NB Private Equity Partners Limited

Consolidated Financial Statements

For the Years 31 December 2017 and 2016

KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2721

Independent Auditors' Report

The Members
NB Private Equity Partners Limited:

We have audited the accompanying consolidated financial statements of NB Private Equity Partners Limited (the Company) and its subsidiaries, which comprise the consolidated balance sheets, including the consolidated condensed schedules of private equity investments, as of December 31, 2017 and 2016, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of NB Private Equity Partners Limited as of December 31, 2017 and 2016, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Dallas, Texas
April 4, 2018

CONSOLIDATED FINANCIAL STATEMENTS | BALANCE SHEETS

Assets	2017	2016
Private equity investments		
Cost of $781,600,125 at 31 December 2017 and $617,340,299 at 31 December 2016	$ 961,406,294	$ 767,312,829
Cash and cash equivalents	25,746,450	93,662,028
Other assets	4,963,787	3,851,617
Distributions and sales proceeds receivable from investments	7,600,201	7,590,641
Total assets	$ 999,716,732	$ 872,417,115
Liabilities		
Liabilities:		
ZDP Share liability	$ 71,085,013	$ 76,894,552
Credit facility loan	60,000,000	-
Carried interest payable to Special Limited Partner	7,925,575	7,866,561
Payables to Investment Manager and affiliates	3,476,013	2,806,939
Accrued expenses and other liabilities	3,204,878	6,286,039
Net deferred tax liability	1,535,683	1,026,106
Total liabilities	$ 147,227,162	$ 94,880,197
Net assets		
Class A Shares, $0.01 par value, 500,000,000 shares authorised, 51,940,972 shares issued, and 48,790,564 shares outstanding	$ 519,410	$ 519,410
Class B Shares, $0.01 par value, 100,000 shares authorised, 10,000 shares issued and outstanding	100	100
Additional paid-in capital	525,157,490	525,157,490
Retained earnings	335,057,802	260,212,429
Less cost of treasury stock purchased (3,150,408 shares)	(9,248,460)	(9,248,460)
Total net assets of the controlling interest	851,486,342	776,640,969
Net assets of the noncontrolling interest	1,003,228	895,949
Total net assets	$ 852,489,570	$ 777,536,918
Total liabilities and net assets	$ 999,716,732	$ 872,417,115
Net asset value per share for Class A Shares and Class B Shares	$ 17.45	$ 15.91
Net asset value per share for Class A Shares and Class B Shares (GBP)	£ 12.91	£ 12.89
Net asset value per 2017 ZDP Share (Pence)	N/A	164.85
Net asset value per 2022 ZDP Share (Pence)	105.21	101.17

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS | CONDENSED SCHEDULES OF PRIVATE EQUITY INVESTMENTS

Private equity investments		Cost		Fair Value		Unfunded Commitment		Private Equity [3] Exposure
2017								
Fund investments	$	97,271,898	$	107,629,152	$	39,698,555	$	147,327,707
Direct equity investments [1]		514,033,646		698,563,021		182,160,523		880,723,544
Income investments [2]		170,294,581		155,214,121		45,716,467		200,930,588
	$	781,600,125	$	961,406,294	$	267,575,545	$	1,228,981,839
2016								
Fund investments	$	134,043,729	$	153,398,249	$	39,133,787	$	192,532,036
Direct equity investments [1]		334,882,546		474,945,666		177,744,014		652,689,680
Income investments [2]		148,414,024		138,968,914		44,020,612		182,989,526
	$	617,340,299	$	767,312,829	$	260,898,413	$	1,028,211,242

Note: None of the underlying private equity investments exceeded 5% of Net Asset Value.

(1): *Including investments made through NB Alternatives Direct Co-investment Programs and Marquee Brands.*
(2): *Including investments made through NB Healthcare Credit Investment Program and NB Credit Opportunities Program.*
(3): *Private equity exposure is the sum of fair value and unfunded commitment.*

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS | CONDENSED SCHEDULES OF PRIVATE EQUITY INVESTMENTS

Geographic diversity of private equity investments [(1)]		Fair Value 2017		Fair Value 2016
North America	$	794,000,475	$	654,741,427
Europe		122,031,445		59,618,675
Asia / rest of world		39,265,132		47,606,257
Not classified		6,109,242		5,346,470
	$	961,406,294	$	767,312,829

Industry diversity of private equity investments [(2)]	2017	2016
Technology / IT	17.8%	17.5%
Healthcare	10.6%	14.5%
Industrials	18.4%	12.1%
Consumer discretionary	10.6%	14.0%
Financial services	12.0%	12.3%
Business services	13.0%	10.5%
Energy	5.5%	8.7%
Communications / media	6.1%	3.4%
Diversified / undisclosed / other	2.7%	4.2%
Transportation	3.3%	2.8%
	100.0%	100.0%

Asset class diversification of private equity investments [(3)]	2017	2016
Large-cap buyout	0.7%	1.6%
Large-cap buyout co-invest	23.0%	14.7%
Mid-cap buyout	2.7%	5.9%
Mid-cap buyout co-invest	35.2%	35.9%
Special situation	3.7%	6.8%
Special situation co-invest	8.9%	7.0%
Income investments	16.2%	17.3%
Growth / venture	3.5%	5.0%
Growth equity co-invest	5.6%	5.2%
Secondary purchases	0.5%	0.6%
	100.0%	100.0%

(1): *Geography is determined by location of the headquarters of the underlying portfolio companies in funds and direct co-investments. A portion of our fund investments may relate to cash, or other assets or liabilities that they hold and for which we do not have adequate information to assign a geographic location.*

(2): *Industry diversity is based on underlying portfolio companies and direct co-investments.*

(3): *Asset class diversification is based on the net asset value of underlying fund investments and co-investments.*

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS | STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

	2017	2016
Interest and dividend income	$ 16,488,513	$ 31,016,956
Expenses		
Investment management and services	11,904,626	10,865,990
Carried interest	7,925,575	7,866,561
Finance costs		
Credit facility	2,384,344	3,874,978
ZDP Shares	3,396,519	1,776,197
Administration and professional fees	4,807,786	3,244,476
	30,418,850	27,628,202
Net investment income (loss)	$ (13,930,337)	$ 3,388,754
Realised and unrealised gains (losses)		
Net realised gain (loss) on investments and forward foreign exchange contracts, net of tax expense of $304,408 for 2017 and $1,749,401 for 2016	$ 89,355,829	$ 28,629,876
Net change in unrealised gain (loss) on investments and forward foreign exchange contracts, net of tax expense (benefit) of $509,577 for 2017 and ($3,586,485) for 2016	23,927,442	68,803,833
Net realised and unrealised gain (loss)	113,283,271	97,433,709
Net increase (decrease) in net assets resulting from operations	$ 99,352,934	$ 100,822,463
Less net increase (decrease) in net assets resulting from operations attributable to the noncontrolling interest	(107,279)	(108,689)
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$ 99,245,655	$ 100,713,774
Net assets at beginning of period attributable to the controlling interest	776,640,969	700,327,477
Less dividend payment	(24,400,282)	(24,400,282)
Net assets at end of period attributable to the controlling interest	$ 851,486,342	$ 776,640,969
Earnings (loss) per share for Class A Shares and Class B Shares of the controlling interest	*$ 2.03*	*$ 2.06*
Earnings (loss) per share for Class A Shares and Class B Shares of the controlling interest (GBP)	*£ 1.57*	*£ 1.52*

