

# NB Global Floating Rate Income Fund Limited

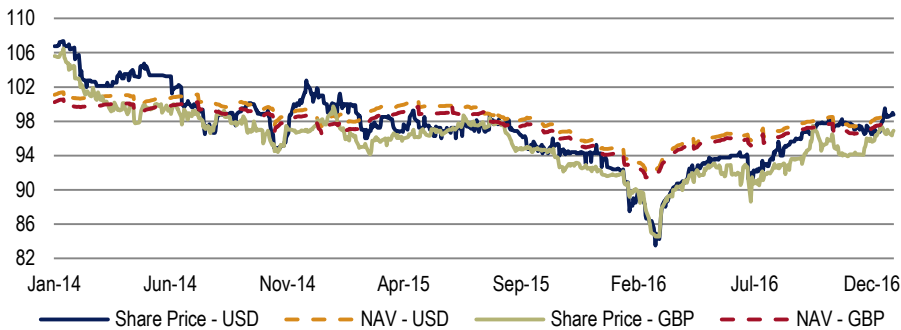
December 31, 2016

## FUND OBJECTIVE

The NB Global Floating Rate Income Fund Limited's (the "Fund") investment objective is to provide its shareholders with regular dividends, at levels that are sustainable, whilst preserving the capital value of its investment portfolio, utilising the investment skills of the portfolio managers.

The Fund's managers seek to generate this yield by investing in a global portfolio of below investment grade senior secured corporate loans with selective use of senior secured bonds, diversified by both borrower and industry. The Fund is managed by four experienced portfolio managers backed by what we believe to be one of the largest and most experienced credit teams in the industry.

## FUND PERFORMANCE



## QUARTERLY COMMENTARY<sup>1</sup>

### Performance Highlights

In the final quarter of 2016, the "risk on" theme that has dominated the last ten months of the year continued and lower rated assets once again outperformed the better quality high single B/BB credits on which the Fund focuses. As such, the Fund's gross of fee performance of 9.56% for 2016 underperformed the return of the S&P/LSTA Leveraged Loan Index (the "Index") by 60bp. From a sector perspective, the largest contributors to performance for the quarter were security selection within retailers, financial intermediaries and industrial equipment suppliers. In contrast, an underweight to oil & gas, metals / mining, security selection within non-ferrous metals and minerals, and an overweight to business equipment and services detracted the most from performance during the quarter.

### Market Context

The Index returned 2.26% in the fourth quarter and whilst this quarterly return was below that of the previous two, it still marked the fourth straight positive quarter for the asset class. With full year returns of the Index standing at 10.16%, this was the first double-digit performance since 2010 and only the third since 1999. As at the end of December, approximately 80.9% of the Index names were trading at bid prices of 99 or above as compared to 29.9% at the same time last year.

From a quality perspective, CCC rated loans were the best performers of the quarter returning 8.81%, closely followed by D rated loans with 8.52%. The top performing sectors over the 3-month period included oil and gas (+14.20%), nonferrous metals / mining (+12.53%) and telecommunications (+2.97%). Conversely, the bottom performing sectors were non food and drug retailers (-0.87%) and beverage/tobacco (-0.20%).

Institutional loan new issue volume totalled \$109 billion in the quarter and brought the year-to-date total to \$337 billion. From a demand perspective, loan funds reported inflows of \$9.5 billion and CLO issuance was \$26.0 billion for the quarter, with the full year flows ending at \$5.4 billion and \$71 billion, respectively. As has been the case for the majority of the year, demand exceeded supply which meant that a lot of the issuance that came to market was opportunistic, i.e., repricing of existing facilities or owners looking to take dividends or draw small add on facilities. The value of the Index ended the year at \$887 billion, just \$7 billion up for the year.

