



29 December 2023

## FUND OBJECTIVE

As of a vote passed at the Extraordinary General Meeting (“EGM”) on 27th January 2023, the Fund is following a managed wind-down process and the objective is now to realise all assets in an orderly manner.

## INVESTMENT MANAGEMENT TEAM



**Pieter D'Hoore**  
Senior Portfolio  
Manager  
The Hague



**Joseph P. Lynch**  
Senior Portfolio  
Manager  
Chicago



**Simon Matthews**  
Senior Portfolio  
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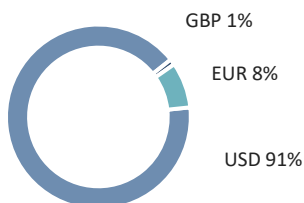
## FUND FACTS

Ticker	NBML:LN
ISIN	GG00BPOXL116
Admission Date	20 April 2011
Management Fee*	0.60%
ISA & SIPP eligible	Yes
Pricing	Daily
NAV (GBP)	0.7656
Share Price (GBP)	0.6980
Premium/Discount	-8.83%
Market Cap (GBP)	29.44 Million
Dividend Policy**	Quarterly

## PORTFOLIO STATISTICS

Current Portfolio Yield (%)***	14.62
Hedged Portfolio Yield (%)	14.74
Yield to Maturity (%)	18.00
Duration (years)	0.25
Number of Issuers	25
Average Credit Quality	CCC+
Weighted Average Price	84.49

## CURRENCY BREAKDOWN % (MV)



The currency breakdown excludes cash and FX

## ASSET TYPE % (MV)



Portfolio Assets: Applicable Ratings	Time To Maturity (years)	Market Value %
<b>Private Debt</b>	<b>5.23</b>	<b>48.9</b>
B	5.06	1.5
CCC	5.27	46.7
CC	2.49	0.1
NR	3.21	0.7
<b>Distressed Debt</b>	<b>3.30</b>	<b>12.4</b>
B	3.74	4.5
CCC	2.77	6.6
NR	4.51	1.3
<b>US Loans</b>	<b>3.94</b>	<b>6.8</b>
B	3.92	5.5
NR	4.00	1.3
<b>EUR Loans</b>	<b>4.11</b>	<b>1.4</b>
B	4.11	1.4

The time to maturity and market value percentage table excludes equity holdings and cash, which represent 0.3% and 18%, respectively, of Market Value as of 29 December 2023.

\*The current management fee of 0.60% reflects total reductions by the Investment Manager of 15 basis points from a management fee of 0.75% that was applicable immediately prior to the EGM held on 27th January 2023; the current management fee will remain in place until all of the Company's assets have been realised.

\*\* On 25 January 2023, the Board announced an additional interim dividend, totalling circa. £1.995 million, equating to £0.009 per Sterling Ordinary Share in respect of the Company's Excess Reportable Income for the 2022 Financial Year. The Board will keep under review the declaration of a further interim dividend from the Company's ERI in respect of the 2022 Financial Year following the conclusion of the 31 December 2022 year-end audit. Should there be such a further dividend, it is not expected to be significant. Following the results of the EGM, the Company has moved to paying dividends on a quarterly rather than monthly basis, with the first such dividend having been paid in relation to the period ending 31 March 2023. The Board intends to pay quarterly dividends where there is sufficient net income to do so. As the managed wind-down (refer to the EGM results linked [here](#)) progresses, the Board anticipates that the Company may not have sufficient net income to pay dividends.

\*\*\* Current Portfolio Yield is a market-value weighted average of the current yields of the holdings in the portfolio, calculated as the coupon (base rate plus spread) divided by current price. The calculation does not take into account any Fund expenses or sales charges paid, which would reduce the results. The Current Yield for the Fund will fluctuate from month to month. The Current Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the realised distribution rate for each share class. You should consult the Fund's prospectus for additional information about the Fund's dividends and distributions policy.

Past performance is not a reliable indicator of current or future results.

## CONTACT

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### Market Update

Non-investment grade credit markets finished the month of December and the fourth quarter with strong returns driven by risk-on sentiment as markets priced in rate cuts for 2024 despite resilient economic data. For calendar year 2023, high yield bond and loan market returns were among the highest since 2019. Yields declined across fixed income during the month and quarter, primarily driven by a fall in 10-year U.S. Treasury yields. The yield on U.S. 10-Year Treasuries ended December at 3.87%, declining 36 basis points since the end of November and 71 basis points since the end of the third quarter. Yields on 10-year U.K. Gilts and German Bunds also declined over the month. Broadly, non-investment grade issuer fundamentals of free cash flow, interest coverage and leverage have remained in relatively favourable ranges with most we believe well-positioned to navigate the current environment, but some sectors and issuers are coming under pressure from slower growth, and secular or idiosyncratic challenges. Also, some lower-quality issuers have been experiencing earnings pressure recently.