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS | STATEMENTS OF CASH FLOWS

	2017	2016
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$ 99,245,655	$ 100,713,774
Net increase (decrease) in net assets resulting from operations attributable to the noncontrolling interest	107,279	108,689
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realised (gain) loss on investments and forward foreign exchange contracts, net of tax expense	(89,355,829)	(28,629,876)
Net change in unrealised (gain) loss on investments and forward foreign exchange contracts, net of tax expense	(23,927,442)	(68,803,833)
In-kind payment of interest income	(466,065)	(68,397)
Amortisation of finance costs	640,707	(2,581,341)
Amortisation of purchase premium (OID), net	(1,790,283)	5,512,448
Change in other assets	(740,771)	(4,349,099)
Change in payables to Investment Manager and affiliates	728,088	7,927,424
Change in accrued expenses and other liabilities	2,524,049	2,358,580
Net cash provided by (used in) operating activities	(13,034,612)	12,188,369
Cash flows from investing activities:		
Distributions from private equity investments	133,687,337	118,557,656
Proceeds from sale of private equity investments	108,421,067	174,061,119
Contributions to private equity investments	(37,318,648)	(2,517,315)
Purchases of private equity investments	(278,542,510)	(157,487,245)
Net cash provided by (used in) investing activities	(73,752,754)	132,614,215
Cash flows from financing activities:		
Dividend payment	(24,400,282)	(24,400,282)
Redemption of 2017 Zero Dividend Preference Shares	(15,507,930)	9,411,265
Borrowings from credit facility	60,000,000	100,000,000
Payments to credit facility	-	(152,500,000)
Settlement of the forward foreign exchange contract and ongoing hedging activity	(1,220,000)	(9,770,000)
Net cash provided by (used in) financing activities	18,871,788	(77,259,017)
Net increase (decrease) in cash and cash equivalents	**(67,915,578)**	**67,543,567**
Cash and cash equivalents at beginning of period	93,662,028	26,118,461
Cash and cash equivalents at end of period	**$ 25,746,450**	**$ 93,662,028**
Supplemental cash flow information		
Interest paid	**$ 1,830,218**	**$ 1,700,185**
Net taxes paid	**$ 370,791**	**$ 2,553,126**

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 – Description of the Group

NB Private Equity Partners Limited (the "Company") and its subsidiaries, collectively (the "Group") is a closed-ended investment company registered in Guernsey. The registered office is Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY. The Group invests in private equity assets, which consist of direct equity investments, income investments and legacy fund investments. The portfolio includes investments in legacy private equity funds, which are in realisation mode. Income investments include corporate private debt investments and healthcare credit investments, which consist of loans to companies in the healthcare sector and royalty backed notes. From time to time, the Group may also make other opportunistic investments, as appropriate. The Company's Class A Shares are listed and admitted to trading on the Premium Segment of the Main Market of the London Stock Exchange ("Main Market") and the regulated market of Euronext Amsterdam N.V., under the symbol "NBPE". NBPE's Zero Dividend Preference ("ZDP") Shares (see note 5) are listed and admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange ("Specialist Fund Segment") under the symbol "NBPP".

The Group is managed by NB Alternatives Advisers LLC ("Investment Manager"), a subsidiary of Neuberger Berman Group LLC ("NBG"), pursuant to an Investment Management Agreement. The Investment Manager serves as the registered investment adviser under the Investment Advisers Act of 1940.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements present a true and fair view of the financial position, profit or loss and cash flows and have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and are in compliance with the Companies (Guernsey) Law, 2008. All adjustments considered necessary for the fair presentation of the consolidated financial statements, for the period(s) presented, have been included. These consolidated financial statements are presented in U.S. Dollars.

The Group is an investment company, and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic ("ASC") 946. Accordingly, the Group reflects its investments on the Consolidated Balance Sheets at their estimated fair values, with unrealised gains and losses resulting from changes in fair value reflected in net change in unrealised appreciation (depreciation) of investments in the Consolidated Statements of Operations and Changes in Net Assets. The Group does not consolidate majority-owned or controlled portfolio companies. The Group does not provide any financial support to any of its investments beyond the investment amount to which it committed.

The directors considered that it is appropriate to adopt going concern basis of accounting in preparing the consolidated financial statements. In reaching this assessment, the directors have considered a wide range of information relating to present and future conditions including the statements of financial positions, future projections, cash flows, and the longer-term strategy of the business.

Principles of Consolidation

The consolidated financial statements include accounts of the Company consolidated with the accounts of all its subsidiaries in which it holds a controlling financial interest as of the financial statement date. All material inter-group balances have been eliminated.

Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the directors to make estimates and judgments that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

It is expected that most of the investments in which the Group invests will meet the criteria set forth under FASB ASC 820 *Fair Value Measurement and Disclosures* (“ASC 820”) permitting the use of the practical expedient to determine the fair value of the investments. ASC 820 provides that, in valuing alternative investments that do not have quoted market prices, but calculate net asset value (“NAV”) per share or equivalent, an investor may determine fair value by using the NAV reported to the investor by the underlying investment. To the extent ASC 820 is applicable to an investment, the Investment Manager will value the Group’s investment based primarily on the value reported to the Group by the investment or by the lead investor / sponsor of a direct co-investment as of each quarter-end, as determined by the investments in accordance with its own valuation policies.

FASB ASC 820-10 *Fair Value Measurements and Disclosure* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10-35-39 to 55 provides three levels of the fair value hierarchy as follows:

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

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

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

Unobservable inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, based on market data obtained from sources independent of the Group. Unobservable inputs reflect the Group’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the information available. The inputs or methodology used for valuing assets or liabilities may not be an indication of the risks associated with investing in those assets or liabilities. The Group generally uses the NAV reported by the investments as a primary input in its valuation utilising the practical expedient method of determining fair value; however, adjustments to the reported NAV may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, any restrictions or illiquidity on such interest, any potential clawbacks by the investments and the fair value of the investments' investment portfolio or other assets and liabilities. Investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient are not categorised in the fair value hierarchy.

