NEUBERGER BERMAN

# NB Private Equity Partners Limited

30 September 2013 Interim Management Statement

# INVESTMENT MANAGER'S REPORT

For the nine month period ended 30 September 2013
**Interim Management Statement**


- **Company Overview** 2
- **Key Performance Highlights During the First Nine Months of 2013** 3
- **Portfolio Highlights at 30 September 2013** 4
- **Post Reporting Period Update** 5
- **Company Strategy** 6
- **Dividend Policy** 7
- **Nine Months Overview**
  - New Investment Activity 8
  - Investment Results 11

- **Portfolio Analysis** 12
  - Portfolio Diversification 13
  - Current Fair Value by Year of Deployment 14
  - Twenty Largest Investments 15
  - Equity Co-investment Portfolio 16
  - Direct Yielding Investment Portfolio 17
  - Unrealized Equity Co-investment & Direct Yielding Portfolio 18
  - Fund Investment Portfolio 19
  - Portfolio Valuation 20
  - Performance Analysis 21
  - Equity Co-investment Performance 22
  - Direct Yielding Investment Performance 23
  - Fund Portfolio Investment Performance 24
  - Performance Since Inception 25
  - Fund Portfolio Liquidity & Cash Flow 27
- **Unfunded Commitments** 28
- **Liquidity & Capital Resources** 29
- **Market Commentary** 30
- **Risk Factors** 32
- **Certain Information** 34
- **Appendices**
  - Valuation Methodology 36
  - Forward Looking Statements 37
  - Overview of the Investment Manager 38
  - Directors, Advisors and Contact Information 39

# COMPANY OVERVIEW

*Our objective is to produce attractive returns by investing in direct-yielding investments, equity co-investments and fund investments while managing investment risk through diversification across asset class, vintage year, geography, industry and sponsor.*

**Company**

**NB Private Equity Partners Limited ("NBPE")**

- Guernsey closed-end investment company
- 48,790,564 Class A ordinary shares outstanding
- 10,000 Class B ordinary shares outstanding
- 32,999,999 Zero Dividend Preference ("ZDP Shares") shares outstanding

**Investment Manager**

**NB Alternatives Advisers**

- 26 years of private equity investing experience
- Investment Committee with an aggregate of approximately 190 years of professional experience
- Approximately 60 investment professionals
- Approximately 110 administrative and finance professionals
- Offices in New York, London, Dallas and Hong Kong

| Key Statistics | At 30 September 2013 | At 31 December 2012 (Pro Forma)[1] |
|---|---|---|
| Net Asset Value of the Controlling Interest | $599.7m | $576.0m |
| Equity Co-investments | $162.5m | $127.0m |
| Direct-Yielding Investments | $141.0m | $101.6m |
| Fund Investments | $312.7m | $350.6m |
| Total Private Equity Fair Value | $616.2m | $579.2m |
| Private Equity Investment Level | 103% | 101% |
| Cash and Cash Equivalents (including restricted cash) | $52.5m | $73.2m |
| Net Asset Value per Ordinary Share | $12.29 | $11.80 |
| Net Asset Value per Ordinary Share including Dividends | $12.70 | $11.80 |
| ZDP Shares | £43.2m | £41.0m |
| Net Asset Value per ZDP Share | 131.05p | 124.32p |

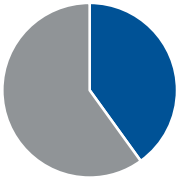
*Note: Numbers may not sum due to rounding.*
*1. Pro-forma for the funding of a direct yielding investment, returns of capital from the NB Alternatives Direct Co-investment Program, and a distribution receivable.*

# KEY PERFORMANCE HIGHLIGHTS DURING THE FIRST NINE MONTHS OF 2013

## Performance

**7.5%** NAV per Share total return

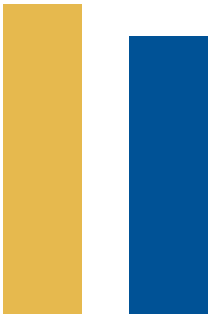
**16.4%** Share price increase



## Portfolio at 30 September 2013

**49%** of Fair Value in Equity Co-investments/Direct Yielding Investments

**51%** of Fair Value in Funds



## Cash Flows during the first nine months of 2013

**$104.3** million funded to Investments[1]

**$111.3** million of distributions from Investments

$95.4[1]
Million Invested

## New Direct Investment Activity Year to Date

**9** Equity Co-investments

**7** Direct Yielding Investments

*1. Net of returns of capital.*

## NB Private Equity Partners leverages the full resources of the NB Alternatives integrated private equity platform for superior deal flow and enhanced due diligence and execution capabilities

### Funding new investments through cash generated from a maturing private equity fund portfolio

- Received $111.3 million in distributions (69% from funds) and funded $104.3 million to investments[1] (91% to direct investments)

### Increasing percentage of the portfolio in direct yielding investments and equity co-investments and reduced exposure to private equity funds

- Increased direct investment exposure from 37% of NAV at 31 December 2012 to 51% of NAV as of 30 September 2013
- 16 direct investments completed year to date

### 24% of net asset value in direct yielding investments with a total estimated yield to maturity of 12.2% and a cash yield of 9.3%, generating run-rate cash income of $12.5 million

- Cash generated from direct yielding investments covers 61% of the annual dividend
- Expect to fully cover the dividend on a run rate basis by the end of 2013 or early in 2014 from the cash generated by direct yielding investments

### Strong performance in the direct investment portfolio during 2013

- Early liquidity events from two 2012 vintage equity co-investments and one 2011 vintage equity co-investment
  - Dividend re-capitalizations as a result of strong underlying company performance
  - 14.2% increase in the value of the equity co-investment portfolio fair value
- $18.8 million realized as a result of the sale of CPG International; a portion of the sale proceeds was received in September and the remaining cash was held as a receivable in September and received in October

*1. Net of returns of capital.*

# POST-REPORTING PERIOD UPDATE

**The following events occurred post the 30 September 2013 reporting period. The Board is not aware of any other significant events or transactions (other than as set out herein) that have occurred between 30 September 2013 and the publication date of this Interim Management Statement which would have a material impact on the financial position of the Company**

## New direct yielding investment activity; Direct investment portfolio now represents 57% of NAV

- During October, NBPE funded $38.6 million to three new direct yielding investments
  - Senior secured term loan of Archroma, a specialty chemicals company
  - Second lien debt of Digital Insight, a provider of digital banking and payments for financial institutions
  - Senior secured term loan of Parsley Energy, an E&P company
- During November, NBPE funded $11.4 million to three direct yielding investments: a re-investment in the debt of P2 Energy, a software company for the oil and gas industry, Taylor Precision Products, a manufacturer of consumer household products, and a healthcare credit investment in a specialty pharmaceutical company
- As of the publication date of this report, equity co-investments and direct yielding investments represent 57% of NAV, based on the re-stated 31 October 2013 NAV
  - Run rate cash income is $16.9 million, representing 82% dividend coverage

## Distribution activity

- During October, NBPE received $6.4 million of distributions
  - $4.6 million from fund investments
  - $1.5 million from direct yielding investments, consisting of interest income
  - $0.3 million from equity co-investments
- During November, through the publication date of this report, NBPE had received $11.1 million of distributions

## Changes to NBPE's cash balance and credit facility borrowings

- Also during October, NBPE received the cash proceeds related to the redemption of a credit-related fund investment and the remaining portion of cash proceeds as a result of the previously announced sale of CPG International
  - Both were held as cash receivables as of 30 September 2013
- During October, NBPE borrowed $10.0 million from its revolving credit facility to fund ongoing operations, although as of the date of publication NBPE maintains a positive net cash balance

## NAV per Share performance post 30 September 2013 and re-stated 31 October 2013 estimated NAV per Share

- The 30 September 2013 Quarterly IMS NAV per Share represents a 1.2% increase over the 30 September 2013 estimated NAV per Share
- The 31 October 2013 re-stated NAV per Share represents a 0.4% increase over the 30 September 2013 Quarterly IMS NAV per Share and a 0.4% increase over the originally issued 31 October 2013 estimated NAV per Share

| | 30 September 2013 (Quarterly IMS) | 31 October 2013 (Estimated NAV) | 31 October 2013 (Re-stated) |
|---|---|---|---|
| Unaudited NAV per share | $12.29 | $12.29 | $12.34 |
| Unaudited Total Return NAV per share[1] | $12.70 | $12.70 | $12.75 |

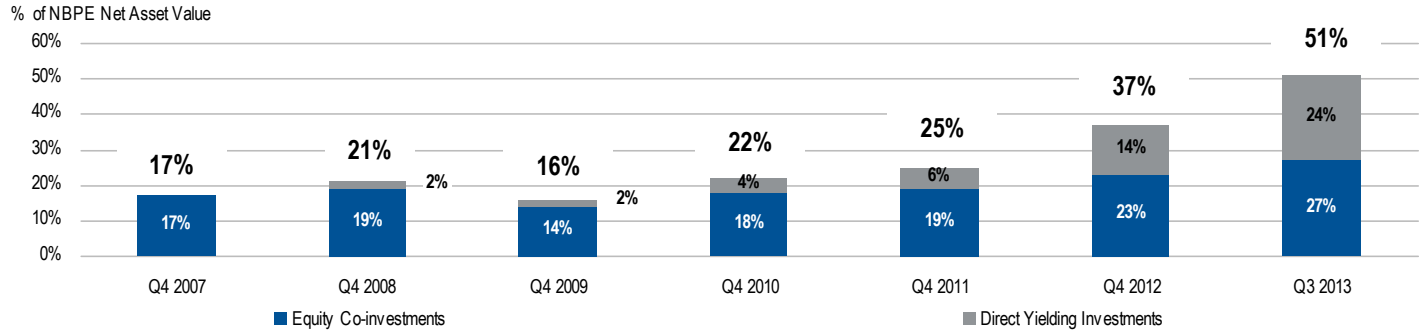
*As of 18 November 2013.*
*1. Including cumulative dividends of $0.41 per Share.*

## Increasing exposure to equity co-investments and direct yielding investments

NB Alternatives Advisers seeks high quality investments for NBPE that have the potential to deliver strong investment returns on a risk-adjusted basis, while maintaining appropriate levels of diversification across geographies, industries, vintage years and sponsors.

New investments are predominantly equity co-investments and direct yielding investments, funded through cash generated from a mature private equity fund portfolio. Within the direct portfolio, we target allocations of 60% to equity co-investments and 40% to direct yielding investments, subject to an available opportunity set. We may also make other types of investments, as appropriate.

### Direct Investments by Year




Equity co-investments are made alongside premier private equity sponsors in their core areas of expertise, focused primarily on buyout and growth equity transactions in the small and middle market globally. Transaction types typically include traditional buyouts, take-private transactions, corporate carve-outs as well as sponsor-to-sponsor transactions. We seek investments with differentiating characteristics such as strategic, minority investments that have clear exit paths and the potential for shorter holding periods rather than large, syndicated transactions.

Direct yielding investments typically consist of private debt instruments which generate strong cash yields and may offer additional upside through PIK and / or equity. We target debt investments in traditional corporate sectors and healthcare credits, which consist of loans to companies in the healthcare sector and royalty backed notes. Corporate debt investments are typically junior financings such as mezzanine investments, which consist of notes and equity, second-lien debt and secured term loans.

We expect this strategy of investing in direct investments to:

- Reduce the expected duration of our private equity portfolio
- Increase transparency for Shareholders
- Reduce our overall effective expense ratio

# DIVIDEND POLICY

### Long-term dividends

NBPE paid its first semi-annual dividend of $0.20 per share on 28 February 2013 and second semi-annual dividend of $0.21 on 30 August 2013.

**$0.41**
Cumulative Dividends in 2013

**$0.21**
Second Semi-Annual Dividend per Share Paid on August 30th

**3.4%**
Annualized Dividend Yield on NAV at 30 September 2013

**4.7%**
Annualized Dividend Yield on Share Price[1]

### Direct yielding income

Over time, NBPE intends to pay its dividend from the cash yield it receives from its direct-yielding investments. We expect the dividend to be 100% covered by the cash yield on a run rate basis by the end of 2013 or early in 2014.

### Run rate cash yield and dividend coverage (% of dividend)

| | 30 September 2013 |
|---|---|
| Direct-yielding investments | $12.5m / 61% |

### Share Buy Back Programme

NBPE retains the ability to repurchase shares through its Share Buy Back Programme which was launched in 2010. Shares bought back under the Programme will be cancelled. There were no share repurchases during the first nine months of 2013. The Board of Directors has approved an extension of the Share Buy Back Programme through 31 March 2014. The documentation for such extension is currently in progress.

### Shares repurchased since inception

| | Shares Repurchased | Weighted Average Price per Share | Weighted Average Discount to NAV | Accretion to NAV per Share |
|---|---|---|---|---|
| Since Inception | 5,419,436 | $4.75 | 53% | $0.71 |

1. *Based on the Euronext closing share price of $9.02 on 30 September 2013.*

# NEW INVESTMENT ACTIVITY

NINE MONTHS OVERVIEW

## $71.4 million invested / 11.9% of NAV to Direct Yielding Investments

*Made directly by NBPE and through the NB Alternatives Healthcare Credit Investment Program*

KIK CUSTOM PRODUCTS

- Largest U.S. privately-held manufacturer of both national and private label consumer products
- Second lien term loan with a 9.5% annual cash interest coupon
- NB Thesis:
  - Strong industry dynamics
  - Comprehensive product line of stable-demand consumer durables provides financial stability throughout the economic cycle

HEARTLAND DENTAL CARE
Personal attention | Professional excellence

- Large dental service organization in the U.S., providing dentists with administrative services such as personnel staffing, purchasing, and financial, marketing and technology support
- Second lien term loan with a 9.8% annual cash interest coupon
- NB Thesis:
  - Strong industry dynamics
  - Company provides clear value to dentists
  - Highly diversified revenue stream across geographies, payors and service type

BlueCoat

- Provider of business application optimization and security products. The company sells software and services that help businesses secure and optimize their online networks safely with speed and efficiency
- Second lien term loan with a 9.5% annual cash interest coupon
- NB Thesis:
  - Strong free cash flow and recurring revenue
  - Strong market position in web security market
  - Attractive industry dynamics

### Healthcare Credit in Senior Secured Term Loan (Genetic Testing)

- Privately held U.S. based provider of diagnostic tests that analyze DNA abnormalities to detect genetic mutations that can give rise to known diseases
- Senior secured notes with 10% cash interest coupon
- NB Thesis:
  - Attractive valuation
  - Rapidly growing and profitable company

### Healthcare Credit in Senior Secured Term Loan (Cardiac Device)

- Privately held US-based healthcare company which manufacturers and markets cardiac devices
- Senior secured notes with 13.5% cash coupon
  - 5 year bullet feature due in 2018 and equity warrants
- NB Thesis: Strong product offering with the possibility of expanding the addressable market

### Healthcare Credit in Royalty Notes backed by Internal Medication

- Synthetic royalty notes backed by the US sales of an internal medication drug
- Contractual cash interest rate of 11%
- NB Thesis:
  - Strong efficacy and safety
  - Meets an unmet need in the market
  - Protected by a strong set of patents

### Healthcare Credit in Senior Secured Term Loan (Skin Products Company)

- Senior secured term loan in a medical device company offering dermatology products
- Contractual cash interest rate of 10.5%
- NB Thesis:
  - Strong organic growth with new products
  - Direct to consumer model
  - Limited indebtedness at company / strong collateral

# NEW INVESTMENT ACTIVITY

NINE MONTHS OVERVIEW

## $24.0 million invested / 4.0% of NAV to Equity Co-investments

*Made directly by NBPE and through the NB Alternatives Direct Co-investment Program*

### INTO

- Leading U.K.-based organization assisting the recruitment, placement and education of international students in highly-ranked universities in the U.S. and U.K.
- NB Thesis:
  - Favorable industry trends with strong supply and demand curves
  - Attractive partnership model
  - Significant barriers to entry

