



# NB Distressed Debt Investment Fund Limited

## 2021 INTERIM REPORT

Unaudited Consolidated Interim Financial Statements  
For The Six Month Period Ended 30 June 2021

NEUBERGER BERMAN

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## Features

### NB Distressed Debt Investment Fund Limited (the “Company”)

The Company is a closed-ended investment company incorporated and registered in Guernsey on 20 April 2010 with registration number 51774. The Company is governed under the provisions of the Companies (Guernsey) Law, 2008 (as amended) (the “Law”), and the Registered Collective Investment Scheme Rules 2018 issued by the Guernsey Financial Services Commission (“GFSC”). It is a non-cellular company limited by shares and has been declared by the GFSC to be a registered closed-ended collective investment scheme. The Company trades on the Specialist Fund Segment (“SFS”) of the London Stock Exchange (“LSE”).

The Company is a member of the Association of Investment Companies (the “AIC”) and is classified within the Debt – Loans & Bonds Category.

### Investment Objective

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

### Investment Policy

More information on the Company’s investment policy is provided on page 4 of the Annual Report and Financial Statements for the year ended 31 December 2020.

### Alternative Investment Fund Manager (“AIFM”) and Manager

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

### Share Capital

At 30 June 2021 the Company’s share capital comprised the following<sup>1</sup>:

### Ordinary Share Class (“NBDD”)

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

### Extended Life Share Class (“NBDX”)

80,545,074 Extended Life Shares, none of which were held in treasury.

### New Global Share Class (“NBDG”)

41,116,617 New Global Shares, none of which were held in treasury.

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

### Non-Mainstream Pooled Investments

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

The Company’s shares are excluded from the FCA’s restrictions which apply to NMPI products.

### Company Numbers

#### Ordinary Shares

LSE ISIN code: GG00BDFZ6F78

Bloomberg code: NBDD:LN

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#### Extended Life Shares

LSE ISIN code: GG00BMY71631

Bloomberg code: NBDX:LN

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#### New Global Shares

LSE ISIN code: GG00BMY71748

Bloomberg code: NBDG:LN

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#### Legal Entity Identifier

YRF07WKOU3V511VFX790

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### Website

[www.nbddif.com](http://www.nbddif.com)

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

## Capital Structure

The Company's share capital consists of three different share classes, all of which are in the harvest period: the Ordinary Share Class; the Extended Life Share Class; and the New Global Share Class. These share classes each have different capital return profiles and, in one instance a different geographical remit. In addition, the Company has two Class A Shares in issue. While the Company's share classes are all now in harvest, returning capital to shareholders, the Company's corporate umbrella itself has an indefinite life to allow for flexibility for the Company to add new share classes if demand, market opportunities and shareholder approval supported such a move, although the Company has no current plans to create new share classes. Each share class is considered in turn below.

### Ordinary Share Class

NBDD was established at the Company's launch on 10 June 2010 with a remit to invest in the global distressed debt market with a focus on North America. The investment period of NBDD expired on 10 June 2013.

Voting rights:	Yes
Denomination:	US Dollars
Hedging:	Portfolio hedged to US Dollars
Authorised share capital:	Unlimited
Par value:	Nil

### Extended Life Share Class

A vote was held at a class meeting of NBDD shareholders on 8 April 2013 where the majority of shareholders voted in favour of a proposed extension.

Following this meeting and with the NBDD shareholders' approval of the extension, on 9 April 2013 a new Class, NBDX, was created and the NBDX Shares were issued to 72% of initial NBDD investors who elected to convert their NBDD Shares to NBDX Shares. NBDX had a remit to invest in the global distressed debt market with a focus on North America. The investment period of NBDX expired on 31 March 2015.

Voting rights:	Yes
Denomination:	US Dollars
Hedging:	Portfolio hedged to US Dollars
Authorised share capital:	Unlimited
Par value:	Nil

### New Global Share Class

NBDG was created on 4 March 2014 and had a remit to invest in the global distressed market with a focus on Europe and North America. The investment period of NBDG expired on 31 March 2017.

Voting rights:	Yes
Denomination:	Pound Sterling
Hedging:	Unhedged portfolio
Authorised share capital:	Unlimited
Par value:	Nil

### Class A Shares

The Class A Shares are held by a trustee pursuant to a purpose trust established under Guernsey law. Under the terms of the Trust Deed the Trustee holds the Class A Shares for the purpose of exercising the right to receive notice of general meetings of the Company but the Trustee shall only have the right to attend and vote at general meetings of the Company when there are no other Shares of the Company in issue.

Voting rights:	No
Denomination:	US Dollars
Authorised share capital:	10,000 Class A Shares
Par value:	US Dollar \$1

## Key Figures

AT 30 JUNE 2021 (UNAUDITED)	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS	AGGREGATED
Net Asset Value ("NAV") (\$ millions)	14.6	76.6	33.7	124.9
NAV per Share (\$)	0.9518	0.9509	0.8184	–
Share Price (\$)	0.730	0.585	0.4490 <sup>1</sup>	–
NAV per Share (£)	–	–	0.5924	–
Share Price (£)	–	–	0.325	–
Premium/(Discount) to NAV per Share	(23.30%)	(38.48%)	(45.14%)	–
Portfolio of Distressed Investments (\$ millions)	11.3	66.7	32.0	109.9
Cash and Cash Equivalents (\$ millions)	3.6	9.9	1.3	14.8
Total Expense Ratio ("TER") <sup>2</sup>	2.14%	1.73%	2.11%	–
Ongoing Charges <sup>3</sup>	1.44%	1.55%	1.85%	–

AT 31 DECEMBER 2020 (AUDITED)	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS	AGGREGATED
Net Asset Value ("NAV") (\$ millions)	13.0	63.5	31.9	108.4
NAV per Share (\$)	0.8420	0.7889	0.7767	–
Share Price (\$)	0.720	0.480	0.6356 <sup>1</sup>	–
NAV per Share (£)	–	–	0.5682	–
Share Price (£)	–	–	0.465	–
Premium/(Discount) to NAV per Share	(14.49%)	(39.16%)	(18.16%)	–
Portfolio of Distressed Investments (\$ millions)	9.9	55.6	30.8	96.3
Cash and Cash Equivalents (\$ millions)	3.6	9.1	0.9	13.6
Total Expense Ratio ("TER") <sup>2</sup>	2.89%	2.68%	2.76%	–
Ongoing Charges <sup>3</sup>	2.42%	2.36%	2.39%	–

1 Stated in US Dollars, the £ price as at 30 June 2021 and 31 December 2020 converted to US Dollars using respective period/year end exchange rates.

2 The TERs represent the Company's management fees and all other operating expenses, as required by US Generally Accepted Accounting Principles ("US GAAP"), expressed as a percentage of average net assets.

3 In the period to 30 June 2021, the Company's annualised Ongoing Charges were 1.62%. This figure is based on an expense figure for the period to 30 June 2021 of \$1,059,391. This figure, which has been prepared in accordance with AIC guidance represents the Company's management fees and all other operating expenses, excluding finance costs payable, expressed as a percentage of average net assets. No performance fees were payable as at 30 June 2021. The Ongoing Charges by share class are disclosed above.

## Summary of Value in Excess of Original Capital Invested

AT 30 JUNE 2021	ORDINARY SHARE CLASS (\$)	EXTENDED LIFE SHARE CLASS (\$)	NEW GLOBAL SHARE CLASS (£)
Original Capital Invested	(124,500,202)	(359,359,794)	(110,785,785)
Total Capital Distributions	129,627,394	259,844,033	42,460,798
Total Income Distributions <sup>1</sup>	3,166,835	14,896,010	2,685,521
Distributions as % of Original Capital	107%	76%	41%
Total Buybacks	–	12,112,379	10,924,963
NAV	14,641,226	76,591,506	24,357,168
Total of NAV Plus Capital and Income Returned and Buybacks (“Value”)	147,435,455	363,443,928	80,428,450
Value in Excess of Original Capital Invested	22,935,253	4,084,134	(30,357,335)
Value as % of Original Capital Invested	118%	101%	73%

AT 31 DECEMBER 2020	ORDINARY SHARE CLASS (\$)	EXTENDED LIFE SHARE CLASS (\$)	NEW GLOBAL SHARE CLASS (£)
Original Capital Invested	(124,500,202)	(359,359,794)	(110,785,785)
Total Capital Distributions	129,627,394	259,844,033	42,460,798
Total Income Distributions <sup>1</sup>	3,166,835	14,896,010	2,685,521
Distributions as % of Original Capital	107%	76%	41%
Total Buybacks	-	12,112,379	10,924,963
NAV	12,952,965	63,540,650	23,363,139
Total of NAV Plus Capital and Income Returned and Buybacks (“Value”)	145,747,194	350,393,072	79,434,421
Value in Excess of Original Capital Invested	21,246,992	(8,966,722)	(31,351,364)
Value as % of Original Capital Invested	117%	98%	72%

1 By way of dividend.

A detailed breakdown of the Company’s distributions is provided on the Company’s website at [www.nbddif.com](http://www.nbddif.com) under “Investor Information”, “Capital Activity”.

## Chairman's Statement



Dear Shareholder,

The six-month period ending 30 June 2021 continued to see unprecedented economic and social disruption but with the hope that vaccines would bring some return to normality.

With each share class in its harvest period, we continue to seek to balance the pace of exits and the value achieved for shareholders as we return capital to our investors. As a reminder, the Ordinary class shareholders will no longer receive capital distributions until such time as all final assets attributable to them have been realised to ensure compliance with UK regulations.

### Company Performance

As at 30 June 2021, the Company had returned a total of \$132.8m or 106.7% of NBDD investors' original capital of \$124.5m, \$287m or 79.9% of NBDX investors' original capital of \$359.4m and £56.1m or 50.6% of NBDG investors' original capital of £110.8m.

Securing the balance between the pace of exits and the value for shareholders is an active exercise. In many instances, assets will need intense management to realise their full potential and as a consequence no significant realisations or distributions occurred in the period under review. The Board continues to monitor all costs to ensure that they are appropriate as we are conscious that shareholders may be concerned about the impact of costs on a reducing portfolio during the harvest period. We were therefore very pleased to announce that with effect from 18 March 2021 our investment manager agreed to waive all future fees.

### Annual General Meeting ("AGM") Results

We were pleased to see that shareholders voted overwhelmingly in favour of all resolutions proposed at our AGM held on 24 June 2021 with all but one being passed unanimously. We appreciate that circumstances have adversely impacted the results the company has achieved and would like to take the opportunity to thank you all for your votes and continued support.

We will continue to put our income distribution policy to a shareholder vote at each annual general meeting. I would like to remind shareholders that such distributions occur on an ad-hoc basis and are not expected to be material, nor equal to all share classes.

We would continue to highlight the importance of voting in the AGM. We are always happy to receive any questions or concerns from shareholders ahead of the AGM so they can be addressed beforehand.

### Board Composition, Independence and Diversity

Due to the current unchanged status of the fund it has been agreed to not refresh the board at this time.

### Brexit

While there continue to be uncertainties surrounding the future relationship between the United Kingdom and the European Union Brexit has not impacted our operations in any material manner. Shareholders are reminded that the NBDD and NBDX Portfolios are US Dollar denominated and any non-US exposure is hedged back to US Dollars. NBDG, on the other hand, is a Pound Sterling denominated, but unhedged, share class with a broader geographic remit than the other two share classes and the Board expects some continued volatility in the currency markets, which in turn would translate into volatility in the value of NBDG's non-Sterling assets.

## COVID-19

As previously reported, the world has experienced unprecedented times as a result of the COVID-19 pandemic and the values of many of our assets have been negatively affected. I am pleased to be able to report that our key service providers continue to provide uninterrupted services to the Company and thank them for their efforts. The various valuation methodologies we use to value your portfolio's holdings are continually reviewed and we consider that they remain appropriate for determining values at any given point in time. However, the timing of the orderly realisation of these. The various valuation methodologies we use to value your portfolio's holdings have been reviewed and we consider that they remain appropriate for determining values at any given point in time.

Our objectives remain the same; to maximise the benefit to investors during this harvest period and to continue to provide updated information regarding asset values.

## Outlook

As reported in the annual report the final distributions from each share class have been delayed. The Ordinary class of shares will be the first to commence the final wind up process later this year, followed by the Extended share class and then the New Global share class. As is normally the case with investment companies, as opposed to those with commercial undertakings, this does not currently have any material impact on the Company's ability to continue as a going concern or to remain viable. However, the whole process must be managed in a way that ensures compliance with UK regulations. The Extended and Global classes will continue to distribute until their net assets are reduced to approximately \$34.4m and £8.1m respectively. In certain cases, the cash associated with these share classes will need to remain in underlying corporate vehicles while tax and other matters relating to those vehicles are concluded. We will keep investors apprised of developments in respect of the remaining assets.

For regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in NBDDIF will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. As such, there will be no further distribution for NBDD (ordinary share class) until the final distribution to investors and the wind-down of the share class. The investment manager is evaluating options to wind down NBDD and will keep investors informed as there is more clarity.

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

## John Hallam

Chairman

19 August 2021



## Investment Manager's Report

### Ordinary Share Class

#### Summary

During the first half of 2021 the NAV per share increased by 13%. The vaccine rollout lifted public equity markets and provided investors and consumers with scope for renewed optimism. However, the pace of rollout has slowed down and there are continued worries that the spread of new COVID-19 variants could set back the economic recovery. Given these circumstances, the timing and quantum of any financial impact on the portfolio remains very difficult to predict. Despite the uncertainty, the Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable, but there is one asset we are working through which will determine the final distribution date. The Investment Manager is evaluating options to wind down the share class.

#### Portfolio Update

NBDD ended the first half of 2021 with a NAV per share of \$0.9518 compared to \$0.8420 at end of 2020. At 30 June 2021, 63% of NBDD's NAV was invested in distressed assets, and \$3.6m in US Government securities which represented a further 37% of NAV, with minimal cash net of restricted cash and payables (see table below). The NAV per share increased by 13%, principally driven by an improvement in profitability at a packaging company investment which resulted in a higher equity value. Cash balances will continue to increase as assets are realised, subject to variations in collateral cash, but as noted previously cannot be distributed until the final liquidation of the share class. The portfolio consisted of 6 issuers across 5 sectors. The largest sector concentrations were in containers & packaging, surface transportation and financial intermediaries.