Valuation Process for Level 3 Investments

The valuation process for investments categorised in Level 3 of the fair value hierarchy is completed on a quarterly basis and is designed to subject the valuation of Level 3 investments to an appropriate level of consistency, oversight and review. The Investment Manager has ultimate responsibility for the valuation process and the fair value of investments reported in the consolidated financial statements. The Investment Manager performs initial and ongoing investment monitoring and valuation assessments. In determining the fair value of investments, the Investment Manager reviews periodic investor reports and interim and annual audited consolidated financial statements received from the investments, reviews material quarter over quarter changes in valuation, and assesses the impact of macro market factors on the performance of the investments.

For income investments, the Investment Manager estimates the enterprise value of each portfolio company and compares such amount to the total amount of the Group’s debt as well as the level of debt senior to the Group’s interest. Estimates of enterprise value are based on the specific measure (such as EBITDA, free cash flow, net income, book value or NAV) believed to be most relevant for the given company and the Investment Manager compares this metric in relation to comparable company valuations (market trading and transactions) based on the same metric. In determining the enterprise value, the Investment Manager further considers the company’s 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 the Group is invested in and securities senior to the Group's position.

If the principal repayment of debt and any accrued interest is supported by the enterprise value analysis described above, the Investment Manager next considers 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, the Investment Manager takes 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 the Investment Manager believes market yields for similar investments have changed substantially since the pricing of the security held by the Group, the Investment Manager performs a discounted cash flow analysis, based on the expected future cash flows of the debt securities and current market rates. The Investment Manager also considers the maturity of the investment, compliance with covenants and ability to pay cash interest when estimating the fair value of the Group's debt investment.

Realised Gains and Losses on Investments

Realised gains and losses from sales of investments are determined on a specific identification basis. For investments in private equity funds, the Group records its share of realised gains and losses incurred when the Investment Manager knows that the private equity fund has realised its interest in a portfolio company and the Investment Manager has sufficient information to quantify the amount. For all other investments, realised gains and losses are recognized in the consolidated Statements of Operations and Changes in Net Assets in the year in which they arise.

Net Change in Unrealised Gains and Losses on Investments

Gains and losses arising from changes in value are recorded as an increase or decrease in the unrealised gains or losses of investments based on the methodology described above.

CONSOLIDATED FINANCIAL STATEMENTS | NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into U.S. Dollar amounts at the date of valuation. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into U.S. Dollar amounts on the date of such transactions. Adjustments arising from foreign currency transactions are reflected in the net change in unrealised gain (loss) on investments and forward foreign exchange contract in the Consolidated Statements of Operations and Changes in Net Assets. For the years ended 31 December 2017 and 2016, the effect of translation to U.S. Dollars increased valuations of foreign investments by approximately $584,785 and $123,190, respectively.

Other than the ZDP Shares denominated in Sterling, the Group has unfunded commitments denominated in currencies other than U.S. Dollars. At 31 December 2017, the unfunded commitments that are in Euro and Canadian dollars amounted to €36,721,669 (2016: €2,088,641) and CAD 297,113 (2016: CAD 297,113). They have been included in the Consolidated Condensed Schedules of Private Equity Investments at the U.S. Dollar exchange rate in effect at 31 December 2017 and 2016. The effect on the unfunded commitment of the change in the exchange rate between Euro and U.S. Dollars and CAD and U.S. Dollars was an increase in the U.S. Dollar obligation of $326,061 for 31 December 2017 and a decrease in U.S. Dollar obligation of $4,134 for 31 December 2016.

Investment Transactions and Investment Income

Investment transactions are accounted for on a trade date basis. Investments are recognised when the Group incurs an obligation to acquire a financial instrument and assume the risk of any gain or loss or incur an obligation to sell a financial instrument and forego the risk of any gain or loss. Investment transactions that have not yet settled are reported as receivable from investment or payable to investment.

The Group earns interest and dividends from direct investments and from cash and cash equivalents. The Group records dividends on the ex-dividend date, net of withholding tax, if any, and interest, on an accrual basis when earned, provided the Investment Manager knows the information or is able to reliably estimate it. Otherwise, the Group records the investment income when it is reported by the private equity investments. Discounts received or premiums paid in connection with the acquisition of loans are amortised into interest income using the effective interest method over the contractual life of the related loan. Payment-in-kind (“PIK”) interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by obligator on the scheduled interest payment date. PIK interest is added to the principal balance of the loan and recorded as interest income. Prepayment premiums include fee income from securities settled prior to maturity date, and are recorded as interest income in the Consolidated Statements of Operations and Changes in Net Assets.

For the year ended 31 December 2017, total interest and dividend income was $16,488,513, of which $138,046 was dividends, $15,798,389 was interest income, and $552,078 was other forms of income. For the year ended 31 December 2016, total interest and dividend income was $31,016,956, of which $23,253 was dividends, $30,552,793 was interest income, and $440,910 was other forms of income. Realised gains and losses from sales of investments are determined on a specific identification basis.

Cash and Cash Equivalents

Cash and cash equivalents represent cash held in accounts at banks and liquid investments with original maturities of three months or less. Cash equivalents are carried at cost plus accrued interest, which approximates fair value. At 31 December 2017 and 2016, cash and cash equivalents consisted of $25,746,450 and $93,662,028 of cash, respectively, primarily held in operating accounts with JP Morgan Chase. Cash equivalents are held for the purpose of meeting short-term liquidity requirements, rather than for investment purposes.

Income Taxes

The Company is registered in Guernsey as an exempt company. The States of Guernsey Income Tax Authority has granted the Group an exemption from Guernsey income tax under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and the Group has been charged an annual exemption fee of £1,200 (2016: £1,200).Generally, income that the Group derives from the investments may be subject to taxes imposed by the U.S. or other countries and will impact the Group's effective tax rate.

FASB ASC 740-10, *Income Taxes*, requires the Group to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. Tax positions not deemed to meet a more-likely-than-not threshold would be recorded as a tax expense in the current year

The Group files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Group is subject to examination by U.S. federal, state, local and foreign jurisdictions, where applicable. The Group's U.S. federal income tax returns are open under the normal three-year statute of limitations and therefore subject to examination. The Investment Manager does not expect that the total amount of unrecognised tax benefits will materially change over the next twelve months.