### ÓTICAS CAROL

- Second largest independent eyewear retailer in Brazil
- Offers a broad range of prescription glasses, sunglasses and related accessories
- Operates mainly through a franchise model with over 450 stores
- NB Thesis:
  - Growing industry with favorable tailwinds
  - Leading provider in a fragmented market

### Portfolio of Insurance Industry Loss Warranties

- Portfolio of insurance industry loss warranties for the current storm season (September 1 - November 30)
- Opportunity to invest in a diversified portfolio of contracts alongside Cartesian

### SHELF DRILLING

- World's largest pure-play shallow water offshore drilling contractor, with operations in Southeast Asia, the Middle East, India, West and North Africa
- Customers include major national oil companies and independent oil and natural gas companies
- NB Thesis: Favorable industry macro trends with demand driven by:
  - Increases in E&P spending due to historically high oil (Brent) prices
  - Strong demand for energy
  - Successful exploration and appraisal activities of oil and natural gas companies in shallow water fields

### CoAdvantage®

*Resources for Humans. Solutions for Business.®*

- Leading U.S. based professional employer organization
- Offers outsourced payroll and tax processing, benefit plan administration, risk management, governance compliance and human resource services for small and medium size businesses
- NB Thesis:
  - Offers a scalable business model with significant operating leverage
  - Consolidation opportunities
  - Geographic expansion in a favorable industry

# NEW INVESTMENT ACTIVITY

NINE MONTHS OVERVIEW

## Additional Equity Co-investments

*Made directly by NBPE and through the NB Alternatives Direct Co-investment Program*

- Digital Insight helps financial institutions optimize their profitability by offering innovative online and mobile banking solutions that make it easier for consumers and businesses to manage their money
- NB Thesis:
  - High quality of revenue
  - Attractive business model
  - Compelling product offerings in a large and growing addressable market

- Company formed to pursue proprietary investment opportunities in established shale formations including the Bakken and Eagle Ford
- Intends to pursue a combination of producing wells and underdeveloped acreage for additional production potential
- NB Thesis:
  - Unique partnership opportunity in attractive oil & gas plays
  - Strong management team
  - Motivated sellers in target markets

- Manufacturer of process-critical, highly engineered compressors, blowers, pumps and related aftermarket parts
- NB Thesis:
  - Leading business across key segments
  - Identified value creation initiatives
  - Strong customer relationships and blue-chip customer base

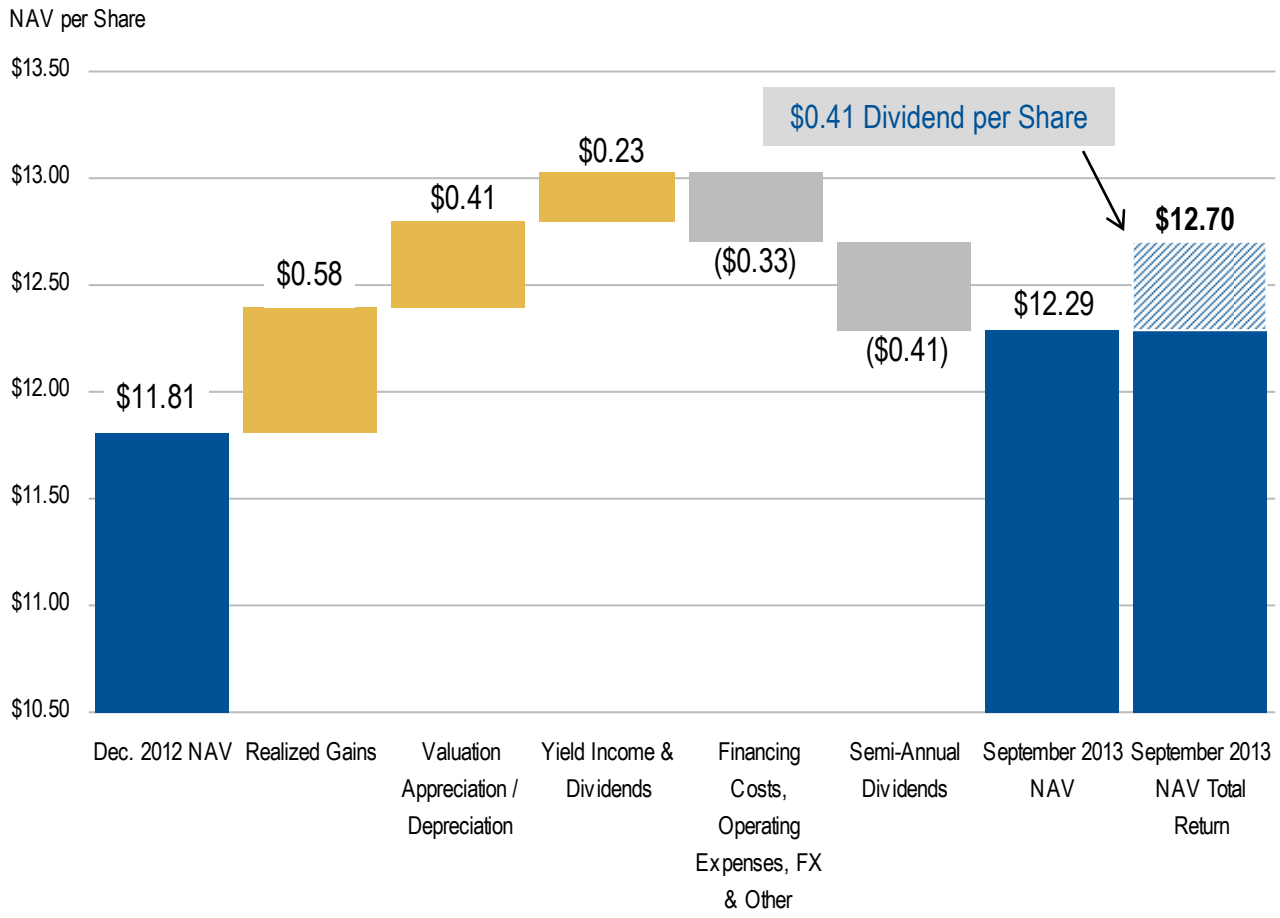
- Canadian E&P company pursuing an acquire and exploit strategy in unconventional light oil/liquids-rich plays in Alberta's deep basin
- NB Thesis:
  - Opportunistic play in Western Canada with high quality assets; single well economics are comparable, and in some cases, better than the most prolific plays in the U.S.
  - Favorable investing environment in Canada
  - Strong management team and sponsor

## NINE MONTH PERIOD INVESTMENT RESULTS

On a total return basis, during the first nine months of 2013 and including the Company's semi-annual dividends, the NAV per Share total return was 7.5%. Including the impact of the dividend payment, our NAV per Share increased 4.1%, driven by realized gains in the underlying investment portfolio and offset by operating expenses. Excluding investment cash flows, our private equity fair value appreciated in value by 10.8%, net of underlying fees and expenses.

Key changes to NBPE's NAV per Share:

- $28.1 million of realized gains, or $0.58 per Share
- $20.2 million of unrealized gains, or $0.41 per Share
- $11.2 million of yield income and dividends, or $0.23 per Share
- $16.4 million of operating expenses and other expenses, or $0.33 per Share
- $20.0 million dividend payment paid in February and August 2013, or $0.41 per Share




*Note: Numbers may not sum due to rounding.*

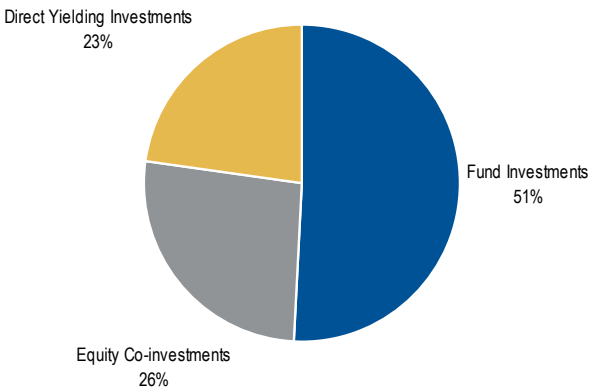
PORTFOLIO ANALYSIS

## PORTFOLIO OVERVIEW

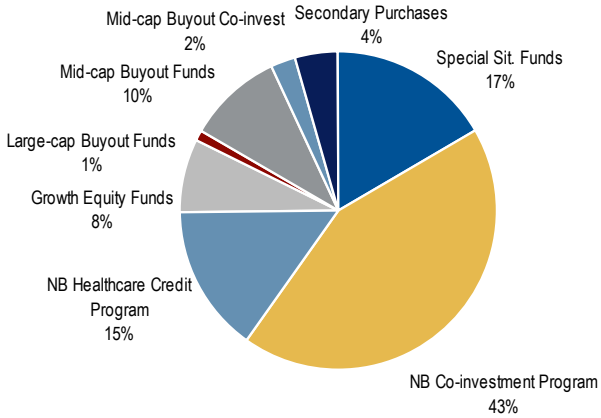
Our portfolio is comprised of three investment categories: direct-yielding investments, which consist of corporate debt and healthcare credits, equity co-investments and fund investments. Equity co-investments and direct-yielding investments are becoming a larger portion of the portfolio, with approximately 49% of private equity fair value held in direct investments. Our fund portfolio consists of 39 fund investments, many of which are past their investment periods, giving our portfolio exposure to a mature group of underlying companies and securities. As cash distribution activity from our fund portfolio continues, we intend to use these proceeds to fund new direct investments.

| | Investments | Private Equity Fair Value | Unfunded Commitments[1] | Total Exposure |
|---|---|---|---|---|
| Equity Co-investments | 41 | $162.5m | $100.0m | $262.5m |
| Direct-Yielding Investments | 17 | $141.0m | $32.7m | $173.7m |
| Fund Investments | 39 | $312.7m | $86.9m | $399.6m |
| **Total Private Equity Investments** | **97** | **$616.2m** | **$219.6m** | **$835.8m** |

### Portfolio Diversification by Fair Value




### Unfunded Commitments Diversification[1]

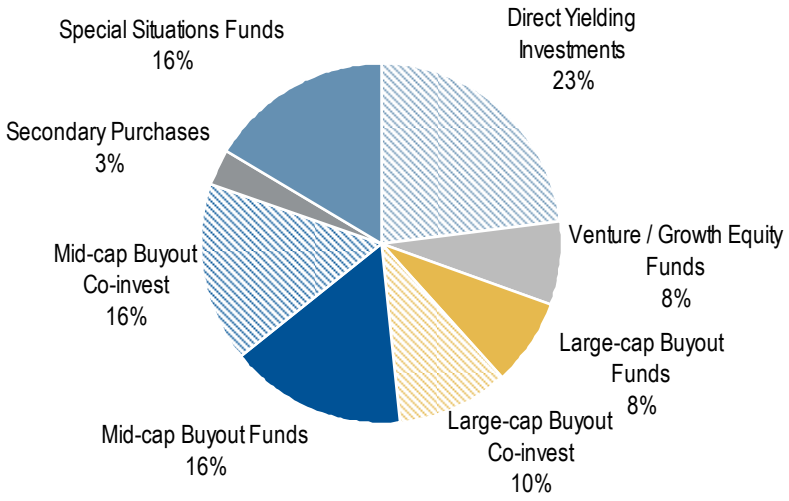


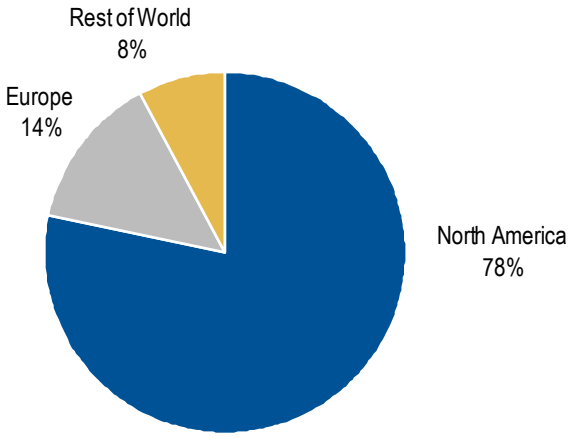

*Note: Numbers may not sum due to rounding.*
*1. $48.2 million of unfunded commitments are to funds past their investment period.*

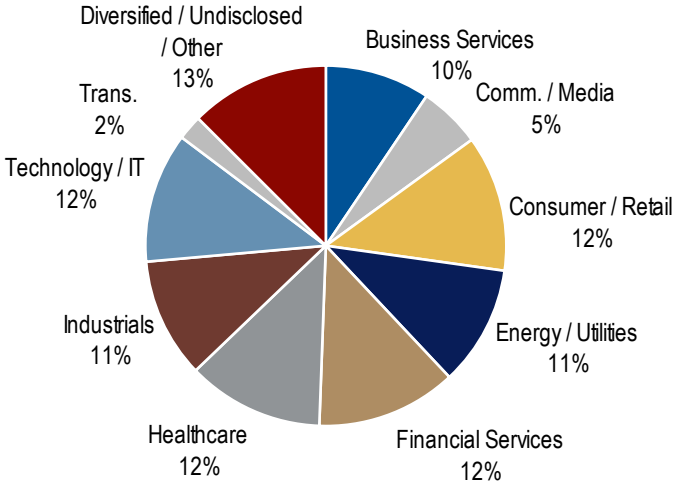
# PORTFOLIO DIVERSIFICATION

PORTFOLIO ANALYSIS

## Diversified private equity assets and industry exposure with a tactical allocation to North America (% of Fair Value)




### Portfolio Diversification

NBPE adapts its asset allocation over time to tactically allocate the portfolio to what we believe are the most attractive opportunities. Our current allocation is weighted to direct-yielding investments and equity co-investments. We expect the fund portfolio to become a smaller portion of our private equity fair value as capital is re-deployed into direct investments.

Our portfolio is tactically allocated to North America. We believe the overall health in this market relative to other geographies offers attractive investment opportunities. Within our European exposure, many companies have significant scale and share within their markets or revenue bases from multiple countries. Approximately 8% of our portfolio was allocated to other parts of the world, primarily Asia and Latin America.

Our portfolio is broadly diversified across industries. We favor investments in sectors that we believe can grow above GDP. We do not set specific industry targets, because we believe this could lead to selecting sub-optimal investments to meet a target. Instead we look for companies with strong business characteristics in sectors we favor, backed by strong general partners.

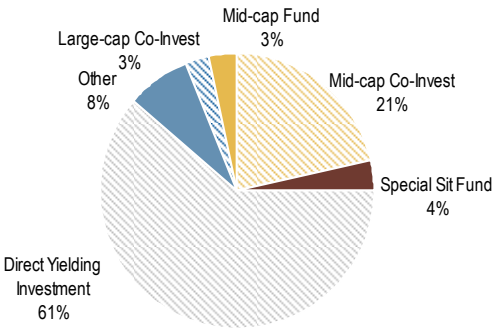
# CURRENT FAIR VALUE BY YEAR OF DEPLOYMENT

PORTFOLIO ANALYSIS

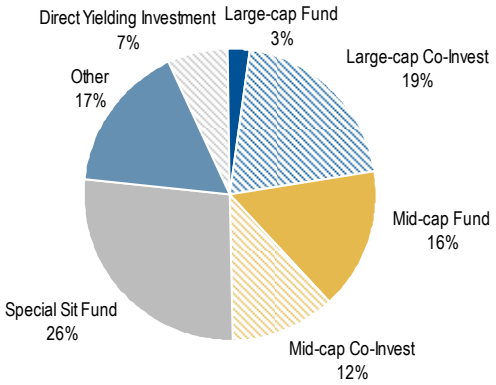
## Recent capital deployment is primarily concentrated in direct / co-investments (% of Fair Value)

The pie charts below represent the percentage of our current private equity fair value by investment type made during the time periods shown. Year of investment is calculated at the portfolio company level and is defined as the date of capital deployment into a particular underlying investment. This differs from the vintage year as vintage year shows when a fund was formed rather than when the capital was deployed.