#### CASH ANALYSIS

Balance Sheet – Cash	\$3.6m
Collateral cash	(\$3.1m)
Other payables	(\$0.0m)
<b>Total available cash</b>	<b>\$0.5m</b>

Notable events below describe activity in the investments during the first six months of 2021:

- The packaging company investment was able to refinance its capital structure at more favourable interest rates and extended maturities. No additional leverage was taken on for distributions to shareholders.

#### Significant Price Movement during first half of 2021 (over 1% of NBDD NAV or \$140,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Containers & packaging	Private Equity	1.30	Improvement in profitability and expansion in market multiples
Financial Intermediaries	Private Note	0.20	Positive credit developments in insured portfolio
Containers & packaging	Private Equity	0.18	Improvement in profitability and expansion in market multiples
Government Bonds	Bond Sovereign	(0.19)	Change in government bond yields

#### Exits

During the first half of the year there were no exits. The total number of exits since inception remain in NBDD to be 50, with a total return of \$35.8m. Detailed descriptions of the exits are at the end of this report.

#### Partial Realisations

The partial realisations generated a net gain of \$10.3m over the life of the fund. Detailed descriptions of the partial realisations are at the end of this report.

## Distributions

To date, \$132.8m or 107% of original capital has been distributed to investors in the form of capital distributions via redemptions and income dividends. Total value to investors including NAV and all distributions paid is \$147.4m (118% of original capital). With the uncertainty as to the pace and magnitude of the economic recovery, certain realisations in NBDD have been delayed. For regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in NBDDIF will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. Our intent is to wind down the share class as soon as practicable but there is one asset we are working through which will determine the final distribution date. We will continue to update investors as we gain clarity on the realisations.

## Extended Life Share Class

### Summary

During the first six months, the NAV per share increased by 20.5%. The vaccine rollout lifted public equity markets and provided investors and consumers with scope for renewed optimism. However, the pace of rollout has slowed down and there are continued worries that the spread of new COVID-19 variants could set back the economic recovery. Given these circumstances, the timing and quantum of any financial impact on the portfolio remains very difficult to predict. Despite the uncertainty, the Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable.

### Portfolio Update

NBDX ended the first half of the year with a NAV per share of \$0.9509 compared to \$0.7889 at end of 2020. At 30 June 2021, 96% of NBDX's NAV was invested in distressed assets, and \$2.7M in US Government securities which represented a further 4% of NAV with a minimal of cash net of payables (see table below). Cash balances will continue to increase as assets are realised, subject to variations in collateral cash, but as noted previously cannot be distributed until the final liquidation of the share class. The NAV per share increased 20.5% during the year, principally driven by operating improvements at the packaging company investments, a shipping investment benefiting from a stronger dry bulk market, and an oil & gas investment benefiting from improved ethanol demand. The NBDX portfolio consists of 13 issuers across 9 sectors. The largest sector concentrations were in surface transportation, containers & packaging, shipping, lodging & casinos, and financial intermediaries.

### Cash Analysis

Balance Sheet – Cash	\$9.9m
Collateral cash	(\$9.3m)
Other payables	(\$0.2m)
<b>Total available cash</b>	<b>\$0.4m</b>

Notable events below describe activity in the investments during first half of 2021:

- A packaging company investment was able to refinance its capital structure at more favourable interest rates and extended maturities. No additional leverage was taken on for distributions to shareholders.
- Two lodging & casino investments reopened for the first time since the start of the pandemic. Both properties are currently performing above expectations.

## Investment Manager's Report (continued)

### Significant Price Movements during first half of 2021 (over 1% of NBDX NAV or \$760,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Shipping	Private Equity	3.88	Strength in the dry bulk market
Containers & packaging	Private Equity	3.37	Improvement in profitability and expansion in market multiples
Financial Intermediaries	Private Note	2.52	Positive credit developments in insured portfolio
Oil & Gas	Private Equity	2.00	Improvement in ethanol demand

#### Exits

During the first half of the year, there were no exits for NBDX. The total number of exits since inception in NBDX is 67 with total return of \$63.7m. Detailed descriptions of the exits are at the end of this report.

#### Partial Realisations

The partial realisations generated a net gain of \$26.6m over the life of the Company. Detailed descriptions of the partial realisations are at the end of this report.

#### Distributions

During the first six months of 2021 there were no distributions. NBDX's total distributions to date (dividends, redemptions and buy-backs) are \$287.0m or 80% of original capital. Total value to investors including NAV and all distributions paid is \$363.4m or 101% of original capital. With the uncertainty as to the pace and magnitude of the economic recovery, certain realisations in NBDX have been delayed. For regulatory reasons, the final 10% of total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all of the outstanding shares of that class. The Investment Manager is committed to realising the investments in a timely manner to distribute cash to investors as soon as possible.

### New Global Share Class

#### Summary

During the first six months, the NAV per share increased by 4.3%. The vaccine rollout lifted public equity markets and provided investors and consumers with scope for renewed optimism. However, the pace of rollout has slowed down and there are continued worries that the spread of new COVID-19 variants could set back the economic recovery. Given these circumstances, the timing and quantum of any financial impact on the portfolio remains very difficult to predict. Despite the uncertainty, the Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable.

#### Portfolio Update

NBDG ended the first half of 2021 with a NAV per share of £0.5924 compared to £0.5682 at the end of 2020. At 30 June 2021, 92% of NBDG's NAV was invested in distressed assets, and \$1.4M in US Government securities which represented a further 4% of NAV (including cash receivables and net payables held in subsidiaries) with 4% held in cash (see table below). NAV per share increased 4.3% during the year principally due to a shipping investment benefiting from a stronger dry bulk market and an oil & gas investment benefiting from improved ethanol demand, offset by the continued closure of a lodging investment as a result of the global pandemic. With the exit of the public equity investments, the portfolio consisted of 7 issuers across 6 sectors. The largest sector concentrations were in lodging & casinos, commercial mortgage, surface transportation and shipping.

**Cash Analysis**

Balance Sheet – Cash	\$1.3m
Cash held in wholly-owned subsidiary accounts	\$0.0m
Other payables	(\$0.1m)
<b>Total available cash</b>	<b>\$1.2m</b>

Notable events involving NBDG's investments during the first half of 2021 are below:

- A lodging & casino investment reopened for the first time since the start of the pandemic. The property is currently performing above expectations.
- Another lodging & casino investment continues to be closed due to the pandemic and received an additional loan from investors to fund ongoing expenses.

**Significant Price Movements during first half of 2021 (over 1% of NBDG NAV or £240,000)**

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Shipping	Private Equity	1.64	Strength in the dry bulk market
Oil & Gas	Private Equity	0.70	Improvement in ethanol demand
Lodging & Casinos	Bank Debt Investments	(0.34)	Hotel closure due to COVID-19

**Exits**

During the first six months of 2021, there were no exits. The total number of exits since inception is 30 with a total return of £(7.2m). Detailed descriptions of the exits are at the end of this report.

**Partial Realisations**

There were no partial realisations in NBDG during first half of 2021.

**Distributions**

During the first six months of 2021, there were no distributions. Since inception, the Company has returned total distributions (dividends, redemptions and buy-backs) of £56.1m or 51% of original capital. Total value to investors including NAV and all distributions paid is £80.4m or 73% of original capital. With the uncertainty as to the pace and magnitude of the economic recovery, certain realisations in NBDG have been delayed. For regulatory reasons, the final 10% of total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all of the outstanding shares of that class. The Investment Manager is committed to realising the investments in a timely manner to distribute cash to investors as soon as possible.

**Summary of Exits across all Share Classes**

NBDD, NBDX and NBDG has no exits during first half of 2021.

Exits experienced from inception to date were as follows:

NBDD 50 exits with a total return of \$35.8m, IRR of 10% and ROR of 19%

NBDX 67 exits with a total return of \$63.7m, IRR of 5% and ROR of 10%

NBDG 30 exits with a total return of £(7.2m), IRR of (5) % and ROR of (6)%

The annualised internal rate of return ("IRR") is computed based on the actual dates of the cash flows of the security (purchases, sales, interest and principal pay downs), calculated in the base currency of each portfolio. The Rate of Return ("ROR") represents the change in value of the

## Investment Manager's Report (continued)

security (capital appreciation, depreciation and income) as a percentage of the purchase amount. The purchase amount can include multiple purchases. Total Return represents the inception to date gain/loss on an investment.

### Exit L (Exit 20 for NBDG and Exit 56 for NBDX)

EXIT L	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	20	£1.5	£0.2	(£1.3)	(32.3)%	(85.2)%	59
NBDX	56	\$5.7	\$0.7	(\$5.0)	(34.2)%	(87.1)%	59

### Exit M (Exit 21 for NBDG and Exit 57 for NBDD)

EXIT M	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	21	£1.6	£0.6	(£1.0)	(29.2)%	(62.4)%	59
NBDX	57	\$1.7	\$0.5	(\$1.2)	(30.5)%	(68.9)%	59

### Exit N (Exit 46 for NBDD and Exit 58 for NBDX)

EXIT N	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	46	\$2.0	\$1.6	(\$0.4)	(23.3)%	(21.0)%	84
NBDX	58	\$5.1	\$4.0	(\$1.1)	(23.3)%	(21.0)%	84

### Exit O (Exit 22 for NBDG and 60 for NBDX)

EXIT O	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	22	£8.8	£3.4	(£5.4)	(44.2)%	(61.1)%	64
NBDX	60	\$7.5	\$2.3	(\$5.2)	(52.9)%	(69.9)%	64

### Exit P (Exit 24 for NBDG, exit 47 for NBDD and Exit 62 for NBDX)

EXIT P	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	24	£7.2	£1.9	(£5.3)	(23.1)%	(73.2)%	71
NBDD	47	\$3.0	\$1.6	(\$1.4)	(7.1)%	(45.1)%	111
NBDX	62	\$10.1	\$4.8	(\$5.3)	(9.1)%	(52.5)%	111

**Exit Q (Exit 25 for NBDG and Exit 63 for NBDX)**

EXIT Q	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	25	£6.2	£5.6	(£0.6)	(2.1)%	(9.4)%	75
NBDX	63	\$10.1	\$6.8	(\$3.3)	(7.7)%	(32.1)%	75

**Exit R (Exit 26 for NBDG)**

EXIT R	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	26	£1.3	£0.8	(£0.5)	(20.1)%	(39.6)%	44

**Exit S (Exit 27 for NBDG and Exit 64 for NBDX)**

EXIT S	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	27	£5.8	£9.6	£3.8	11.8%	66.4%	74
NBDX	64	\$3.2	\$4.9	\$1.7	9.0%	53.8%	74

**Exit T (Exit 28 for NBDG and Exit 65 for NBDX)**

EXIT T	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	28	£5.4	£4.5	(£0.9)	(3.4)%	(16.5)%	74
NBDX	65	\$11.8	\$6.8	(\$5.0)	(9.0)%	(41.8)%	80

**Exit U (Exit 29 for NBDG, exit 48 for NBDD and Exit 66 for NBDX)**

EXIT U	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	29	£9.1	£6.7	(£2.4)	(13.5)%	(26.8)%	68
NBDD	48	\$1.0	\$0.3	(\$0.7)	(26.6)%	(66.3)%	85
NBDX	66	\$19.6	\$6.1	(\$13.5)	(28.4)%	(69.0)%	85

## Investment Manager's Report (continued)

## Exit V (Exit 30 for NBDG and Exit 49 for NBDD)

EXIT V	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	30	£12.8	£12.0	(£0.8)	(3.7)%	(6.0)%	76
NBDD	49	\$8.8	\$7.9	(\$0.9)	(3.4)%	(9.5)%	111

## Exit W (Exit 50 for NBDD and Exit 67 for NBDX)

EXIT W	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	CASH RECEIVED (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	50	\$6.5	\$2.1	(\$4.4)	(53.8)%	(67.3)%	91
NBDX	67	\$16.7	\$5.5	(\$11.2)	(50.5)%	(66.9)%	99

## Exit X (Exit 23 for NBDG and Exit 61 for NBDX)

EXIT X	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	23	£2.4	£1.5	(\$0.9)	(40.8)%	(38.9)%	65
NBDX	61	\$6.4	\$3.7	(\$2.7)	(43.6)%	(41.2)%	65

## Summary of Partial Realisations across all Share Classes

All partial realisations currently in the portfolio are reported as at 30 June 2021 and it should be noted that their IRR and ROR are likely to be different at the time of the final exit. These were the following partial realisations:

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

## Partial Realisation B: NBDD and NBDX

<b>75%</b>	ROR AS AT 30 JUNE 2021	<b>28%</b>	ROR AS AT 30 JUNE 2021
------------	------------------------	------------	------------------------

NBDD and NBDX invested \$7.1m to purchase first lien secured bank debt with attached private equity of an international packaging company. The debt was repaid in full shortly after the purchase with the receipt of \$5.8m and the Company retained the equity, receiving dividends of \$1.7m during the holding period. During the second quarter of 2017 the company's sale to a complementary packaging company was announced. NBDX and NBDD elected to receive sale proceeds in cash and newly created shares in the acquirer for a combined value of \$4.0m. In the third quarter

of 2017, the Company had received \$1.5m cash as part of the sale proceeds from the disposal completed at the end of the second quarter of 2017 and a further \$1.0m for partial redemption of new shares received in the acquirer. The company's operating performance in 2020 improved due to raw material price decreases. The current value of the private equity position is \$2.5m generating a total return of \$5.4m as of 30 June 2021. IRR was 28% and ROR was 75% with a holding period of 104 months at 30 June 2021.