The European loan market as measured by the S&P European Leveraged Loan Index (the "ELLI") returned 0.94% for the quarter (all numbers excluding currency). The full year total return was 5.72% and the average bid finished at 98.62, a slight increase from the end of last quarter, but well up over the year from a 96.91 start point. European institutional loan issuance was up at €18 billion for the quarter, the highest reading since Q2 2007. Although repayments rose as well; more new deals were printed than got repaid and the ELLI actually rose in value to €114 billion, the highest level since 2010 and the first time it has grown for eight years.

The default rate among issuers in the Index eased to a ten-month low of 1.58% in December, from a 16-month high of 2.17% in July. In Europe, the trailing 12-month default rate ended the year at 2.40%, a slight increase over the year, but down from the year's high in October (3.01%).

## FUND MANAGERS



### JOSEPH LYNCH

19 years' investment experience



### STEPHEN CASEY

20 years' investment experience



### MARTIN ROTHERAM

14 years' investment experience



### DAN DOYLE

30 years' investment experience

## KEY METRICS

|   |     |          |
|---|-----|----------|
| NAV                                       | GBP | 97.87    |
|   | USD | 98.81    |
| Share Price                               | GBP | 96.90    |
|   | USD | 98.75    |
| Share Price Premium / (Discount)          | GBP | -0.99%   |
|   | USD | -0.06%   |
| Total Return 1 YR <sup>2</sup>            |     | 9.56%    |
| Total Return Since Inception <sup>2</sup> |     | 32.31%   |
| Market Cap                                |     | \$1,216m |

## KEY STATISTICS

|                          |                    |
|--------------------------|--------------------|
| Current Portfolio Yield* | 4.54% <sup>3</sup> |
| Number of Investments    | 301                |
| Number of Issuers        | 234                |

## KEY INFORMATION

|                    |  |
|--------------------|--|
| Fund Type:         | Closed-ended Investment Company          |
| Admission Date:    | 20 April 2011                            |
| NAV Frequency:     | Daily                                    |
| Dividend Policy:   | Quarterly                                |
| Domicile:          | Guernsey                                 |
| Market:            | Main market of the London Stock Exchange |
| Year End:          | 31 December                              |
| Management Fee:    | 0.75%                                    |
| Bloomberg Tickers: | NBLU:LN (USD)<br>NBL:LN (GBP)            |
| ISIN:              | GG00B3P7S359 (USD)<br>GG00B3KX4Q34 (GBP) |
| Website:           | www.nbgfrif.com                          |

Source: U.S. Bancorp (Guernsey) Limited and Bloomberg. Data as at December 31, 2016. Past performance is not indicative of future returns.

1. Data Source: S&P LCD.

2. Total return: Cumulative \$ NAV based returns including dividends (gross of fees).

3. Gross of fees and expenses.

\* Please see disclaimer on reverse.

**QUARTERLY COMMENTARY<sup>1</sup> (Continued)**

**Portfolio Positioning**

During the fourth quarter, the portfolio remained very much weighted towards USD issuance which accounted for 93% of the portfolio at the end of December. The bond allocation remained well below the 20% of NAV permitted, at 3.5%, as we remained focused on keeping duration low and limiting potential areas of volatility. We continue to allocate to better rated assets, with the BBB/BB weighting ended the year at 51.7%.

**Outlook**

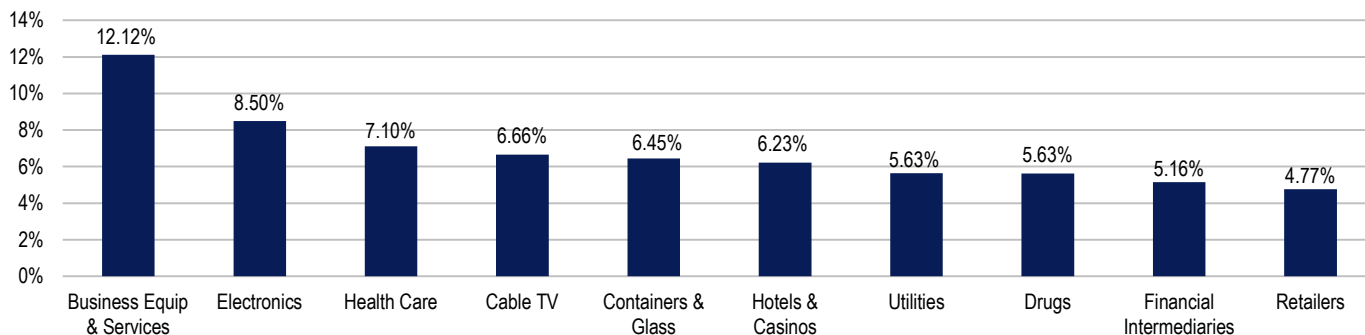
Our outlook for the loan market remains positive. Generally we feel that issuers are performing steadily, leverage is being controlled and cash cover metrics are strong.