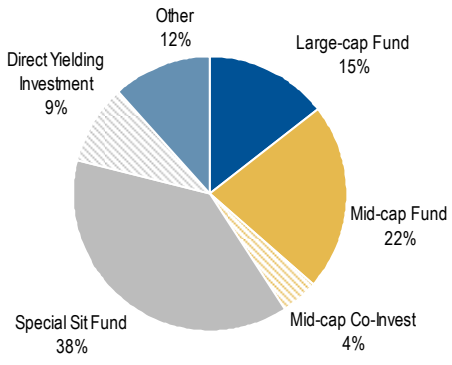
### 2012 & YTD 2013 (31%)



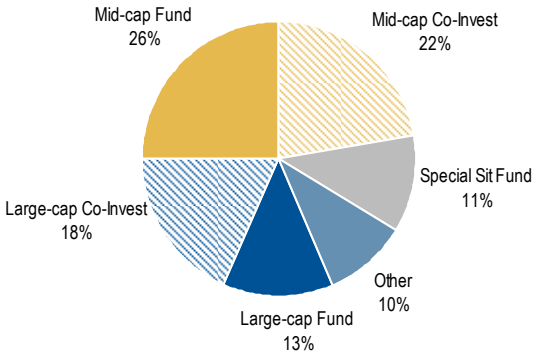

### 2010 & 2011 (21%)




### 2008 & 2009 (23%)




### 2007 & Earlier (25%)




*Note: Numbers may not sum due to rounding. Other includes NB Crossroads Fund XVII and Growth/Venture. Based on private equity fair value as of 30 September 2013 (unaudited).*

# TWENTY LARGEST INVESTMENTS

PORTFOLIO ANALYSIS

## The top 20 investments below represent 37% of NAV and $224 million of private equity fair value

| Investment / Description | Status | Year of Investment | Investment Type / Asset Class | Equity Sponsor |
|---|---|---|---|---|
| **Blue Coat Systems**<br>Business application optimization | Private | 2012 | **Equity Co-investment**<br>Mid-cap Buyout | Thoma Bravo |
| **Capsugel**<br>Hard capsules / drug delivery systems | Private | 2011 | **Equity Co-investment**<br>Large-cap Buyout | KKR |
| **Deltek, Inc.**<br>Enterprise software and solutions | Private | 2012 | **Equity Co-investment & Direct-Yielding** | Thoma Bravo |
| **Evans Network of Companies**<br>Intermodal freight business services | Private | 2012 | **Direct-Yielding**<br>Mezzanine | AEA |
| **Fairmount Minerals**<br>Producer of high purity sands / proppants | Private | 2010 | **Equity Co-investment**<br>Mid-cap Buyout | American Securities Partners |
| **Firth Rixson**<br>Supplier of rings, forgings and metal | Private | 2007-2009 | **Equity Co-investment & Direct-Yielding** | Oak Hill |
| **FR Midstream Holdings**<br>Portfolio of midstream energy assets | Private | 2008 | **Equity Co-investment**<br>Large-cap Buyout | First Reserve |
| **Freescale Semiconductor**<br>Semiconductor manufacturer | Public | 2006 | **Equity Co-investment**<br>Large-cap Buyout | Blackstone / Carlyle / Permira / TPG |
| **Gardner Denver**<br>Industrial manufacturer | Private | 2013 | **Equity Co-investment**<br>Large-cap Buyout | KKR |
| **Group Ark Insurance**<br>Global specialty insurance / re-insurance | Private | 2007 | **Equity Co-investment**<br>Mid-cap Buyout | Aquiline Capital |
| **Heartland Dental**<br>Dental administrative services | Private | 2012 | **Direct-Yielding**<br>2nd Lien Debt | N/A |
| **Insurance Industry Loss Warranties**<br>Portfolio of insurance industry loss warranties | Private | 2013 | **Equity Co-investment**<br>Mid-cap Buyout | Cartesian |
| **KIK Custom Products**<br>Manufacturer of consumer products | Private | 2013 | **Direct-Yielding**<br>2nd Lien Debt | CI Capital Partners |
| **Polymerase Chain Reaction Royalty**<br>Royalty payments from licensing patents | Private | 2012 | **Direct-Yielding**<br>Royalty Backed Note | N/A |
| **P2 Energy Solutions**<br>Software / data for oil & gas industry | Private | 2012 | **Direct-Yielding**<br>2nd Lien Debt | Vista Equity |
| **RAC Limited**<br>UK motor and breakdown assistance | Private | 2011 | **Equity Co-investment**<br>Large-cap Buyout | Carlyle |
| **Royalty Backed Notes**<br>Hormone therapy | Private | 2011 | **Direct-Yielding**<br>Royalty Backed Note | N/A |
| **Sabre Holdings**<br>Technology solutions for global travel | Private | 2007 | **Equity Co-investment**<br>Large-cap Buyout | TPG / Silver Lake |
| **TPF Genco Holdings**<br>Five natural gas fired power plants | Private | 2006 | **Equity Co-investment**<br>Mid-cap Buyout | Tenaska Capital |

## 41 Equity co-investments with $162.5 million of fair value broadly diversified across industries

Our equity co-investments are primarily mid-cap and large-cap buyout investments, diversified across vintage years, geographies and industries. We believe these companies are poised for value creation and are an attractive component of our private equity portfolio. Many companies benefit from highly experienced and capable management teams and sponsor groups, which we think is critical to the investment thesis and outcome. In addition, we believe many of these companies benefit from strong industry growth or secular trends and have the opportunity to appreciate in value from operational enhancements, growth of product offerings or expanding into new markets. We think these characteristics distinguish our investment portfolio.

No individual company within our Equity co-investment portfolio accounts for more than 4.0% of NBPE's net asset value.

## Equity Co-investment Portfolio

| ($ in millions)<br>Equity Co-investments | Principal Geography | Vintage Year | Description | Fair Value |
|---|---|---|---|---|
| *Mid-cap Buyout, Special Situations and Growth Equity* | | | | |
| Acteon Group Ltd. | Europe | 2012 | Products & services to offshore energy sector | |
| American Dental Partners, Inc. | U.S. | 2012 | Dental practice management services | |
| Blue Coat Systems, Inc. | U.S. | 2012 | Business application optimization & security | |
| Boa Vista | Brazil | 2012 | Second largest credit bureau in Brazil | |
| CoAdvantage, Inc. | U.S. | 2013 | Leading professional employer organization | |
| Deltek Inc. | U.S. | 2012 | Enterprise software and information solutions | |
| Digital Insight | U.S. | 2013 | Digital banking and payments solutions | |
| Edgen Group, Inc. | U.S. | 2007 | Distributor of steel & alloy products | |
| Fairmount Minerals, Ltd. | U.S. | 2010 | Producer of high purity sand / sand based proppants | |
| Firth Rixson, plc | Europe | 2007-09 | Supplier of rings, forgings and specialist metal | |
| Formation Energy, L.P. | U.S. | 2013 | Oil and gas exploration and production | |
| Gabriel Brothers, Inc. | U.S. | 2012 | Discount retailer | |
| GazTransport & Technigaz S.A.S. | Europe | 2008 | Containment systems for liquefied natural gas carriers | |
| Group Ark Insurance Holdings Limited | Global | 2007 | Global specialty insurance and re-insurance | |
| Insurance Industry Loss Warranties | U.S. | 2013 | Portfolio of insurance industry loss warranties | |
| INTO University Partnerships | Europe | 2013 | Collegiate recruitment, placement and education | |
| Kyobo Life Insurance Co., Ltd. | Asia | 2007 | Life insurance in Korea | |
| Oticas Carol | Brazil | 2013 | 2nd largest eyewear retailer in Brazil | |
| Pepcom GmbH | Europe | 2011 | Germany's 5th largest cable operator | |
| Press Ganey Associates, Inc. | U.S. | 2008 | Measurement & performance solutions for healthcare | |
| RevSpring | U.S. | 2012 | Outsourced provider of accounts receivable | |
| Saguaro Resources Ltd. | Canada | 2013 | Unconventional light oil/liquids-rich gas properties | |
| Salient Federal Solutions, LLC | U.S. | 2010 | Technology and engineering services for government | |
| Seventh Generation, Inc. | U.S. | 2008 | Maker of environmentally responsible house products | |
| Shelf Drilling Holdings Ltd. | U.S. | 2013 | Shallow water offshore drilling contractor | |
| SonicWall, Inc. | U.S. | 2010 | Advanced intelligent network security & data protection | |
| Swissport International AG | Europe | 2011 | Ground handling services for airlines | |
| Taylor Precision Products | U.S. | 2012 | Consumer & foodservice measurement products | |
| The SI Organization, Inc. | U.S. | 2010 | High-end systems engineering to US Intelligence Industry | |
| TPF Genco Holdings, LLC | U.S. | 2006 | Five natural gas-fired power plants | |
| **Total Mid-cap, Special Situations and Growth Equity** | | | | **$101.5** |
| *Large-cap Buyout* | | | | |
| Avaya, Inc. | Global | 2007-12 | Communications systems provider | |
| Capsugel, Inc. | Global | 2011 | Hard capsules and drug delivery systems | |
| CommScope, Inc. | Global | 2011 | Communications infrastructure solutions | |
| Energy Future Holdings Corp. | U.S. | 2007 | Texas based energy company | |
| First Data Corporation | Global | 2007 | Electronic commerce and payments | |
| Freescale Semiconductor, Inc. | Global | 2006 | Semiconductors manufacturer | |
| Gardner Denver, Inc. | U.S. | 2013 | Manufacturer of industrial compressors & pumps | |
| J.Crew Group, Inc. | U.S. | 2011 | Specialty retailer | |
| RAC Limited | Europe | 2011 | UK motor related and breakdown assistance services | |
| Sabre Holdings Corporation | Global | 2007 | Technology solutions for global travel industry | |
| Syniverse Technologies, Inc. | Global | 2011 | Global telecommunications technology solutions | |
| Univar Inc. | Global | 2010 | Commodity and specialty chemicals distributor | |
| **Total Large-cap Buyout** | | | | **$61.0** |
| **Total Equity Co-investments** | | | | **$162.5** |

*Note: Numbers may not sum due to rounding.*

# DIRECT-YIELDING INVESTMENT PORTFOLIO[1,2]

PORTFOLIO ANALYSIS

## 17 direct-yielding investments in healthcare credits and traditional corporate sectors with a total fair value of $141.0 million

On a run rate basis, the investments in our direct-yielding portfolio generate cash and PIK income of $14.4 million. The corporate debt portfolio is broadly diversified across corporate sectors including business services, industrials and technology. We believe securities within this portfolio have good downside protection as many companies benefit from strong customer bases, diversified revenue sources and favorable industry dynamics. Many of the debt securities are cash-pay at strong yields from a risk-return perspective. The weighted average cash yield on our corporate debt investments is 8.8%.[1] Our healthcare credit investments consist of royalty backed notes and senior secured loans with a weighted average cash yield of 12.1%.[1] No individual company within the direct yielding portfolio represents more than 3.5% of NBPE's net asset value.

## Direct-Yielding Investment Portfolio[1,2]

| INVESTMENT NAME | SECURITY DETAILS | INVESTMENT DATE | FAIR VALUE | CASH + PIK COUPON | CASH YIELD | PIK YIELD | EST. YIELD TO MATURITY |
|---|---|---|---|---|---|---|---|
| *Corporate Debt Investments* | | | | | | | |
| Blue Coat | Second Lien (L+8.5% Cash, 1% L Floor, 1% OID) | Jul-13 | - | 9.5% | 9.3% | - | - |
| Deltek | Second Lien (L+8.75% Cash, 1.25% L Floor, 1-1.5% OID) | Oct-12 | - | 10.0% | 9.8% | - | - |
| Evans Network of Companies | Sr. Sub Notes (12% Cash, 2% PIK, 2% OID) & Equity | Jun-12 | - | 14.0% | 11.7% | 1.9% | - |
| Evans Network of Companies | Equity | Feb-12 | - | - | - | - | - |
| Firth Rixson Equity | Equity | May-08 | - | - | - | - | - |
| Firth Rixson 2011 PIK Notes | Sr. Unsecured PIK (18% PIK) | Nov-11 | - | 18.0% | - | 18.0% | - |
| Firth Rixson 2012 PIK Notes | Sr. Unsecured PIK (19% PIK, 3.0% OID) | Dec-12 | - | 19.0% | - | 19.0% | - |
| Firth Rixson Mezzanine | Second Lien (L+9%: 4.5%/4.5% Cash/PIK @99.0) & Equity | May-08 | - | 12.0% | 4.4% | 6.1% | - |
| Heartland Dental | Second Lien (L+8.5% Cash, 1.25% L Floor, 1.5% OID) | Jan-13 | - | 9.8% | 9.6% | - | - |
| KIK Custom Products | Second Lien (L+8.25% Cash, 1.25% L Floor, 2% OID) | May-13 | - | 9.5% | 9.4% | - | - |
| Petroleum Place | Second Lien (L+8.75% Cash, 1.25% L Floor, @ 100.5) | Dec-12 | - | 10.0% | 9.9% | - | - |
| **Total Corporate Debt Investments** | | | **$116.0** | **10.8%** | **8.8%** | **1.7%** | **11.8%** |
| *Healthcare Credit Investments* | | | | | | | |
| Term Loan (Genetic Testing) | Senior Secured Loan (First Lien, 10% Cash, 1% Fee) | Jun-13 | - | 10.0% | 10.0% | - | - |
| Term Loan (PCR) | Senior Secured Loan (First Lien, 10% Cash, 1% Fee) | Aug-12 | - | 10.0% | 8.4% | - | - |
| Royalty Notes (Internal Medication) | Royalty Backed Note | Jan-13 | - | 11.0% | 11.0% | - | - |
| Royalty Notes (Medication Delivery) | Royalty Backed Note | Feb-12 | - | - | - | - | - |
| Term Loan (Cardiac Device) | Senior Secured Loan (First Lien, 13.5% Cash, 1.5% OID, 1% Fee) | Feb-13 | - | 13.5% | 16.8% | - | - |
| Royalty Notes (Hormone Therapy) | Royalty Backed Note | Apr-11 | - | 17.0% | 16.8% | - | - |
| Term Loan (Skin Products Company) | Senior Secured Loan (First Lien, 10.5% Cash, 1.5% Fee) | Jul-13 | - | 10.5% | 10.5% | - | - |
| Term Loan (Public Company) | Senior Secured Loan (First Lien, 11.5% Cash, 1.5% Fee) | Dec-12 | - | 11.5% | 9.9% | - | - |
| **Total Healthcare Credit Investments** | | | **$25.1** | **12.5%** | **12.1%** | **-** | **13.8%** |
| **Total Direct Yielding Portfolio** | | | **$141.0** | **11.1%** | **9.3%** | **1.4%** | **12.2%** |

1. *The mezzanine debt investments include equity investments completed as part of the mezzanine transaction. The fair value includes the value of these equity investments, but the cash, PIK and current yields and internal rates of return (IRR) are calculated based on only the debt investments. Yield calculations are based on the debt portion of the investment only and the principal amount of the debt.*
2. *The obligations of medication delivery royalty notes were satisfied in March 2013. NBPE received an initial distribution in March 2013 and expects to receive an additional distribution in Q4 2014. NBPE also received a preferred equity security in connection with the realization of the royalty notes.*

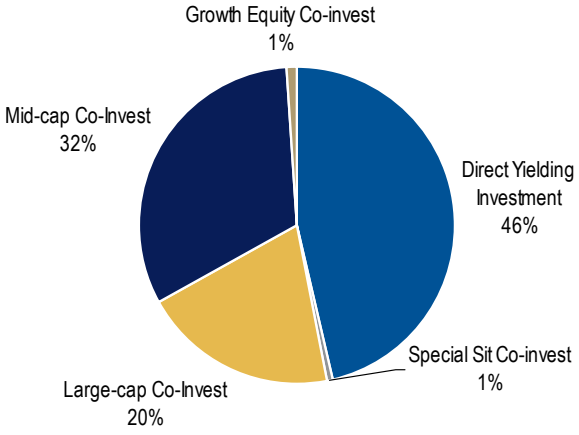
## Equity co-investment and direct-yielding portfolio diversification

As of 30 September 2013, the private equity fair value of the equity co-investment and direct-yielding portfolio was $162.5 million and $141.0 million, respectively. Over 50% of the equity co-investment and direct-yielding fair value was held in mid-cap buyout and large-cap buyout equity co-investments with the remaining fair value held in one special situations equity co-investment, one growth equity co-investment and direct yielding investments. The industry diversification is broad, allocated to what we believe are attractive investment opportunities in business services, industrials, technology / IT, healthcare and others.