B	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	H1 2017	\$2.0	\$2.8	\$0.7	\$1.5	28%	75%	104
NBDX	H1 2017	\$5.1	\$7.2	\$1.8	\$3.9	28%	75%	104

#### Partial Realisation C: NBDD and NBDX

342%

ROR AS AT 30 JUNE 2021

55%

IRR AS AT 30 JUNE 2021

NBDD and NBDX invested \$9.2m in preferred equity certificates ("PECs") and private equity of a European packaging company. The PECs were retired in full in 2015 and the company paid dividends on the equity during the holding period. Cash received to date is \$23.2m. In the second quarter, the company announced it was purchasing another complementary packaging company (Partial Realisation B, above) and completing a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. The company's operating performance in 2020 improved due to raw material price decreases. The current value of the private equity position is \$17.5m, generating a total return of \$31.5m as at 30 June 2021. IRR was 55% and ROR was 342% with a holding period of 107 months at 30 June 2021.

C	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	H1 2017	\$2.6	\$6.5	\$4.9	\$8.8	55%	342%	107
NBDX	H1 2017	\$6.6	\$16.7	\$12.6	\$22.7	55%	342%	107

Neuberger Berman Investment Advisers LLC

19 August 2021

Neuberger Berman Europe Limited

19 August 2021



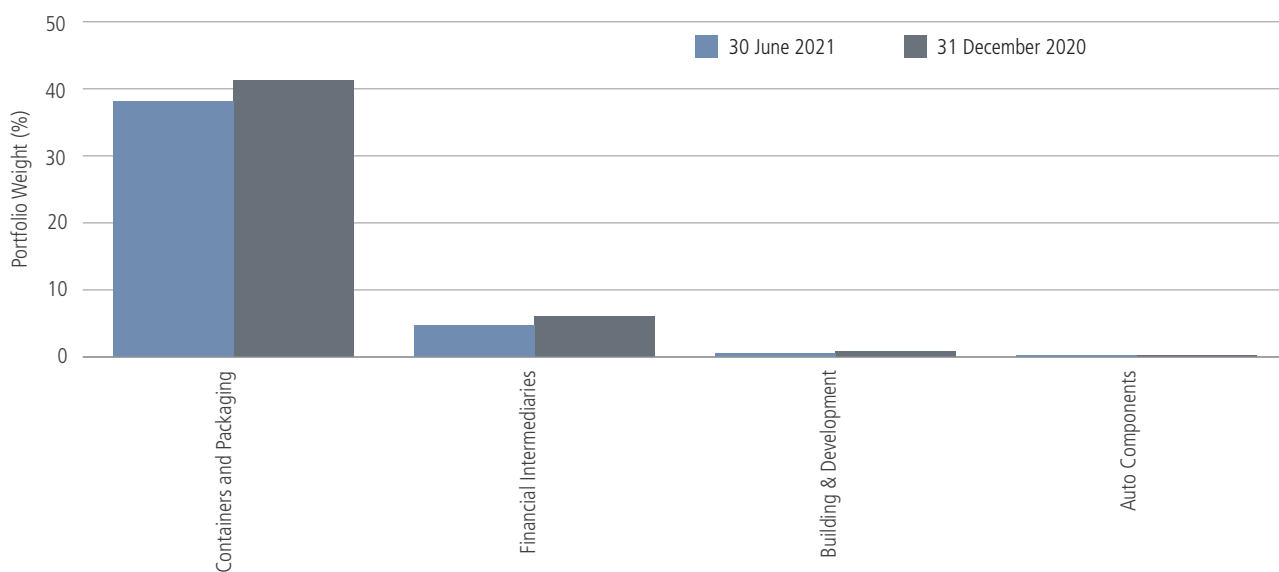
## Portfolio Information

### Ordinary Share Class

#### TOP 5<sup>1</sup> HOLDINGS AT 30 JUNE 2021

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	34%	Manufacturing Plant and Equipment
2	Surface Transport	Trade Claim	Defaulted	Brazil	20%	Municipal Claim
3	Financial Intermediaries	Secured Notes	Post-Reorg	US	5%	Cash & Securities
4	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	5%	Manufacturing Plant and Equipment
5	Building & Development	Secured Loan	Defaulted	US	1%	Land
<b>Total</b>					<b>65%</b>	

#### Sector Breakdown<sup>3</sup>



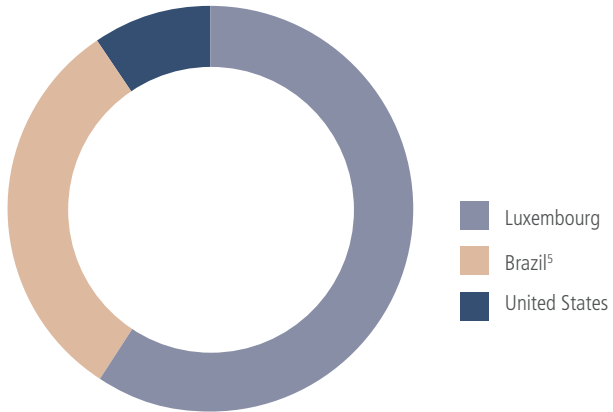
1 Ordinary Share Class holds five investments by issuer.

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

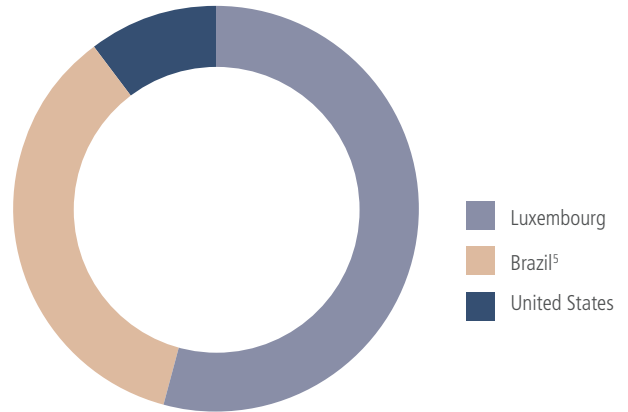
3 Global Fund Services (Ireland) Limited as Administrator / Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result,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

Country Breakdown<sup>4</sup>

30 JUNE 2021



31 DECEMBER 2020



4 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2021 and 31 December 2020.

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

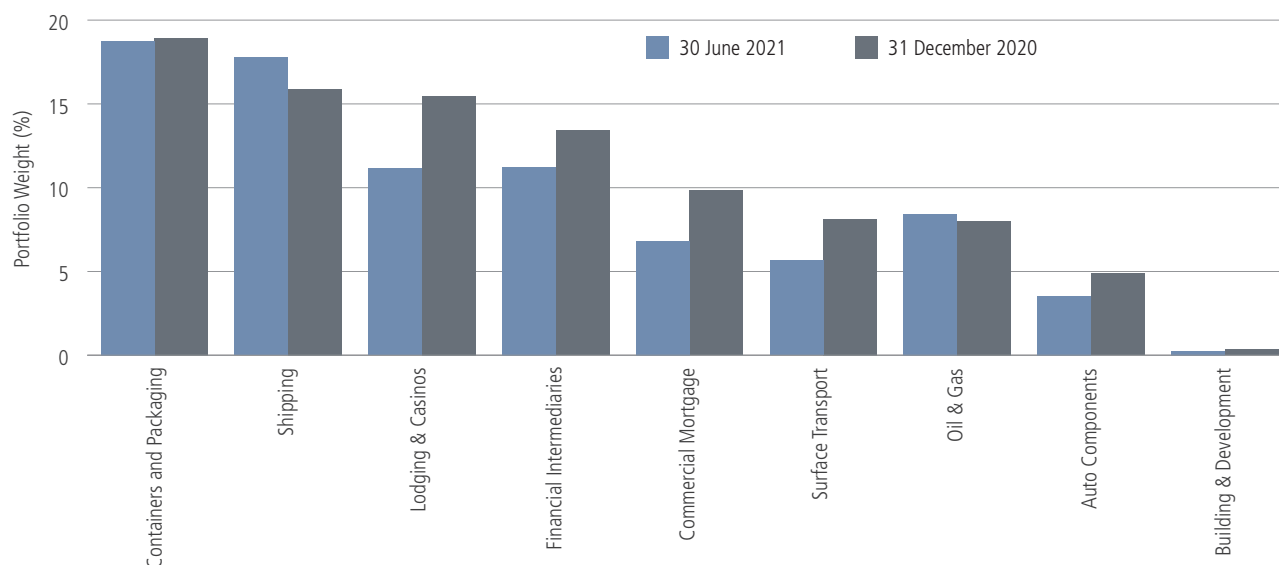
## Portfolio Information (continued)

### Extended Life Share Class

#### TOP 10 HOLDINGS AT 30 JUNE 2021

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Shipping	Secured Loan/ Private Equity	Post-Reorg	Marshall Islands	18%	Ships
2	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	17%	Manufacturing Plant and Equipment
3	Financial Intermediaries	Secured Notes	Defaulted	US	12%	Cash and Securities
4	Surface Transport	Trade Claim	Defaulted	Brazil	10%	Municipal Claim
5	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	8%	Ethanol Plant
6	Commercial Mortgage	Secured Loan	Defaulted	Netherlands	7%	Commercial Real Estate
7	Lodging & Casinos	Secured Notes	Post-Reorg	US	6%	Hotel/Lodging Real Estate and Casino
8	Surface Transport	Secured Loan	Defaulted	Spain	6%	Concession
9	Lodging & Casinos	Secured Loan	Defaulted	US	5%	Hotel/Lodging Real Estate and Casino
10	Auto Components	Secured Loan	Post-Reorg	US	4%	Manufacturing Plant and Equipment
<b>Total</b>					<b>93%</b>	

### Sector Breakdown<sup>2</sup>

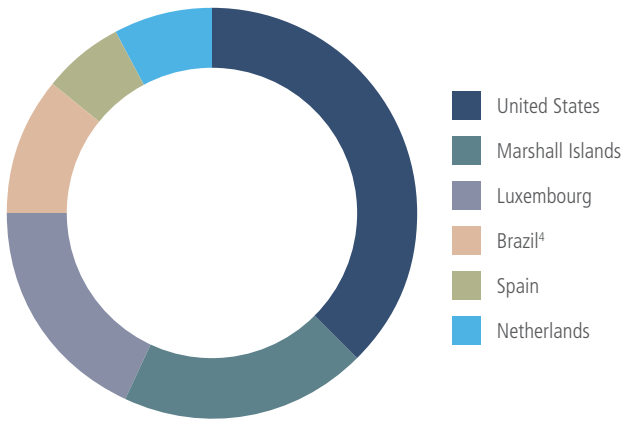


1 As at 30 June collateral pledged is included in the Surface Transport Market Value.

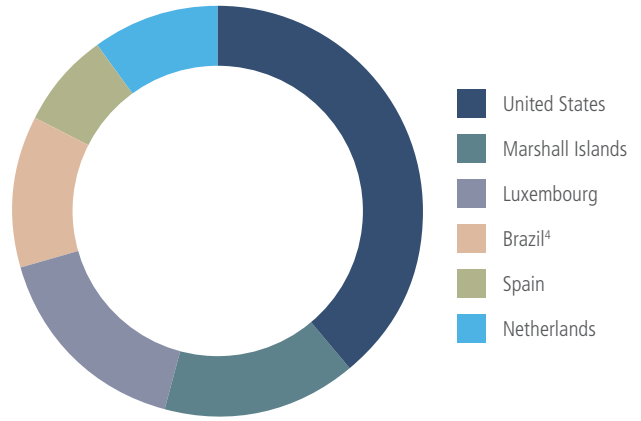
2 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/U.S. Bank Global Fund Services (Ireland) as Administrator / Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDX's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

Country Breakdown<sup>3</sup>

30 JUNE 2021



31 DECEMBER 2020



<sup>3</sup> Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2021 and 31 December 2020.

<sup>4</sup> As at 30 June collateral pledged is included in the Brazil Market Value.

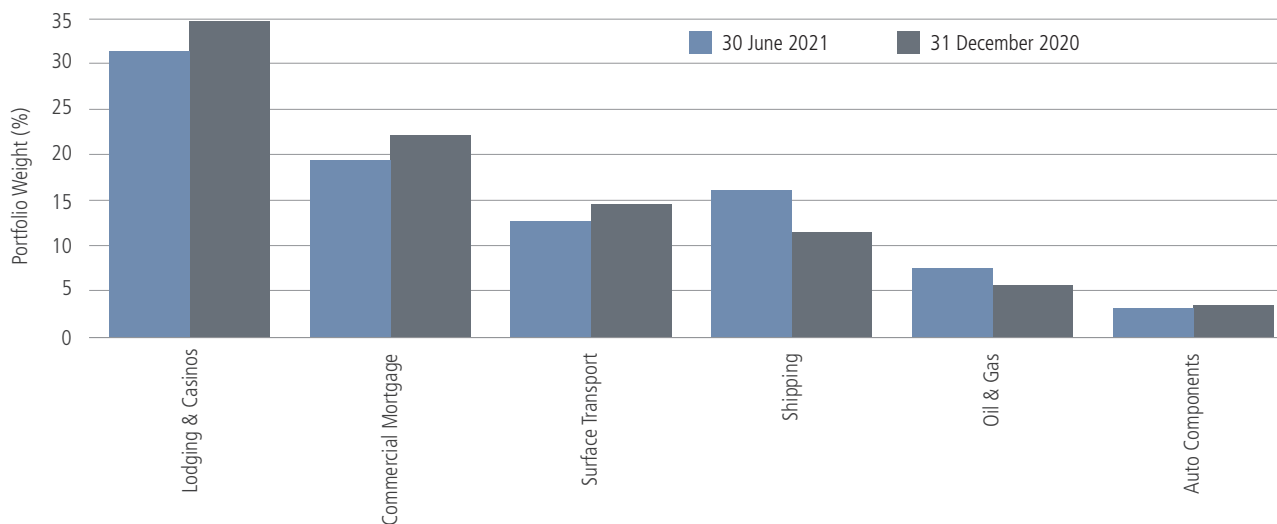
## Portfolio Information (continued)