On 22 December 2017, H.R. 1/Public Law 115-97, commonly referred to as the "Tax Cuts and Job Act of 2017", was signed into law, which made significant changes to the U.S. Internal Revenue Code, including limitations on certain deductions and credits, among other changes. For the Group's calendar year-end investments in corporations, effective January 1, 2018, the new statutory tax rate is 21%. The Group has re-measured the deferred income tax ending balances at these new statutory rates since the rules under ASC 740 require companies to reflect the change in the period in which the law was enacted. For the Group's fiscal year-end investments in corporations, the tax law changes are not effective until the fiscal tax year ended November 30, 2018. Adjustments to the deferred tax accounts as a result of the change in tax law is the Company's best estimate based on the information available at this time and may change as additional information becomes available. Any required future adjustment would be reflected in the quarter in which it is identified, as allowed by the SEC Staff Accounting Bulletin No. 118.

Investments made in entities that generate U.S. source investment income may subject the Group to certain U.S. federal and state income tax consequences. A U.S. withholding tax at the rate of 30% may be applied on the Group's distributive share of any U.S. sourced dividends and interest (subject to certain exemptions) and certain other income that the Group receives directly or through one or more entities treated as either partnerships or disregarded entities for U.S. federal income tax purposes.

Investments made in entities that generate business income that is effectively connected with a U.S. trade or business may subject the Group to certain U.S. federal and state income tax consequences. Generally the U.S. imposes withholding tax on effectively connected income at the highest U.S. rate (generally 35%). In addition, the Group may also be subject to a branch profits tax which can be imposed at a rate of up to 30% of the after-tax profits treated as effectively connected income associated with a U.S. trade or business. As such, the aggregate U.S. tax liability on effectively connected income may approximate 54.5% given the two levels of tax.

The Group recognises a tax benefit in the consolidated financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. To date, the Group has not provided any reserves for taxes as all related tax benefits have been fully recognised. Although the Investment Manager believes uncertain tax positions have been adequately assessed, the Investment Manager acknowledges that these matters require significant judgment and no assurance can be given that the final tax outcome of these matters will not be different.

Deferred taxes are recorded to reflect the tax benefit and consequences of future years' differences between the tax basis of assets and liabilities and their financial reporting basis. The Group records a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realised. Management subsequently adjusts the valuation allowance as the expected realisability of the deferred tax assets changes such that the valuation allowance is sufficient to cover the portion of the asset that will not be realised. The Group records the tax associated with any transactions with U.S. or other tax consequences when the Group recognises the related income.

Shareholders in certain jurisdictions may have individual income tax consequences from ownership of the Group's shares. The Group has not accounted for any such tax consequences in these consolidated financial statements. For example, the Investment Manager expects the Group and certain of its non-U.S. corporate subsidiaries to be treated as passive foreign investment corporations ("PFICs") under U.S. tax rules. For this purpose, the PFIC regime should not give rise to additional tax at the level of the Group or its subsidiaries. Instead, certain U.S. investors in the Group may need to make tax elections and comply with certain U.S. reporting requirements related to their investments in the PFICs in order to potentially manage the adverse U.S. tax consequences associated with the regime.

Forward Foreign Exchange Contracts

Forward foreign exchange contracts are reported at fair value. See note 6.

Forward foreign exchange contracts involve elements of market risk in excess of the amounts reflected on the consolidated financial statements. The Group bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign exchange contract as well as risks from the potential inability of the counterparties to meet the terms of their contracts.

Reclassifications

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation.

Operating Expenses

Operating expenses are recognised when incurred. Operating expenses include amounts directly incurred by the Group as part of its operations, and do not include amounts incurred from the operations of the Group's investments.

Carried Interest

Carried interest amounts due to the Special Limited Partner (an affiliate of the Investment Manager, see note 10) are computed and accrued at each period end based on period-to-date results in accordance with the terms of the Amended and Restated Investment Partnership Agreement. For the purposes of calculating the incentive allocation payable to the Special Limited Partner, the value of any fund investments made by the Group in other Neuberger Berman Funds ("NB Funds") in respect of which the Investment Manager or an affiliate receives a fee or other remuneration shall be excluded from the calculation.

Note 3 – Fair Value of Financial Instruments

The Group invests in a diversified portfolio of private equity investments (see note 2). As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Group has assessed these positions and concluded that all private equity investments not valued using the practical expedient, with the exception of marketable securities, are classified as either level 2 or level 3 due to significant unobservable inputs. Marketable securities distributed from a private equity investment are classified as level 1. As of 31 December 2017 and 2016, there were no marketable securities held by the Group.

The following table details the Group's financial assets and liabilities that were accounted for at fair value as of 31 December 2017 and 2016 by level and fair value hierarchy:

	Assets (Liabilities) Accounted for at Fair Value				
As of 31 December 2017	Level 1	Level 2	Level 3	Investments measured at net asset value[1]	Total
Private equity investments	$ -	$ 38,693,724	$ 152,002,136	$ 770,710,434	$ 961,406,294
Forward foreign exchange contract	-	1,656,011	-	-	1,656,011
Totals	$ -	$ 40,349,735	$ 152,002,136	$ 770,710,434	$ 963,062,305
As of 31 December 2016	Level 1	Level 2	Level 3	Investments measured at net asset value[1]	Total
Private equity investments	$ -	$ 23,159,340	$ 137,005,865	$ 607,147,624	$ 767,312,829
Forward foreign exchange contract	-	(3,308,112)	-	-	(3,308,112)
Totals	$ -	$ 19,851,228	$ 137,005,865	$ 607,147,624	$ 764,004,717

(1): Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorised in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Condensed Schedules of Private Equity Investments.

The Group accounts for transfers at the end of the reporting period in which such transfers occur.

The following table summarises the changes in the fair value of the Group's level 3 private equity investments for the year ended 31 December 2017.

(dollars in thousands) For the Year Ended 31 December 2017	Large-cap Buyout	Mid-cap Buyout	Special Situations	Growth/ Venture	Income Investments	Total Private Equity Investments
Balance, 31 December 2016	$ -	$ 44,395	$ 4,199	$ 5,588	$ 82,824	$ 137,006
Purchases of investments and/or contributions to investments	-	476	-	397	55,409	56,282
Realised gain (loss) on investments	-	31,018	2,639	138	4,954	38,749
Changes in unrealised gain (loss) of investments still held at the reporting date	-	5,284	-	1,361	(70)	6,575
Changes in unrealised gain (loss) of investments sold during the period	-	(25,181)	(2,553)	-	4,848	(22,886)
Distributions from investments	-	(36,341)	(4,177)	(138)	(45,130)	(85,786)
Transfers in and / or (out) of level 3	2,000	1,637	-	17,955	470	22,062
Balance, 31 December 2017	$ 2,000	$ 21,288	$ 108	$ 25,301	$ 103,305	$ 152,002

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The following table summarises changes in the fair value of the Company's level 3 private equity investments for the year ended 31 December 2016.