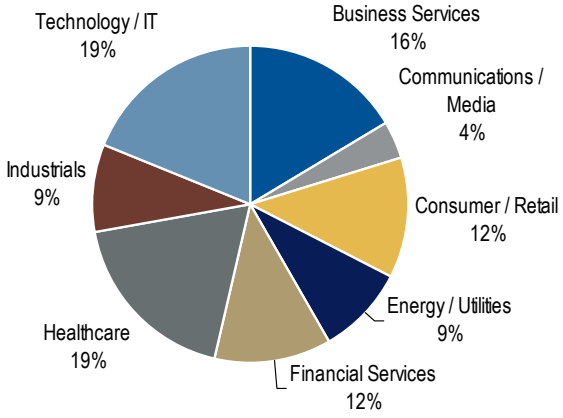
Approximately 70% of the fair value was in investments made since the beginning of 2011. We believe we have invested capital at reasonable valuations near the beginning of the economic recovery and when economic growth was accelerating.

The direct investment portfolio is allocated primarily to North America. Our current expectation is this allocation will continue, with investments made in other geographies on an opportunistic basis.

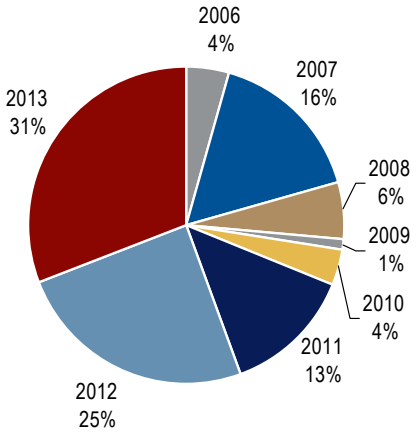
### Fair Value by Asset Class



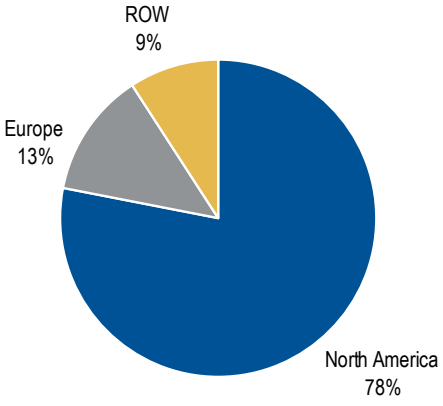

### Fair Value by Industry




### Fair Value by Year of Investment (Incl. Follow-ons)




### Fair Value by Geography



## Mature funds portfolio with a significant allocation of fair value in mid-cap buyout and special situations funds

| ($ in millions) Fund Investments | Principal Geography | Vintage Year | Fair Value | Unfunded Commit. [1] | Total Exposure |
|---|---|---|---|---|---|
| *Special Situations* | | | | | |
| Catalyst Fund III | Canada | 2009 | $8.5 | $6.8 | $15.2 |
| Centerbridge Credit Partners | U.S. | 2008 | 10.1 | - | 10.1 |
| CVI Global Value Fund | Global | 2006 | 8.3 | 0.8 | 9.0 |
| OCM Opportunities Fund VIIb | U.S. | 2008 | 8.0 | 3.0 | 11.0 |
| Oaktree Opportunities Fund VIII | U.S. | 2009 | 9.4 | - | 9.4 |
| Platinum Equity Capital Partners II | U.S. | 2007 | 14.0 | 3.7 | 17.7 |
| Prospect Harbor Credit Partners | U.S. | 2007 | 0.7 | - | 0.7 |
| Sankaty Credit Opportunities III | U.S. | 2007 | 16.3 | - | 16.3 |
| Strategic Value Special Situations Fund | Global | 2010 | 0.5 | 0.0 | 0.6 |
| Strategic Value Global Opportunities Fund I-A | Global | 2010 | 0.8 | 0.1 | 0.9 |
| Sun Capital Partners V | U.S. | 2007 | 7.8 | 2.4 | 10.2 |
| Wayzata Opportunities Fund II | U.S. | 2007 | 9.3 | 18.6 | 27.9 |
| Wayzata Opportunities Fund II (Secondary) | U.S. | 2011 | 6.5 | 6.5 | 13.0 |
| **Total Special Situations Funds** | | | **$100.1** | **$41.8** | **$141.9** |
| *Mid-cap Buyout* | | | | | |
| American Capital Equity II | U.S. | 2007 | 4.3 | 1.2 | 5.5 |
| Aquiline Financial Services Fund | U.S. | 2005 | 5.7 | 0.0 | 5.8 |
| ArcLight Energy Partners Fund IV | U.S. | 2007 | 4.8 | 4.6 | 9.4 |
| Avista Capital Partners | U.S. | 2006 | 11.2 | 0.7 | 11.9 |
| Clessidra Capital Partners | Europe | 2004 | 1.4 | 0.1 | 1.5 |
| Corsair III Financial Services Capital Partners | Global | 2007 | 6.8 | 1.3 | 8.1 |
| Highstar Capital II | U.S. | 2004 | 2.7 | 0.1 | 2.8 |
| Investitori Associati III | Europe | 2000 | 0.2 | 0.5 | 0.8 |
| Lightyear Fund II | U.S. | 2006 | 9.2 | 1.4 | 10.6 |
| OCM Principal Opportunities Fund IV | U.S. | 2006 | 13.9 | 2.0 | 15.9 |
| Trident IV | U.S. | 2007 | 4.6 | 0.6 | 5.2 |
| **Total Mid-cap Buyout Funds** | | | **$64.9** | **$12.6** | **$77.5** |
| *Large-cap Buyout* | | | | | |
| Carlyle Europe Partners II | Europe | 2003 | 4.4 | 0.8 | 5.2 |
| Doughty Hanson & Co IV | Europe | 2003 | 3.7 | 0.1 | 3.9 |
| First Reserve Fund XI | U.S. | 2006 | 19.5 | 0.1 | 19.7 |
| J.C. Flowers II | Global | 2006 | 2.9 | 0.3 | 3.2 |
| **Total Large-cap Buyout Funds** | | | **$30.6** | **$1.3** | **$31.9** |
| *Growth Equity* | | | | | |
| Bertram Growth Capital I | U.S. | 2007 | 8.1 | 1.3 | 9.4 |
| Bertram Growth Capital II | U.S. | 2010 | 4.1 | 4.2 | 8.2 |
| DBAG Expansion Capital Fund | Europe | 2012 | 0.5 | 5.0 | 5.4 |
| NG Capital Partners | Peru | 2010 | 6.2 | 0.7 | 6.9 |
| Summit Partners Europe Private Equity Fund | Europe | 2010 | 2.5 | 3.0 | 5.4 |
| **Total Growth Equity Funds** | | | **$21.3** | **$14.1** | **$35.4** |
| *Fund of Funds Investments* | | | | | |
| NB Crossroads Fund XVII | U.S. | 2002-06 | 30.0 | 1.9 | 31.8 |
| NB Crossroads Fund XVIII Large-cap Buyout | Global | 2005-10 | 11.5 | 2.7 | 14.1 |
| NB Crossroads Fund XVIII Mid-cap Buyout | Global | 2005-10 | 30.1 | 7.7 | 37.8 |
| NB Crossroads Fund XVIII Special Situations | Global | 2005-10 | 7.3 | 1.3 | 8.7 |
| NB Crossroads Fund XVIII Venture Capital | U.S. | 2005-10 | 9.8 | 1.9 | 11.6 |
| NB Fund of Funds Secondary 2009 | Global | 2009-10 | 7.2 | 1.6 | 8.7 |
| **Total Fund of Funds** | | | **$95.8** | **$17.0** | **$112.8** |
| **Total Fund Investments** | | | **$312.7** | **$86.9** | **$399.6** |

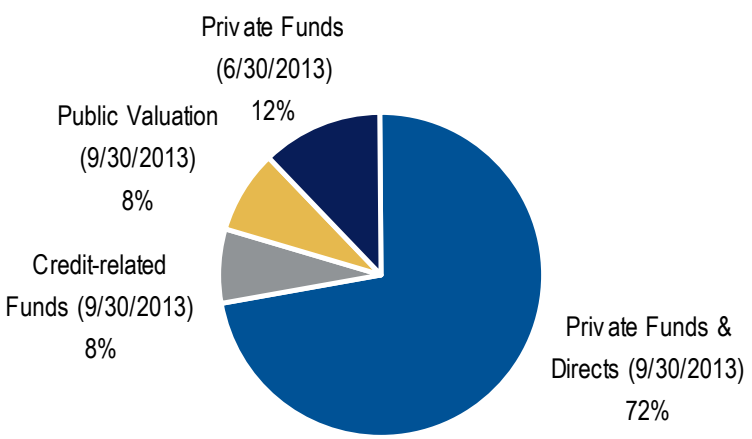
*Note: Numbers may not sum due to rounding.*
*1. $48.2 million of unfunded commitments are to funds past their investment period.*

# PORTFOLIO VALUATION[1]

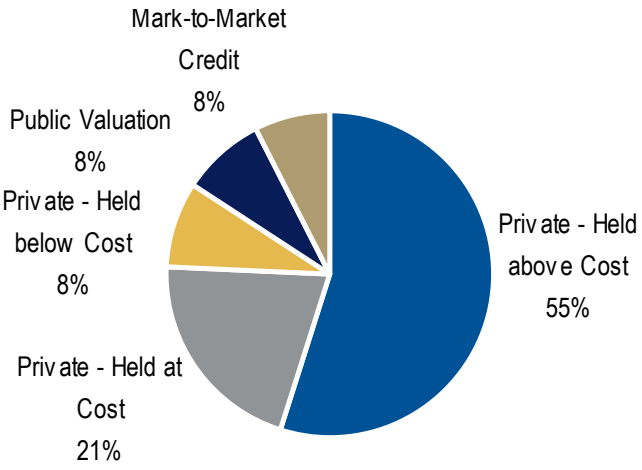
PORTFOLIO ANALYSIS

**Our NAV per Share of $12.29 was $0.14 higher than previously reported in our September Monthly NAV estimate, principally due to the receipt of additional valuation information after 10 October 2013, the publication date of our September Monthly NAV estimate (% of Fair Value)[2,3]**

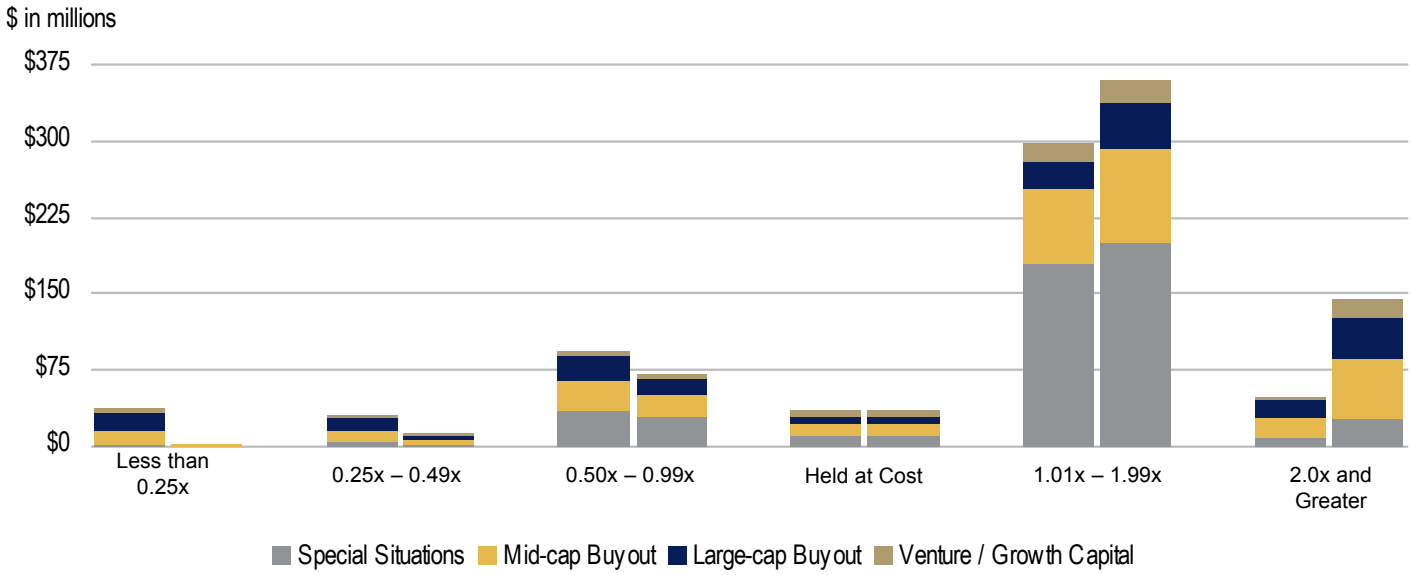
## By Date of Information & Valuation Type




## Valuation Method




## Underlying Company Performance by Asset Class and Multiple of Invested Capital Range

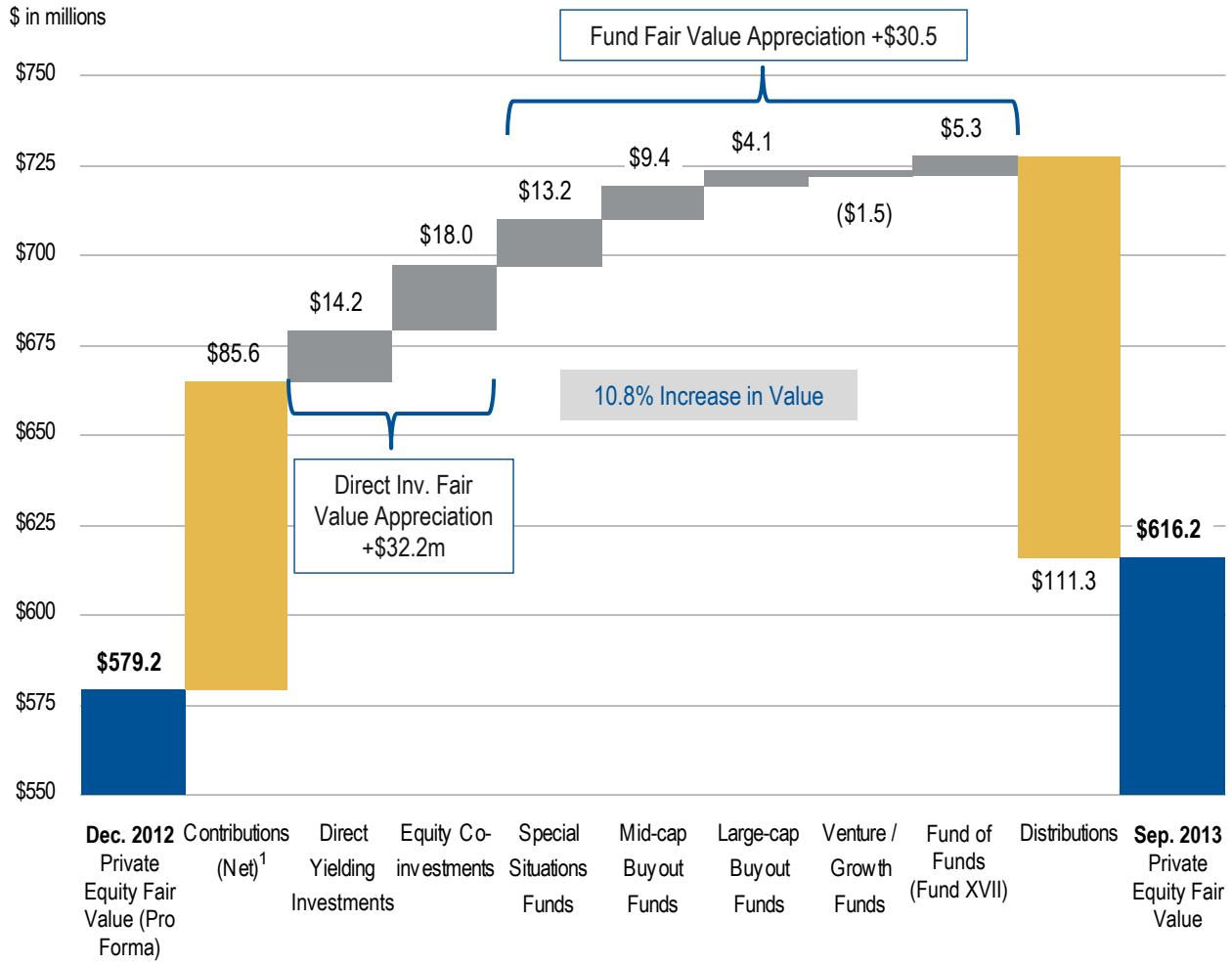



*1. Please refer to page 36 for a detailed description of our valuation policy. While some information is as of 30 June 2013, our analysis and historical experience lead us to believe that this approximates fair value at 30 September 2013.*
*2. As reported in our monthly NAV estimate the percent of private equity fair value was held: 22% in Private Funds & Directs as of 30 September 2013, 2% in Private Funds & Directs as of 31 August 2013, 60% in Private Funds & Directs as of 30 June 2013, 8% in Credit-related Funds and 8% in publics.*
*3. As published in our September Monthly NAV update on 10 October 2013.*

