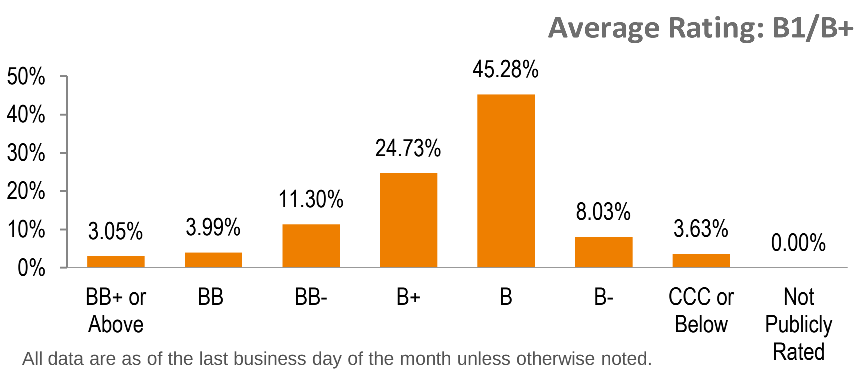
NN (L) Flex – Senior Loans

Monthly Report: November 2018 – Spain, refer to the disclaimer

Characteristics	Fund	S&P/LSTA Index
Number of Industries	36	38
Number of Issuers	391	1108
Average per Issuer (in USD)	12,110,257	
Average per Issuer (as % of AUM in USD)	0.26%	
% of Total Assets in Non-USD Loans	8.20%	
Portfolio AUM / Index Outstanding	$4,735,110,446	$1,089.45 Billion
Portfolio AUM (EUR)	€ 4,182,036,165	
Previous Month End	€ 4,536,281,503	
Weighted Average Spread	3.48%	3.33%
Weighted Average Coupon**	5.99%	5.68%
% of Loans with LIBOR Floors	47.35%	
Weighted Average LIBOR Floor	0.97%	
Discounted Yield to 3-year Call***	6.74%	6.79%
Weighted Average Days to Reset	34.3	
Weighted Average Maturity (years)	5.51	5.23
Weighted Average Market Price	97.98%	96.78%
Leverage for Investment Purposes (%)	0.00%	

Top 10 Industry Allocations (%)	Portfolio	Index
Business Equipment & Services	12.84%	10.07%
Electronics/Electrical	11.57%	13.87%
Health Care	10.54%	9.30%
Diversified Insurance	6.20%	2.96%
Telecommunications	5.98%	5.00%
Leisure Goods/Activities/Movies	4.43%	4.00%
Retailers (Except Food & Drug)	4.37%	4.45%
Containers & Glass Products	4.14%	1.89%
Automotive	3.73%	2.00%
Lodging & Casinos	3.21%	4.85%

Ratings Distribution (Senior Secured Ratings)



Top 10 Portfolio Holdings (%)	% of AUM
Asurion, LLC	1.50%
Gates Global LLC	0.96%
BMC Software, Inc.	0.90%
Acrisure, LLC	0.85%
Refinitiv (aka Thomson Reuters Financial & Risk)	0.85%
Caesars Resort Collection	0.84%
West Corp	0.75%
RCN Grande Cable	0.71%
Gardner Denver, Inc.	0.69%
McAfee, LLC	0.68%

Loans by Country	% of MV
United States	82.51%
United Kingdom	3.94%
Canada	2.84%
France	2.22%
Netherlands	1.35%
Germany	1.19%
Other	5.96%

Loans by Currency	% of MV
U.S. Dollar	91.36%
Euro	8.64%

Asset Breakdown (%)	Portfolio
Senior Loans	94.00%
- First Lien	97.40%
- Second Lien	2.60%
- Secured	100.00%
- Unsecured	0.00%
Fixed Rate Notes/Bonds	0.00%
Structured Products	0.00%
Cash & Other Net Assets*	6.00%
Total	100%

All data are as of the last business day of the month unless otherwise noted.

*These weightings reflect "other net assets." "Other net assets" includes cash, payables, receivables and all other assets and liabilities on the balance sheet.

** The Fund's weighted average coupon is calculated by using nominal spread and 60-day LIBOR, while the Index's weighted average coupon is calculated using nominal spread and weighted average contracts.

**Discounted yield to 3-year call assumes: (i) all loans pay off at par in 3 years, (ii) discount from par is amortized evenly over the 3 years as additional spread, and (iii) no other principal payments during the 3 years. Discounted yield is calculated based upon the current market price, not on par.