### New Global Share Class

#### TOP 7<sup>1</sup> HOLDINGS AT 30 JUNE 2020

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Lodging & Casino	Secured Loan/ Private Equity	Current	Spain	25%	Hotel/Casino
2	Commercial Mortgage	Secured Loan	Defaulted	Netherlands	20%	Commercial Real Estate
3	Shipping	Secured Loan/ Private Equity	Post-Reorg	Marshall Islands	16%	Ships
4	Surface Transportation	Secured Loan	Defaulted	Spain	13%	Legal Claim
5	Oil & Gas	Private Equity	Post-Reorg	US	8%	Ethanol Plant
6	Lodging & Casino	Secured Notes	Defaulted	US	7%	Hotel/Casino
7	Auto Components	Secured Loan	Post-Reorg	US	3%	Manufacturing Plant
<b>Total</b>					<b>92%</b>	

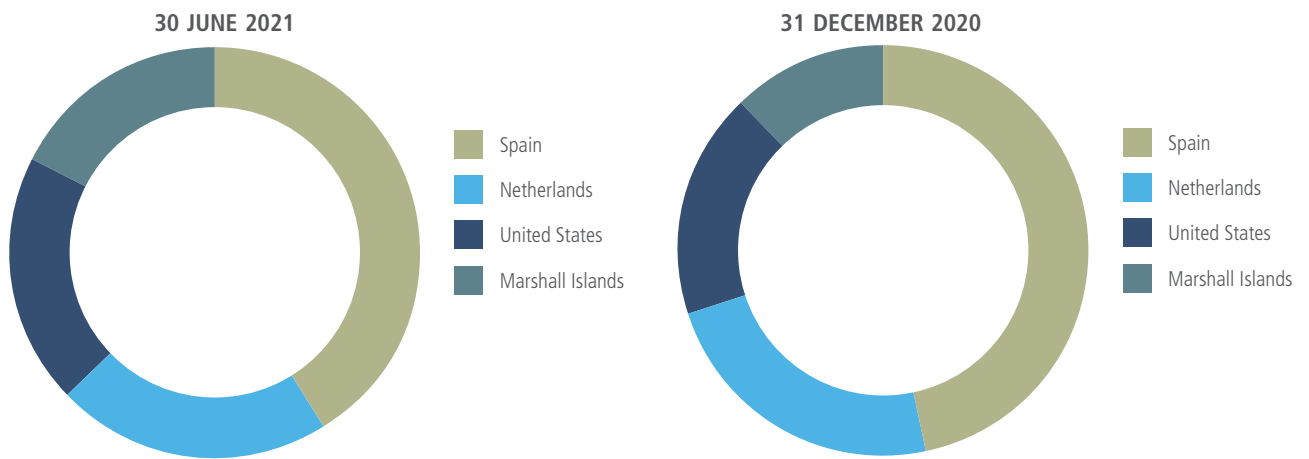
### Sector Breakdown<sup>2</sup>



1 Global Share Class holds seven investments by issuer.

2 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S. Bank Global Fund Services (Guernsey) Limited / U.S. Bank Global Fund Services (Ireland) Limited as Administrator / Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDG's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

Country Breakdown<sup>3</sup>



<sup>3</sup> Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 30 June 2021 and 31 December 2020.

## Interim Management Report and Directors' Responsibility Statement

### Principal Risks and Uncertainties

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

- investment activity and performance;
- principal risks associated to harvest periods;
- level of premium or discount;
- market price risk;
- fair valuation of illiquid assets;
- accounting, legal and regulatory risk; and
- operational risk.

These risks, and the way in which they are managed, are described in more detail in the Strategic Report on pages 28 to 30 of the Company's latest annual report and audited financial statements for the year ended 31 December 2020, which can be found on the Company's website at [www.nbddf.com/pdf/annual\\_report\\_nbddf\\_2020.pdf](http://www.nbddf.com/pdf/annual_report_nbddf_2020.pdf). The Board's view is that these risks remain appropriately identified for the remainder of 2021.

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

### Going Concern

Having reassessed the principal risks, the Directors consider it appropriate to prepare the Unaudited Consolidated Interim Financial Statements (the "Financial Statements") on a going concern basis.

### Related Party Transactions

The contracts with the Investment Manager and Directors are the only related party transactions currently in place. Other than fees payable in the ordinary course of business, there have been no material transactions with related parties, which have affected the financial position or performance of the Company in the six month period ended 30 June 2021. Additional related party disclosures are given in Note 6 on pages 51 to 52.

### Directors' Responsibilities Statement

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

- The Financial Statements have been prepared in conformity with US generally accepted accounting principles ("US GAAP"), give a true and fair view of the assets, liabilities, financial position and the return of the undertakings included in the consolidation as a whole as required by DTR 4.2.4R of the Disclosure Guidance and Transparency Rules ("DTR") of the UK's Financial Conduct Authority (the "UK FCA"); and
- The combination of the Chairman's Statement, the Investment Manager's Report, this Interim Management Report and the notes to the Financial Statements meet the requirements of an interim management report, and include a fair view of the information required by:

1. DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the set of financial statements together with a description of the principal risks and uncertainties for the remaining six months of the year; and
2. DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

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

These Interim Report and Financial Statements have been reviewed by the Company's auditor and their report is set out on page 24.

By order of the Board

**John Hallam**

Chairman

19 August 2021

**Christopher Legge**

Director

19 August 2021



## Independent Review Report to NB Distressed Debt Investment Fund Limited

### Conclusion

We have been engaged by NB Distressed Debt Investment Fund Limited (the “Company”) to review the consolidated financial statements (the “financial statements”) in the half-yearly financial report for the six months ended 30 June 2021 of the Company and its subsidiaries (together the “Group”) which comprises the unaudited consolidated statement of assets and liabilities, the unaudited consolidated statement of operations, the unaudited consolidated statement of changes in net assets, the unaudited consolidated statement of cash flows, the unaudited consolidated condensed schedule of investments and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half-yearly financial report for the six months ended 30 June 2021 do not give a true and fair view of the financial position of the Group as at 30 June 2021 and of its financial performance and its cash flows for the six month period then ended in conformity with U.S generally accepted accounting principles and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

### Scope of review

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

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

### Directors’ responsibilities

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

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

### Our responsibility

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

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

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### Barry Ryan

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants, Guernsey

19 August 2021

## Unaudited Consolidated Statement of Assets and Liabilities

(EXPRESSED IN US DOLLARS EXCEPT WHERE STATED OTHERWISE)	30 JUNE 2021 (UNAUDITED)	31 DECEMBER 2020 (AUDITED)
<b>Assets</b>		
Investments at fair value (2021: cost of \$132,060,691; 2020: cost of \$130,252,550)	109,949,606	96,283,120
Forward currency contracts	381,046	653,125
Cash and cash equivalents	2,489,553	2,035,320
Restricted Cash:		
Forward currency contracts Collateral	1,370,000	630,000
Total return swap Collateral	10,970,000	10,970,000
	<b>125,160,205</b>	<b>110,571,565</b>
<b>Other assets</b>		
Interest receivables	422,263	258,913
Receivables for investments sold	501,456	783,764
Other receivables and prepayments	16,620	33,872
Withholding tax receivable	445,762	421,788
<b>Total assets</b>	<b>126,546,306</b>	<b>112,069,902</b>
<b>Liabilities</b>		
Credit default swap (2021: cost of \$67,076; 2020: cost of \$67,076)	27,366	54,306
Total return swap (2021: cost of \$Nil)	154,553	1,222,546
Forward currency contracts	1,203,221	1,979,765
Accrued expenses and other liabilities	280,224	249,238
Payables to Investment Manager and affiliates	–	134,188
<b>Total liabilities</b>	<b>1,665,364</b>	<b>3,640,043</b>
<b>Net assets</b>	<b>124,880,942</b>	<b>108,429,859</b>
<b>Net assets attributable to Ordinary Shares (shares 2021: 15,382,770; 2020: 15,382,770)</b>	<b>14,641,226</b>	<b>12,952,965</b>
<b>Net asset value per Ordinary Share</b>	<b>0.9518</b>	<b>0.8420</b>
<b>Net assets attributable to Extended Life Shares (shares 2021: 80,545,074; 2020: 80,545,074)</b>	<b>76,591,506</b>	<b>63,540,650</b>
<b>Net asset value per Extended Life Share</b>	<b>0.9509</b>	<b>0.7889</b>
<b>Net assets attributable to New Global Shares (shares 2021: 41,116,617; 2020: 41,116,617)</b>	<b>£24,357,168</b>	<b>£23,363,139</b>
<b>Net asset value per New Global Share</b>	<b>£0.5924</b>	<b>£0.5682</b>
<b>Net assets attributable to New Global Shares (USD equivalent)</b>	<b>33,648,210</b>	<b>31,936,244</b>
<b>Net asset value per New Global Share (USD equivalent)</b>	<b>0.8184</b>	<b>0.7767</b>

The Financial Statements were approved and authorised for issue by the Board of Directors on 19 August 2021, and signed on its behalf by:

**John Hallam**  
Chairman

**Christopher Legge**  
Director

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

## Unaudited Consolidated Statement of Operations

(EXPRESSED IN US DOLLARS)	30 JUNE 2021 (UNAUDITED)	30 JUNE 2020 (UNAUDITED)
<b>Income</b>		
Interest income	2,752,874	2,359,532
Dividend income net of withholding tax (2021: \$Nil; 2020: \$Nil)	157,227	197,103
	<b>2,910,101</b>	<b>2,556,635</b>
<b>Expenses</b>		
Investment management fee	342,338	1,183,176
Professional and other expenses	546,225	510,222
Administration fee	51,252	75,824
Loan administration and custody fees	22,852	21,177
Directors' fees and expenses	96,724	97,466
	<b>1,059,391</b>	<b>1,887,865</b>
<b>Net investment income</b>	<b>1,850,710</b>	<b>668,770</b>
<b>Realised and unrealised gain/(loss) from investments and foreign exchange</b>		
Net realised gain/(loss) on investments, credit default swap, warrants, total return swap and forward currency transactions	1,143,373	(31,783,615)
Net change in unrealised gain/(loss) on investments, credit default swap, warrants, total return swap and forward currency transactions	13,464,052	(19,507,965)
Income tax expense from net realised/unrealised loss on investments	(7,052)	–
<b>Net realised and unrealised gain/(loss) from investments and foreign exchange</b>	<b>14,600,373</b>	<b>(51,291,580)</b>
<b>Net increase/(decrease) in net assets resulting from operations</b>	<b>16,451,083</b>	<b>(50,622,810)</b>

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

## Unaudited Consolidated Statement of Changes in Net Assets

<b>FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)</b> (EXPRESSED IN US DOLLARS)	<b>30 JUNE 2021 ORDINARY SHARES</b>	<b>30 JUNE 2021 EXTENDED LIFE SHARES</b>	<b>30 JUNE 2021 NEW GLOBAL SHARES</b>	<b>30 JUNE 2021 AGGREGATED</b>
<b>Net assets at the beginning of the period</b>	<b>12,952,965</b>	<b>63,540,650</b>	<b>31,936,244</b>	<b>108,429,859</b>
Net investment (loss)/income	(120,106)	1,230,169	740,647	1,850,710
Net realised gain on investments, credit default swap, warrants, total return swap and forward currency transactions	88,777	650,900	403,696	1,143,373
Net change in unrealised gain on investments, credit default swap, total return swap and forward currency transactions	1,720,420	11,173,196	570,436	13,464,052
Income taxes from net realised/unrealised gain on investments	(830)	(3,409)	(2,813)	(7,052)
<b>Net assets at the end of the period</b>	<b>14,641,226</b>	<b>76,591,506</b>	<b>33,648,210</b>	<b>124,880,942</b>
<b>FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)</b> (EXPRESSED IN US DOLLARS)	<b>30 JUNE 2020 ORDINARY SHARES</b>	<b>30 JUNE 2020 EXTENDED LIFE SHARES</b>	<b>30 JUNE 2020 NEW GLOBAL SHARES</b>	<b>30 JUNE 2020 AGGREGATED</b>
<b>Net assets at the beginning of the period</b>	<b>13,976,415</b>	<b>105,771,674</b>	<b>79,303,484</b>	<b>199,051,573</b>
Net investment (loss)/income	(53,929)	570,576	152,123	668,770
Net realised gain on investments, credit default swap, warrants, total return swap and forward currency transactions	(1,425,243)	(12,427,388)	(17,930,984)	(31,783,615)
Net change in unrealised gain on investments, credit default swap, total return swap and forward currency transactions	(1,966,994)	(11,499,968)	(6,041,003)	(19,507,965)
Income taxes from net realised/unrealised gains on investments	–	–	–	–
Net cost of share buybacks	–	(982,793)	(894,202)	(1,876,995)
Distributions during the period	–	(22,970,178)	(22,102,160)	(45,072,338)
<b>Net assets at the end of the period</b>	<b>10,530,249</b>	<b>58,461,923</b>	<b>32,487,258</b>	<b>101,479,430</b>