## PERFORMANCE OVERVIEW

During the first nine months of 2013, our private equity fair value appreciated in value across asset classes and investment types, with the largest gains in value from special situations funds, including both restructuring / turnaround funds as well as distressed debt trading funds. The special situations funds continue to generate liquidity and have distributed $45.2 million to NBPE in the first nine months of 2013. Excluding investment cash flows, our equity co-investments appreciated in value as a result of write-ups in companies in business services and communications. Excluding investment cash flows, during the first nine months of 2013, fair value appreciation in our private equity fair value was driven by:

- 14.2% increase in the value of the equity co-investment portfolio fair value
- 17.2% increase in the value of the direct yielding investment portfolio fair value
- 8.7% increase in the value of the fund portfolio fair value

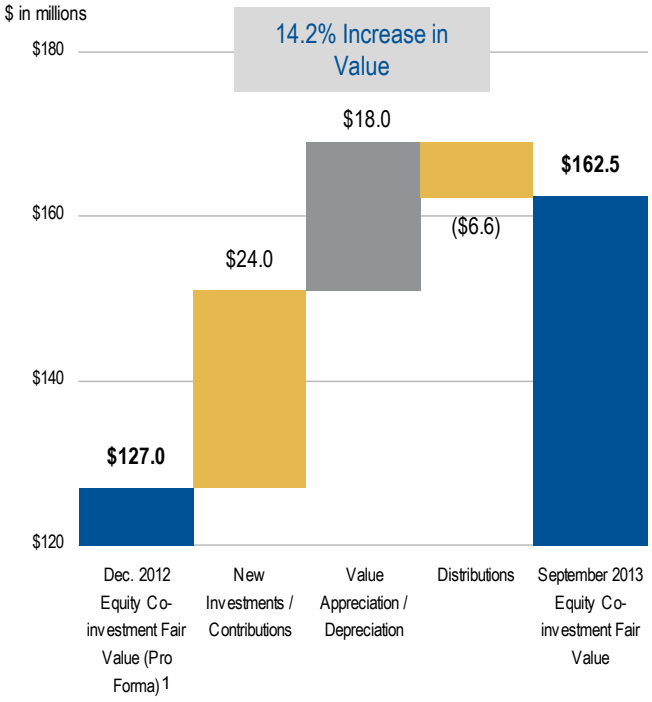



*Note: Direct-yielding investment appreciation includes equity investments completed as part of the mezzanine transaction. Direct Yielding appreciation includes both fair value appreciation as a result of accrued cash interest as well as accrued non-cash (PIK) yield. Our performance related to our commitment to NB Crossroads Fund XVIII is presented within each respective fund asset class. Numbers may not sum due to rounding.*

1. *For the purposes of this analysis, the funding of Heartland Dental second lien debt is removed from the contributions and is treated as a pro-forma investment in the December 2012 Private Equity Fair Value. However, the actual contribution occurred in January 2013. December 2012 Private Equity Fair Value is also pro-forma for $3.0 million of returns of capital from the NB Alternatives Co-investment Program.*

PERFORMANCE ANALYSIS

## $24.0 million of new equity co-investment activity and a 14.2% increase in value during the first nine months of 2013




### Equity Co-investment portfolio

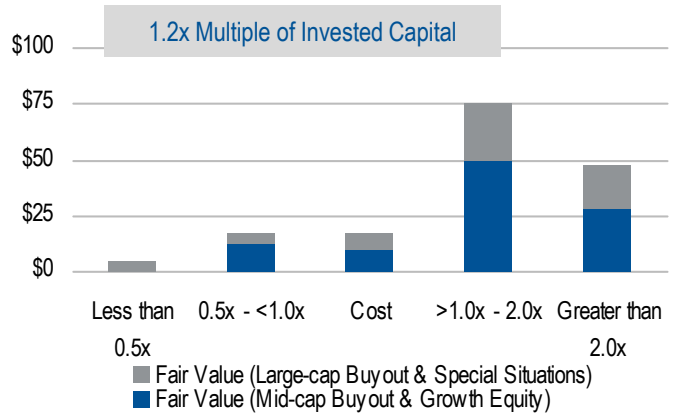
During the first nine months of 2013, we participated in nine new equity co-investments in the business services, energy, education, retail and insurance industries.

The portfolio appreciated in value by $18.0 million during the first nine months of 2013, due mainly to write-ups of several equity co-investments, offset by declines in certain other investments. The top five investments appreciated by $11.0 million and represented approximately 61% of the overall increase in the portfolio. We believe many companies benefited from stronger operating performance.

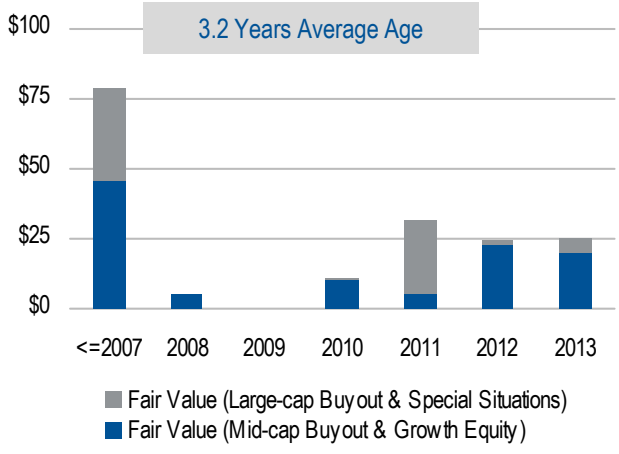
The investment multiple range by fair value shows the dispersion of value within our equity co-investment portfolio. The majority of our private equity fair value is currently held between a 1.0x – 2.0x multiple of invested capital and only approximately 14% of private equity fair value was held below cost.

The average age of the equity co-investments was 3.2 years and approximately 50% of the fair value was in vintages after 2010.

### Investment Multiple Range by Fair Value




### Vintage Year by Fair Value



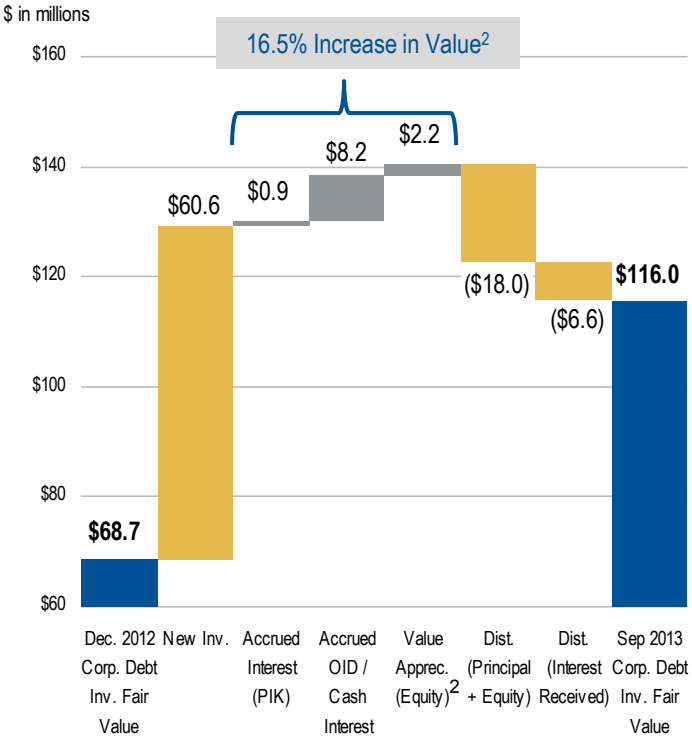

*Note: Numbers may not sum due to rounding.*

1. *For the purposes of this analysis, private equity fair value at December 2012 is on a pro-forma basis, which takes into account returns of capital that occurred in Q1 2013. 2013 contributions reflect the amount invested into new investments during the quarter and exclude returns of capital.*

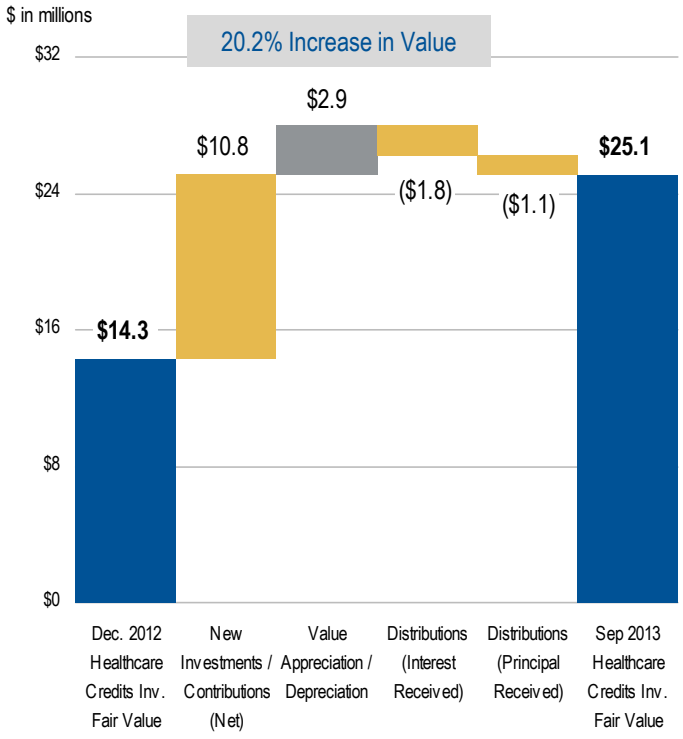
PERFORMANCE ANALYSIS

## 16.5% and 20.2% increase in the value of corporate debt and healthcare credit investments, respectively. Run-rate cash income was $12.5 million as of 30 September 2013

### Corporate Debt & Traditional Mezzanine[1]




### Healthcare Credits & Royalty Backed Notes




### Corporate Debt Investment Portfolio

During the first nine months of 2013, NBPE funded approximately $60.6 million to three corporate debt investments. NBPE also received approximately $24.6 million of distributions consisting of cash interest as well as the principal repayment and equity proceeds as a result of the sale of CPG International in September 2013 (a portion of the cash was held as a receivable in September and received in October).

This portfolio includes nine corporate debt investments, consisting of mezzanine financings, term loans and 2nd-lien debt

- 10.5% cash & PIK yield / 8.8% cash yield
- $10.0 million of run-rate cash income
- 11.8% weighted average estimated yield to maturity
- 5.8x weighted average total leverage
- 3.1x weighted average senior leverage[3]

### Healthcare Credit Investment Portfolio

During the first nine months of 2013, NBPE participated in four healthcare credit investments. The four investments were in senior secured term loans and a synthetic healthcare royalty. In the first nine months of 2013, the portfolio increased in value by $2.9 million, driven by write-ups in two 2012 vintage healthcare credit investments.

NBPE received approximately $2.9 million in distributions consisting of cash interest and principal repayments during the first nine months of 2013.

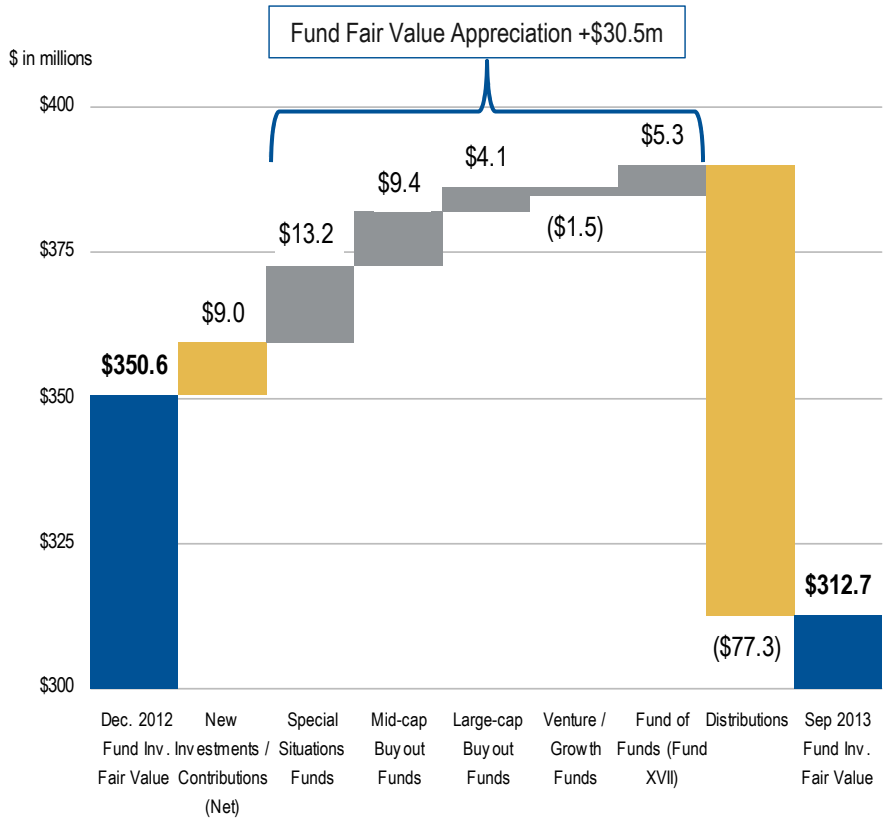
This portfolio includes five healthcare credits and three royalty backed notes

- 12.1% cash yield
- $2.5 million of run-rate cash income
- 13.8% weighted average estimated yield to maturity

*Note: Numbers may not sum due to rounding.*
*1. The mezzanine debt investments include equity investments completed as part of the mezzanine transaction.*
*2. Debt value appreciation includes amortization of the Original Issue Discount (OID) and accrued interest.*
*3. Based on the net leverage that is senior to the security held by NBPE.*

PERFORMANCE ANALYSIS

## 8.7% appreciation in value for the fund investment portfolio




### Fund Portfolio Investment Performance

The largest valuation gains were in the special situations and mid-cap buyout asset classes. Six of the top ten fund value drivers, measured in terms of dollar appreciation, were special situations funds. We believe this appreciation reflects the strength of the restructuring progression of many of the underlying companies. Within the buyout portfolios, we believe companies continue to benefit from rationalized cost structures and the generally stable economic environment.

During the first nine months of 2013, NBPE received $77.3 million of distributions from fund investments, including approximately $45.2 million from special situations funds. This activity included a partial realization of one special situations fund as a result of a partial redemption; as of 30 September 2013, the cash was held as a receivable and was received subsequent to this reporting period in October.