Total Returns	1 Month	YTD	Total Returns	1 Month	YTD
I Capitalisation EUR (Gross)	-1.02%	0.99%	S&P/LSTA Index (Hedged to EUR)	-1.14%	0.47%
I Capitalisation EUR (Net)	-1.09%	0.19%	S&P B/BB Index (Hedged to EUR)	-1.09%	0.40%
I Capitalisation USD-Hedged (Gross)	-0.79%	3.47%	S&P/LSTA Index	-0.90%	3.06%
I Capitalisation USD-Hedged (Net)	-0.86%	2.63%	S&P B/BB Index	-0.85%	2.99%

Total return is based on an initial investment on the last business day before the first day of the stated period, with the total returns (NAV change and distributions) compounded each month during the stated period. Returns are reported only for the I Capitalisation EUR and I Capitalisation USD-Hedged share classes for the purposes of this report. Capitalisation returns include reinvestment of interest and income. Share class performance is compared against the gross returns of the S&P/LSTA Leveraged Loan Index ("S&P/LSTA Index") and the S&P/LSTA B/BB Leveraged Loan Index ("S&P B/BB Index"). The S&P/LSTA Leveraged Loan Index is a total return index that tracks the current outstanding balance and spread over LIBOR for fully funded term loans. The S&P B/BB Index is a subset of the full S&P/LSTA Leveraged Loan Index, which contains all loans rated "B" or "BB" by S&P. Investors cannot invest directly in an Index.

Portfolio Manager Commentary

The U.S. loan market (S&P/LSTA Index) posted a 0.90% loss in November, its most challenging month in nearly three years (i.e., -1.05% in December 2015). This put the 2018 YTD return behind 2017 for the first time this year, at 3.06% vs. 3.71%. We note that U.S. loans continue to have the best YTD performance in fixed-income; in fact, High-Yield, Investment-Grade and 10-year Treasuries all have negative YTD returns.

As global investors across all asset classes assessed a more uncertain macro investment outlook, the loan market's technical landscape changed. New issuance activity – while still outpacing demand in the aggregate – came down as the month wore on and demand was obviously lagging. Indicative of a shift from a seller's to a buyer's market, 41% of new-issue loans saw their spreads set higher during syndication, diverging from the trend seen just a few months ago, where roughly 70% of new deals included borrower-friendly concessions. The size of the Index, as tracked by par amount outstanding, grew by $10.7 billion to $1.13 trillion. This led to a $1.6 billion net supply surplus as, on the demand side, CLO issuance carried on at a strong pace with $13.1 billion (vs. $9.1 billion in October) but retail loan funds were faced with significant net redemptions ($4.0 billion outflows vs. inflows of $0.7 billion in October). The Index's weighted average bid declined by 136 bps to 96.78 - its lowest level since October 2016. The price impact was widespread; the share of performing loans priced at par or higher was only 5% at November-end vs. 36% in October and 75% earlier in the year.

The Index's returns by rating cohorts for the November / YTD periods were as follows: -0.68% / 2.46% for BBB, -0.90% / 2.20% for BB, -0.83% / 3.47% for B, -1.61% / 5.89% for CCC and -5.28% / -7.80% for D. The return patterns reflect a negative investor sentiment in November while a general risk-on sentiment still dominates the YTD period. All rating cohorts posted negative market-value returns in November: -1.88% overall, -2.11% BB, -1.86% B and -2.06% CCC. The trend was also consistent across industry sectors.

The Fund's gross returns for November and the YTD period outperformed the Euro-hedged Index by 12 and 52 bps, respectively, and the Euro-hedged B/BB sub-index by 7 and 59 bps. The Fund's performance relative to the Index in November, similar to the prior month, reflected no major outlier in terms of individual issuers or industries and benefitted mostly from its B overweight and its Euro loan allocation (8.6% of AUM, off Index). European loans were affected by market volatility, but to a lesser extent than in the U.S. loan market (total return of -0.52% vs. -0.90% in the U.S.). Cash balance remained minimal and had no impact on performance.

There were two new defaults in the Index during November. Both defaults occurred in Retail, a sector continuing to face headwinds caused by secular changes. The Index's default rate by principal amount declined 31 bps (as four older defaults rolled off the 12-month rolling calculation) to 1.61%, a significant decline relative to the three-year high of 2.42% reached back in March. The Fund had no default in November and its default rate was 0.36%. Over the last twelve months, the Fund had one default as compared to fourteen in the Index. While there remains a select number of issuers on the Fund's watch list, the portfolio's default experience continues to compare very favorably with the Index and, since January 2008, the Fund's default count (by issuer) is nearly 80% lower than that of the Index.

The loan market's technical backdrop remains difficult as of early December. A continuing decline in primary issuance volume over the rest of the year should be helpful in providing a better balance, but it is harder to predict the demand side. At the same time, we believe that fundamentals remain solid based on decent economic growth prospects in the U.S. (though certainly slower than 2018). This should represent a favorable environment for the loan universe and, as such, we see the current situation more like a buying opportunity for loan investors.