(dollars in thousands) For the Year Ended 31 December 2016	Large-cap Buyout	Mid-cap Buyout	Special Situations	Growth/ Venture	Income Investments	Total Private Equity Investments
Balance, 31 December 2015	$ 93,683	$ 172,544	$ 35,300	$ 27,761	$ 266,256	$ 595,544
Purchases of investments and/or contributions to investments	22,739	70,212	12,084	9,068	40,858	154,961
Realised gain (loss) on investments	6,482	2,676	3,438	1,257	26,669	40,522
Changes in unrealised gain (loss) of investments still held at the reporting date	17,488	66,563	1,864	2,667	(2,444)	86,138
Changes in unrealised gain (loss) of investments sold during the period	(7,353)	(7,566)	(6,779)	-	213	(21,485)
Distributions from investments	(19,894)	(19,093)	(2,114)	(2,257)	(222,457)	(265,815)
Transfers in and / or (out) of level 3	(113,145)	(240,941)	(39,594)	(32,908)	(26,271)	(452,859)
Balance, 31 December 2016	$ -	$ 44,395	$ 4,199	$ 5,588	$ 82,824	$ 137,006

The following table summarises the valuation methodologies and inputs used for private equity investments categorised in level 3 as of 31 December 2017.

(dollars in thousands)

Private Equity Investments	Fair Value 31 December 2017	Valuation Methodologies	Unobservable Inputs[1]	Ranges (Weighted Average)[2]	Impact to Valuation from an Increase in Input[3]
Direct equity investments					
Large-cap buyout	$ 2,000	Other	Most recent financing	Not applicable	Increase
Mid-cap buyout	21,288	Other	Escrow Value	1.0x	Increase
		Other	Expected sales proceeds	1.0x	Increase
		Other	Most recent financing	Not applicable	Increase
Special situations	108	Other	Escrow Value	1.0x	Increase
Growth / venture	25,301	Other	Most recent financing	Not applicable	Increase
Income investments	103,305	Market comparable companies	LTM EBITDA	7.3x-13.1x (10.5x)	Increase
Total	$ 152,002				

1. LTM means Last Twelve Months, EBITDA means Earnings Before Interest Taxes Depreciation and Amortisation.
2. Inputs weighted based on fair value of investments in range.
3. Unless otherwise noted, this column represents the directional change in the fair value of level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

The following table summarises the valuation methodologies and inputs used for private equity investments categorised in level 3 as of 31 December 2016.

(dollars in thousands)

Private Equity Investments	Fair Value 31 December 2016	Valuation Methodologies	Unobservable Inputs[1]	Ranges (Weighted Average)[2]	Impact to Valuation from an Increase in Input[3]
Direct equity investments					
Mid-cap buyout	$ 44,395	Market comparable companies	LTM EBITDA	8.0x-21.5x (13.0x)	Increase
		Other	Escrow Value	1.0x	Increase
		Other	Expected sales proceeds	1.0x	Increase
Special situations	4,199	Market comparable companies	LTM EBITDA	8.1x	Increase
Growth / venture	5,588	Other	Escrow Value	1.0x	Increase
		Other	Most recent financing	Series A and Series D	Increase
Income investments	82,824	Market comparable companies	LTM EBITDA	7.3x-13.8x (9.6x)	Increase
Total	$ 137,006				

1. LTM means Last Twelve Months, EBITDA means Earnings Before Interest Taxes Depreciation and Amortisation.
2. Inputs weighted based on fair value of investments in range.
3. Unless otherwise noted, this column represents the directional change in the fair value of level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

Since 31 December 2016, there have been no changes in valuation methodologies within level 2 and level 3 that have had a material impact on the valuation of private equity investments.

Generally, fund investments have a defined term and no right to withdraw. In the case of fund investments, fund lives are typically ten years; however, a series of extensions often mean the lives can extend significantly beyond this. It should be noted that the life of a fund is based on the time it takes the General Partner to exit the final position in that fund, but the bulk of realisations typically occur considerably before the final exit, with only a small tail existing beyond the standard life of ten years. In the case of direct equity investments and income investments, the Investment Manager does not control the timing of exits but at the time of investment, typically expects investment durations to be meaningfully shorter than fund investments. Therefore, although some fund and direct investments may take 10-15 years to reach final realisation, the Investment Manager expects the majority of the Group's invested capital in the current portfolio to be returned in much shorter timeframes.

Note 4 – Credit Facility

On 12 December 2012, a subsidiary of the Company amended an agreement with Lloyds Banking Group (formerly Bank of Scotland) to provide for a revised senior secured revolving credit facility (the "2012 Credit Facility") of up to $200.0 million that would have expired on 30 April 2017. Prior to this date, in June 2016, the Group closed this facility. Throughout 2016 up to the date of repayment, the Group met all requirements under the 2012 Credit Facility and as of 31 December 2016 the 2012 Credit Facility had been closed.

On 7 June 2016, the same subsidiary of the Company entered into an agreement with JP Morgan (the "2016 Credit Facility") to refinance the 2012 Credit Facility. The 2016 Credit Facility's availability is up to $150.0 million (including a $25.0 million accordion) and expires on 7 June 2021. At 31 December 2017, there was $60.0 million in borrowings drawn under the 2016 Credit Facility. At 31 December 2016, there were no borrowings drawn under the 2016 Credit Facility.

The 2016 Credit Facility is guaranteed by the Company as well as all of the Company's subsidiaries and secured by substantially all of the assets of the Company and its subsidiaries.

Under the 2016 Credit Facility, the Group is required to meet certain portfolio concentration tests, a maximum over-commitment test, and certain loan-to-value ratios. In addition, the 2016 Credit Facility limits the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers, repurchase of shares, liens, or other matters customarily restricted in such agreements. The ZDP Shares (see note 5) are compliant with the 2016 Credit Facility agreements. At 31 December 2017, the Group met all requirements under the 2016 Credit Facility.

Under the 2016 Credit Facility, the interest rate is calculated as LIBOR plus 3.75% per annum and the Group is required to pay a commitment fee calculated as 1.25% per annum on the daily balance of the unused facility amount.

For the year ended 31 December 2017, the Group incurred and expensed $464,179 in interest and $1,467,361 for undrawn commitment fees. For the year ended 31 December 2016, the Group incurred and expensed $1,700,185 in interest and $1,195,533 for undrawn commitment fees. As of 31 December 2017 and 2016, unamortised capitalised debt issuance costs (included in other assets) were $1,555,665 and $2,008,469 respectively. For the years ended 31 December 2017 and 2016, capitalised amounts are being amortised on a straight-line basis over the term of the 2016 Credit Facility. Such amortisation amounted to $452,804 and $977,512 for the years ended 31 December 2017 and 2016, respectively.