Excluding investment cash flow activity, during the first nine months of 2013, the top 10 fund value drivers had a combined fair value appreciation of $23.1 million, or 12.5%. The top 10 negative drivers had a combined depreciation in fair value of $2.7 million, or down 6.9%. The remaining 19 funds had a combined fair value appreciation of $10.1 million, or 8.1%.

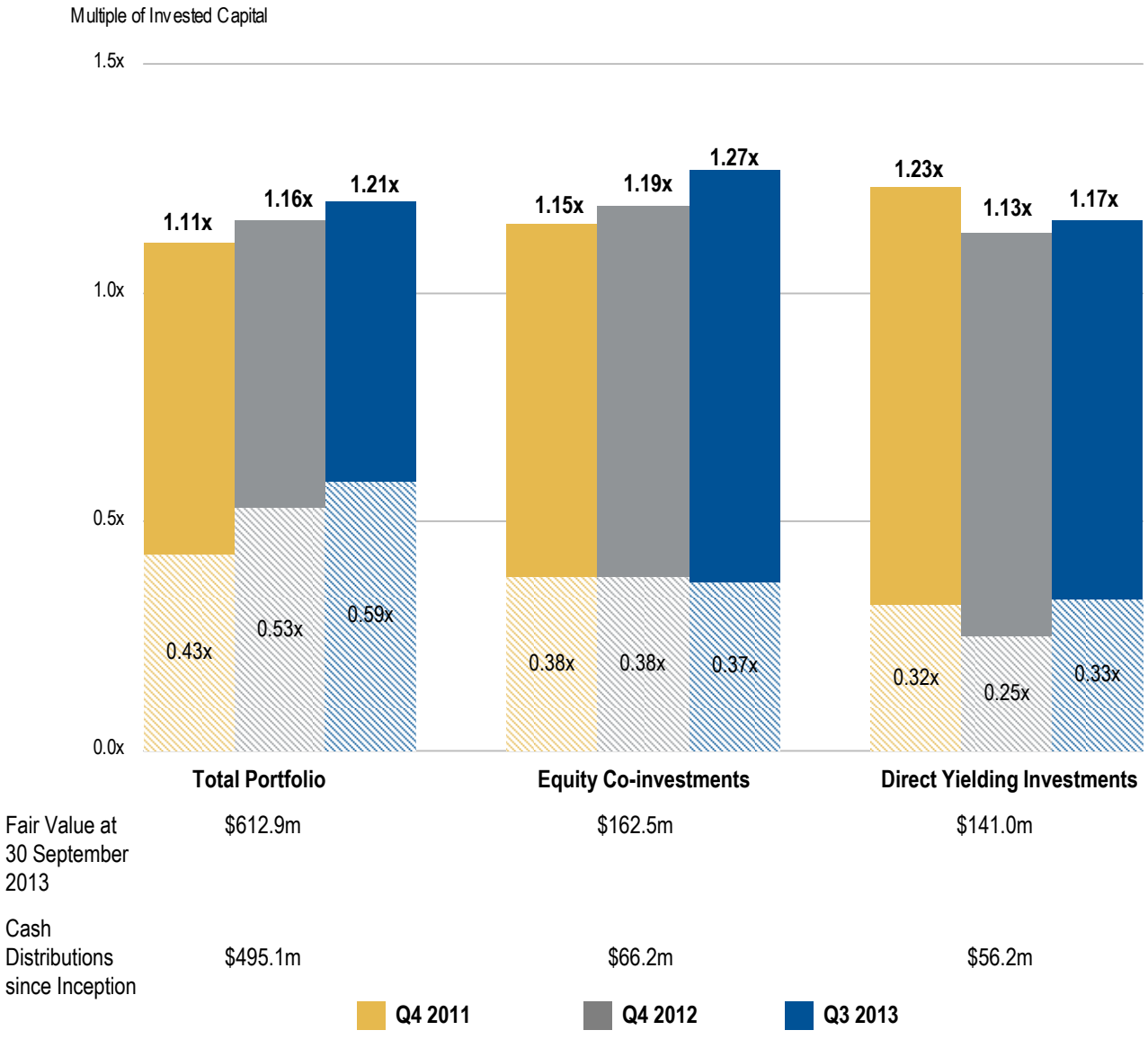
*Note: Numbers may not sum due to rounding.*

# PERFORMANCE SINCE INCEPTION[1]

PERFORMANCE ANALYSIS

## We believe we have generated strong performance since inception and have received a significant amount of our invested capital back from distributions

Since inception, including realized investments and based on the multiple of total value to paid-in capital ("TVPI"), our total portfolio is held at a 1.21x gross TVPI multiple. We have generated cash distributions of approximately $495.1 million, or 59% of paid-in capital, across the portfolio. Our equity co-investments are held at a 1.27x gross TVPI multiple and we have generated total distributions of $66.2 million, or 37% of paid-in capital, through sales, recapitalizations and dividends. During 2012, the TVPI multiple of our direct yielding investment portfolio decreased, primarily as a result of the funding of new investments. As of 30 September 2013, our direct yielding investments are held at a 1.17x gross TVPI multiple and we have generated total distributions of $56.2 million, or 33% of paid-in capital, through sales, cash interest and principal repayments.



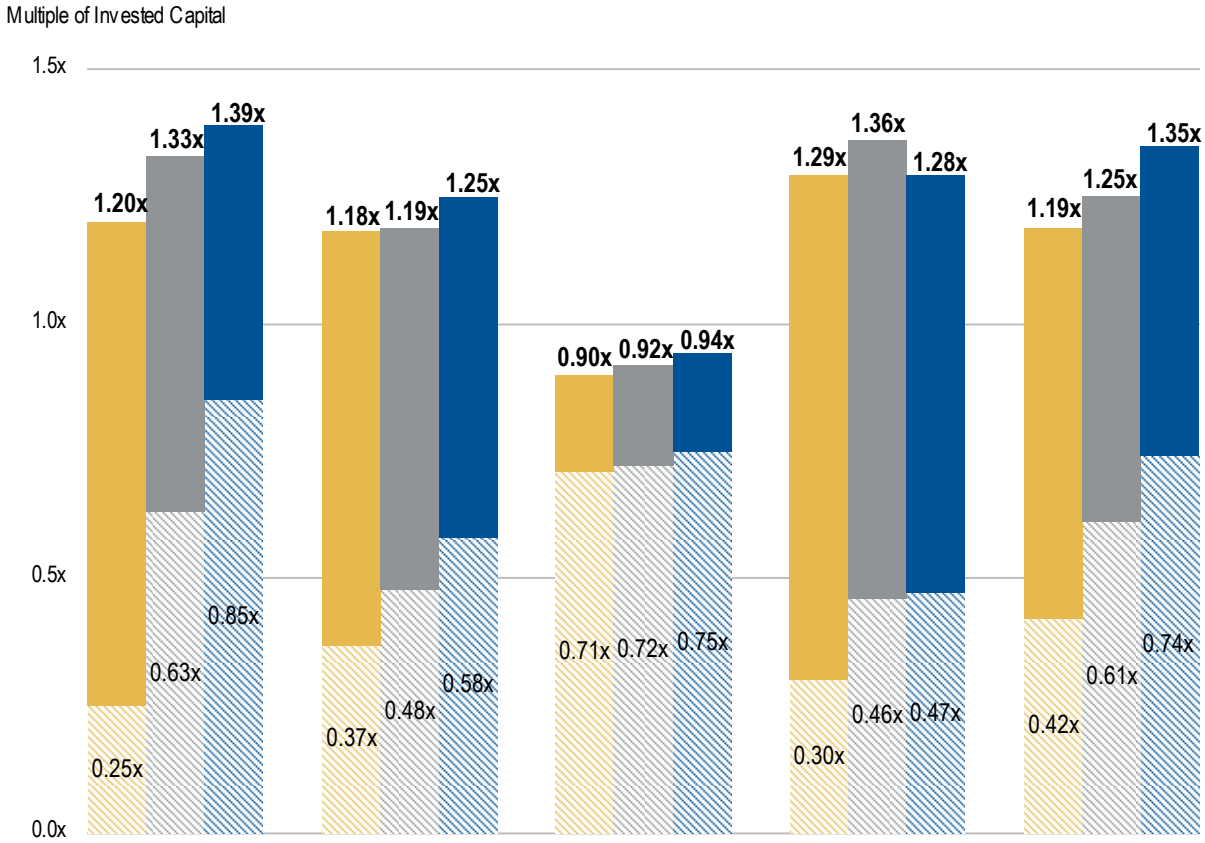

*1. Dashed bars represent distributed to paid-in capital. Fair value shown here will not tie to private equity fair value due to a deferred purchase price from the December 2011 secondary transaction in Wayzata Opportunities Fund II, which has been netted against fair value for performance calculations. Total distributions exclude Strategic Asset Sale proceeds of $100.5 million. Numbers may not sum due to rounding.*

# PERFORMANCE SINCE INCEPTION[1]

PERFORMANCE ANALYSIS

## Special situations and mid-cap buyout funds continue to generate gains

Special situations funds, the largest asset class within our fund portfolio, have generated a gross TVPI multiple of 1.39x. This portfolio has generated cash distributions of approximately $164.8 million, or 85% of paid-in capital, driven by the monetization of credit positions by underlying managers as well as redemption proceeds realized from the full redemption and partial redemption of two special situations funds in 2012 and 2013 (as of 30 September 2013, NBPE recorded a cash receivable related to a September 2013 redemption and the cash was received in October). We expect cash distribution activity to continue over the coming quarters within this asset class. Mid-cap buyout funds have generated a gross TVPI multiple of 1.25x and approximately $87.7 million in distributions, or 58% of paid-in capital. We believe the remaining fund asset classes, including large-cap buyout, venture / growth capital and NB Crossroads Fund XVII, while smaller parts of the overall portfolio, will continue to drive value and provide additional diversification.




| | Special Sit Funds | Mid-cap Buyout Funds | Large-cap Buyout Funds | Venture / Growth Funds | NB Crossroads Fund XVII |
|---|---|---|---|---|---|
| Fair Value at 30 September 2013 | $104.1m | $102.2m | $42.1m | $31.1m | $30.0m |
| Cash Distributions since Inception | $164.8m | $87.7m | $66.1m | $17.8m | $36.3m |

Q4 2011 Q4 2012 Q3 2013

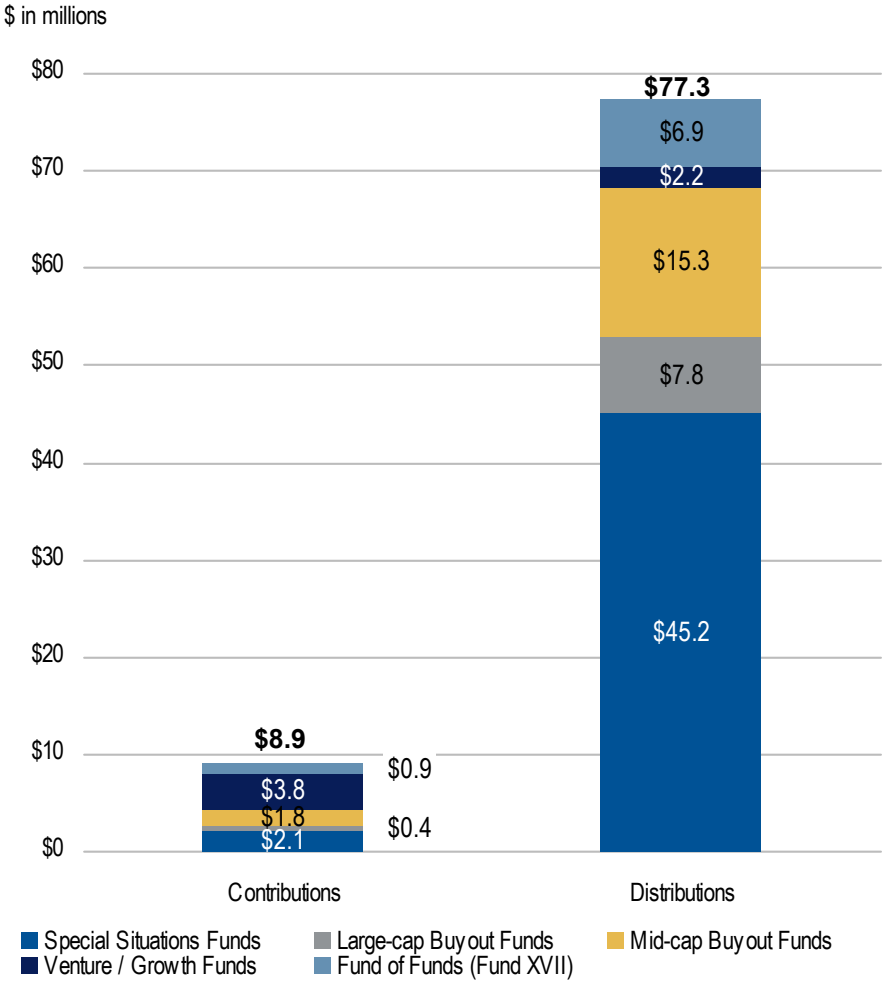
*1. Dashed bars represent distributed to paid in capital. Fair value shown here will not tie to private equity fair value due to a deferred purchase price from the December 2011 secondary transaction in Wayzata Opportunities Fund II, which has been netted against fair value for performance calculations. Total distributions exclude Strategic Asset Sale proceeds of $100.5 million. Our performance related to our commitment to NB Crossroads Fund XVIII is presented within each respective fund asset class. Numbers may not sum due to rounding.*

PERFORMANCE ANALYSIS

## Liquidity events and IPO activity during the first nine months of 2013

- Within our direct fund portfolio, 169 companies completed liquidity events, leading to $65.3 million of distributions to NBPE
- NB Crossroads Fund XVII and Fund XVIII made $12.1 million of distributions to NBPE
- 40 companies in the portfolio, representing $6.3 million of unrealized value, completed IPOs during the first nine months of 2013, which may lead to future distributions to NBPE. The IPOs below represent the top five companies by value that completed an IPO during the first nine months of 2013.
  - Tableau Software, Inc. (Nasdaq: DATA) – NB Crossroads Fund XVII (Meritech III & NEA XI)
  - Taylor Morrison Home Corp. (NYSE: TMHC) – NBPE and NB Crossroads Fund XVIII (OCM VIII)
  - CDW Corporation (Nasdaq: CDW) – NB Crossroads Fund XVII and NB Crossroads Fund XVIII (Madison Dearborn Partners V)
  - Gigamon Inc. (NYSE: GIMO) – NB Crossroads Fund XVII and NB Crossroads Fund XVIII (Highland Capital VII)
  - Intrexon Corporation (Nasdaq: INXN) – NB Crossroads Fund XVIII (New River Management V)

## Fund capital call activity continues to slow while distribution activity from our mature funds has increased




Fund portfolio capital call activity has decreased as the portfolio matures. During the first nine months of the year, venture / growth equity funds experienced the most capital call activity. The largest capital call in our mid-cap buyout portfolio was from ArcLight Energy Partners IV while the largest capital calls in our growth equity fund portfolio were from Bertram Growth Capital Funds I and II and Summit Partners Europe.

Many funds in the portfolio are beginning to focus on harvesting existing portfolio companies and returning cash. As a result, NBPE has experienced increased distribution activity from funds. The largest distributions during the first nine months of 2013 were from special situations funds, followed by mid-cap buyout funds.

During the first nine months of 2013, the largest fund distributions were received from Centerbridge Credit Partners Fund, Sankaty Credit Opportunities Fund III, OCM Principal Opportunities Fund IV, and OCM Opportunities VIIb, as a result of multiple underlying liquidity events.

We expect distribution activity in the fund portfolio to continue over the next several quarters as underlying managers focus on liquidity.