The market today is pricing in approximately a 2.8% imputed default rate, which is in line with our 2017 expectations of 2-3%. We believe that moderate US economic growth will lead to gradual interest rate hikes, which should be constructive for senior floating rate loans. In the absence of rate rises, we continue to believe that loans will be attractive given the returns on offer, the expected low volatility compared to other risk asset classes and their senior secured nature.

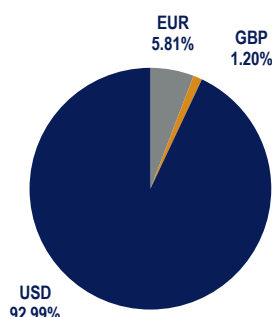
**TOP 10 ISSUERS**

| Issuer                       | Sector                        | Weight |
|------------------------------|-------------------------------|--------|
| Valeant Pharmaceuticals      | Drugs                         | 2.68%  |
| First Data Corporation       | Financial Intermediaries      | 2.00%  |
| Avago Technologies           | Electronics                   | 1.49%  |
| Community Health Systems     | Health Care                   | 1.28%  |
| Energy Transfer              | Oil & Gas                     | 1.23%  |
| Intelsat                     | Telecommunications            | 1.17%  |
| Texas Energy Future Holdings | Utilities                     | 1.15%  |
| Information Resources        | Business Equipment & Services | 1.09%  |
| Endo Pharmaceutical          | Drugs                         | 1.07%  |
| Reynolds Group               | Containers & Glass            | 1.01%  |

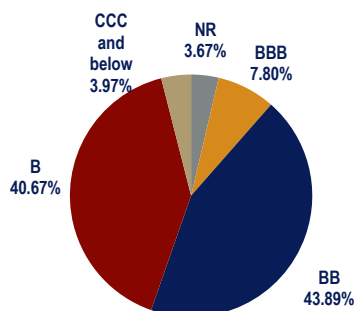
**TOP 10 S&P SECTORS**



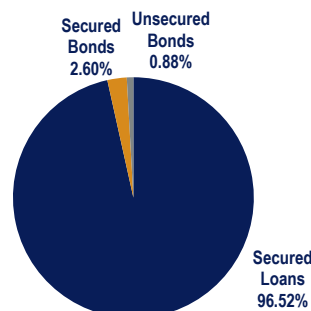
**CURRENCY BREAKDOWN**



**RATING BREAKDOWN<sup>1</sup>**



**SECURITY BREAKDOWN**



Source: Neuberger Berman, U.S. Bancorp (Guernsey) Limited and Bloomberg. Data as at December 31, 2016 and excludes cash.

1. Source: Standard & Poor's.

\*The Fund's Current Portfolio Yield is a market-value weighted average of the current yields of the holdings in the portfolio, calculated as the coupon (base rate plus spread) divided by current price. The calculation does not take into account any fees, fund expenses or sales charges paid, which would reduce the results. The Current Yield for the Fund will fluctuate from month to month. The Current Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the realized distribution rate for each share class. You should consult the Fund's prospectus for additional information about the Fund's dividends and distributions policy. **Past performance is no guarantee of future results.**

### Non-Mainstream Pooled Investments

The Company confirms that it conducts its affairs, and intends to continue to conduct its affairs, so that the Company's shares will be excluded securities under these rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream investment products.

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