In December, U.S. senior floating rate loans—measured by the Morningstar LSTA U.S. Leveraged Loan Index (the “LLI”)—returned 1.65% with the lowest rated part of the credit spectrum outperforming as the BB, B and CCC rated segments of the LLI returned 1.23%, 1.79% and 2.70%, respectively. The Leveraged Loans 100 Index—a measure of the largest, most liquid issuers—returned 1.97% in December and 13.20% year to date. In 2023, CCCs and single Bs outperformed the overall index with returns of 17.54% and 14.82%, respectively, compared to the BB rating tier’s return of 10.18%. The Morningstar European Leveraged Loan Index (“ELLI”) returned 1.21% (excluding currency) in December as CCC and BB rated loans underperformed with returns of 0.23% and 1.13% (excluding currency), respectively, compared to the B index with a return of 1.26% (excluding currency). The ELLI returned 13.42% year to date (excluding currency). The second lien loan index returned 3.42% in December and 22.74% in 2023.

The global high yield bond market finished the month, quarter and year with strong returns. The ICE BofA Global High Yield Constrained Index returned 3.47% in December, 6.68% in the fourth quarter and 12.97% year to date. In December, the lowest rated credit tier outperformed as the BB, B, CCC & lower categories of the ICE BofA Global High Yield Index returned 3.22%, 3.42%, and 5.33%, respectively. Year to date, the CCC & below and B rated credit tiers of the index outperformed with returns of 17.70% and 14.18%, as compared to the BB rated segment of the index which returned 11.36%.

CLO debt spreads were meaningfully tighter in the quarter, as economic data and statements from the Federal Reserve indicated a lower probability of future rate hikes, with the market increasingly gravitating to a “soft landing” economic scenario. Secondary non-investment grade CLO trading volumes declined 13% quarter-over-quarter. The CLO BB index gained 7.33% during the quarter and was up 24.52% for the full year 2023. Returns have been driven approximately two thirds by coupon income, and one third by price appreciation.

In our view, non-investment grade valuations are compensating investors for the relatively benign default outlook; these instruments will continue to provide durable income and are especially attractive compared to other fixed income alternatives. While the economy remains resilient, slowing real demand has helped inflation continue to move downward. The lagged effects of monetary tightening, higher current interest rates and shifts in consumer behaviour are likely to keep pushing inflation toward central banks’ target ranges. However, higher interest rates could put more pressure on the consumer and broader economy. As credit dispersion has been on the rise, our analysts remain keenly focused on the specific fundamentals of individual issuers in their coverage, assessing the base and downside cases in the event of a soft-landing or recession.

### Asset Realisation Update

The Managed Wind-down of the Portfolio, as described in the Circular of 20th December 2022, has been in effect since the EGM shareholder approval of 27th January 2023. In the period between from 27th January 2023 to-date there have been five compulsory redemptions reflecting the realisation of a total value of £143.9 million of portfolio assets. This is approximately 79.8% of the NAV as of 27th January 2023 which exceeds the previously stated target of having distributed 75% of that NAV in cash by the year-end.

## RISK CONSIDERATIONS

**Market Risk:** The risk of a change in the value of a position as a result of underlying market factors, including among other things, the overall performance of companies and the market perception of the global economy.

**Risks associated with Managed Wind-down:** The Portfolio will be reduced and concentrated in fewer less liquid holdings. The Company might experience increased volatility in its Net Asset Value and/or its Share price as a result of changes to the Portfolio Structure.

**Liquidity Risk:** The risk that the fund may be unable to sell an investment readily at its fair market value.

**Credit Risk:** The risk that bond issuers may fail to meet their interest repayments, or repay debt, resulting in temporary or permanent losses to the fund.

**Interest Rate Risk:** The risk of interest rate movements affecting the value of fixed-rate bonds.

**Counterparty Risk:** The risk that a counterparty will not fulfil its payment obligation for a trade, contract or other transaction, on the due date.

**Operational Risk:** The risk of direct or indirect loss resulting from inadequate or failed processes, people and systems including those relating to the safekeeping of assets or from external events.

**Derivatives Risk:** The fund is permitted to use certain types of financial derivative instruments ("FDI") (including certain complex instruments) which can give rise to particular risks, including market risk, liquidity risk and counterparty credit risk. This may increase the fund's leverage significantly which may cause large variations in the value of your share. The fund's use of FDI can involve significant risks of loss.

**Currency Risk:** Investors who subscribe in a currency other than the base currency of the fund are exposed to currency risk. Fluctuations in exchange rates may affect the return on investment. Where past performance is shown it is based on the share class to which this factsheet relates. **If the currency of this share class is different from your local currency, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency.**

## IMPORTANT INFORMATION

Source of all data and charts (unless stated otherwise): Neuberger Berman Europe Limited, Bloomberg and Blackrock Aladdin.

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