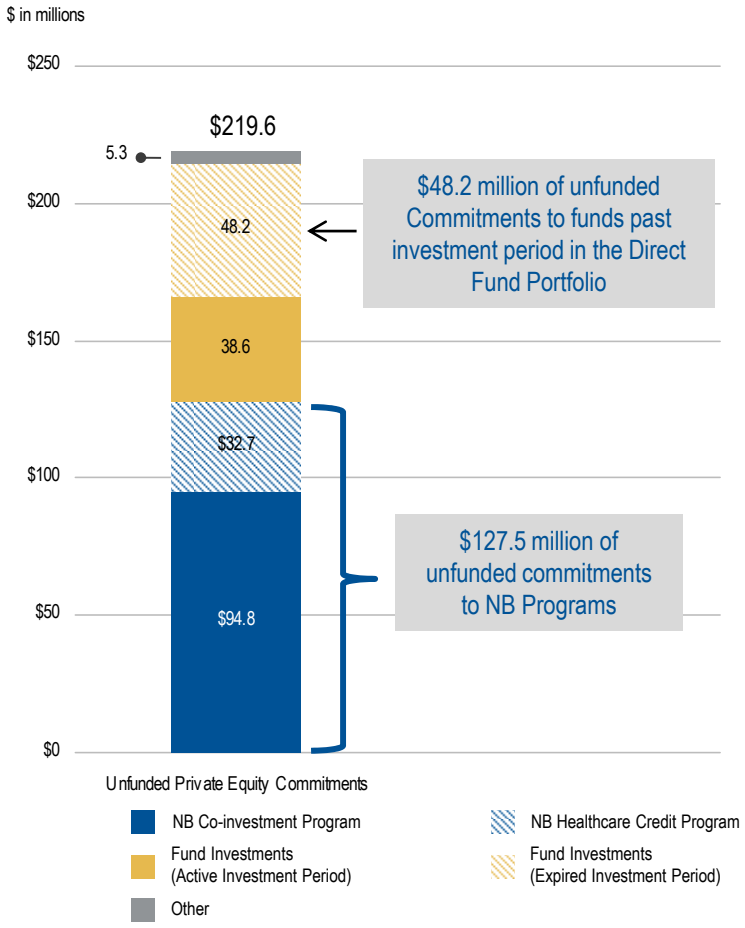
*Note: Numbers may not sum due to rounding.*

UNFUNDED COMMITMENTS

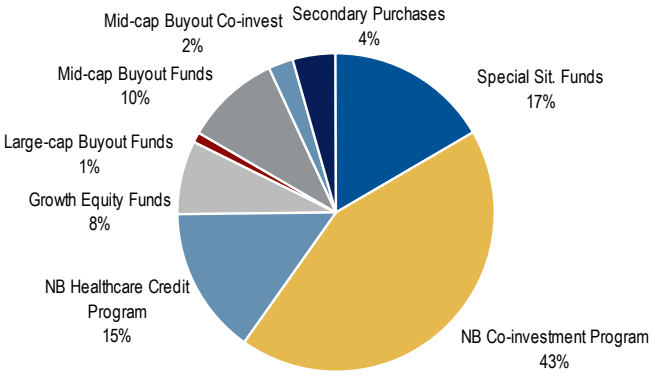
## Favorable capital position for new investments

As of 30 September 2013, our unfunded commitments were approximately $219.6 million. Within our fund portfolio, $48.2 million of the unfunded commitments are to funds past their investment period. We believe a portion of this amount is unlikely to be called, which we believe places us in a favorable capital position to make new investments. However, some amount may be called in future periods for fees, expenses and / or follow-on investments.

Unfunded commitments are primarily to our NB Co-investment and NB Healthcare Credit Programs. We expect capital to be called in future quarters to fund new direct investments. Approximately 32% of our unfunded commitments were to our fund portfolio, with large unfunded commitments to special situations and mid-cap buyout funds. However, approximately 90% and 60% of unfunded commitments to these asset classes, respectively, were to funds past their investment period. Approximately 8% of our unfunded commitments were to growth equity funds; however capital deployment by underlying managers within this asset class is typically prolonged.



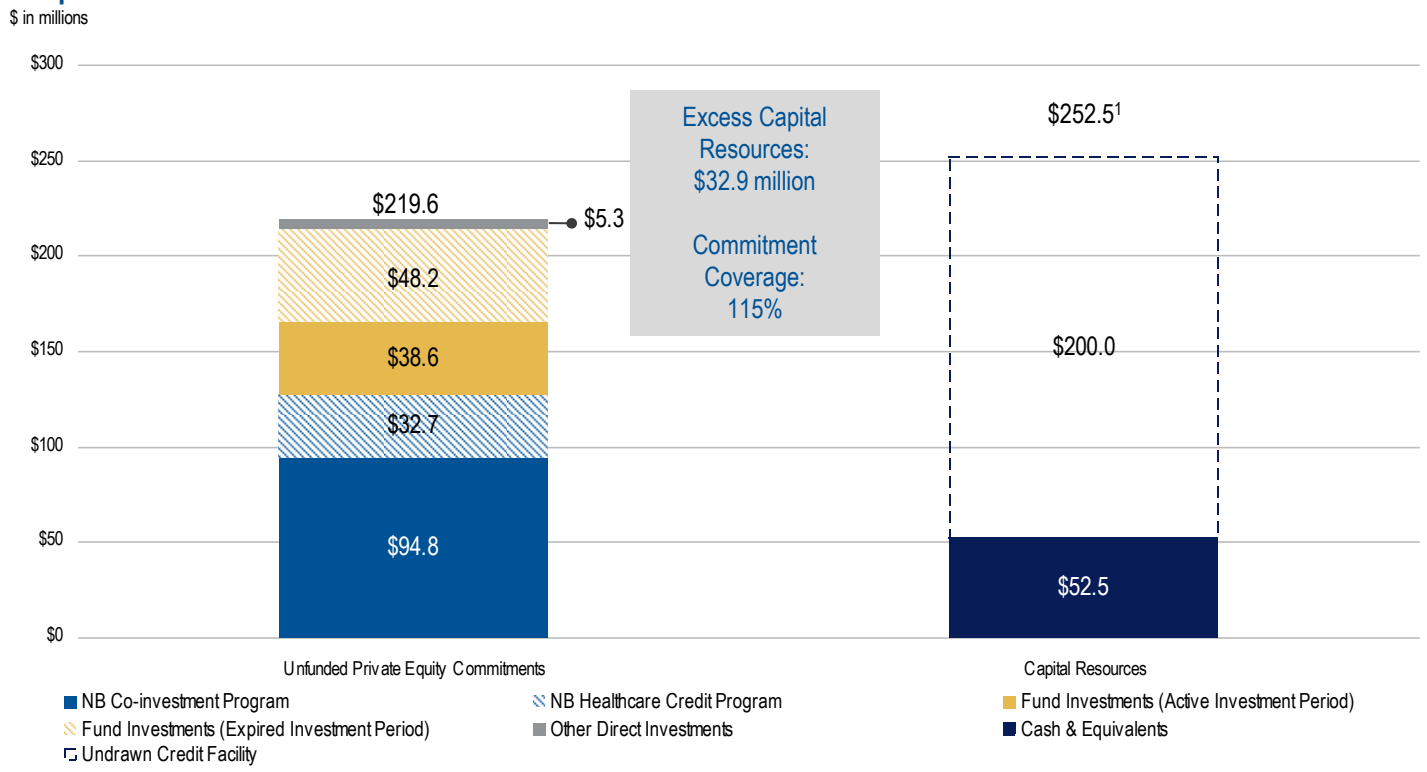

## 58% of our unfunded commitments are to the NB Co-investment and NB Healthcare Credit Programs




*Note: Numbers may not sum due to rounding.*

LIQUIDITY & CAPITAL RESOURCES

## Excess capital resources of $32.9 million and no outstanding borrowings on our $200 million credit facility as of 30 September 2013




### Credit Facility

In December 2012, we entered into an agreement with Lloyds Banking Group regarding a senior secured revolving credit facility of up to $200.0 million. Under the terms of the agreement, we may borrow, repay and re-borrow to fund private equity contributions and working capital requirements throughout the term expiring in April 2017. All borrowings under the credit facility bear interest at a floating rate and are tiered based on loan value, calculated as LIBOR or Euribor, as appropriate:

- LIBOR / Euribor + 280 bps for loan value less than or equal to $65 million
- LIBOR / Euribor + 330 bps for loan value in excess of $65 million and less than or equal to $150 million
- LIBOR / Euribor + 365 bps for loan value in excess of $150 million

We are also required to pay a non-utilization fee calculated as 80 basis points per annum on the daily balance of the unused amount of the credit facility.

The key financial covenant for our credit facility is a maximum debt to value ratio of 50.0%. The debt to value ratio is calculated as total debt and current liabilities divided by Restricted NAV, with Restricted NAV defined as the fair value of all private equity investments (less any excluded value) plus cash and cash equivalents. At 30 September 2013, the debt to value ratio was 2.2%.

The two other covenants are a secured asset ratio and a commitment ratio. The secured asset ratio is not to exceed 80.0% and is defined as total debt and current liabilities divided by Secured Assets, with Secured Assets defined as the value of secured private equity investments plus cash and cash equivalents. At 30 September 2013, the secured asset ratio was 3.2%.

The commitment ratio is defined as Restricted Total Exposure divided by the aggregate of Shareholder's equity and the total amount of the credit facility, with Restricted Total Exposure defined as the value of private equity investments (less any excluded value) plus unfunded private equity commitments.[1] If the debt to value ratio is greater than 25.0% and the commitment ratio is greater than 130.0%, then we become restricted from making new private equity investments. At 30 September 2013, the commitment ratio was 104.5%.

*Note: Numbers may not sum due to rounding.*
*1. Cash and equivalents include restricted cash.*

## MARKET COMMENTARY

Equity markets have performed solidly this year as signs of economic growth appear to gain momentum. Even in light of a U.S. government shutdown, equity markets appeared relatively unfazed during September and finished the quarter posting strong gains. During the third quarter the S&P 500 Index increased 4% which resulted in an 18% increase year to date. Global markets have also performed well, as measured by the MSCI World Index, which increased by 7% in the third quarter and 15% year to date.

Ahead of the Federal Open Markets Committee meeting in September, interest rates began to rise over investor concerns about potential tapering of bond purchases and a possible earlier-than-expected tightening. U.S. equity markets, on the other hand, continued their upward trajectory in advance of the meeting. However, following the September FOMC meeting when investors learned there would be continued accommodative monetary policy from the Federal Reserve, the S&P 500 Index posted a new record high. In addition, as a result of the FOMC decision, by the end of September, longer term interest rates declined off prior highs.

In the U.S., housing and energy have performed well, while employment continues to grow slowly. Opportunities in the U.S. are looking especially attractive as housing continues to rebound. Also a tailwind for the U.S. economy and markets is well-capitalized corporations, which are investing in new plant and equipment, as well as new hiring. Additional exploration and production of U.S. oil and gas resources could provide another support for growth.[1]

In Europe, Germany and other core Eurozone countries are faring better than peripheral nations. While the periphery countries remain mired in recession, there are signs of gradual improvement. For example, recent data indicate that consumer and business confidence in Germany has turned the corner, making it likely, in our view, that the country will again lead Europe out of the recession. Other large nations in the eurozone, such as France, Spain and Italy, remain in poor shape in the face of ongoing austerity measures. However, gradual improvement is expected as troubled countries carry out structural changes to make their respective economies more competitive and begin to consider stimulus measures to ignite growth.[1]

Global growth appears to be in the trough of a short slowdown and, in our view, will likely rebound gradually throughout 2013. Unlike 2008–2009, the recent deceleration has not been a synchronous one, and the majority of markets are still in expansion mode.[1]

### Private Equity Buyout Market

U.S. leveraged buyout volume increased significantly from $15.3 billion in the second quarter of 2013 to $70.6 billion in the third quarter of 2013.[2] As of Q3 2013, the average LBO size was $2.4 billion, increasing from an average size of $1.9 billion during the first nine months of 2013.[2] Private equity buyers had sufficient capital to invest and credit was readily available. Many companies continued to demonstrate solid performance as business and economic conditions remained favorable. Large-cap transactions (defined by S&P as enterprise values over $1.0 billion) continued to represent a significant amount of the transactions during the third quarter, with approximately 45% of LBO transaction volume greater than $1.0 billion of enterprise value.[2] According to data from S&P, public to private transactions represented approximately 63% of LBO transaction volume in the third quarter of 2013.[2]

Similar to 2012, companies with strong growth profiles, high free cash flow and more predictable business models insulated from broad macroeconomic trends attracted premium multiples. Generally, private equity buyers appear willing to pay up for good companies, especially in cases where businesses demonstrate strong fundamentals, sustainable competitive advantages or compelling growth opportunities. The average purchase price multiple for all LBOs in the third quarter of 2013 excluding fees and expenses was 8.2x EBITDA; this was down only slightly from the 2012 average multiple of 8.3x EBITDA.[2] While valuation multiples in 2013 have declined slightly, we believe the active competition from cash-rich strategic acquirers and private equity firms, combined with ample credit availability kept transaction valuation multiples at elevated levels, particularly for larger transactions. We believe a favorable opportunity continues to exist to invest at reasonable valuations in the small and mid-cap buyout markets, where the availability of credit is typically lower and equity contributions are higher. Given the lower absolute leverage levels employed in the small- to mid-cap market, co-investors have increasingly been utilized to fund the equity portion of these transactions.

In Europe, the Netherlands, the UK, France, and Germany were the most active countries by total LBO volume and the average purchase price multiple for all LBOs was 8.6x EBITDA in the first nine months of 2013, down from 9.3x EBITDA in 2012.[3] However, despite the decline since 2012, valuation multiples within Europe remain elevated. The majority of transactions that were executed involved stable businesses with healthy cash flows which generally demand a higher valuation. In addition, with some signs of economic improvement, particularly in Germany, we believe buyers may be more willing to pay higher multiples. However, investment activity remains substantially below the peak buyout years prior to the financial crisis.

1. *Source: Neuberger Berman Investment Strategy Group.*
2. *S&P Q3 2013 U.S. Leveraged Buyout Review.*
3. *S&P Q3 2013 European Leveraged Buyout Review.*

### Debt Markets

The loan and high yield markets have gained strength as investors seeking yield continued to allocate capital to income-oriented strategies. Private equity managers were very active in the credit markets as they completed new buyout and add-on acquisitions, re-priced existing credits, executed dividend recapitalizations, and extended debt maturities. During the first nine months of 2013, non-LBO activity was 72% of sponsored loan volume, and M&A volume increased 15% from the prior period. However, the number of transactions declined. 2013 M&A volume is tracking to be on par with levels seen in 2010-2011. Leverage levels in the first nine months of 2013 for buyouts were at an average of 5.3x EBITDA, slightly higher than levels seen in 2011 and 2012. For the first nine months of 2013, the median yield for second lien was 9.3%, compared to 6.2% for high yield bonds, which demonstrates the yield premium an investor can receive for illiquid investments.

### Fundraising Environment

During the third quarter of 2013, approximately $28.4 billion was raised in the U.S. buyout market, of which approximately $11.3 billion was raised by funds with a fund size under $2.5 billion.[2] Year to date, approximately $89.9 billion was raised in the U.S. buyout market, with approximately $35.6 billion raised by funds with a fund size under $2.5 billion.[2] Fundraising activity through the third quarter of 2013 for managers attempting to raise funds greater than $2.5 billion appears to be on track to meet or surpass 2012 levels. We do believe this will be limited to a small number of traditional buyout funds with strong prior fund track records, consistent with 2012. In Europe, during the third quarter of 2013, approximately $15.7 billion was raised in the buyout market, of which $13.5 billion was raised by managers with a fund size over $2.5 billion.[2]

1. *S&P Q2 2013 U.S. Leveraged Buyout Review.*
2. *Thomson Reuters through 30 September 2013. Excludes venture, mezzanine, fund of funds, and secondary fundraising.*

# RISK FACTORS

*Our company is subject to, and an investment in our company's shares involves, substantial risks, which may adversely impact our business, financial condition, results of operations and/or the value of your investment. Investors in our company's Class A Ordinary Shares ("Class A Shares") and ZDP Shares should carefully consider such risks, which include, without limitation, those set out below. If any such risks occur, our business, financial condition, results of operations and the value of your investment would likely suffer.*

**Our company may experience fluctuations in its monthly NAV.**
Our company may experience fluctuations in our NAV from month to month due to a number of factors, including changes in the values of investments, which in turn could be due to changes in values of portfolio companies, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in operating expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the shares and cause our company's results for a particular period not to be indicative of our company's performance in a future period.

