UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM ______ TO______

COMMISSION FILE NUMBER: 814-00891

PENNANTPARK FLOATING RATE CAPITAL LTD.
(Exact name of registrant as specified in its charter)

MARYLAND	**27-3794690**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
590 Madison Avenue, 15th Floor **New York, N.Y.**	**10022**
(Address of principal executive offices)	**(Zip Code)**

(212) 905-1000
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	PFLT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock, $0.001 par value per share, outstanding as of February 9, 2021 was 38,772,074.

PENNANTPARK FLOATING RATE CAPITAL LTD.
FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2020
TABLE OF CONTENTS

PART I—CONSOLIDATED FINANCIAL INFORMATION

We are filing this Quarterly Report on Form 10-Q, or the Report, in compliance with Rule 13a-13 as promulgated by the Securities and Exchange Commission, or the SEC, under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In this Report, except where the context suggests otherwise, the terms "Company," "we," "our" or "us" refers to PennantPark Floating Rate Capital Ltd. and its wholly-owned consolidated subsidiaries; "Funding I" refers to PennantPark Floating Rate Funding I, LLC; "Taxable Subsidiary" refers to PFLT Investment Holdings, LLC; "PSSL" refers to PennantPark Senior Secured Loan Fund I LLC, an unconsolidated joint venture; "PennantPark Investment Advisers" or "Investment Adviser" refers to PennantPark Investment Advisers, LLC; "PennantPark Investment Administration" or "Administrator" refers to PennantPark Investment Administration, LLC; "2023 Notes" refers to our 4.3% Series A notes due 2023; "1940 Act" refers to the Investment Company Act of 1940, as amended; "SBCAA" refers to the Small Business Credit Availability Act; "Code" refers to the Internal Revenue Code of 1986, as amended; "RIC" refers to a regulated investment company under the Code; "BDC" refers to a business development company under the 1940 Act; "MCG" refers to MCG Capital Corporation; "Credit Facility" refers to our multi-currency senior secured revolving credit facility, as amended and restated with Truist Bank (formerly SunTrust Bank) and other lenders, or the Lenders; "Securitization Issuer" refers to PennantPark CLO I, Ltd.; "Securitization Issuers" refers to the Securitization Issuer and PennantPark CLO I, LLC; "Debt Securitization" refers to the $301.4 million term debt securitization completed by the Securitization Issuers; "2031 Asset-Backed Debt" refers to (i) the issuance of the Class A-1 Senior Secured Floating Rate Notes due 2031, the Class A-2 Senior Secured Fixed Rate Notes due 2031, the Class B-1 Senior Secured Floating Rate Notes due 2031, the Class B-2 Senior Secured Fixed Rate Notes due 2031, the Class C-1 Secured Deferrable Floating Rate Notes due 2031, the Class C-2 Notes Secured Deferrable Fixed Rate Notes due 2031, and the Class D Secured Deferrable Floating Notes due 2031 and (ii) the borrowing of the Class A-1 Senior Secured Floating Rate Loans due 2031 by the Securitization Issuers in connection with the Debt Securitization; and "Depositor" refers to PennantPark CLO I Depositor, LLC. References to our portfolio, our investments, our Credit Facility, and our business include investments we make through our subsidiaries.

Item 1. Consolidated Financial Statements

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	December 31, 2020 (unaudited)	September 30, 2020
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—$848,575,368 and $915,874,757, respectively)	$ 868,035,566	$ 910,552,309
Non-controlled, affiliated investments (cost—$22,908,099 and $21,964,181, respectively)	7,356,141	11,086,834
Controlled, affiliated investments (cost—$202,994,878 and $179,112,500, respectively)	191,953,675	165,289,324
Total of investments (cost—$1,074,478,345 and $1,116,951,438, respectively)	1,067,345,382	1,086,928,467
Cash and cash equivalents (cost—$28,487,798 and $57,534,421, respectively)	28,488,111	57,511,928
Interest receivable	2,820,458	3,673,502
Prepaid expenses and other assets	186,656	173,318
Total assets	1,098,840,607	1,148,287,215
Liabilities		
Distributions payable	3,683,347	3,683,347
Payable for investments purchased	9,578,076	3,800,000
Credit Facility payable, at fair value (cost—$256,900,000 and $308,598,500, respectively) (See Notes 5 and 10)	253,303,400	299,047,275
2023 Notes payable, at fair value (par—$117,792,879 and $138,579,858, respectively) (See Notes 5 and 10)	106,567,218	129,295,008
2031 Asset-Backed Debt, net (par—$228,000,000 and $228,000,000, respectively) (See Notes 5 and 10)	225,024,045	224,866,334
Interest payable on debt	1,891,525	3,601,479
Base management fee payable (See Note 3)	2,716,172	2,776,477
Performance-based incentive fee payable (See Note 3)	1,761,874	2,071,622
Accrued other expenses	1,964,011	1,875,281
Total liabilities	606,489,668	671,016,823
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 38,772,074 shares issued and outstanding Par value $0.001 per share and 100,000,000 shares authorized	38,772	38,772
Paid-in capital in excess of par value	538,151,528	538,151,528
Accumulated distributable net loss	(45,839,361)	(60,919,908)
Total net assets	$ 492,350,939	$ 477,270,392
Total liabilities and net assets	$ 1,098,840,607	$ 1,148,287,215
Net asset value per share	$ 12.70	$ 12.31

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,	
	2020	2019
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	$ 15,301,431	$ 18,909,894
Other income	881,785	773,103
From non-controlled, affiliated investments:		
Interest	96,462	225,353
Other income	20,307	—
From controlled, affiliated investments:		
Interest	2,662,876	3,155,324
Dividend	1,575,000	1,575,000
Other income	195,630	—
Total investment income	20,733,491	24,638,674
Expenses:		
Base management fee (See Note 3)	2,716,172	2,830,159
Performance-based incentive fee (See Note 3)	1,761,874	2,315,834
Interest and expenses on debt (See Note 10)	5,341,340	7,307,264
Administrative services expenses (See Note 3)	300,000	350,000
Other general and administrative expenses	400,000	616,077
Expenses before provision for taxes	10,519,386	13,419,334
Provision for taxes	100,000	100,000
Total expenses	10,619,386	13,519,334
Net investment income	10,114,105	11,119,340
Realized and unrealized gain (loss) on investments and debt:		
Net realized (loss) gain on investments:		
Non-controlled, non-affiliated investments	(1,707,698)	1,012,313
Controlled and non-controlled, affiliated investments	(1,052,048)	—
Net realized (loss) gain on investments	(2,759,746)	1,012,313
Net change in unrealized appreciation (depreciation) on:		
Non-controlled, non-affiliated investments	22,537,278	2,379,358
Controlled and non-controlled, affiliated investments	252,766	(5,899,705)
Debt (appreciation) depreciation (See Notes 5 and 10)	(4,013,815)	1,361,588
Net change in unrealized appreciation (depreciation) on investments and debt	18,776,229	(2,158,759)
Net realized and unrealized gain (loss) from investments and debt	16,016,483	(1,146,446)
Net increase in net assets resulting from operations	$ 26,130,588	$ 9,972,894
Net increase in net assets resulting from operations per common share (See Note 7)	$ 0.67	$ 0.26
Net investment income per common share	$ 0.26	$ 0.29

