	**192,037,080**
Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2015	**-**	**(1,592,341)**	**(160,985)**	**(32,671,657)**

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - RISKS

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

Market Risk

Market risk is the potential for changes in the value of investments. Categories of market risk include, but are not limited to interest rates. Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Details of the Company's investment portfolio at 30 June 2016 and 31 December 2015 are disclosed in the Unaudited Consolidated Condensed Schedule of Investments. Each separate investment exceeding 5% of net assets is disclosed separately.

Credit Risk

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

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

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

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - RISKS (CONTINUED)

Credit Risk (continued)

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

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

Liquidity Risk

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

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

Other Risks

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

NOTE 8 – 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 Share or New Global Shares and or Subscription Shares (each of which carry voting rights) or Capital Distributions Shares.

Further information on the Company's share capital can be found in the Capital Structure section of this report.

At the 30 June 2016 the Company had the following number of shares in issue:

	30 June 2016	31 December 2015
Issued and fully paid up:		
Class A Shares	2	2
Ordinary Shares Class of no par value (Nil in Treasury)	35,218,587	48,830,771
Extended Life Share Class of no par value (Nil in Treasury)	228,570,809	270,733,913
New Global Share Class of no par value (8,537,500 in Treasury; 2015 4,065,000)	110,785,785	110,785,785

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - SHARE CAPITAL (CONTINUED)

Reconciliation of the number of shares in issue in each class at 30 June 2016:

	Ordinary Shares	Extended Life Shares	New Global Shares	New Global Treasury Shares	Total
Balance at 31 December 2015	48,830,771	270,733,913	106,720,785	4,065,000	430,350,469
Shares redeemed during the period	(13,612,184)	(42,163,104)	-	-	55,775,288
Shares purchased into Treasury	-	-	(4,472,500)	4,472,500	-
Balance at 30 June 2016	35,218,587	228,570,809	102,248,285	8,537,500	374,575,181

Reconciliation of the number of shares in issue in each class at 31 December 2015:

	Ordinary Shares	Extended Life Shares	New Global Shares	New Global Treasury Shares	Total
Balance at 31 December 2014	75,011,865	331,917,856	110,785,785	-	517,715,506
Shares redeemed during the year	(26,181,094)	(61,183,943)	-	-	(87,365,037)
Shares purchased into Treasury	-	-	(4,065,000)	4,065,000	-
Balance at 31 December 2015	48,830,771	270,733,913	106,720,785	4,065,000	430,350,469

Reconciliation of the number of shares in issue in each class at 30 June 2015:

	Ordinary Shares	Extended Life Shares	New Global Shares	New Global Treasury Shares	Total
Balance at 31 December 2014	75,011,865	331,917,856	110,785,785	-	517,715,506
Shares redeemed during the year	(13,865,651)	(11,528,889)	-	-	(25,394,540)
Shares purchased into Treasury	-	-	(450,000)	450,000	-
Balance at 30 June 2015	61,146,214	320,388,967	110,335,785	450,000	492,320,966

Distributions

Set out below are details of the capital returns by way of a compulsory partial redemptions made during the six month period to 30 June 2016:

	Ordinary Share Class			Extended Life Share Class			New Global Share Class		
	Distribution Amount	Number of Shares	Per Share Amount	Distribution Amount	Number of Shares	Per Share Amount	Distribution Amount	Number of Shares	Per Share Amount
29-Feb-16	$6,991,959	6,484,844	$1.0782	$19,991,948	21,162,219	$0.9447	-	-	-
28-Apr-16	$4,491,953	4,080,255	$1.1009	$10,991,949	11,628,001	$0.9453	-	-	-
16-Jun-16	$3,491,959	3,047,085	$1.1460	$7,991,945	8,130,158	$0.9830	-	-	-
	$14,975,871	**13,612,184**	**-**	**$38,975,842**	**40,920,378**	**-**	**-**	**-**	**-**