An active market for debt instruments that are similar to that of the 2016 Credit Facility does not exist. The Investment Manager estimates the fair value of the 2016 Credit Facility based on comparison to debt instruments with comparable characteristics and considers that, based on the balance borrowed, the fair value of the 2016 Credit Facility was $60.0 million at 31 December 2017 and had a zero balance at 31 December 2016.

Note 5 – Zero Dividend Preference Shares ("ZDP Shares")

On 30 November 2009 the Company issued 30,000,000 ZDP Shares. On 16 April 2010 the Company issued an additional 2,999,999 ZDP Shares. The additional ZDP Shares ranked pari passu with the first ZDP Shares, collectively the "2017 ZDP Shares". The holders of the 2017 ZDP Shares were entitled to a redemption amount of 100.0 pence per ZDP Share as increased daily at such a daily compound rate as would give a final entitlement of 169.73 pence on 31 May 2017, resulting in an effective interest rate of 7.3% annually. As a result of the Rollover Offer (described below), there were 7,109,599 2017 ZDP Shares outstanding as of 31 December 2016 and on 31 May 2017 the remaining 2017 ZDP Shares were fully redeemed and are no longer outstanding as of 31 December 2017.

On 14 September 2016, the Company completed the successful issuance of 50,000,000 new ZDP shares (the "2022 ZDP Shares") at a Gross Redemption Yield of 4.00%. Holders of the 2017 ZDP Shares were given the offer to rollover their shares to the 2022 ZDP Share series (the "Rollover Offer"). Under the Rollover Offer, eligible holders of the 2017 ZDP Shares converted (by way of re-designation) some or all of their holding of 2017 ZDP Shares into new 2022 ZDP Shares. The rollover was completed at a rollover value of 165.14 pence and 2017 ZDP Shares were converted (by way of re-designation) into 1.6514 2022 ZDP Shares. Approximately 85% of the 2022 ZDP Shares were issued through the Rollover Offer. Approximately 15% of the 2022 ZDP Shares were issued pursuant to the Initial Placing and Offer for Subscription at a price per 2022 ZDP Share of 100 pence. The holders of the 2022 ZDP shares will have a final capital entitlement of 126.74 pence on the repayment date of 30 September 2022. As of 31 December 2017, there were 50,000,000 2022 ZDP Shares outstanding.

The 2022 ZDP Shares rank prior to the Class A Shares and B Shares in respect of repayment of the final entitlement. However, they rank behind any borrowings that remain outstanding. They carry no entitlement to income and their entire return takes the form of capital.

The following table reconciles the liability for ZDP Shares, which approximates fair value, for the years ended 31 December 2017 and 2016.

ZDP Shares	Pounds Sterling	U.S. Dollars
Liability, 31 December 2015	£ 50,719,303	$ 74,739,963
Net change from 2022 ZDP Share issuance and rollover of 2017 ZDP Shares	24,109,600	27,666,324
Net change in accrued interest	(12,494,081)	(15,545,798)
Premium amortisation	(21,571)	(17,925)
Currency conversion	-	(9,948,012)
Liability, 31 December 2016	£ 62,313,251	$ 76,894,552
Redemption of 2017 ZDP Shares	(7,190,043)	(8,872,514)
Net change in accrued interest	(2,508,484)	(2,789,914)
Premium amortisation	(9,815)	(12,111)
Currency conversion	-	5,865,000
Liability, 31 December 2017	£ 52,604,909	$ 71,085,013

On 31 May 2017 the 2017 ZDP Shares were redeemed and delisted from the Specialist Fund Segment and the Official List of The International Stock Exchange. As of 31 December 2017, the 2022 ZDP Shares were the only outstanding ZDP share class.

Capitalised offering costs are being amortised using the effective interest rate method. The unamortised balance of the 2022 ZDP Shares at 31 December 2017 was $1,438,820 and the unamortised balance of the 2017 and 2022 ZDP Shares at 31 December 2016 was $1,823,230.

Note 6 – Forward Foreign Exchange Contracts

The Group entered into a forward foreign exchange contract in 2009 with the Lloyds Banking Group to economically hedge, in part, the risk associated with the pounds sterling contractual liability for the ZDP Shares. The Group settled the forward foreign exchange contract on 7 June 2016 with the Lloyds Banking Group. As a result of this settlement, the Group recognised a realised loss of $6,500,000 which is included in net realised gain (loss) on investments and forward foreign exchange contracts in the Consolidated Statements of Operations and Changes in Net Assets for the year ended 31 December 2016.

On 21 September 2016, the Group entered into a forward foreign currency contract with JP Morgan. The contract stated that the Group would purchase £50,000,000 on 31 May 2017 for $65,250,000. The Group incurred a $220,000 margin call related to this contract which is included in Net realised gain (loss) on investments and forward foreign exchange contracts on the Consolidated Statements of Operations and Changes in Net Assets. The change in unrealised loss on this contract for the year ended 31 December 2016 was $3,308,112 which is included in net change in unrealised gain (loss) on investments and forward foreign exchange contract on the Consolidated Statements of Operations and Changes in Net Assets. As of 31 December 2016, the fair value of this contract was a liability of $3,308,112 which is included in accrued expenses and other liabilities on the Consolidated Balance Sheets. On 26 May 2017, the Group incurred a realised loss on the settlement of this contract of $1,220,000 which is included in Net realised gain (loss) on investments and forward foreign exchange contracts on the Consolidated Statements of Operations and Changes in Net Assets.

Following the settlement on 26 May 2017 of the contract described immediately above, the Group entered into a new forward foreign currency contract with JP Morgan which states that the Group will purchase £30,000,000 on 31 May 2018 for $38,874,000. The change in unrealised gain on this contract for the year ended 31 December 2017 was $1,656,011 which is included in net change in unrealised gain (loss) on investments and forward foreign exchange contract on the Consolidated Statements of Operations and Changes in Net Assets. As of 31 December 2017, the fair value of this contract was an asset of $1,656,011 which is included in other assets on the Consolidated Balance Sheets.