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

## Unaudited Consolidated Statement of Cash Flows

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021 AND 30 JUNE 2020 (EXPRESSED IN US DOLLARS)	30 JUNE 2021 (UNAUDITED)	30 JUNE 2020 (UNAUDITED)
<b>Cash flows from operating activities:</b>		
Net increase/(decrease) in net assets resulting from operations	16,451,083	(50,622,810)
<i>Adjustment to reconcile net increase/(decrease) in net assets resulting from operations to net cash flow provided by operations:</i>		
Net realised (gain)/loss on investments, credit default swap, total return swap and forward currency transactions	(1,143,373)	31,783,615
Net change in unrealised (gain)/loss on investments, credit default swap, warrants, total return swap and forward currency transactions	(13,464,052)	19,507,965
Accretion of discount on loans and bonds	(106,857)	21,780
Changes in interest receivable	(163,350)	(632,888)
Changes in receivables for investments sold	282,308	(429,906)
Changes in other receivables and prepayments	17,252	442,114
Changes in withholding tax receivable	(23,974)	(143,348)
Changes in payables, accrued expenses and other liabilities	(103,202)	(460,354)
Cash received on settled forward currency contracts and spot currency contracts	(100,552)	2,351,563
Capitalised payment in kind	(2,110,630)	(1,065,020)
Purchase of investments	(606,993)	(1,564,730)
Sale of investments	1,504,157	64,961,134
Purchase of short term investments	–	(44,506,881)
Sale of short term investments	803,247	37,351,466
<b>Net cash provided by operating activities</b>	<b>1,235,064</b>	<b>56,993,700</b>
<b>Cash flows from financing activities:</b>		
Cost of share buybacks	–	(1,876,995)
Shares redeemed during the period	–	(21,614,639)
<b>Net cash used in financing activities</b>	<b>–</b>	<b>(23,491,634)</b>
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>1,235,064</b>	<b>33,502,066</b>
Cash and cash equivalents at the beginning of the period	2,035,320	4,990,652
Restricted cash at the beginning of the year	11,600,000	819,074
Effect of exchange rate changes on cash and cash equivalents	(40,831)	(120,354)
<b>Cash and cash equivalents at the end of the period</b>	<b>2,489,553</b>	<b>27,405,645</b>
<b>Restricted cash at the end of the year</b>	<b>12,340,000</b>	<b>11,785,793</b>

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

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

AT 30 JUNE 2021 (UNAUDITED) (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Portfolio of Distressed Investments</b>						
Bank Debt Investments	71,037,832	50,538,938	0.51	35.52	69.12	40.47
Private Equity	18,791,896	34,167,053	38.24	30.74	14.94	27.36
Private Note	32,766,006	16,299,584	4.70	17.34	6.93	13.05
<b>Short term Investments</b>						
US Treasury Bills	9,464,957	8,944,031	33.48	3.49	4.05	7.16
<b>Total Investments</b>	<b>132,060,691</b>	<b>109,949,606</b>	<b>76.93</b>	<b>87.09</b>	<b>95.04</b>	<b>88.04</b>
Ordinary Shares	7,867,997	11,263,426	76.93	–	–	9.02
Extended Life Shares	79,972,878	66,705,197	–	87.09	–	53.41
New Global Shares	44,219,816	31,980,983	–	–	95.04	25.61
	<b>132,060,691</b>	<b>109,949,606</b>	<b>76.93</b>	<b>87.09</b>	<b>95.04</b>	<b>88.04</b>
<b>Credit Default Swap</b>						
Ordinary Shares	(18,553)	(7,569)	(0.05)	–	–	–
Extended Life Shares	(48,523)	(19,797)	–	(0.03)	–	(0.02)
	<b>(67,076)</b>	<b>(27,366)</b>	<b>(0.05)</b>	<b>(0.03)</b>	<b>–</b>	<b>(0.02)</b>
<b>Forward Currency Contracts</b>						
<b>Assets</b>						
Ordinary Shares	–	49,750	0.34	–	–	0.04
Extended Life Shares	–	331,296	–	0.43	–	0.27
	<b>–</b>	<b>381,046</b>	<b>0.34</b>	<b>0.43</b>	<b>–</b>	<b>0.31</b>
<b>Liabilities</b>						
Ordinary Shares	–	(328,547)	(2.24)	–	–	(0.26)
Extended Life Shares	–	(874,674)	–	(1.14)	–	(0.70)
	<b>–</b>	<b>(1,203,221)</b>	<b>(2.24)</b>	<b>(1.14)</b>	<b>–</b>	<b>(0.96)</b>
<b>Total Return Swap<sup>2</sup></b>						
Ordinary Shares	–	(43,139)	(0.29)	–	–	(0.03)
Extended Life Shares	–	(111,414)	–	(0.16)	–	(0.09)
	<b>–</b>	<b>(154,553)</b>	<b>(0.29)</b>	<b>(0.16)</b>	<b>–</b>	<b>(0.12)</b>

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

2 The trade claim was structured through a fully funded total return swap with a major US financial institution. See Note 3.

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

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

AT 31 DECEMBER 2020 (AUDITED) (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Portfolio of Distressed Investments</b>						
Bank Debt Investments	68,103,787	44,348,976	0.58	36.15	66.71	40.90
Private Equity	18,791,896	26,664,758	31.74	27.86	15.19	24.59
Private Note	33,002,300	15,060,365	4.61	19.09	7.30	13.89
<b>Short term Investments</b>						
US Treasury Bills	10,354,567	10,209,021	39.61	4.41	7.12	9.42
<b>Total Investments</b>	<b>130,252,550</b>	<b>96,283,120</b>	<b>76.54</b>	<b>87.51</b>	<b>96.32</b>	<b>88.80</b>
Ordinary Shares	7,905,282	9,913,802	76.54	–	–	9.14
Extended Life Shares	78,752,876	55,603,896	–	87.51	–	51.29
New Global Shares	43,594,392	30,765,422	–	–	96.32	28.37
	<b>130,252,550</b>	<b>96,283,120</b>	<b>76.54</b>	<b>87.51</b>	<b>96.32</b>	<b>88.80</b>
<b>Credit Default Swap</b>						
Ordinary Shares	(18,553)	(15,021)	(0.12)	–	–	(0.01)
Extended Life Shares	(48,523)	(39,285)	–	(0.06)	–	(0.04)
	<b>(67,076)</b>	<b>(54,306)</b>	<b>(0.12)</b>	<b>(0.06)</b>	<b>–</b>	<b>(0.05)</b>
<b>Forward Currency Contracts</b>						
<b>Assets</b>						
Ordinary Shares	–	181,051	1.40	–	–	0.17
Extended Life Shares	–	472,074	–	0.74	–	0.44
	<b>–</b>	<b>653,125</b>	<b>1.40</b>	<b>0.74</b>	<b>–</b>	<b>0.61</b>
<b>Liabilities</b>						
Ordinary Shares	–	(467,425)	(3.61)	–	–	(0.43)
Extended Life Shares	–	(1,512,340)	–	(2.38)	–	(1.39)
	<b>–</b>	<b>(1,979,765)</b>	<b>(3.61)</b>	<b>(2.38)</b>	<b>–</b>	<b>(1.82)</b>
<b>Total return swap<sup>2</sup></b>						
Ordinary Shares	–	(341,368)	(2.64)	–	–	(0.31)
Extended Life Shares	–	(881,178)	–	(1.40)	–	(0.81)
	<b>–</b>	<b>(1,222,546)</b>	<b>(2.64)</b>	<b>(1.40)</b>	<b>–</b>	<b>(1.12)</b>

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

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

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

## Unaudited Consolidated Condensed Schedule of Investments

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

30 JUNE 2021 (UNAUDITED) (EXPRESSED IN US DOLLARS)	COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Investments at fair value</b>									
Dumas Shipping TL B 15.00% 31/08/2022 (Bank Debt Investments)	Marshall Islands	Shipping	21,552,939	21,518,718	17,048,375	-	15.87	14.53	13.65
Dumas Shipping TL A 15.00% 31/08/2022 (Bank Debt Investments)	Marshall Islands	Shipping	2,555,465	2,555,465	2,021,373	-	1.88	1.72	1.62
Package Holdings 1 (Private Note)	Luxembourg	Containers & Packaging	11,108,610	-	17,515,752	33.43	16.48	-	14.03
Package Holdings 6 (Private Note)	Luxembourg	Containers & Packaging	2,948,481	1,893,980	2,428,741	4.64	2.28	-	1.94
AB Zwolle T/L EUR 31/05/2022 FRN <sup>2</sup> (Bank Debt Investments)	Netherlands	Commercial Mortgage	18,685,167	13,759,186	11,766,291	-	6.81	19.47	9.42
US Treasury N/B 1.500% 15/02/2030 (US Treasury Bills)	United States	United States	8,850,000	9,464,957	8,944,031	33.48	3.50	4.05	7.16
Buffalo Thunder Dev Auth 11.00% 12/09/22 SR: Regs (Private Note)	United States	Lodging & Casinos	14,001,965	11,641,233	7,000,982	-	6.10	6.93	5.61
TP Ferro Concesionaria TL 1L (Bank Debt Investments)	Spain	Surface Transport	18,787,735	18,531,522	6,238,505	-	4.09	9.24	5.00
TP Ferro Concesionaria TP Ferro TL-A (First-Lien) 25.00% 01/06/2022 (Bank Debt Investments)	Spain	Surface Transport	1,604,933	1,604,933	1,604,933	-	1.05	2.38	1.29
TP Ferro Concesionaria TP Ferro 1L TL-B EUR (First-Lien) EUR 25.00% 01/06/2022 (Bank Debt Investments)	Spain	Surface Transport	323,141	374,425	383,213	-	0.25	0.57	0.31
TP Ferro PIK 5A 4/20 25.00% 01/06/2022 (Bank Debt Investments)	Spain	Surface Transport	284,595	284,595	284,595	-	0.19	0.42	0.23
TP Ferro Concesionaria TP Ferro 1L TL-C (First-Lien) 25.00% 01/06/2022 (Bank Debt Investments)	Spain	Surface Transport	139,787	139,787	139,787	-	0.09	0.21	0.11
White Energy Holding Company LLC (Private Equity)	United States	Oil & Gas	367	9,174,989	9,046,550	-	8.43	7.69	7.24
Aca Fin Guaranty Corp 12-31/12/2021 Frn (Private Note)	United States	Financial Intermediaries	68,829,452	10,963,549	4,818,062	4.70	5.39	-	3.86
Aca Fin Gur Sur Non Vt 12-31/12/2021 Frn (Private Note)	United States	Financial Intermediaries	64,007,712	10,161,224	4,480,540	-	5.85	-	3.58
Hotel Puerta America PIK TL EUR 7.25% 09/01/2022 (Bank Debt Investments)	Spain	Lodging & Casinos	3,730,680	4,067,188	4,424,214	-	-	13.15	3.54
Hotel Puerta America (Private Equity)	Spain	Lodging & Casinos	934	3,013,332	1,356,105	-	-	4.03	1.09
Hotel Puerta America PIK Addon EUR 7.25% 09/01/2022 (Bank Debt Investments)	Spain	Lodging & Casinos	2,105,563	2,350,434	2,496,987	-	-	7.42	2.00
			<b>121,499,517</b>	<b>101,999,036</b>	<b>101,999,036</b>	<b>76.25</b>	<b>78.26</b>	<b>91.81</b>	<b>81.68</b>

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

2 Floating Rate Note (FRN) – variable coupon rate during the period as per contract notice

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



## Unaudited Consolidated Condensed Schedule of Investments (continued)

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

31 DECEMBER 2020 (AUDITED) (EXPRESSED IN US DOLLARS)		COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Investments at fair value</b>										
Dumas Shipping TL B 15.00% 31/08/2022 (Bank Debt Investments)	Marshall Islands	Shipping	20,015,014	19,812,305	11,081,139	–	12.44	9.95	10.22	
Dumas Shipping TL A 15.00% 31/08/2022 (Bank Debt Investments)	Marshall Islands	Shipping	2,373,118	2,373,118	1,313,856	–	1.47	1.18	1.21	
Dumas Shipping (Private Equity)	Marshall Islands	Shipping	349	1,003,803	–	–	–	–	–	
Package Holdings 1 (Private Note)	Luxembourg	Containers & Packaging	11,108,610	–	12,841,665	27.71	14.56	–	11.84	
Package Holdings 6 (Private Note)	Luxembourg	Containers & Packaging	2,948,481	1,893,980	1,780,718	3.84	2.02	–	1.64	
AB Zwolle TL EUR 31/05/2022 FRN <sup>2</sup> (Bank Debt Investments)	Netherlands	Commercial Mortgage	18,526,730	13,646,548	12,329,248	–	8.60	21.49	11.37	
US Treasury N/B 1.500% 15/02/2030 (US Treasury Bills)	United States	United States	9,650,000	10,354,566	10,209,021	39.61	4.41	7.12	9.42	
Buffalo Thunder Dev Auth 11.000% 12/09/22 SR: Regs (Private Note)	United States	Lodging & Casinos	14,001,965	11,641,233	7,000,982	–	7.35	7.30	6.46	
TP Ferro Concesionaria TL 1L (Bank Debt Investments)	Spain	Surface Transport	18,787,735	18,531,522	6,896,320	–	5.45	10.76	6.36	
TP Ferro Concesionaria TP Ferro TL-A (First-Lien) 25.00% 01/06/2022 (Bank Debt Investments)	Spain	Surface Transport	1,422,129	1,422,129	1,422,129	–	1.12	2.23	1.31	
TP Ferro Concesionaria TP Ferro 1L TL-B EUR (First-Lien) EUR 25.00% 01/06/2022 (Bank Debt Investments)	Spain	Surface Transport	286,335	329,920	350,345	–	0.28	0.55	0.32	
TP Ferro PIK 5A 4/20 25.00% 01/06/2022 (Bank Debt Investments)	Spain	Surface Transport	252,179	252,179	252,179	–	0.20	0.39	0.23	
TP Ferro Concesionaria TP Ferro 1L TL-C (First-Lien) 25.00% 01/06/2022 (Bank Debt Investments)	Spain	Surface Transport	123,865	123,865	123,865	–	0.10	0.19	0.11	
White Energy Holding Company Llc (Private Equity)	United States	Oil & Gas	367	9,174,989	6,239,000	–	7.01	5.59	5.75	
Aca Fin Guaranty Corp 12-31/12/2021 Frn (Private Note)	United States	Financial Intermediaries	69,599,357	11,086,183	4,175,961	4.61	5.63	–	3.85	
Aca Fin Gur Sur Non Vt 12-31/12/2021 Frn (Private Note)	United States	Financial Intermediaries	64,723,682	10,274,884	3,883,421	–	6.11	–	3.58	
Hotel Puerta America Pik TL EUR 7.25% 09/01/2022 (Bank Debt Investments)	Spain	Lodging & Casinos	3,728,985	4,065,113	4,562,599	–	–	14.29	4.21	
Hotel Puerta America (Private Equity)	Spain	Lodging & Casinos	934	3,013,332	1,983,471	–	–	6.21	1.83	
Hotel Puerta America Pik Addon EUR 7.25% 09/01/2022 (Bank Debt Investments)	Spain	Lodging & Casinos	1,482,704	1,609,295	1,814,163	–	–	5.68	1.68	
			<b>120,608,964</b>	<b>88,260,082</b>	<b>88,260,082</b>	<b>75.77</b>	<b>76.75</b>	<b>92.93</b>	<b>81.39</b>	