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(Unaudited)

	Three Months Ended December 31,	
	2020	**2019**
Net increase in net assets resulting from operations:		
Net investment income	$ 10,114,105	$ 11,119,340
Net realized (loss) gain on investments	(2,759,746)	1,012,313
Net change in unrealized appreciation (depreciation) on investments	22,790,044	(3,520,347)
Net change in unrealized (appreciation) depreciation on debt	(4,013,815)	1,361,588
Net increase in net assets resulting from operations	26,130,588	9,972,894
Distributions to stockholders	(11,050,041)	(11,050,041)
Net increase (decrease) in net assets	15,080,547	(1,077,147)
Net assets:		
Beginning of period	477,270,392	503,057,511
End of period	$ 492,350,939	$ 501,980,364

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended December 31,	
	2020	**2019**
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 26,130,588	$ 9,972,894
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:		
Net change in unrealized (appreciation) depreciation on investments	(22,790,044)	3,520,347
Net change in unrealized appreciation (depreciation) on debt	4,013,815	(1,361,588)
Net realized loss (gain) on investments	2,759,746	(1,012,313)
Net accretion of discount and amortization of premium	(557,400)	(486,937)
Purchases of investments	(66,964,523)	(239,443,417)
Payment-in-kind interest	(1,522,805)	(822,850)
Proceeds from dispositions of investments	109,603,991	143,743,301
Amortization of deferred financing costs	157,711	72,101
Decrease in interest receivable	853,044	747,597
Increase in receivable for investments sold	—	(55,428,416)
(Increase) decrease in prepaid expenses and other assets	(13,338)	38,577
Increase in payable for investments purchased	5,778,076	73,423,853
(Decrease) increase in interest payable on debt	(1,709,954)	809,575
(Decrease) increase in base management fee payable	(60,305)	102,140
Decrease in performance-based incentive fee payable	(309,748)	(216,371)
Increase in accrued other expenses	88,730	253,496
Net cash provided (used) by operating activities	55,457,584	(66,088,011)
Cash flows from financing activities:		
Distributions paid to stockholders	(11,050,041)	(11,050,041)
Repayments of 2023 Notes (See Notes 5 and 10)	(20,786,979)	—
Borrowings under Credit Facility (See Notes 5 and 10)	27,500,000	86,000,000
Repayments under Credit Facility (See Notes 5 and 10)	(79,198,500)	(16,000,000)
Net cash (used) provided by financing activities	(83,535,520)	58,949,959
Net decrease in cash and cash equivalents	(28,077,936)	(7,138,052)
Effect of exchange rate changes on cash	(945,881)	92,865
Cash and cash equivalents, beginning of period	57,511,928	63,337,728
Cash and cash equivalents, end of period	$ 28,488,111	$ 56,292,541
Supplemental disclosure of cash flow information:		
Interest paid	$ 6,893,583	$ 6,425,587
Taxes paid	$ 3,682	$ 37,086
Non-cash exchanges and conversions	$ 20,334,379	$ —