**On liquidation of our assets on any given day, the reported NAV may not match the liquidated cash value of such assets.**
Where we are required or deem it necessary to liquidate some or all of our assets on any given day, the liquidated cash value of such assets may not match the reported NAV or portion of the reported NAV (in the case that not all of our assets are liquidated) attributable to such assets. Liquidation of our assets will be subject to a number of factors, including the availability of purchasers of our assets, liquidity and market conditions and, as such, the actual cash value of some or all of our assets may differ from the latest reported NAV (or portion of the reported NAV (in the case that not all of our assets are liquidated).

**The shares could continue to trade at a discount to NAV.**
The shares could continue to trade at a discount to NAV for a variety of reasons, including, without limitation, due to market conditions or to the extent investors undervalue the Investment Manager's investment management activities. Also, since there is generally a period of years before a new private equity fund has completed making its investments, return on our investments in such funds is not likely to be realized for a substantial time period, if at all, which could negatively impact the value of the shares. Additionally, unlike traditional private equity funds, we intend to continuously reinvest the cash we receive, except in limited circumstances (including in connection with our company's Capital Return Policy and Share Buy Back Programme). Therefore, the only way for investors to realize their investment is to sell their shares for cash. Accordingly, in the event that a holder of shares requires immediate liquidity, or otherwise seeks to realize the value of its investment in our company, through a sale of shares, the amount received by the holder upon such sale may be less than the underlying NAV of the relevant shares sold.

**The trading markets that the Class A Shares and ZDP Shares are admitted to are less liquid than certain other major exchanges, which could affect the price of our shares.**
The principal trading markets are Euronext Amsterdam and the SFM for the Class A Shares and the SFM and the CISX for the ZDP Shares, and these markets are less liquid than certain other major exchanges in the United States and certain other parts of Europe. Because these markets are less liquid than major exchanges in the United States and certain other parts of Europe, our shareholders may face difficulty when disposing of their shares, especially in large blocks. To date the company's shares have actively traded, but with generally low daily volumes. Our company cannot predict the effects on the price of the shares if a more liquid trading market for them does not develop. In addition, if such a market does not develop, relatively small sales may have a significant negative impact on the price of the shares. For example, sales of a significant number of shares may be difficult to execute at a stable price.

**The availability of our credit facility and failure to continue to meet the financial covenants in our credit facility could have an adverse impact on our liquidity.**
The availability of our credit facility is dependent on our continuing compliance with the covenants of our credit facility. We are currently in compliance with all of the covenants of our credit facility. However, certain events, including reductions in the NAV of our investment portfolio, could result in an event of default under the credit facility agreement. Where an event of default occurs, the lender may cancel the undrawn portion of our credit facility and declare the entire outstanding principal and interest immediately due. As a result, we may not have access to sufficient capital to meet our obligations (including unfunded commitments) and we could be forced to sell assets in order to cure the event of default or to repay our credit facility. Where we are obliged to sell assets from our investment portfolio to meet our obligations under our credit facility, such sale may be at an undervalue and may not reflect the estimated unaudited fair value that we have assigned to such asset(s). Further, where our credit facility is unavailable, our ability to make new investments or to honor funding obligations to which we are already committed may be severely restricted. We may be unable, or it may not be prudent or in our best interests, to enter into further agreements to borrow money or to refinance our credit facility.

**The price attributed to the Class A Shares on Euronext Amsterdam and the SFM may vary significantly and the price attributed to the ZDP Shares on the SFM and the CISX may vary significantly.**
The Class A Shares are admitted to trading on Euronext Amsterdam and the SFM and the ZDP Shares are admitted to trading on the SFM and the CISX. The price attributed to the Class A Shares or ZDP Shares, as the case may be, may vary significantly on one exchange versus the other. As such, no guarantee is given that investors will receive best pricing and execution on one market over another. We and our company accept no responsibility whatsoever with regards to the pricing of the Class A Shares and execution of trades therein on Euronext Amsterdam and the SFM, the pricing of the ZDP Shares and execution of trades therein on the SFM and the CISX, nor do we accept any responsibility for any pricing and/or execution variation between any of these exchanges. Investors are responsible for informing themselves as to the best pricing and execution available, in the case of the Class A Shares, on both Euronext Amsterdam and the SFM, and, in the case of the ZDP Shares, on both the SFM and the CISX.

**The holders of ZDP Shares may not receive the final capital entitlement.**
The holders of ZDP Shares may not receive the final capital entitlement and no guarantee is made by us or our company in relation to the payment thereof. The ZDP Shares, whilst ranking prior to the Class A Shares and the Class B Shares in respect of the repayment of up to 169.73 pence per ZDP Share from the assets of the investment portfolio, rank behind any borrowings of our company that remain outstanding. In addition, upon the occurrence of significant loss in value of the assets held in the investment portfolio, our company may be unable to pay the final capital entitlement or any part thereof to the holders of ZDP Shares.

**Payment of the final capital entitlement to the holders of ZDP Shares may be dilutive to the NAV per Class A Share.**
Payment of the final capital entitlement to the holders of the ZDP Shares may be dilutive to the NAV per Class A Share. Where our company does not generate investment returns in excess of the forecast gross redemption yield of 7.30% (in relation to which, no guarantee has been given) per annum (based on the issue price of the ZDP Shares), the NAV per Class A Share may be significantly diluted.

## Material Contracts

NBPE, NB PEP Investments LP (Incorporated) and the Investment Manager entered into an Investment Management and Services Agreement on 25 July 2007 (as amended and restated on 25 January 2008), whereby the Investment Manager, subject to the overall supervision of the Directors, was appointed as NBPE's investment manager. NBPE and Heritage International Fund Managers Limited entered into an Administration Agreement on 3 July 2007 (as amended by side letter on 22 September 2009), whereby NBPE appointed Heritage International Fund Managers Limited to act as administrator and company secretary to NBPE. NBPE, as general partner, and NB PEP Associates LP (Incorporated), as special limited partner, entered into that certain limited partnership agreement of NB PEP Investments LP (Incorporated) on 25 July 2007, as amended and restated on 16 July 2008. NBPE is party to a Share Buy-Back Agreement with Jefferies International Limited ("JIL") in relation to the on market repurchases of class A shares on behalf of NBPE. The Share Buy-Back Agreement was initially entered into between NBPE and The Royal Bank of Scotland N.V. (London Branch) ("RBS N.V.") on 22 October 2010 and was subsequently amended and extended on 30 August 2011, novated on 7 November 2011 from RBS N.V. to The Royal Bank of Scotland plc ("RBS plc") in respect of repurchases of shares made on the Specialist Fund Market only, and extended on 29 November 2011. The Share Buy-Back Agreement was then novated by RBS NV and RBS plc to JIL on 1 March 2012 and the Board of Directors has approved an extension of the share buyback program from 31 August 2013 to 31 March 2014.

## Shareholdings of the Directors

| | |
|---|---|
| Talmai Morgan (Chairman): | 10,000 Class A Shares |
| John Buser: | 10,000 Class A Shares |
| John Hallam: | 10,000 Class A Shares |
| Christopher Sherwell: | 9,150 Class A Shares |
| Peter Von Lehe: | 7,500 Class A Shares |

## Sale of Class A Shares

The Company understands that on 7 March 2013 Lehman Brothers Offshore Partners Limited sold 7,651,160 Class A Shares, equal to fifty per cent of its holding in the Company. The Company further understands that a placing has been conducted in respect of such shares by Jefferies International Limited among a number of institutional investors.

## Major Shareholders

As at 30 September 2013, insofar as is known to NBPE, the following persons were interested, directly or indirectly, in 5% or more of the Class A Shares in issue (excluding Class A Shares held in treasury):

| | |
|---|---|
| Class A Shareholder: | Lehman Brothers Offshore Partners Ltd. |
| Number of Class A Shares: | 5,112,159 |

## List of NBPE Subsidiaries

| Name | Place of Incorporation (or Registration) and Operation | Proportion of Ownership Interest % |
|---|---|---|
| ***Directly Owned*** | | |
| NB PEP Investments, LP (Incorporated) | Guernsey | 99.9% |
| ***Indirectly Owned*** | | |
| NB PEP Investments Limited | Guernsey | 100.0% |
| NB PEP Investments DE, LP | United States | 100.0% |
| NB PEP Investments LP Limited | Guernsey | 100.0% |
| NB PEP Investments I, LP (Incorporated) | Guernsey | 100.0% |
| NB PEP Holdings Limited | Guernsey | 100.0% |
| Various holding entities for specific investments | United States | 100.0% |

## Certain Information

We are subject to The Netherlands Financial Supervision Act (Wet op het financieel toezicht, "Wft"), and we are registered with The Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, "AFM") as a collective investment scheme as meant in section 1:1 of the Wft. We are subject to certain ongoing requirements under the Wft, the Decree on Supervision of Conduct by Financial Enterprises (Besluit Gedragstoezicht financiële ondernemingen Wft) and the Decree on the Implementation Directive Transparency Issuing Entities (Besluit uitvoeringsrichtlijn transparantie uitgevende instellingen Wft, the "Wft Decree") relating to the disclosure of certain information to investors, including the publication of our financial statements.

## Interim Management Statement

This Interim Management Statement qualifies as an interim management statement and is made pursuant to article 5:25e of the Wft which requirement stems from the EU Transparency Directive. Pursuant to article 5:25e and article 5:25m of the Wft this interim management statement has been made generally available by means of a press release and by publication on our website (www.nbprivateequitypartners.com) and has been filed with the AFM.

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VALUATION METHODOLOGY

## Equity

We carry our private equity investments on our books at fair value using the best information we have reasonably available to determine or estimate fair value. Publicly traded securities are valued based on quoted prices as of the last day of the relevant period less discounts to reflect legal restrictions associated with the securities, if any, that affect marketability. We determine such values for publicly traded securities held directly as well as known public positions held in the underlying private equity investments on a look-through basis. We estimate fair value for private interests based on a methodology that begins with the most recent information available from the general partner of the underlying fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other information judged to be reliable that reports or indicates valuation changes, including realizations and other portfolio company events. We proactively re-value our investments before we have received updated information from the fund manager or lead sponsor if we become aware of material events that justify a change in valuation. If we conclude that it is probable that we will sell an investment, we adjust our carrying value to the amount we expect to realize from the sale, exclusive of transaction costs.

## Debt

We estimate the enterprise value of each portfolio company and compare such amount to the total amount of the company's debt as well as the level of debt senior to our interest. Estimates of enterprise value are based on a specific measure (such as EBITDA, free cash flow, net income, book value or NAV) believed to be most relevant for the given company and compares this metric in relation to comparable company valuations (market trading and transactions) based on the same metric. In determining the enterprise value, we will further consider the companies' acquisition price, credit metrics, historical and projected operational and financial performance, liquidity as well as industry trends, general economic conditions, scale and competitive advantages along with other factors deemed relevant. Valuation adjustments are made if estimated enterprise value does not support the value of the debt security we are invested in and securities senior to our position.

If the principal repayment of debt and any accrued interest is supported by the enterprise value analysis described above, we will next consider current market conditions including pricing quotations for the same security and yields for similar investments. To the extent market quotations for the security are available, we will take into account current pricing and liquidity. Liquidity may be estimated by the spread between bid and offer prices and other available measures of market liquidity, including number and size of recent trades and liquidity scores. If we believe market yields for similar investments have changed substantially since the pricing of our security, we will perform a discounted cash flow analysis, based on the expected future cash flows of the debt securities and current market rates. We will also consider the maturity of the investment, compliance with covenants and ability to pay cash interest when estimating the fair value of our debt investment.

# FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made and relate to expectations, beliefs, projections (including anticipated economic performance and financial condition), future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts and are subject to risks and uncertainties including, but not limited to, statements as to:

- Our future operating results;
- Our business prospects and the prospects of our investments;
- The impact of investments that we expect to make;
- The dependence of our future success on the general economy and its impact on the industries in which we invest;
- The ability of our investments to achieve their objectives;
- Differences between our investment objective and the investment objectives of the private equity funds in which we invest;
- The rate at which we deploy our capital in private equity investments, co-investments and opportunistic investments;
- Our expected financings and investments;
- The continuation of the Investment Manager as our service provider and the continued affiliation with the Investment Manager of its key investment professionals;
- The adequacy of our cash resources and working capital; and
- The timing of cash flows, if any, from the operations of our underlying private equity funds and our underlying portfolio companies.

In some cases, forward-looking statements may be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," and "would," or the negative of those terms or other comparable terminology.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Factors and events that could cause our business, financial condition, liquidity and results of operations to vary materially include, among other things, general economic conditions, securities market conditions, private equity market conditions, the level and volatility of interest rates and equity prices, competitive conditions, liquidity of global markets, international and regional political conditions, regulatory and legislative developments, monetary and fiscal policy, investor sentiment, availability and cost of capital, technological changes and events, outcome of legal proceedings, changes in currency values, inflation, credit ratings and the size, volume and timing of transactions, as well as other risks described elsewhere in this report and our prospectus relating to our IPO and our prospectus relating to our ZDP Shares.

The foregoing is not a comprehensive list of the risks and uncertainties to which we are subject. Except as required by applicable law, we undertake no obligation to update or revise any forward-looking statements to reflect any change in our expectations, or any changes in events, conditions or circumstances on which the forward-looking statement is based. In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements might not occur. We qualify any and all of our forward-looking statements by these cautionary factors.

## About NB Alternatives

The NB Alternatives group of Neuberger Berman (the "Investment Manager") has 26 years of investing experience specializing in co-investments, direct-yielding investments, private equity funds and secondary investments and has built relationships with leading private equity fund managers over that time.

The Investment Manager makes all of our investment decisions, and we have delegated to the Investment Manager the day-to-day management and operations of our business. The Investment Manager's investment decisions are made by its Investment Committee (the "Investment Committee"), which currently consists of seven members with an aggregate of approximately 190 years of professional experience. The sourcing and evaluation of our investments is conducted by the Investment Manager's team of over 60 investment professionals who specialize in co-investments, direct-yielding investments and fund investments. In addition, the Investment Manager's staff of approximately 110 administrative and finance professionals are responsible for our administrative, financial management and reporting needs. The Investment Manager currently maintains offices in New York, London, Dallas and Hong Kong.

## About Neuberger Berman

Neuberger Berman is a private, independent, employee-controlled investment manager. It partners with institutions, advisors and individuals throughout the world to customize solutions that address their needs for income, growth and capital preservation. With more than 1,900 professionals focused exclusively on asset management, it offers an investment culture of independent thinking. Founded in 1939, the company provides solutions across equities, fixed income, hedge funds and private equity, and had $227 billion in assets under management as of 30 September 2013. For more information, please visit our website at www.nb.com.

# DIRECTORS, ADVISORS AND CONTACT INFORMATION

## Ordinary Share Information
Trading Symbol: NBPE
Exchanges: Euronext Amsterdam by NYSE Euronext and the Specialist Fund Market of the London Stock Exchange
Euronext Amsterdam Listing Date: 25 July 2007
Specialist Fund Market Admission: 30 September 2009
Base Currency: USD
Bloomberg: NBPE NA, NBPE LN
Reuters: NBPE.AS, NBPE.L
ISIN: GG00B1ZBD492
COMMON: 030991001
Amsterdam Security Code: 600737

## ZDP Share Information
Trading Symbol: NBPZ
Exchanges: Specialist Fund Market of the London Stock Exchange and the Daily Official List of the Channel Islands Stock Exchange
Admission Date: 1 December 2009
Base Currency: GBP
Bloomberg: NBPEGBP LN
Reuters: NBPEO.L
ISIN: GG00B4ZXGJ22
SEDOL: B4ZXGJ2

## Board of Directors
Talmai Morgan (Chairman)
John Buser
John Hallam
Christopher Sherwell
Peter Von Lehe

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