Note 7 – Income Taxes

The Group is exempt from Guernsey tax on income derived from non-Guernsey sources. However, certain of its underlying investments generate income that is subject to tax in other jurisdictions, principally the United States. The Group has recorded the following amounts related to such taxes:

	31 December 2017		31 December 2016	
Current tax expense	$	304,408	$	1,749,401
Deferred tax expense (benefit)		509,577		(3,586,485)
Total tax expense (benefit)	$	813,985	$	(1,837,084)

	31 December 2017		31 December 2016	
Gross deferred tax assets	$	6,032,530	$	10,301,417
Valuation allowance		(2,270,349)		(5,240,034)
Net deferred tax assets		3,762,181		5,061,383
Gross deferred tax liabilities		(5,297,864)		(6,087,489)
Net deferred tax assets (liabilities)	$	(1,535,683)	$	(1,026,106)

Current tax expense is reflected in net realised gains and deferred tax expense (benefit) is reflected in net changes in unrealised gains on the Consolidated Statements of Operations and Changes in Net Assets. Net deferred tax liabilities are related to net unrealised gains and gross deferred tax assets, offset by a valuation allowance, are related to unrealised losses on investments held in entities that file separate tax returns.

The Group has no gross unrecognised tax benefits. The Group is subject to examination by tax regulators for the years subsequent to 2013.

Note 8 – Earnings (Loss) per Share

The computations for earnings (loss) per share for the years ended 31 December 2017 and 2016 are as follows:

	For the Years Ended 31 December			
		2017		2016
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$	99,245,655	$	100,713,774
Divided by weighted average shares outstanding for Class A Shares and Class B Shares of the controlling interest		48,800,564		48,800,564
Earnings (loss) per share for Class A Shares and Class B Shares of the controlling interest	$	2.03	$	2.06

Note 9 – Share Capital, Including Treasury Stock

Following the Class A Shareholder meeting on 24 April 2017 and admission to the Main Market, Class A Shareholders have the right to vote on all resolutions proposed at general meetings of the Company, including resolutions relating to the appointment, election, re-election and removal of directors. The Company's Class B Shares, which were issued at the time of the initial public offering to a Guernsey charitable trust whose trustee is Estera Corporate Services (Guernsey) Limited ("Trustee"), usually carry no voting rights at general meetings of the Company. However, in the event the level of ownership of Class A Shares by US residents (excluding any Class A Shares held in treasury) exceeds 35% on any date determined by the directors (based on an analysis of share ownership information available to the Company), the Class B Shares will carry voting rights in relation to "Director Resolutions" (as such term is defined in the Company's articles of incorporation). In this event, Class B Shares will automatically carry such voting rights to dilute the voting power of the Class A shareholders with respect to Director Resolutions to the extent necessary to reduce the percentage of votes exercisable by US residents in relation to the Director Resolutions to not more than 35%. Each Class A Share and Class B Share participates equally in profits and losses. There have been no changes to the legal form or nature of the Class A Shares nor to the reporting currency of the Company's consolidated financial statements (which will remain in U.S. Dollars) as a result of the Main Market quote being in Sterling.

The following table summarises the Company's shares at 31 December 2017 and 2016.

	31 December 2017	31 December 2016
Class A Shares outstanding	48,790,564	48,790,564
Class B Shares outstanding	10,000	10,000
	48,800,564	48,800,564
Class A Shares held in treasury - number of shares	3,150,408	3,150,408
Class A Shares held in treasury - cost	$ 9,248,460	$ 9,248,460

The Company currently has shareholder authority to repurchase shares in the market, the aggregate value of which may be up to 14.99% of its NAV on 1 January in the relevant year in which the buyback is made. The maximum price which may be paid for a Class A Share is an amount equal to the higher of (i) the price of the last independent trade and (ii) the highest current independent bid, in each case, with respect to the Class A Shares on the relevant exchange (being the Main Market or the regulated market of Euronext Amsterdam N.V.).

Note 10 – Management of the Group and Other Related Party Transactions

Management and Administration

The Group is managed by the Investment Manager for a management fee calculated at the end of each calendar quarter equal to 37.5 basis points (150 basis points per annum) of the NAV of the private equity and opportunistic investments. For purposes of this computation, the NAV is reduced by the NAV of any investment for which the Investment Manager is separately compensated for investment management services. The Investment Manager is not entitled to a management fee on: (i) the value of any fund investments held by the Company in NB Funds in respect of which the Investment Manager or an affiliate receives a fee or other remuneration; or (ii) the value of any holdings in cash and short-term investments (the definition of which shall be determined in good faith by the Investment Manager, and shall include holdings in money market funds (whether managed by the Investment Manager, an affiliate of the Investment Manager or a third party manager)). For the years ended 31 December 2017 and 2016, the management fee expenses were $11,904,626 and $10,665,808, respectively, and are included in investment management and services on the Consolidated Statement of Operations and Changes in Net Assets.

The Group pays MUFG Capital Analytics LLC, now an independent third party, for certain accounting and administrative services at the rate of 2.5 basis points per quarter (10 basis points per annum) applied to the NAV of the private equity and opportunistic investments at the end of each calendar quarter, computed as described above and for all periods beginning 1 May 2016 and onwards. During the period of 1 January 2016 through 30 April 2016, the current independent third party administrator was an affiliate of the Investment Manager and the Group incurred $200,182 for these services.

The Group pays to Estera International Fund Managers (Guernsey) Limited ("Estera"), an affiliate of the Trustee, a fee for providing certain administrative functions relating to certain corporate services and Guernsey regulatory matters affecting the Group. Fees for these services are paid as invoiced by Estera. The Group paid Estera $177,152 and $269,045 for the years ended 31 December 2017 and 2016 respectively, for such services, and are included in administration and professional fees on the Consolidated Statements of Operations and Changes in Net Assets.

For the years ended 31 December 2017 and 2016, the Group paid the independent directors a total of $195,000 and $217,500 respectively. In addition, and as disclosed in the notice of extraordinary general meeting ("EGM"), the independent directors at the time also received a one-time fee of $7,500 each for the additional work in moving from the Specialist Fund Segment to the Main Market during the year ended 31 December 2017.

Expenses related to the Investment Manager are included in investment management and services in the Consolidated Statements of Operations and Changes in Net Assets. Administration and professional fees include fees for directors, independent third party accounting and administrative services, audit and tax, trustee, legal, listing, and other items.

Special Limited Partner's Noncontrolling Interest in Subsidiary

An affiliate of the Investment Manager is a Special Limited Partner in a consolidated partnership subsidiary. At 31 December 2017 and 2016, the noncontrolling interest of $1,003,228 and $895,949 represented the Special Limited Partner's capital contribution to the partnership subsidiary and income allocation respectively.

The following table reconciles the carrying amount of Net Assets, Net Assets attributable to the controlling interest and Net Assets attributable to the noncontrolling interest at 31 December 2017 and 2016.