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—176.3% (3), (4)							
First Lien Secured Debt—157.5%							
18 Freemont Street Acquisition, LLC	08/11/2025	Hotels, Restaurants and Leisure	9.50%	1M L+800	6,697,697	$ 6,585,517	$ 6,630,720
Altamira Technologies, LLC	07/24/2025	IT Services	7.00%	3M L+600	6,231,751	6,156,590	5,951,323
Altamira Technologies, LLC (Revolver) (7)	07/24/2025	IT Services	7.00%	3M L+600	575,000	575,000	549,125
Altamira Technologies, LLC (Revolver) (7), (9)	07/24/2025	IT Services	—	—	1,581,250	—	(71,156)
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	6.00%	3M L+500	7,366,113	7,303,354	7,145,129
American Insulated Glass, LLC	12/21/2023	Building Products	6.50%	3M L+550	14,737,640	14,551,784	14,516,575
American Teleconferencing Services, Ltd.	06/08/2023	Telecommunications	7.50%	3M L+650	9,646,899	9,551,068	8,103,395
Apex Service Partners, LLC	07/31/2025	Energy Equipment and Services	6.25%	1M L+525	10,396,314	10,296,575	10,396,314
Apex Service Partners, LLC (7), (9)	07/31/2021	Energy Equipment and Services	—	—	1,866,535	—	—
API Technologies Corp.	05/11/2026	Electronic Equipment, Instruments, and Components	4.40%	1M L+425	5,910,000	5,883,546	5,599,725
Applied Technical Services, LLC	12/29/2026	Commercial Services & Supplies	6.75%	3M L+575	9,545,455	9,331,335	9,330,682
Applied Technical Services, LLC (7), (9)	06/29/2022	Commercial Services & Supplies	—	—	3,181,818	—	—
Applied Technical Services, LLC (Revolver) (7), (9)	12/29/2026	Commercial Services & Supplies	—	—	1,272,727	—	—
BEI Precision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	6.50%	3M L+550	11,580,000	11,506,491	11,522,100
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.25%	3M L+625	28,618,332	28,489,487	28,618,332
By Light Professional IT Services, LLC (Revolver) (9)	05/16/2022	High Tech Industries	—	—	3,062,602	—	—
Cadence Aerospace, LLC (7)	11/14/2023	Aerospace and Defense	9.50% (PIK 9.50%)	3M L+650	2,922,677	2,900,655	2,834,412
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	3,785,592	3,788,605	3,690,952
CHA Holdings, Inc.	04/10/2025	Environmental Industries	5.50%	3M L+450	7,273,133	7,249,615	7,127,670
Challenger Performance Optimization, Inc. (Revolver) (7), (9)	08/31/2023	Business Services	—	—	711,447	—	(39,130)
Compex Legal Services, Inc.	02/09/2026	Professional Services	6.75%	3M L+575	7,711,197	7,569,066	7,476,777
Compex Legal Services, Inc. (Revolver) (7)	02/07/2025	Professional Services	6.75%	3M L+575	983,962	983,962	954,050
Compex Legal Services, Inc. (Revolver) (7), (9)	02/07/2025	Professional Services	—	—	421,698	—	(12,820)
Confluent Health, LLC	06/24/2026	Health Providers and Services	5.15%	1M L+500	3,940,000	3,905,138	3,871,050
Datalot Inc.	01/24/2025	Insurance	6.25%	3M L+525	15,219,468	14,956,248	15,219,468
Datalot Inc. (Revolver) (7), (9)	01/24/2025	Insurance	—	—	3,833,619	—	—
Digital Room Holdings, Inc.	05/22/2026	Media: Advertising, Printing and Publishing	5.27%	1M L+500	9,850,000	9,716,191	9,234,375
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	6,595,960	6,543,215	6,530,000
Douglas Products and Packaging Company LLC (Revolver)	10/19/2022	Chemicals, Plastics and Rubber	8.00%	P+475	1,463,725	1,463,725	1,449,088
Douglas Products and Packaging Company LLC (Revolver) (9)	10/19/2022	Chemicals, Plastics and Rubber	—	—	2,927,451	—	(29,274)
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	3,014,109	3,002,009	2,983,968
DRS Holdings III, Inc.	11/03/2025	Personal Products	6.75%	3M L+575	4,950,000	4,907,849	4,954,950
DRS Holdings III, Inc. (Revolver) (7), (9)	11/03/2025	Personal Products	—	—	903,716	—	904
East Valley Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	9.00% (PIK 3.50%)	3M L+800	19,039,079	18,939,595	18,277,516
ECM Industries, LLC	12/23/2025	Electronic Equipment, Instruments, and Components	5.50%	1M L+450	5,063,199	5,017,551	5,063,199
ECM Industries, LLC (Revolver)	12/23/2025	Electronic Equipment, Instruments, and Components	5.50%	1M L+450	914,415	914,415	914,415
eCommission Financial Services, Inc. (10)	10/05/2023	Banking, Finance, Insurance & Real Estate	6.00%	1M L+500	16,007,500	16,007,500	15,767,388
eCommission Financial Services, Inc. (Revolver) (7), (9), (10)	10/05/2023	Banking, Finance, Insurance & Real Estate	—	—	5,000,000	—	(75,000)
Education Networks of America, Inc.	05/06/2021	Telecommunications	10.00% (PIK 4.75%)	1M L+925	9,853,742	9,853,742	9,853,742
Education Networks of America, Inc. (Revolver)	05/06/2021	Telecommunications	10.00% (PIK 4.75%)	1M L+925	2,212,930	2,212,930	2,212,930
Education Networks of America, Inc. (Revolver) (9)	05/06/2021	Telecommunications	—	—	57,236	—	—
Efficient Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	7.75%	3M L+675	7,189,139	7,171,800	6,560,089
Empire Resorts, Inc.	03/22/2021	Hotel, Gaming and Leisure	3.40%	1M L+325	7,500,000	7,476,667	7,250,025
FlexPrint, LLC	01/02/2024	Professional Services	7.29%	3M L+705	4,769,595	4,716,502	4,721,899
GCOM Software LLC	11/14/2022	High Tech Industries	7.75%	1M L+625	13,588,109	13,409,248	13,588,109
GCOM Software LLC (Revolver) (7)	11/14/2022	High Tech Industries	8.75%	1M L+550	266,667	266,667	266,667