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

2 Floating Rate Note (FRN) – variable coupon rate during the period as per contract notice

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

## Unaudited Consolidated Condensed Schedule of Investments (by geography)

AT 30 JUNE 2021 (UNAUDITED) (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Geographic diversity of Portfolios</b>						
<b>Portfolio of Distressed Investments</b>						
Luxembourg	1,893,980	19,944,493	38.07	18.76	–	15.97
Marshall Islands	25,077,986	19,069,747	–	17.76	16.26	15.27
Netherlands	13,759,185	11,766,291	–	6.81	19.47	9.42
Spain	30,366,217	16,928,340	–	5.66	37.42	13.56
United States	51,498,367	33,296,703	5.38	34.60	17.85	26.66
<b>Short term Investments</b>						
US Treasury Bills	9,464,956	8,944,032	33.48	3.50	4.05	7.16
	<b>132,060,691</b>	<b>109,949,606</b>	<b>76.93</b>	<b>87.09</b>	<b>95.04</b>	<b>88.04</b>

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

## Unaudited Consolidated Condensed Schedule of Investments (by geography) (continued)

AT 31 DECEMBER 2020 (AUDITED) (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Geographic diversity of Portfolios</b>						
<b>Portfolio of Distressed Investments</b>						
Luxembourg	1,893,980	14,622,383	31.55	16.58	–	13.49
Marshall Islands	23,189,227	12,394,995	–	13.91	11.13	11.43
Netherlands	13,646,548	12,329,248	–	8.60	21.49	11.37
Spain	29,347,356	17,405,071	–	7.14	40.30	16.05
United States	51,820,873	29,322,401	5.38	36.87	16.29	27.04
<b>Short term Investments</b>						
US Treasury Bills	10,354,566	10,209,022	39.61	4.41	7.12	9.42
	<b>130,252,550</b>	<b>96,283,120</b>	<b>76.54</b>	<b>87.51</b>	<b>96.32</b>	<b>88.80</b>

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

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

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

AT 30 JUNE 2021 (UNAUDITED) (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Industry diversity of Portfolios</b>						
<b>Portfolio of Distressed Investments</b>						
Auto Components	3,705,793	3,819,904	0.17	3.54	3.22	3.06
Building & Development	1,934,272	269,330	0.51	0.25	–	0.22
Commercial Mortgage	13,759,185	11,766,291	–	6.81	19.47	9.42
Containers and Packaging	1,893,980	19,944,493	38.07	18.76	–	15.97
Financial Intermediaries	21,124,773	9,298,603	4.70	11.24	–	7.45
Lodging & Casinos	24,989,494	19,139,626	–	11.14	31.53	15.33
Oil & Gas	9,174,989	9,046,550	–	8.43	7.69	7.24
Shipping	25,077,986	19,069,747	–	17.76	16.26	15.26
Surface Transport	20,935,263	8,651,031	–	5.66	12.82	6.93
<b>Short term Investments</b>						
US Treasury Bills	9,464,956	8,944,031	33.48	3.50	4.05	7.16
	<b>132,060,691</b>	<b>109,949,606</b>	<b>76.93</b>	<b>87.09</b>	<b>95.04</b>	<b>88.04</b>

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

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

AT 31 DECEMBER 2020 (AUDITED) (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Industry diversity of Portfolios</b>						
<b>Portfolio of Distressed Investments</b>						
Auto Components	3,705,793	3,819,904	0.19	4.27	3.39	3.52
Building & Development	1,934,272	269,330	0.58	0.31	–	0.25
Commercial Mortgage	13,646,548	12,329,248	–	8.60	21.49	11.37
Containers and Packaging	1,893,980	14,622,383	31.55	16.58	–	13.49
Financial Intermediaries	21,361,067	8,059,383	4.61	11.74	–	7.43
Lodging & Casinos	24,332,492	19,295,018	–	13.54	33.48	17.80
Oil & Gas	9,174,989	6,239,000	–	7.01	5.59	5.75
Shipping	23,189,227	12,394,995	–	13.91	11.13	11.43
Surface Transport	20,659,616	9,044,838	–	7.14	14.12	8.34
<b>Short term Investments</b>						
US Treasury Bills	10,354,566	10,209,021	39.61	4.41	7.12	9.42
	<b>130,252,550</b>	<b>96,283,120</b>	<b>76.54</b>	<b>87.51</b>	<b>96.32</b>	<b>88.80</b>

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

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

## Notes to the Unaudited Consolidated Interim Financial Statements

### NOTE 1 – ORGANISATION AND DESCRIPTION OF BUSINESS

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

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

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

### NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

#### (a) Basis of Preparation

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

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

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

The Financial Statements include the results of the Company and its wholly-owned and partially-owned subsidiaries, whose accounting policies are consistent with those of the Company. The Consolidated Financial Statements include full consolidation of any owned subsidiaries, except where the effect on the Company’s financial position and results of operations are immaterial. Transactions between the Company and the subsidiaries have been eliminated on consolidation.

Wholly-owned subsidiaries, London Wabash LLC and London Wabash (Global) LLC are incorporated in Delaware and operate in the United States.

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

Wholly-owned subsidiaries, London Lux Masterco 1 S.a.r.l., London Lux Debtco 1 S.a.r.l. and London Lux Propco 1 S.a.r.l. are incorporated in Luxembourg.

Partially owned indirect subsidiaries NB Distressed Debt Aggregating Inc. and Chicago Aircraft Fund LLC are incorporated in Delaware and operate in the United States.

Wholly-owned subsidiaries, London Jackson Holdco LLC and London Dearborn (Global) LLC were respectively dissolved on 12 November 2020 and 6 October 2020.

#### (b) Use of Estimates

The preparation of these Financial Statements in conformity with US GAAP requires that the Directors make estimates and assumptions (as mentioned in detail on note 2 (f) below) that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period.

Actual results could differ significantly from these estimates.

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)**

**(c) Cash and Cash Equivalents**

The Company holds cash and cash equivalents in US Dollar and non-US Dollar denominated currencies with original maturities of less than 90 days that are both readily convertible to known amounts of cash and so near maturity that they represent an insignificant risk of change in value to be cash equivalents. As at 30 June 2021, the Company has cash balances in various currencies equating to \$14,829,553 (Cost: \$15,488,983) (31 December 2020: \$13,635,320) including cash and cash equivalents of \$2,489,553 (31 December 2020: \$2,035,320) as well as restricted cash of \$12,340,000 (31 December 2020: \$11,600,000). Restricted cash of \$1,370,000 and \$10,970,000 are respectively used as collateral for forward currency contracts and the total return swap positions on the Consolidated Statement of Assets and Liabilities and are held by UBS and Bank of America Merrill Lynch. The amount of collateral will vary depending on the current fair value of the forward currency contracts and total return swap.

**(d) Payables/Receivables on Investments Purchased/Sold**

At 30 June 2021, the amount payable/receivable on investments purchased/sold represents amounts due for investments purchased/sold that have been contracted for but not settled on the Unaudited Consolidated Statement of Assets and Liabilities date.

**(e) Foreign Currency Translation**

Assets and liabilities denominated in foreign currency are translated into US Dollars at the currency exchange rates on the date of valuation. On initial recognition, foreign currency sales and purchases transactions are recorded and translated at the spot exchange rate at the transaction date and for all other transactions, the average rate is applied. Non-monetary assets and liabilities are translated at the historic exchange rate.

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

**(f) Fair Value of Financial Instruments**

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

Fair value prices are estimates made at a discrete point in time, based on relevant market data, information about the financial instruments, and other factors.

Fair value is determined using available market information and appropriate valuation methodologies. Estimates of fair value of financial instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgement. Accordingly, fair values are not necessarily indicative of the amounts that will be realised on disposal of financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

The following estimates and assumptions were used at 30 June 2021 and 31 December 2020 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents - The carrying value reasonably approximates fair value due to the short-term nature of these instruments.
- Receivables for investments sold - The carrying value reasonably approximates fair value as it reflects the value at which investments are sold to a willing buyer and the settlement period on their balances is short term.
- Interest receivables and other receivables and prepayments - The carrying value reasonably approximates fair value.
- Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the investments.
- Warrants are priced using the bid price provided by third party broker/dealer market quotes.
- In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Investment Manager determines the valuation based on its fair valuation policy. Further information on valuations is provided in Note 2 (g), "Investment transactions, investment income/expenses and valuation", on page 43.
- Payables for investments purchased - The carrying value reasonably approximates fair value as they reflect the value at which investments are purchased from a willing seller and the settlement period on their balances is short term.
- Payables to Investment Manager and affiliates and accrued expenses and other liabilities - The carrying value reasonably approximates fair value.
- Forward currency contracts are revalued using the forward exchange rate prevailing at the Unaudited Consolidated Statement of Assets and Liabilities date.
- Total Return Swaps are priced using Mark to market prices provided by a third party broker.

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

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

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

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

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

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

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

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

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

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

**FAIR VALUE OF FINANCIAL INSTRUMENTS AT 30 JUNE 2021 (UNAUDITED)**

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	4,130,666	46,408,272	50,538,938
Private Equity	–	9,046,550	25,120,503	34,167,053
Private Note	–	7,000,983	9,298,601	16,299,584
US Treasury Bills	8,944,031	–	–	8,944,031
<b>Investments at fair value</b>	<b>8,944,031</b>	<b>20,178,199</b>	<b>80,827,376</b>	<b>109,949,606</b>
Credit Default Swap	–	(27,366)	–	(27,366)
Total Return Swap	–	–	(154,553)	(154,553)
Forward Currency Contracts	–	(822,175)	–	(822,175)
<b>Total investments that are accounted for at fair value</b>	<b>8,944,031</b>	<b>19,328,658</b>	<b>80,672,823</b>	<b>108,945,512</b>

**FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2020 (AUDITED)**

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	4,203,132	40,145,844	44,348,976
Private Equity	–	6,239,000	20,425,758	26,664,758
Private Notes	–	7,000,983	8,059,382	15,060,365
US Treasury Bills	10,209,021	–	–	10,209,021
<b>Investments at fair value</b>	<b>10,209,021</b>	<b>17,443,115</b>	<b>68,630,984</b>	<b>96,283,120</b>
Credit Default Swap	–	(54,306)	–	(54,306)
Total return swap	–	–	(1,222,546)	(1,222,546)
Forward Currency Contracts	–	(1,326,640)	–	(1,326,640)
<b>Total investments that are accounted for at fair value</b>	<b>10,209,021</b>	<b>16,062,169</b>	<b>67,408,438</b>	<b>93,679,628</b>



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

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 30 June 2021. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

TYPE	SECTOR	FAIR VALUE (\$)	PRIMARY VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE INPUT
Bank Debt Investments	Commercial Mortgage	11,766,291	Market Comparatives	Discount Rate	10%
Bank Debt Investments	Lodging & Casinos	6,921,201	Market Comparatives	Discount Rate	15%
Bank Debt Investments	Shipping	19,069,747	Market Information	Value Per Vessel	\$10.5 million per vessel
Bank Debt Investments	Surface Transport	8,651,033	Market Information	Unadjusted Broker Quote	N/A
Private Equity	Auto Components	3,819,905	Market Information	EBITDA Multiple	4-5X
Private Equity	Containers and Packaging	19,944,493	Market Comparatives	EBITDA Multiple	10.25X
Private Equity	Lodging & Casinos	1,356,105	Market Comparatives	Discount Rate	15%
Private Note	Financial Intermediaries	9,298,601	Market Information	Unadjusted Broker Quote	N/A
Total Return Swap	Surface Transport	(154,553)	Market Information	Unadjusted Broker Quote	N/A
<b>Total</b>		<b>80,672,823</b>			

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2020. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

TYPE	SECTOR	FAIR VALUE (\$)	PRIMARY VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE INPUT
Bank Debt Investments	Commercial Mortgage	12,329,248	Market Comparatives	Discount Rate	10%
Bank Debt Investments	Lodging & Casinos	6,376,763	Market Comparatives	Discount Rate	15%
Bank Debt Investments	Shipping	12,394,995	Market Information	Value Per Vessel	\$7.5 million per vessel
Bank Debt Investments	Surface Transport	9,044,838	Market Information	Unadjusted Broker Quote	N/A
Private Equity	Auto Components	3,819,904	Market Information	EBITDA Multiple	4-5X
Private Equity	Containers and Packaging	14,622,383	Market Comparatives	EBITDA Multiple/ Discount Rate	9X/ 20%
Private Equity	Lodging & Casinos	1,983,471	Market Comparatives	Discount Rate	15%
Private Equity	Shipping	–	Market Information	Value Per Vessel	\$7.5 million per vessel
Private Note	Financial Intermediaries	8,059,382	Market Information	Unadjusted Broker Quote	N/A
Total Return Swap	Surface Transport	(1,222,546)	Market Information	Unadjusted Broker Quote	N/A
<b>Total</b>		<b>67,408,438</b>			

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

Level 3 assets are valued using single bid-side broker quotes or by good faith methods of the Investment Manager. For single broker quotes the Investment Manager uses unobservable inputs to assess the reasonableness of the broker quote. For good faith valuations, the Investment Manager directly uses unobservable inputs to produce valuations. The significant unobservable inputs used in Level 3 assets at 30 June 2021 and 31 December 2020 are outlined in the tables above.