Buybacks

Under the authority granted to the Directors at the 2015 AGM, between 1 January 2016 and 30 June 2016 4,472,500 New Global Shares were repurchased by the Company for gross consideration of $4,143,702 and are currently held in Treasury. In addition, 1,242,726 Extended Life Shares were repurchased during the period for gross consideration of $1,127,350 and were cancelled. The Company did not repurchase any Ordinary Shares during this period.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 – FINANCIAL HIGHLIGHTS

Per share operating performance	Ordinary Shares ($) Period ended 30 June 2016	Extended Life Shares ($) Period ended 30 June 2016	New Global Shares (£) Period ended 30 June 2016	Ordinary Shares ($) Year ended 31 December 2015	Extended Life Shares ($) Year ended 31 December 2015	New Global Shares (£) Year ended 31 December 2015
Opening Balance	**1.1184**	**1.0003**	**0.7341**	**1.2521**	**1.1909**	**0.8860**
Impact of share buybacks	-	0.0084	0.0054	-	0.0005	0.0034
Income/(loss) from investment operations (i)						
Net investment (loss)/income	0.0013	0.0095	0.0091	0.0203	0.0240	0.0128
Net realised and unrealised (loss)/gain from investments and foreign exchange	0.0237	(0.0172)	0.0541	(0.1540)	(0.2151)	(0.1681)
Total from investment operations	**0.0250**	**(0.0077)**	**0.0632**	**(0.1337)**	**(0.1911)**	**(0.1553)**
Net asset value per share at end of the period	**1.1434**	**1.0010**	**0.8027**	**1.1184**	**1.0003**	**0.7341**

(i) Weighted average numbers of shares outstanding were used for calculation.

Total return* (ii)	Ordinary Shares Period ended 30 June 2016	Extended Life Shares Period ended 30 June 2016	New Global Shares Period ended 30 June 2016	Ordinary Shares Year ended 31 December 2015	Extended Life Shares Year ended 31 December 2015	New Global Shares Year ended 31 December 2015
Total return before performance fees	2.24%	0.07%	9.34%	(10.68%)	(16.00%)	(17.14%)
Performance fees	-	-	-	-	-	-
Total return after performance fees	**2.24%**	**0.07%**	**9.34%**	**(10.68%)**	**(16.00%)**	**(17.14%)**

*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. A shareholder's return may vary from these returns based on participation in new issues, the timing of capital transactions etc. Class A shares are not presented as they are not profit participating shares.

Ratios to average net assets (ii)	Ordinary Shares Period ended 30 June 2016*	Extended Life Shares Period ended 30 June 2016*	New Global Shares Period ended 30 June 2016*	Ordinary Shares Year ended 31 December 2015	Extended Life Shares Year ended 31 December 2015	New Global Shares Year ended 31 December 2015
Net investment income after performance fee	0.23%	1.98%	2.32%	(1.64%)	2.10%	1.42%
Expenses before performance fee	(2.05%)	(2.07%)	(2.21%)	(2.02%)	(2.05%)	(2.01%)
Performance fee	-	-	-	-	-	-
Total expenses after performance fees	**(2.05%)**	**(2.07%)**	**(2.21%)**	**(2.02%)**	**(2.05%)**	**(2.01%)**

* Ratios for the period ended 30 June 2016 have been annualised by factoring up the first 6 months expenses and applying an actual/actual day count basis whereas the ratios for the year ended 31 December 2015 are in respect of the actual fee for the 12 months to 31 December 2015.