GCOM Software LLC (Revolver) (7), (9)	11/14/2022	High Tech Industries	—	—	2,400,000	—	—
Good2Grow LLC	11/18/2024	Beverages	5.25%	3M L+425	5,699,510	5,659,192	5,699,510
Good2Grow LLC (Revolver) (7), (9)	11/16/2023	Beverages	—	—	3,137,000	—	—
Hancock Roofing and Construction L.L.C.	12/31/2026	Insurance	6.25%	3M L+450	6,000,000	5,850,295	5,850,000
Hancock Roofing and Construction L.L.C. (7), (9)	12/31/2022	Insurance	—	—	1,500,000	—	—
Hancock Roofing and Construction L.L.C. (Revolver) (7), (9)	12/31/2026	Insurance	—	—	750,000	—	—
Holdco Sands Intermediate, LLC	12/19/2025	Aerospace and Defense	7.50%	3M L+600	4,000,000	3,920,000	3,920,000
HW Holdco, LLC	12/10/2024	Media	5.50%	1M L+450	7,397,419	7,343,518	7,212,484
HW Holdco, LLC (Revolver) (7), (9)	12/10/2024	Media	—	—	1,451,613	—	(36,290)
IMIA Holdings, Inc. (Revolver) (7), (9)	10/28/2024	Aerospace and Defense	—	—	1,968,504	—	—
Impact Group, LLC	06/27/2023	Wholesale	8.37%	1M L+737	12,637,220	12,592,507	12,763,592
Innova Medical Ophthalmics Inc. (5), (10)	04/13/2023	Capital Equipment	7.25% (PIK 1.00%)	3M L+625	3,270,513	3,244,982	3,123,339
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (10)	04/13/2023	Capital Equipment	7.25% (PIK 1.00%)	3M L+625	532,168	532,168	508,220
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (9), (10)	04/13/2023	Capital Equipment	—	—	148	—	(7)
Integrative Nutrition, LLC	09/29/2023	Consumer Services	5.75%	3M L+475	22,108,325	21,976,029	21,887,241
Integrative Nutrition, LLC (Revolver) (7), (9)	09/29/2023	Consumer Services	—	—	5,000,000	—	(50,000)
Inventus Power, Inc.	04/30/2021	Consumer Goods: Durable	6.50%	1M L+650	3,696,890	3,694,259	3,696,890
K2 Pure Solutions NoCal, L.P. (Revolver) (7)	12/20/2023	Chemicals, Plastics and Rubber	8.00%	1M L+700	642,857	642,857	631,607
K2 Pure Solutions NoCal, L.P. (Revolver) (7), (9)	12/20/2023	Chemicals, Plastics and Rubber	—	—	785,714	—	(13,750)
Kentucky Downs, LLC	03/07/2025	Hotels, Restaurants and Leisure	10.00% (PIK 3.00%)	1M L+900	5,528,183	5,429,052	5,459,081
Kentucky Downs, LLC (7), (9)	03/07/2025	Hotels, Restaurants and Leisure	—	—	448,276	—	(5,603)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	8.50% (PIK 5.00%)	1M L+750	9,136,249	$ 9,093,865	$ 8,465,648
LAV Gear Holdings, Inc. (Revolver) (7)	10/31/2024	Capital Equipment	8.50% (PIK 5.00%)	1M L+750	1,628,125	1,628,125	1,508,621
Lightspeed Buyer Inc.	02/03/2026	Healthcare Technology	6.25%	1M L+525	30,286,335	29,773,383	29,680,609
Lightspeed Buyer Inc. (7), (9)	08/03/2021	Healthcare Technology	—	—	1,891,068	—	(18,911)
Lightspeed Buyer Inc. (Revolver) (7)	02/03/2026	Healthcare Technology	6.25%	1M L+525	833,100	833,100	816,438
Lightspeed Buyer Inc. (Revolver) (7), (9)	02/03/2026	Healthcare Technology	—	—	1,666,199	—	(33,324)
Lombart Brothers, Inc.	04/13/2023	Capital Equipment	9.25% (PIK 1.00%)	3M L+825	13,633,821	13,522,108	13,020,298
Lombart Brothers, Inc. (Revolver) (7)	04/13/2023	Capital Equipment	9.25% (PIK 1.00%)	3M L+825	1,241,726	1,241,726	1,185,848
Lombart Brothers, Inc. (Revolver) (7), (9)	04/13/2023	Capital Equipment	—	—	345	—	(16)
Long Island Vision Management, LLC	09/07/2023	Healthcare and Pharmaceuticals	7.50%	3M L+650	8,946,336	8,900,294	8,734,308
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	13,050,000	12,988,574	12,935,813
MAG DS Corp.	04/01/2027	Aerospace and Defense	6.50%	1M L+550	3,990,000	3,796,073	3,790,500
MeritDirect, LLC	05/23/2024	Media	6.50%	3M L+550	29,240,928	28,919,107	28,071,292
MeritDirect, LLC (Revolver) (7), (9)	05/23/2024	Media	—	—	4,481,655	—	(179,266)
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.00%	1M L+500	610,645	606,733	607,714
Mission Critical Electronics, Inc. (Revolver) (7), (9)	09/28/2021	Capital Equipment	—	—	1,325,088	—	(6,360)
Output Services Group, Inc.	03/27/2024	Business Services	5.50%	1M L+450	4,450,867	3,958,878	4,117,052
Ox Two, LLC	02/27/2023	Construction and Building	7.25%	1M L+625	12,462,776	12,414,789	12,462,776
Ox Two, LLC (Revolver) (7)	02/27/2023	Construction and Building	7.25%	1M L+625	108,444	108,444	108,444
Ox Two, LLC (Revolver) (7), (9)	02/27/2023	Construction and Building	—	—	447,111	—	—
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	648,989	645,033	642,499
PlayPower, Inc.	05/08/2026	Leisure Products	5.74%	1M L+550	5,353,361	5,308,876	5,105,768
PRA Events, Inc.	08/07/2025	Business Services	11.50% (PIK 11.50%)	1M L+1,050	2,898,076	2,464,058	2,506,836
Questex, LLC	09/09/2024	Media: Diversified and Production	6.75%	3M L+575	7,331,250	7,233,706	6,671,438
Questex, LLC (Revolver)	09/09/2024	Media: Diversified and Production	6.75%	3M L+575	877,660	877,660	798,670
Questex, LLC (Revolver) (7), (9)	09/09/2024	Media: Diversified and Production	—	—	319,149	—	(28,723)
Rancho Health MSO, Inc.	12/18/2025	Healthcare Equipment and Supplies	6.75%	3M L+575	3,675,000	3,592,994	3,592,313
Rancho Health MSO, Inc. (7), (9)	12/18/2022	Healthcare Equipment and Supplies	—	—	1,050,000	—	—
Rancho Health MSO, Inc. (Revolver) (7), (9)	12/18/2025	Healthcare Equipment and Supplies	—	—	525,000	—	—