	Controlling Interest	Noncontrolling Interest	Total
Net assets balance, 31 December 2015	$ 700,327,477	$ 787,260	$ 701,114,737
Net increase (decrease) in net assets resulting from operations	100,713,774	108,689	100,822,463
Dividend payment	(24,400,282)	-	(24,400,282)
Net assets balance, 31 December 2016	$ 776,640,969	$ 895,949	$ 777,536,918
Net increase (decrease) in net assets resulting from operations	99,245,655	107,279	99,352,934
Dividend payment	(24,400,282)	-	(24,400,282)
Net assets balance, 31 December 2017	$ 851,486,342	$ 1,003,228	$ 852,489,570

Carried Interest

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5% of the Group's consolidated net increase in net assets resulting from operations, adjusted by withdrawals, distributions, and capital contributions, for a fiscal year in the event that the Group's internal rate of return for such period, based on the NAV, exceeds 7.5%. For the purposes of this computation, the value of any private equity fund investment in NB Funds in respect of which the Investment Manager or an affiliate receives a fee or other remuneration shall be excluded from the calculation of the incentive allocation payable to the Special Limited Partner. If losses are incurred for a period, no carried interest is earned and such loss amounts are carried forward to be included in the calculations for future periods. Such loss amounts are reduced proportionately to give effect to the distributions to the general partner of the partnership subsidiary during the performance period. Carried interest is also accrued and paid on any economic gain that the Group realises on treasury stock transactions (see note 9). Carried interest is accrued periodically and paid at the conclusion of the fiscal year. As of 31 December 2017 and 2016, carried interest of $7,925,575 and $7,866,561 respectively was accrued.

Private Equity Investments with the Investment Manager's Platform

The Group holds limited partner interests in private equity funds and funds of funds managed and sponsored by the Investment Manager. These investments will not result in any duplicative NBG investment management fees and carry charged to the Group. As of 31 December 2017 and 2016, the aggregate NAV of these funds was approximately $226.7 million and $232.4 million, respectively and associated unfunded commitments were $239.7 million and $232.1 million, respectively.

The Group owns a 50% interest in NB Fund of Funds Secondary 2009 LLC ("NBFOFS"). Other funds managed by the Investment Manager own the remaining interest. NBFOFS holds a portfolio of private equity funds acquired in a secondary transaction. NBFOFS pays no fees or carry and the Group bears its share of any direct expenses of NBFOFS.

As of 31 December 2017, the Group has committed $317.0 million and funded $156.2 million to the NB Alternatives Direct Co- investment Programs, committed $50.0 million and funded $45.6 million to the NB Healthcare Credit Investment Program, committed $30.0 million and funded $13.1 million to Marquee Brands and committed $50.0 million and funded $4.3 million to NB Credit Opportunities Program.

Note 11 – Risks and Contingencies

Market Risk

The Group's exposure to financial risks is both direct (through its holdings of assets and liabilities directly subject to these risks) and indirect (through the impact of these risks on the overall valuation of its private equity investments). The Group's private equity investments are generally not traded in an active market, but are indirectly exposed to market price risk arising from uncertainties about future values of the investments held. The fund investments of the Group each holds a portfolio of investments in underlying companies. These portfolio company investments vary as to type of security held by the underlying partnership (debt or equity, publicly traded or privately held), stage of operations, industry, geographic location, and geographic distribution of operations and size, all of which may impact the susceptibility of their valuation to market price risk.

Market conditions for publicly traded and privately held investments in portfolio companies held by the partnerships may affect their value in a manner similar to the potential impact on direct co-investments made by the Group in publicly traded and privately held securities. The fund investments of the Group may also hold financial instruments (including debt and derivative instruments) in addition to their investments in portfolio companies that are susceptible to market price risk and therefore may also affect the value of the Group's investment in the partnerships. As with any individual investment, market prices may vary from composite index movements.

Credit Risk

Credit risk is the risk of losses due to the failure of a counterparty to perform according to the terms of a contract. The Group may invest in a range of debt securities directly or in funds which do so. Until such investments are sold or are paid in full at maturity, the Group is exposed to credit risk relating to whether the issuer will meet its obligations when the securities come due. Distressed debt securities by nature are securities in companies which are in default or are heading into default and will expose the Group to a higher than normal amount of credit risk.

The cash and other liquid securities held can subject the Group to a concentration of credit risk. The Investment Manager attempts to mitigate the credit risk that exists with cash deposits and other liquid securities by regularly monitoring the credit ratings of such financial institutions and evaluating from time to time whether to hold some of the Group's cash and cash equivalents in U.S. Treasuries or other highly liquid securities.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Investment Manager mitigates this risk by monitoring the sufficiency of cash balances and availability under the 2016 Credit Facility (see note 4) to meet expected liquidity requirements for investment funding and operating expenses.

Contingencies

In the normal course of business, the Group enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Group’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Group that have not yet occurred. The Investment Manager expects the risk of loss to be remote and does not expect these to have a material adverse effect on the consolidated financial statements of the Group.

Note 12 – Financial Highlights

The following ratios with respect to the Class A Shares and B Shares have been computed for the years ended 31 December 2017 and 2016:

Per share operating performance (based on average shares outstanding during the year)		For the Year Ended 31 December 2017		For the Year Ended 31 December 2016
Beginning net asset value	$	15.91	$	14.35
Net increase in net assets resulting from operations:				
Net investment income (loss)		(0.28)		0.07
Net realised and unrealised gain (loss)		2.32		1.99
Dividend payment		(0.50)		(0.50)
Ending net asset value	$	17.45	$	15.91
Total return (based on change in net asset value per share)		**2017**		**2016**
Total return before carried interest		12.82%		15.47%
Carried interest		(1.00%)		(1.11%)
Total return after carried interest		11.82%		14.36%
Net investment income (loss) and expense ratios (based on weighted average net assets)		**2017**		**2016**
Net investment income (loss)		(1.75%)		0.48%
Expense ratios:				
Expenses before interest and carried interest		2.39%		2.34%
Interest expense		0.44%		0.44%
Carried interest		1.00%		1.11%
Expense ratios total		3.83%		3.89%

Net investment income (loss) is interest income earned net of expenses, including management fees and other expenses consistent with the presentation within the Consolidated Statements of Operations and Changes in Net Assets. Expenses do not include the expenses of the underlying private equity investment partnerships.

Individual shareholder returns may differ from the ratios presented based on differing entry dates into the Group.

Note 13 – Subsequent Events

On 17 January 2018, the board of directors of the Group declared a dividend payment of $0.25 on each ordinary share which was payable on 28 February 2018 with a dividend record date of 26 January 2018.

The Investment Manager and the board of directors have evaluated events through 4 April 2018, the date the consolidated financial statements were available to be issued, and has determined that there were no other subsequent events that required adjustment to, or disclosure in, the consolidated financial statements.