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

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

	Ordinary Share Class Net Assets ($)	Ordinary Share Class NAV per Share ($)	Extended Life Share Class Net Assets ($)	Extended Life Share Class NAV per Share ($)	New Global Share Class Net Assets (£)	New Global Share Class NAV per Share (£)
Published Net Assets at 30 June 2016	40,269,266	1.1434	228,549,776	0.9999	81,919,133	0.8012
Deferred Tax Adjustment	-	-	-	-	-	-
Valuation Adjustments	-	-	238,202	0.0011	151,791	0.0015
Net Assets consolidated Financial Statements	**40,269,266**	**1.1434**	**228,787,978**	**1.0010**	**82,070,924**	**0.8027**

	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 2015	54,495,517	1.1160	273,190,429	1.0091	79,604,835	0.7459
Deferred Tax Adjustment	249,521	0.0052	643,311	0.0023	105,670	0.0010
Valuation Adjustments	(134,632)	(0.0028)	(3,015,509)	(0.0111)	(1,366,434)	(0.0128)
Net Assets consolidated Financial Statements	**54,610,406**	**1.1184**	**270,818,231**	**1.0003**	**78,344,071**	**0.7341**

NOTE 11 - SUBSEQUENT EVENTS

Since 30 June and up to the latest practicable date prior signing the Financial Statements Company has repurchased 40,000 NBDX shares for $37,300.

Capital Structure

The Company's share capital consists of three different share classes: the Ordinary Share Class; the Extended Life Share Class; and the New Global Share Class. These share classes each have different capital return profiles and, in some instances, different geographical remits. In addition the Company has 2 Class A Shares in issue.

Ordinary Share Class ("NBDD")

NBDD was established at the Company's launch on June 2010 with a remit to invest primarily in the North American distressed market. The investment period of NBDD expired on 10 June 2013 and the portfolio is currently in the harvest period.

Voting rights: Yes
Denomination: U.S. Dollars
Share issue authority: Unlimited
Par value: Nil

Capital Structure (continued)

Extended Life Share Class ("NBDX")

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 has a remit to invest primarily in the North American distressed market.

The NBDX assets were placed into the harvest period following expiry of the investment period on 31 March 2015.

Voting rights:	Yes
Denomination:	U.S. Dollars
Share issue authority:	Unlimited
Par value:	Nil

New Global Share Class ("NBDG")

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

NBDG is subject to an investment period ending on 31 March 2017 following which the harvest period will commence.

Voting rights:	Yes
Denomination:	Pound Sterling
Share issue authority:	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 rights conferred by such shares in the manner it considers, in its absolute discretion, to be in the best interests of the Company's shareholders as a whole.

Voting rights:	No
Denomination:	U.S. Dollars
Share issue authority:	10,000 Class A Shares
Par value:	U.S. Dollar $1

DIRECTORS, MANAGERS AND ADVISERS

Directors

John Hallam (*Chairman*)
Sarah Evans
Michael Holmberg
Christopher Sherwell
Stephen Vakil

All c/o the Company's registered office.

Registered Office

1st & 2nd Floors, Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

Alternative Investment Fund Manager

Neuberger Berman Investment Advisers LLC
190 S LaSalle Street
Chicago IL 60603
United States of America

Manager

Neuberger Berman Europe Limited
4th Floor, 57 Berkeley Square
London
United Kingdom
W1J 6ER

Designated Manager and Administrator

U.S. Bancorp Fund Services (Guernsey) Limited
1st Floor, Tudor House
La Bordage
St Peter Port
Guernsey
GY1 1DB

Sub-Administrator

Quintillion Limited
24/26 City Quay
Dublin
Ireland

Custodian and Principal Bankers

US Bank National Association
214 North Tryon Street
26th Floor, Charlotte
North Carolina 28202

Company Secretary

C.L. Secretaries Limited
1st & 2nd Floors, Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

Joint Financial Adviser and Joint Corporate Broker

Stifel Nicolaus Europe Limited
150 Cheapside
London
United Kingdom
EC2V 6ET

Joint Financial Adviser and Joint Corporate Broker

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
London
United Kingdom
EC4R 2GA

DIRECTORS, MANAGERS AND ADVISERS (CONTINUED)

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

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

Advocates to the Company (as to Guernsey law)

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

Independent Auditor

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

Registrar

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