Research Horizons, LLC	06/28/2022	Media: Advertising, Printing and Publishing	7.25%	3M L+625	6,755,828	6,716,520	6,553,153
Research Now Group, Inc. and Survey Sampling International LLC	12/20/2024	Business Services	6.50%	3M L+550	23,207,063	22,637,019	22,783,534
Riverpoint Medical, LLC	06/20/2025	Healthcare Equipment and Supplies	5.50%	3M L+450	4,925,000	4,881,975	4,846,693
Riverpoint Medical, LLC (Revolver) (7), (9)	06/20/2025	Healthcare Equipment and Supplies	—	—	909,091	—	(14,454)
Riverside Assessments, LLC	03/10/2025	Professional Services	6.75%	3M L+575	16,000,704	15,733,819	15,120,665
Sales Benchmark Index LLC	01/03/2025	Professional Services	7.75%	3M L+600	13,899,035	13,667,273	13,655,801
Sales Benchmark Index LLC (7), (9)	07/07/2021	Professional Services	—	—	3,231,707	—	(56,555)
Sales Benchmark Index LLC (Revolver) (7), (9)	01/03/2025	Professional Services	—	—	1,292,683	—	(22,622)
Salient CRGT Inc.	02/28/2022	High Tech Industries	7.50%	1M L+650	1,671,283	1,661,931	1,600,254
Sargent & Greenleaf Inc.	12/20/2024	Electronic Equipment, Instruments, and Components	7.00%	1M L+550	4,676,792	4,618,888	4,618,332
Sargent & Greenleaf Inc. (Revolver) (9)	12/20/2024	Electronic Equipment, Instruments, and Components	—	—	1,056,367	—	(13,205)
Schlesinger Global, Inc.	07/14/2025	Professional Services	7.00%	1M L+600	13,444,821	13,322,402	12,133,951
Schlesinger Global, Inc. (Revolver)	07/14/2025	Professional Services	7.00%	1M L+600	774,839	774,839	699,292
Schlesinger Global, Inc. (Revolver) (7), (9)	07/14/2025	Professional Services	—	—	1,095,462	—	(106,808)
Sigma Defense Systems, LLC	12/18/2025	IT Services	9.75%	3M L+875	7,490,000	7,304,638	7,302,750
Sigma Defense Systems, LLC (Revolver) (7), (9)	12/18/2025	IT Services	—	—	1,070,000	—	—
Signature Systems Holding Company	05/03/2024	Commercial Services & Supplies	7.50%	1M L+650	12,187,500	12,052,944	11,913,281
Signature Systems Holding Company (Revolver)	05/03/2024	Commercial Services & Supplies	7.50%	1M L+650	1,747,312	1,747,312	1,707,997
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	4.85%	1M L+450	3,489,908	3,489,908	3,385,211
Smile Brands Inc. (Revolver) (7), (9)	10/14/2024	Healthcare and Pharmaceuticals	—	—	1,616,250	—	(40,406)
Snak Club, LLC (Revolver) (7)	07/19/2021	Beverage, Food and Tobacco	6.50%	3M L+550	100,000	100,000	99,000
Snak Club, LLC (Revolver) (7), (9)	07/19/2021	Beverage, Food and Tobacco	—	—	395,136	—	(3,951)
Solutionreach, Inc.	01/17/2024	Healthcare Technology	6.75%	3M L+575	6,300,032	6,217,058	6,255,931
Solutionreach, Inc. (Revolver)	01/17/2024	Healthcare Technology	6.75%	3M L+575	1,248,750	1,248,750	1,240,009
Solutionreach, Inc. (Revolver) (7), (9)	01/17/2024	Healthcare Technology	—	—	416,250	—	(2,914)
Spear Education, LLC	02/26/2025	Professional Services	6.50%	3M L+550	15,011,563	14,882,642	14,636,274
Spear Education, LLC (7), (9)	02/26/2022	Professional Services	—	—	6,875,000	—	(171,875)
Spectacle Gary Holdings, LLC	12/23/2025	Hotels, Restaurants and Leisure	11.03%	1M L+900	9,400,000	9,178,132	9,400,000
STV Group Incorporated	12/11/2026	Construction & Engineering	5.40%	1M L+525	12,842,068	12,724,277	12,842,068
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	6,487,377	6,426,830	6,422,503
Teneo Holdings LLC	07/18/2025	Diversified Financial Services	6.25%	1M L+525	13,376,038	12,943,766	13,214,455
The Aegis Technologies Group, LLC	10/31/2025	Aerospace and Defense	6.00%	3M L+500	15,000,000	14,777,897	14,775,000
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.75%	3M L+575	18,086,303	17,959,491	18,086,303
The Original Cakerie, Co. (5), (10)	07/20/2022	Consumer Goods: Non-Durable	6.00%	2M L+500	7,528,212	7,484,228	7,490,571
The Original Cakerie Ltd. (5), (10)	07/20/2022	Consumer Goods: Non-Durable	5.50%	2M L+450	5,362,367	5,341,777	5,335,555
The Original Cakerie Ltd. (Revolver) (5), (9), (10)	07/20/2022	Consumer Goods: Non-Durable	—	—	1,418,484	—	(7,092)
TPC Canada Parent, Inc. and TPC US Parent, LLC (5), (10)	11/24/2025	Food Products	6.25%	3M L+525	4,950,000	4,908,045	4,801,500
TVC Enterprises, LLC	01/18/2024	Professional Services	6.50%	1M L+550	5,778,626	5,702,649	5,821,966
TVC Enterprises, LLC (Revolver) (7), (9)	01/18/2024	Professional Services	—	—	1,303,813	—	9,779
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	6,910,465	6,773,012	6,910,465
TWS Acquisition Corporation (Revolver)	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	1,819,285	1,819,285	1,819,285
TWS Acquisition Corporation (Revolver) (7), (9)	06/16/2025	Diversified Consumer Services	—	—	808,571	—	—
Tyto Athene, LLC	08/27/2024	Aerospace and Defense	6.25%	1M L+525	17,445,801	17,259,897	17,445,801
Tyto Athene, LLC (Revolver) (7), (9)	08/27/2024	Aerospace and Defense	—	—	6,818,182	—	—
UBEO, LLC	04/03/2024	Capital Equipment	5.50%	3M L+450	13,967,402	13,885,541	13,862,646
UBEO, LLC (Revolver)	04/03/2024	Capital Equipment	5.50%	3M L+450	880,000	880,000	873,400
UBEO, LLC (Revolver) (9)	04/03/2024	Capital Equipment	—	—	2,053,333	—	(15,400)
Urology Management Associates, LLC	08/30/2024	Healthcare Providers and Services	6.00%	3M L+500	4,950,000	4,880,623	4,838,625