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

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

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

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

FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (EXPRESSED IN US DOLLARS)	BANK DEBT				TOTAL
	INVESTMENTS	PRIVATE EQUITY	TRADE CLAIM	PRIVATE NOTE	
Balance, 31 December 2020	40,145,844	20,425,758	(1,222,546)	8,059,382	67,408,438
Purchases	2,851,772	–	–	–	2,851,772
Sales and distributions	–	–	–	(236,294)	(236,294)
Unrealised gain on investments	3,410,656	4,694,745	1,067,993	1,475,513	10,648,907
<b>Balance, 30 June 2021</b>	<b>46,408,272</b>	<b>25,120,503</b>	<b>(154,553)</b>	<b>9,298,601</b>	<b>80,672,823</b>
<b>Change in unrealised gain on investments included in Unaudited Consolidated Statement of Operation for Level 3 investments held as of 30 June 2021</b>	<b>3,410,656</b>	<b>4,694,745</b>	<b>1,067,993</b>	<b>1,475,513</b>	<b>10,648,907</b>

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

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

<b>FOR THE YEAR ENDED</b>	<b>BANK DEBT</b>		<b>PRIVATE EQUITY</b>		<b>TRADE CLAIM</b>		<b>PRIVATE NOTE</b>		<b>TOTAL</b>	
<b>31 DECEMBER 2020 (AUDITED)</b>	<b>INVESTMENTS</b>		<b>PRIVATE EQUITY</b>		<b>TRADE CLAIM</b>		<b>PRIVATE NOTE</b>		<b>TOTAL</b>	
<b>(EXPRESSED IN US DOLLARS)</b>										
Balance, 31 December 2019	<b>33,737,207</b>	<b>27,340,522</b>	<b>12,149,475</b>	<b>11,223,671</b>	<b>84,450,875</b>					
Purchases	5,637,229	3,705,792	–	10,346	9,353,367					
Sales and distributions	(32,662)	(563,490)	(10,963,563)	(3,900,503)	(15,460,218)					
Realised gain/(loss) on sale of investments	30,317	(10,084,280)	(2,068,527)	(7,346,911)	(19,469,401)					
Unrealised (loss)/gain on investments	(5,072,795)	6,266,214	(339,931)	(2,050,127)	(1,196,639)					
Transfers from level 3 into Level 2	(269,329)	(6,239,000)	–	–	(6,508,329)					
Transfers from level 2 into Level 3	6,115,877	–	–	10,122,906	16,238,783					
<b>Balance, 31 December 2020</b>	<b>40,145,844</b>	<b>20,425,758</b>	<b>(1,222,546)</b>	<b>8,059,382</b>	<b>67,408,438</b>					
<b>Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2020</b>	<b>(5,072,795)</b>	<b>6,266,214</b>	<b>(339,931)</b>	<b>(2,050,122)</b>	<b>(1,196,633)</b>					

The Company's policy is to recognise transfers into and out of Level 3 as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company had three transfers out of Level 3 into Level 2 of fair value amounting to \$6,508,329 due to quoted prices being observable. The Company also had one transfer out of Level 2 into Level 3 of fair value amounting to \$16,238,783 as no quoted prices were observable.

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)****(g) Investment transactions, investment income/expenses and valuation**

Investment transactions are accounted for on a trade-date basis. Upon sale or maturity, the difference between the consideration received and the cost of the investment is recognised as a realised gain or loss. The cost is determined based on the average cost method. All transactions relating to the restructuring of current investments are recorded at the date of such restructuring. The difference between the fair value of the new consideration received and the cost of the original investment is recognised as a realised gain or loss. Unrealised gains and losses on an investment are the difference between the cost if purchased during the period or fair value at the previous year end and the fair value at the current period end. Unrealised gains and losses are included in the Unaudited Consolidated Statement of Operations.

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

For the period ended 30 June 2021, \$106,857 (30 June 2020: (\$21,780)) was recorded to reflect accretion of discount on loans and bonds during the period.

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

Capitalised payment-in-kind (“PIK”) interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by the obligator on the scheduled interest payment date. PIK interest is periodically added to the principal balance of the loan and recorded as interest income. The Investment Manager places a receivable on non-accrual status when the collection of principal or interest is deemed doubtful. The amount of interest income recorded, plus initial costs of underlying PIK interest is reviewed periodically to ensure that these do not exceed fair value of those assets.

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

Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans.

If a price cannot be ascertained from the above sources the Company will seek bid prices from third party broker/dealer quotes for the investments. The Investment Manager believes that bid price is the best estimate of fair value and is in line with the valuation policy adopted by the Company.

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

The following criteria are considered when applicable:

- The valuation of other securities by the same issuer for which market quotations are available;
- The reasons for absence of market quotations;
- The soundness of the security, its interest yield, the date of maturity, the credit standing of the issue and the current general interest rates;
- Any recent sales prices and/or bid and ask quotations for the security;
- The value of similar securities of issuers in the same or similar industries for which market quotations are available;
- The economic outlook of the industry;
- The issuer’s position in the industry;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)****(h) Derivative Contracts**

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

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

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies on the reporting date and the value recorded in the financial statements represents net unrealised gain and loss on forwards as at 30 June. Forward contracts are generally categorised in Level 2 of the fair value hierarchy.

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

The total return swap is valued using a mark to market prices provided by a third party broker.

**(i) Taxation**

The Company is not subject to income taxes in Guernsey; however, it may be subject to taxes imposed by other countries on income it derives from investments.

Such taxes are reflected in the Unaudited Consolidated Statement of Operations. In accordance with US GAAP, management is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognised is measured as the largest amount of benefit that is greater than fifty percent likely of being realised upon ultimate settlement. De-recognition of a tax benefit previously recognised could result in the Company recording a tax liability that would reduce net assets. US GAAP also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities.

There were no uncertain tax positions at 30 June 2021 or 31 December 2020. The Company is subject to examination for US Federal and state tax returns for calendar years 2018–2021.

During the period ended 30 June 2021, the Company recorded current income tax expense \$7,052 (31 December 2020 income tax benefit: \$7,172). Deferred taxes are recorded to reflect the tax consequences of future years' differences between the tax basis of assets and their financial reporting basis. The deferred tax benefit recorded for the period ended 30 June 2021 was \$Nil (31 December 2020 deferred tax benefit: \$Nil). The net total income tax expense from realised/unrealised gains/(losses) on investments for the period ended 30 June 2021 was \$7,052 (31 December 2020 income tax benefit: \$7,172).

**NOTE 3 – DERIVATIVES**

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

**Forward Contracts**

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

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

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

There was one credit default swap position (Brazilian Government) held at 30 June 2021 (31 December 2020: one).

**Total Return Swap**

The Company entered into two fully funded total return swaps on 2 May 2011 and 18 April 2012. These swaps matured on 25 February 2020 and rolled over into a new swap agreement. New ISDA regulations enacted in 2019 require booking the total return swaps with cash collateral maintained vs fully funded swaps. The new swap was booked on 02 March 2020 and mature on 01 February 2022. The value of the swap, exclusive of related cash collateral, as at 30 June 2021 is (\$154,553) (31 December 2020: (\$1,222,546)) representing an unrealised gain of \$1,067,993 in the period.

**Derivative activity**

For the period ended 30 June 2021 and for the year ended 31 December 2020 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 2021 (UNAUDITED)	LONG EXPOSURE		SHORT EXPOSURE	
	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
<b>PRIMARY UNDERLYING RISK</b>				
<b>Foreign currency exchange rate</b>				
Forward currency contracts	\$75,051,955	28	\$71,919,522	19
<b>Financial assets</b>				
Credit default swap	\$9,400,000	1	–	–
Total return swap	–	–	\$10,960,348	2

31 DECEMBER 2020 (AUDITED)	LONG EXPOSURE		SHORT EXPOSURE	
	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
<b>PRIMARY UNDERLYING RISK</b>				
<b>Foreign currency exchange rate</b>				
Forward currency contracts	\$197,834,461	91	\$163,940,579	92
<b>Financial assets</b>				
Credit default swap	\$9,400,000	1	–	–
Total return swap	–	–	\$10,960,348	2

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

The following tables show, at 30 June 2021 and 31 December 2020, 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 2021 and 31 December 2020, the realised and unrealised gain and loss amounts included in the Unaudited Consolidated Statement of Operations, categorised by primary underlying risk:

<b>30 JUNE 2021 (UNAUDITED)</b>	<b>DERIVATIVE</b>	<b>DERIVATIVE</b>	<b>REALISED</b>	<b>NET CHANGE IN</b>
<b>PRIMARY UNDERLYING RISK</b>	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>GAIN (LOSS)</b>	<b>UNREALISED GAIN</b>
	(\$)	(\$)	(\$)	(LOSS)
				(\$)
<b>Foreign currency exchange rate</b>				
Forward currency contracts	381,046	(1,203,221)	(103,024)	504,465
<b>Credit</b>				
Purchased protection				
Credit default swap	–	(27,366)	(47,522)	161,091
Total return swap	–	(154,553)	–	1,067,993
<b>31 DECEMBER 2020 (AUDITED)</b>				
<b>PRIMARY UNDERLYING RISK</b>	<b>DERIVATIVE</b>	<b>DERIVATIVE</b>	<b>REALISED</b>	<b>NET CHANGE IN</b>
	(\$)	(\$)	(\$)	UNREALISED GAIN
				(LOSS)
				(\$)
<b>Foreign currency exchange rate</b>				
Forward currency contracts	653,125	(1,979,765)	2,173,950	(435,860)
<b>Credit</b>				
Purchased protection				
Credit default swap	–	(54,306)	(76,482)	(143,343)
Total return swap	–	(1,222,546)	–	(1,222,546)
<b>Equity price</b>				
Warrants	–	–	(211,330)	752,802

**Offsetting assets and liabilities**

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

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

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

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

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

The Company is subject to enforceable master netting agreements with its counterparties of credit default swap, the total return swaps and foreign currency exchange contracts. 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.

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

The following tables, at 30 June 2021 and 31 December 2020, show the gross and net derivatives assets and liabilities by contract type and amount for those derivatives contracts for which netting is permissible.

**30 JUNE 2021 (UNAUDITED)**

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	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES		NET AMOUNT
				FINANCIAL INSTRUMENTS (POLICY ELECTION)	FINANCIAL COLLATERAL RECEIVED <sup>1</sup>	
Forward Currency Contracts	381,046	–	381,046	(381,046)	–	–
<b>Total</b>	<b>381,046</b>	<b>–</b>	<b>381,046</b>	<b>(381,046)</b>	<b>–</b>	<b>–</b>

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	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES		NET AMOUNT
				FINANCIAL INSTRUMENTS (POLICY ELECTION)	FINANCIAL COLLATERAL PLEDGED <sup>1</sup>	
Forward Currency Contracts	(1,203,221)	–	(1,203,221)	381,046	822,175	–
Credit Default Swap	(27,366)	–	(27,366)	–	–	(27,366)
Total Return Swaps	(154,553)	–	(154,553)	–	154,553	–
<b>Total</b>	<b>(1,385,140)</b>	<b>–</b>	<b>(1,385,140)</b>	<b>381,046</b>	<b>976,728</b>	<b>(27,366)</b>

1 The amount netted off is a portion of the total collateral as per the Unconsolidated Statement of Assets and Liabilities.

**31 DECEMBER 2020 (AUDITED)**

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	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES		NET AMOUNT
				FINANCIAL INSTRUMENTS (POLICY ELECTION)	FINANCIAL COLLATERAL RECEIVED <sup>1</sup>	
Forward Currency Contracts	653,125	–	653,125	(653,125)	–	–
<b>Total</b>	<b>653,125</b>	<b>–</b>	<b>653,125</b>	<b>(653,125)</b>	<b>–</b>	<b>–</b>



**NOTE 3 – DERIVATIVES (continued)**

**Derivative activity (continued)**

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	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES		NET AMOUNT
				FINANCIAL INSTRUMENTS (POLICY ELECTION)	FINANCIAL COLLATERAL PLEDGED <sup>1</sup>	
Forward Currency Contracts	(1,979,765)	–	(1,979,765)	653,125	630,000	(696,640)
Credit Default Swap	(54,306)	–	(54,306)	–	–	(54,306)
Total Return Swaps	(1,222,546)	–	(1,222,546)	–	1,222,546	–
<b>Total</b>	<b>(3,256,617)</b>	<b>–</b>	<b>(3,256,617)</b>	<b>653,125</b>	<b>1,852,546</b>	<b>(750,946)</b>

1 The amount netted off is a portion of the total collateral as per the Unconsolidated Statement of Assets and Liabilities.

**NOTE 4 – RISK FACTORS**

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

**Market Risk**

Market risk is the potential for changes in the value of investments. Categories of market risk include, but are not limited to, interest rates. Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Details of the Company's investment Portfolio at 30 June 2021 and 31 December 2020 are disclosed in the Unaudited Consolidated Condensed Schedule of Investments. Each separate investment exceeding 5% of net assets is disclosed separately.

**Credit Risk**

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

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

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

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

**NOTE 4 – RISK FACTORS (continued)****Credit Risk (continued)**

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

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

The credit risk relating to derivatives is detailed further in Note 3.

**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.

**Coronavirus**

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

**Other Risks**

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

**NOTE 5 – SHARE CAPITAL**

The Company's authorised share capital consists of:

10,000 Class A Shares authorised, of par value \$1 each (which carry no voting rights); and, an unlimited number of shares of no par value which may, upon issue, be designated as Ordinary Shares, Extended Life Shares or New Global Shares and Subscription Shares (each of which carry voting rights) or Capital Distribution Shares.

The issued share capital of the Company consists of Ordinary Shares, Class A Shares and Extended Life Shares, all denominated in in US dollars, and New Global Shares denominated in Pounds Sterling. Shareholders of Ordinary Shares, Extended Life Shares and New Global Shares have the right to attend and vote at any general meeting of the Company. Class A shareholders do not have the right to attend and vote at a general meeting of the Company save where there are no other shares of the Company in issue.

The Class A Shares are held by Carey Trustees Limited (the "Trustee"), pursuant to a purpose trust established under Guernsey law. Under the terms of the NBDDIF Purpose Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the right to receive notice of general meetings of the Company but the Trustee shall only have the right to attend and vote at general meetings of the Company when there are no other shares of the Company in issue.