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index [1]	Par / Shares	Cost	Fair Value [2]
US Med Acquisition, Inc.	08/13/2021	Healthcare and Pharmaceuticals	9.00%	1M L+800	2,957,031	$ 2,957,031	$ 2,957,031
Vision Purchaser Corporation	06/10/2025	Media	7.75%	1M L+675	14,321,880	14,081,326	13,605,786
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	4,100,784	4,061,509	4,100,784
Wildcat Buyerco, Inc.	02/27/2026	Electronic Equipment, Instruments, and Components	6.50%	3M L+550	8,830,331	8,670,478	8,742,028
Wildcat Buyerco, Inc. [7], [9]	02/27/2022	Electronic Equipment, Instruments, and Components	—	—	2,491,176	—	3,114
Wildcat Buyerco, Inc. (Revolver) [7], [9]	02/27/2026	Electronic Equipment, Instruments, and Components	—	—	533,824	—	(9,716)
Total First Lien Secured Debt						785,769,739	775,588,077
Second Lien Secured Debt—5.0%							
DBI Holdings, LLC, Term Loan B	02/01/2026	Business Services	9.00% (PIK 9.00%)	—	12,129,344	12,129,344	12,129,344
DBI Holdings, LLC, Term Loan C [7]	03/26/2021	Business Services	9.00% (PIK 9.00%)	—	24,256	24,256	24,256
DecoPac, Inc.	03/31/2025	Beverage, Food and Tobacco	9.25%	3M L+825	9,738,580	9,658,853	9,738,580
Mailsouth Inc. [7]	04/23/2025	Media: Advertising, Printing and Publishing	15.00% (PIK 15.00%)	—	797,507	797,507	797,507
PT Network, LLC [7]	11/30/2024	Healthcare and Pharmaceuticals	11.00% (PIK 12.30%)	3M L+1,000	2,158,181	2,143,745	2,158,181
Total Second Lien Secured Debt						24,753,705	24,847,868
Preferred Equity— 1.4% [6]							
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) [7], [8]	—	Healthcare and Pharmaceuticals	—	—	1,458	21,870	—
DBI Holding, LLC, Series A-1 [8]	—	Business Services	14.00%	—	7,041	7,040,844	3,034,741
MeritDirect Holdings, LP [7], [8]	—	Media	—	—	960	960,000	896,876
NXOF Holdings, Inc. (NextiraOne Federal, LLC) [7]	—	Aerospace and Defense	—	—	490	490,000	608,862
PT Network Intermediate Holdings, LLC [7]	—	Healthcare and Pharmaceuticals	11.00%	3M L+1,000	33	429,000	500,690
Signature CR Intermediate Holdco, Inc. [7]	—	Commercial Services & Supplies	12.00%	—	1,167	1,166,993	1,338,438
TPC Holding Company, LP [5], [7], [10]	—	Food Products	—	—	409	409,011	454,468
UniTek Global Services, Inc. - Super Senior Preferred Equity [7]	—	Telecommunications	20.00%	—	343,861	343,861	—
UniTek Global Services, Inc. - Senior Preferred Equity [7]	—	Telecommunications	19.00%	—	448,851	448,851	—
UniTek Global Services, Inc. [7]	—	Telecommunications	13.50%	—	1,047,317	670,282	—
Total Preferred Equity						11,980,712	6,834,075
Common Equity/Warrants— 12.3% [6]							
Affinion Group Holdings, Inc. (Warrants)[7]	04/10/2024	Consumer Goods: Durable	—	—	8,893	244,998	—
AG Investco LP [7], [8]	—	Software	—	—	805,164	805,164	1,090,798
AG Investco LP [7], [8], [9]	—	Software	—	—	194,836	—	—
Altamira Intermediate Company II, Inc. [7]	—	IT Services	—	—	1,437,500	1,437,500	655,406
By Light Investco LP [7], [8]	—	High Tech Industries	—	—	21,908	2,190,771	10,830,999
By Light Investco LP [7], [8], [9]	—	High Tech Industries	—	—	7,401	—	—
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) [7], [8]	—	Business Services	—	—	120,962	1,243,217	266,395
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) [7], [8]	—	Healthcare and Pharmaceuticals	—	—	13,333	200,000	—
CI (Summit) Investment Holdings, LLC (SFP Holding, Inc.) [7]	—	Construction and Building	—	—	64,262	696,296	961,523
DBI Holding, LLC, Series B [8]	—	Business Services	—	—	1,489,508	330,791	—
DecoPac Holdings Inc. [7]	—	Beverage, Food and Tobacco	—	—	1,633	1,632,744	2,250,532
Delta InvestCo LP (Sigma Defense Systems, LLC) [7], [8]	—	IT Services	—	—	642,000	642,000	642,000
Delta InvestCo LP (Sigma Defense Systems, LLC) [7], [8], [9]	—	IT Services	—	—	642,000	—	—
ECM Investors, LLC [7], [8]	—	Electronic Equipment, Instruments, and Components	—	—	295,982	295,982	766,076
eCommission Holding Corporation [7], [10]		Banking, Finance, Insurance & Real Estate	—	—	20	251,156	232,970
Faraday Holdings, LLC [7]	—	Construction and Building	—	—	1,141	58,044	372,611
Gauge InfosoftCoInvest, LLC (The Infosoft Group, LLC) [7]	—	Media: Broadcasting and Subscription	—	—	500	143,663	968,305
Gauge Lash Coinvest LLC [7]	—	Personal Products	—	—	1,485,953	1,760,670	2,615,277
Gauge Schlesinger Coinvest LLC [7]		Professional Services	—	—	437	437,371	258,488
Gauge TVC Coinvest, LLC (TVC Enterprises, LLC) [7]		Professional Services	—	—	391,144	391,144	764,387
GCOM InvestCo LP [7], [8]	—	High Tech Industries	—	—	1,722,632	1,596,634	3,427,230
GCOM InvestCo LP [7], [8], [9]	—	High Tech Industries	—	—	277,368	—	—
Go Dawgs Capital III, LP (American Insulated Glass, LLC) [7], [8]	—	Building Products	—	—	324,675	324,675	360,389
Hancock Claims Consultants Investors, LLC [7], [8]	—	Insurance	—	—	450,000	450,000	450,000
IIN Group Holdings, LLC (Integrative Nutrition, LLC) [7], [8]	—	Consumer Services	—	—	1,000	1,000,000	1,174,875
Ironclad Holdco, LLC (Applied Technical Services, LLC) [7], [8]	—	Commercial Services & Supplies	—	—	5,040	504,000	504,000
ITC Rumba, LLC (Cano Health, LLC)	—	Healthcare and Pharmaceuticals	—	—	46,763	431,039	9,071,586
JWC/UMA Holdings, L.P. [7]	—	Healthcare and Pharmaceuticals	—	—	1,000	1,000,000	1,439,290
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC) [7], [8]	—	Wholesale	—	—	1,381,741	1,381,741	11,090,028
Kentucky Racing Holdco, LLC (Warrants) [7], [8]		Hotels, Restaurants and Leisure	—	—	87,345	—	315,915
Lightspeed Investment Holdco LLC [7]	—	Healthcare Technology	—	—	585,587	585,587	747,268
MeritDirect Holdings, LP [7], [8]	—	Media	—	—	960	—	—
MSpark, LLC	—	Media: Advertising, Printing and Publishing	—	—	3,988	1,287,502	1,287,502
NXOF Holdings, Inc. (NextiraOne Federal, LLC) [7]	—	Aerospace and Defense	—	—	10,000	10,000	151,500
OceanSound Discovery Equity, LP (Holdco Sands Intermediate, LLC) [7], [8]	—	Aerospace and Defense	—	—	173,638	1,736,381	1,537,348
PT Network Intermediate Holdings, LLC [7]		Healthcare and Pharmaceuticals			25	286,000	1,171,725
QuantiTech InvestCo LP [7], [8]	—	Aerospace and Defense	—	—	70,000	70,000	148,507
QuantiTech InvestCo LP [7], [8], [9]	—	Aerospace and Defense	—	—	96,667	—	—
RFMG Parent, LP [7]	—	Healthcare Equipment and Supplies	—	—	1,050,000	1,050,000	1,050,000
SBI Holdings Investments LLC (Sales Benchmark Index LLC) [7], [8]	—	Professional Services	—	—	64,634	646,341	471,725