**NOTE 5 – SHARE CAPITAL (continued)**

The original investment period expired on 10 June 2013 and a proposal was made to Ordinary Shareholders to extend the investment period by 21 months to 31 March 2015. A vote was held at a class meeting of shareholders on 8 April 2013 where the majority of shareholders voted in favour of the proposed extension.

Following this meeting and with the Ordinary Shareholders approval of the extension, a new class, the Extended Life Shares, was created and the Extended Life Shares were issued to 72% of initial Investors who elected to convert their Ordinary Shares to Extended Life Shares. The rest of investors remain invested on the basis of the existing investment period.

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

At 30 June 2021, the Company had the following number of shares in issue:

	<b>30 JUNE 2021 (UNAUDITED)</b>	<b>31 DECEMBER 2020 (AUDITED)</b>
Class A Shares	2	2
Ordinary Share Class of no par value (Nil in treasury; 2020: Nil)	15,382,770	15,382,770
Extended Life Share Class of no par value (Nil in treasury; 2020: Nil)	80,545,074	80,545,074
New Global Share Class of no par value (Nil in treasury; 2020: Nil)	41,116,617	41,116,617

Reconciliation of the number of shares in issue in each class (excluding Class A) at 30 June 2021:

<b>(UNAUDITED)</b>	<b>ORDINARY SHARES</b>	<b>EXTENDED LIFE SHARES</b>	<b>NEW GLOBAL SHARES</b>	<b>TOTAL</b>
Balance at 31 December 2020	15,382,770	80,545,074	41,116,617	137,044,461
Shares redeemed during the period	–	–	–	–
Buybacks (Shares repurchased)	–	–	–	–
Balance at 30 June 2021 <sup>1</sup>	<b>15,382,770</b>	<b>80,545,074</b>	<b>41,116,617</b>	<b>137,044,461</b>

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

Reconciliation of the number of shares in issue in each class (excluding Class A) at 31 December 2020:

<b>(AUDITED)</b>	<b>ORDINARY SHARES</b>	<b>EXTENDED LIFE SHARES</b>	<b>NEW GLOBAL SHARES</b>	<b>TOTAL</b>
Balance at 31 December 2019	15,382,770	114,146,794	71,787,915	201,317,479
Distributions during the year	–	(29,939,898)	(27,635,465)	(57,575,363)
Buybacks (Shares repurchased) <sup>1</sup>	–	(3,661,822)	(3,035,833)	(6,697,655)
Balance at 31 December 2020 <sup>2</sup>	<b>15,382,770</b>	<b>80,545,074</b>	<b>41,116,617</b>	<b>137,044,461</b>

1 Shares were repurchased and cancelled by the Company by way of redemption at discount with Jefferies International Limited, the Company's Corporate Broker.

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

**NOTE 5 – SHARE CAPITAL (continued)****Distributions**

Set out below are details of the capital returns by way of compulsory partial redemptions approved during the year ended 31 December 2020.

There were no compulsory partial redemptions during the period ended 30 June 2021.

2020 (AUDITED)	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRI-BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRI-BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRI-BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
19 March 2020	–	–	–	\$4,986,260	5,434,023	\$0.9176	–	–	–
18 May 2020	–	–	–	\$7,491,958	9,536,606	\$0.7856	\$9,136,423	11,206,038	\$0.8153
30 June 2020	–	–	–	\$10,491,960	14,969,269	\$0.7009	\$12,965,737	16,429,427	\$0.7892
	–	–	–	<b>\$22,970,178</b>	<b>29,939,898</b>	–	<b>\$22,102,160</b>	<b>27,635,465</b>	–

**Buybacks**

There were no shares repurchased and cancelled by the Company during the period from 1 January 2021 and 30 June 2021.

**NOTE 6 – MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS****Investment Management Agreement (“IMA”)**

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

On 17 July 2014, the Company, the Manager and the AIFM made certain classificatory amendments to their contractual arrangements for the purposes of the AIFM Directive. The Sub-Investment Management Agreement was terminated on 17 July 2014 and Neuberger Berman Investment Advisers LLC (formerly Neuberger Berman Fixed Income LLC), which was the Sub-Investment Manager, was appointed as the AIFM per the amended and restated IMA dated 17 July 2014. Under this agreement, the AIFM is responsible for risk management and day-to-day discretionary management of the Company’s Portfolios (including uninvested cash). The risk management and discretionary portfolio management functions are performed independently of each other within the AIFM structure. The AIFM is not required to, and generally will not, submit individual investment decisions for approval by the Board. The Manager, Neuberger Berman Europe Limited, was appointed under the same IMA to provide, amongst other things, certain administrative services to the Company. On 31 December 2017 the Company entered into an Amendment Agreement amending the IMA.

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

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

However, effective 18 March 2021, the Investment Manager had waived its entitlement to all fees from the Company.

For the period ended 30 June 2021, the management fee expense was \$342,338 (30 June 2020: \$1,183,176). At 30 June 2021, the management fee payable was \$Nil (31 December 2020: \$134,188).

**Performance Fee**

Effective 18 March 2021, the Investment Manager had waived its entitlement to a performance fee. The performance fee for Ordinary Shares, Extended Life Shares and New Global Shares (collectively the “Shares”) only became payable once the Company had made aggregate distributions in cash to the shareholders of the Shares (which included 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 resulted in the shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to Preferred Return, following which there would be a 100% catch up payable to the Manager until the Manager had 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.

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

**Performance Fee (continued)**

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

No performance fees were paid or payable in respect of any of the classes for the period ended 30 June 2021 or 31 December 2020, nor would any have been paid if the Company had realised all its assets at their carrying values at the period end.

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

**Administration, Company Secretarial and Custody Agreements**

Effective 1 March 2015, the Company entered into an Administration and Sub-Administration Agreement with U.S. Bank Global Fund Services (Guernsey) Limited and U.S. Bank Global Fund Services (Ireland) Limited, a wholly-owned subsidiary of U.S. Bancorp (the "Administration Agreement"). Under the terms of the Administration Agreement, Sub-Administration services are delegated to U.S. Bank Global Fund Services (Ireland) Limited (the "Sub-Administrator"). The Sub-Administration Service Level Agreement was amended and approved on 21 February 2018.

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

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

Effective 1 March 2015, the Company entered into a Custody Agreement with U.S. Bank National Association (the "Custodian") to provide loan administration and custody services to the Company. Under the terms of the Custody Agreement the Custodian is entitled to an annual fee of 0.025% of net asset value with a minimum annual fee of \$25,000.

Effective 20 June 2017, Carey Commercial Limited was appointed the Company Secretary. The Company Secretary is entitled to an annual fee of £65,800 plus fees for ad-hoc board meetings and additional services.

For the period ended 30 June 2021, the administration fee expense was \$51,252 (30 June 2020: \$75,824), the secretarial fee was \$64,317<sup>1</sup> of which \$5,242<sup>1</sup> was in relation to the administration of the ongoing buyback programme, (30 June 2020 secretarial fee: \$28,386) and the loan administration and custody fee expense was \$22,852<sup>1</sup> (30 June 2020: \$21,177<sup>1</sup>). At 30 June 2021, the administration fee payable is \$9,695<sup>2</sup> (31 December 2020: \$6,908), the secretarial fee payable is \$53,702<sup>2</sup> (31 December 2020: \$49,598) and the loan administration and custody fee payable is \$14,003<sup>2</sup> (31 December 2020: \$2,311).

**Directors' Remuneration and Other Interests**

The Directors are related parties and are remunerated for their services at a fee of \$45,000 plus £10,000 each per annum (\$60,000 plus £10,000 for the Chairman, \$50,000 plus £10,000 for the Chairman of the Audit Committee). For the period ended 30 June 2021, the Directors' fees and travel expenses amounted to \$96,724 (30 June 2020: \$97,466). Michael J. Holmberg, the non-independent Director, has waived the fees for his services as a Director.

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

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

The Company has not set any requirements or guidelines for Directors to own shares in the Company. The beneficial interests of the Directors and their connected persons in the Company's shares at 31 December 2020 and 30 June 2021 are shown in the table below:

DIRECTOR	NO. OF ORDINARY SHARES	NO. OF EXTENDED LIFE SHARES	NO. OF NEW GLOBAL SHARES	TOTAL NO. OF SHARES
John Hallam	–	73,753	49,450	123,203
Michael Holmberg	–	32,563	51,698	84,261
Christopher Legge	–	–	–	–
Stephen Vakil	–	–	26,974	26,974

There were no other related interests for the period ended 30 June 2021.

## NOTE 7 – FINANCIAL HIGHLIGHTS

	ORDINARY SHARES (\$)	EXTENDED LIFE SHARES (\$)	NEW GLOBAL SHARES (£)	ORDINARY SHARES (\$)	EXTENDED LIFE SHARES (\$)	NEW GLOBAL SHARES (£)
PER SHARE OPERATING PERFORMANCE	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)
<b>Net asset value per share at beginning of the period/year</b>	<b>0.8420</b>	<b>0.7889</b>	<b>0.5682</b>	<b>0.9086</b>	<b>0.9266</b>	<b>0.8339</b>
Impact of share buybacks	–	–	–	–	0.0096	0.0063
Impact of share redemptions	–	–	–	–	(0.0029)	(0.0038)
<b>Income/(loss) from investment operations<sup>1</sup></b>						
Net investment (loss)/ income	(0.0078)	0.0153	0.0129	(0.0195)	0.0121	0.0080
Net realised and unrealised income/(loss) from investments and foreign exchange	0.1176	0.1467	0.0113	(0.0471)	(0.1565)	(0.2762)
<b>Total income/(loss) from investment operations</b>	<b>0.1098</b>	<b>0.1620</b>	<b>0.0242</b>	<b>(0.0666)</b>	<b>(0.1444)</b>	<b>(0.2682)</b>
<b>Net asset value per share at end of the period/year</b>	<b>0.9518</b>	<b>0.9509</b>	<b>0.5924</b>	<b>0.8420</b>	<b>0.7889</b>	<b>0.5682</b>

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

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES
NAV TOTAL RETURN <sup>1,2</sup>	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)
NAV Total Return before performance fee	13.04%	20.53%	4.26%	(7.33%)	(14.86%)	(31.86%)
Performance fee	–	–	–	–	–	–
<b>NAV Total Return after performance fee including an income distribution by way of dividend</b>	<b>13.04%</b>	<b>20.53%</b>	<b>4.26%</b>	<b>(7.33%)</b>	<b>(14.86%)</b>	<b>(31.86%)</b>

1 NAV Total Return is calculated for the Ordinary Shares, Extended Life Shares and New Global Shares only and is calculated based on movement in the NAV and does not reflect any movement in the market value of the shares. A shareholder's return may vary from these returns based on participation in new issues, the timing of capital transactions etc. It assumes that all income distributions of the Company, paid by way of dividend, were reinvested, without transaction costs. Class A shares are not presented as they are not profit participating shares.

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

**NOTE 7 – FINANCIAL HIGHLIGHTS (continued)**

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES
	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	PERIOD ENDED 30 JUNE 2021 (UNAUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)	YEAR ENDED 31 DECEMBER 2020 (AUDITED)
<b>RATIOS TO AVERAGE NET ASSETS</b>						
Net investment (loss)/income before and after performance fees	(1.83%)	3.64%	4.67%	(2.55%)	1.52%	1.25%
<b>Total expenses after performance fee</b>	<b>(2.14%)</b>	<b>(1.73%)</b>	<b>(2.11%)</b>	<b>(2.89%)</b>	<b>(2.68%)</b>	<b>(2.76%)</b>

**NOTE 8 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV**

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

	ORDINARY SHARE CLASS NET ASSETS (\$)	ORDINARY SHARE CLASS NAV PER SHARE (\$)	EXTENDED LIFE SHARE CLASS NET ASSETS (\$)	EXTENDED LIFE SHARE CLASS NAV PER SHARE (\$)	NEW GLOBAL SHARE CLASS NET ASSETS (£)	NEW GLOBAL SHARE CLASS NAV PER SHARE (£)
Published net assets at 30 June 2021	14,479,146	0.9413	76,061,379	0.9443	24,276,806	0.5904
Valuation adjustments	162,080	0.0105	530,127	0.0066	80,362	0.0020
<b>Net assets per Unaudited Consolidated Financial Statements</b>	<b>14,641,226</b>	<b>0.9518</b>	<b>76,591,506</b>	<b>0.9509</b>	<b>24,357,168</b>	<b>0.5924</b>

	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 2020	12,945,021	0.8415	63,589,978	0.7895	22,938,029	0.5579
Deferred Tax adjustment	–	–	–	–	11,412	0.0003
Valuation adjustments	7,944	0.0005	(49,328)	0.0006	413,698	0.0100
<b>Net assets per Consolidated Financial Statements</b>	<b>12,952,965</b>	<b>0.8420</b>	<b>63,540,650</b>	<b>0.7889</b>	<b>23,363,139</b>	<b>0.5682</b>

**NOTE 9 – SUBSEQUENT EVENTS**

The Directors have evaluated subsequent events up to 19 August 2021, which is the date that the Unaudited Consolidated Interim Financial Statements were available to be issued, and have concluded there are no further items that require disclosure or adjustment to the Unaudited Consolidated Interim Financial Statements.

## Contact Details

### Directors

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Michael Holmberg

Christopher Legge

Stephen Vakil

All c/o the Company's registered office.

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### Company Secretary

Carey Commercial Limited

### Alternative Investment Fund Manager

Neuberger Berman Investment Advisers LLC

### Manager

Neuberger Berman Europe Limited

### Custodian and Principal Bankers

US Bank National Association

### Designated Administrator

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

### Independent Auditor

KPMG Channel Islands Limited

### Sub-Administrator

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

### Financial Adviser and Corporate Broker

Jefferies International Limited

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

Herbert Smith Freehills LLP

### Advocates to the Company (as to Guernsey law)

Carey Olsen

### Registrar

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### UK Transfer Agent

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

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