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	—	—	61	$ 61,421	$ 44,542
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.) (7)	—	Capital Equipment	—	—	500	500,000	583,200
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.) (7)	—	Capital Equipment	—	—	500	—	1,880,261
TPC Holding Company, LP (5), (7), (10)	—	Food Products	—	—	21,527	21,527	113,877
UniTek Global Services, Inc. (7)	—	Telecommunications	—	—	213,739	—	—
UniTek Global Services, Inc. (Warrants) (7)	—	Telecommunications	—	—	23,889	—	—
WBB Equity, LLC (7), (8)	—	Aerospace and Defense	—	—	142,857	142,857	754,286
Wildcat Parent, LP (Wildcat Buyerco, Inc.) (7), (8)	—	Electronic Equipment, Instruments, and Components	—	—	2,240	223,996	314,725
Total Common Equity/Warrants						26,071,212	60,765,546
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						848,575,368	868,035,566
Investments in Non-Controlled, Affiliated Portfolio Companies—1.5% (3), (4)							
First Lien Secured Debt—1.3%							
Country Fresh Holdings, LLC - Super Senior Term Loan (7)	06/01/2022	Beverage, Food and Tobacco	12.00%	—	2,306,216	2,306,216	2,306,216
Country Fresh Holdings, LLC - Super Senior Term Loan (7), (9)	06/01/2022	Beverage, Food and Tobacco	—	—	543,947	—	—
Country Fresh Holdings, LLC (7)	05/01/2023	Beverage, Food and Tobacco	6.00%	3M L+500	1,544,161	1,517,803	1,544,161
Country Fresh Holdings, LLC (Revolver) (7)	05/01/2023	Beverage, Food and Tobacco	6.00%	3M L+500	2,746,564	2,746,564	2,746,564
Total First Lien Secured Debt						6,570,583	6,596,941
Second Lien Secured Debt—0.2%							
Country Fresh Holdings, LLC (7)	04/29/2024	Beverage, Food and Tobacco	0.00% (6)	—	5,882,579	5,884,166	759,200
Total Second Lien Secured Debt						5,884,166	759,200
Common Equity/Warrants—0.0% (6)							
Country Fresh Holding Company Inc. (7)	—	Beverage, Food and Tobacco	—	—	8,034	10,453,350	—
Total Common Equity/Warrants						10,453,350	—
Total Investments in Non-Controlled, Affiliated Portfolio Companies						22,908,099	7,356,141
Investments in Controlled, Affiliated Portfolio Companies—39.0% (3), (4)							
First Lien Secured Debt—30.3%							
Marketplace Events, LLC - Super Priority First Lien Term Loan (7)	09/30/2025	Media: Diversified and Production	6.25%	3M L+525	3,260,502	3,260,502	3,260,502
Marketplace Events, LLC - Super Priority First Lien (7), (9)	09/30/2025	Media: Diversified and Production	—	—	3,260,502	—	—
Marketplace Events, LLC	09/30/2026	Media: Diversified and Production	0.00% (6)	—	24,368,325	19,046,876	19,317,118
PennantPark Senior Secured Loan Fund I LLC (7), (9), (10)	05/06/2024	Financial Services	8.25%	3M L+800	126,481,250	126,481,250	126,481,250
Total First Lien Secured Debt						148,788,628	149,058,870
Equity Interests—8.7%							
New MPE Holdings, LLC (Marketplace Events, LLC) (7)	—	Media: Diversified and Production	—	—	349	—	—
PennantPark Senior Secured Loan Fund I LLC (7), (9), (10)	—	Financial Services	—	—	54,206	54,206,250	42,894,805
Total Equity Interests						54,206,250	42,894,805
Total Investments in Controlled, Affiliated Portfolio Companies						202,994,878	191,953,675
Total Investments—216.8.7%						1,074,478,345	1,067,345,382
Cash and Cash Equivalents—5.8%							
BlackRock Federal FD Institutional 30						11,708,378	11,708,378
BNY Mellon Cash						16,779,420	16,779,733
Total Cash and Cash Equivalents						28,487,798	28,488,111
Total Investments and Cash Equivalents—222.6%						$ 1,102,966,143	$ 1,095,833,493
Liabilities in Excess of Other Assets—(122.6)%							(603,482,554)
Net Assets—100.0%							$ 492,350,939

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable London Interbank Offered Rate, or LIBOR or "L", or Prime rate, or "P." The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower's option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes payment-in-kind, or PIK, interest and other fee rates, if any.

(2) Valued based on our accounting policy (See Note 2). The value of all securities was determined using significant unobservable inputs (See Note 5).

(3) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally presumed to be "non-controlled" when we own 25% or less of the portfolio company's voting securities and "controlled" when we own more than 25% of the portfolio company's voting securities.

(4) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally deemed as "non-affiliated" when we own less than 5% of a portfolio company's voting securities and "affiliated" when we own 5% or more of a portfolio company's voting securities.

(5) Non-U.S. company or principal place of business outside the United States.

(6) Non-income producing securities.

(7) The securities, or a portion thereof, are not 1) pledged as collateral under the Credit Facility and held through Funding I; or, 2) securing the 2031 Asset-Backed Debt (See Note 10) and held through PennantPark CLO I, Ltd.

(8) Investment is held through our Taxable Subsidiary (See Note 1).

(9) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.

(10) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2020, qualifying assets represent 81% of our total assets and non-qualifying assets represent 19% of our total assets.

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2020

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—190.8% (3), (4)							
First Lien Secured Debt—175.5%							
18 Freemont Street Acquisition, LLC	08/11/2025	Hotels, Restaurants and Leisure	9.50%	1M L+800	6,697,697	$ 6,581,574	$ 6,362,812
Advantage Sales & Marketing	07/23/2021	Food and Staples Retailing	4.25%	1M L+325	3,158,375	3,084,907	3,095,997
Altamira Technologies, LLC	07/24/2025	IT Services	7.00%	3M L+600	6,313,001	6,233,142	6,092,046
Altamira Technologies, LLC (Revolver) (7)	07/24/2025	IT Services	7.00%	3M L+600	1,437,500	1,437,500	1,387,187
Altamira Technologies, LLC (Revolver) (7), (9)	07/24/2025	IT Services	—	—	718,750	—	(25,156)
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	6.00%	3M L+500	7,385,098	7,317,949	7,163,545
American Insulated Glass, LLC	12/21/2023	Building Products	6.50%	3M L+550	14,775,105	14,574,748	14,479,603
American Teleconferencing Services, Ltd.	06/08/2023	Telecommunications	7.50%	3M L+650	9,651,242	9,550,005	8,203,555
Apex Service Partners, LLC	07/31/2025	Energy Equipment and Services	6.25%	1M L+525	6,978,475	6,920,667	6,769,121
Apex Service Partners, LLC (7), (9)	07/31/2021	Energy Equipment and Services	—	—	1,198,613	—	(35,958)
API Technologies Corp.	05/11/2026	Electronic Equipment, Instruments, and Components	4.40%	1M L+425	5,925,000	5,897,574	5,776,875
BEI Precision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	6.50%	3M L+550	11,610,000	11,527,096	11,493,900
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.25%	3M L+625	28,863,220	28,711,219	28,574,588
By Light Professional IT Services, LLC (Revolver)	05/16/2022	High Tech Industries	7.25%	3M L+625	2,504,092	2,504,092	2,479,051
By Light Professional IT Services, LLC (Revolver) (7), (9)	05/16/2022	High Tech Industries	—	—	558,511	—	(5,585)
Cadence Aerospace, LLC (7)	11/14/2023	Aerospace and Defense	9.50%	3M L+650	2,884,399	2,860,365	2,767,292
Cano Health, LLC	06/02/2025	Healthcare and Pharmaceuticals	8.50%	1M L+750	14,882,169	14,771,615	14,993,786
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	3,795,450	3,798,714	3,795,450
Centauri Group Holdings, LLC	02/12/2024	Aerospace and Defense	6.25%	3M L+525	3,248,900	3,244,298	3,232,655
CHA Holdings, Inc.	04/10/2025	Environmental Industries	5.50%	3M L+450	7,291,746	7,267,251	7,145,911
Challenger Performance Optimization, Inc. (Revolver) (7), (9)	08/31/2023	Business Services	—	—	711,447	—	(49,801)
Compex Legal Services, Inc.	02/09/2026	Professional Services	6.75%	3M L+575	7,730,621	7,582,329	7,589,151
Compex Legal Services, Inc. (7), (9)	02/08/2021	Professional Services	—	—	3,322,470	—	(27,576)
Compex Legal Services, Inc. (Revolver) (7)	02/07/2025	Professional Services	6.75%	3M L+575	983,962	983,962	965,956
Compex Legal Services, Inc. (Revolver) (7), (9)	02/07/2025	Professional Services	—	—	421,698	—	(7,717)
Confluent Health, LLC	06/24/2026	Health Providers and Services	5.15%	1M L+500	3,950,000	3,913,661	3,890,750
Datalot Inc.	01/24/2025	Insurance	6.25%	3M L+525	15,257,804	14,979,266	15,276,113
Datalot Inc. (Revolver) (7)	01/24/2025	Insurance	6.25%	3M L+525	3,833,619	3,833,619	3,838,219
Digital Room Holdings, Inc.	05/22/2026	Media: Advertising, Printing and Publishing	5.27%	1M L+500	9,875,000	9,736,008	9,183,750
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	6,612,916	6,553,834	6,513,722
Douglas Products and Packaging Company LLC (Revolver)	10/19/2022	Chemicals, Plastics and Rubber	8.00%	P+475	3,220,196	3,220,196	3,171,893
Douglas Products and Packaging Company LLC (Revolver) (7), (9)	10/19/2022	Chemicals, Plastics and Rubber	—	—	1,170,980	—	(17,565)
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	3,021,798	3,008,407	2,976,471
DRS Holdings III, Inc.	11/03/2025	Personal Products	6.75%	3M L+575	4,962,500	4,918,144	4,871,686
DRS Holdings III, Inc. (Revolver) (7), (9)	11/03/2025	Personal Products	—	—	903,716	—	(16,538)
East Valley Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	9.00% (PIK 3.50%)	3M L+800	19,039,079	18,917,984	18,467,906
ECM Industries, LLC	12/23/2025	Electronic Equipment, Instruments, and Components	5.50%	1M L+450	5,075,958	5,028,206	5,050,578
ECM Industries, LLC (Revolver)	12/23/2025	Electronic Equipment, Instruments, and Components	5.50%	1M L+450	914,415	914,415	902,345
eCommission Financial Services, Inc. (10)	10/05/2023	Banking, Finance, Insurance & Real Estate	6.00%	1M L+500	16,131,250	16,131,250	15,889,281
eCommission Financial Services, Inc. (Revolver) (7), (9), (10)	10/05/2023	Banking, Finance, Insurance & Real Estate	—	—	5,000,000	—	(75,000)
Education Networks of America, Inc.	05/06/2021	Telecommunications	10.00% (PIK 4.75%)	1M L+925	9,985,621	9,985,621	9,985,621
Education Networks of America, Inc. (Revolver)	05/06/2021	Telecommunications	10.00% (PIK 4.75%)	1M L+925	2,243,444	2,243,444	2,243,444
Efficient Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	7.75%	3M L+675	7,189,139	7,168,054	6,937,519
Empire Resorts, Inc.	03/22/2021	Hotel, Gaming and Leisure	2.89%	1M L+225	7,500,000	7,471,938	7,425,000
FlexPrint, LLC	01/02/2024	Professional Services	7.12%	3M L+684	4,975,898	4,916,661	4,839,060
FlexPrint, LLC (7), (9)	12/31/2020	Professional Services	—	—	3,077,342	—	(61,547)
GCOM Software LLC	11/14/2022	High Tech Industries	7.75%	1M L+625	13,707,757	13,504,876	13,707,757
GCOM Software LLC (Revolver)	11/14/2022	High Tech Industries	8.75%	1M L+550	2,133,333	2,133,333	2,133,333
GCOM Software LLC (Revolver) (7), (9)	11/14/2022	High Tech Industries	—	—	533,333	—	—
Good2Grow LLC	11/18/2024	Beverages	5.25%	3M L+425	5,699,510	5,657,300	5,656,763
Good2Grow LLC (Revolver) (7), (9)	11/16/2023	Beverages	—	—	3,137,000	—	(23,528)
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	5.50%	3M L+450	19,130,304	19,041,110	18,939,001
GSM Holdings, Inc. (Revolver)	06/03/2024	Consumer Goods: Durable	5.50%	3M L+450	7,126,484	7,126,484	7,055,219
HW Holdco, LLC	12/10/2024	Media	5.50%	1M L+450	7,416,290	7,357,894	7,193,802
HW Holdco, LLC (Revolver) (7), (9)	12/10/2024	Media	—	—	1,451,613	—	(43,548)
IMIA Holdings, Inc. (Revolver) (7), (9)	10/28/2024	Aerospace and Defense	—	—	1,968,504	—	—
Impact Group, LLC	06/27/2023	Wholesale	8.37%	1M L+737	12,671,202	12,622,034	12,734,558
Innova Medical Ophthalmics Inc. (5), (10)	04/13/2023	Capital Equipment	7.25%	3M L+625	3,271,649	3,244,173	3,072,079
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (10)	04/13/2023	Capital Equipment	7.25%	3M L+625	530,973	530,973	498,584
Integrative Nutrition, LLC	09/29/2023	Consumer Services	5.75%	3M L+475	22,173,199	22,028,349	21,840,601
Integrative Nutrition, LLC (Revolver) (7), (9)	09/29/2023	Consumer Services	—	—	5,000,000	—	(75,000)
Inventus Power, Inc.	04/30/2021	Consumer Goods: Durable	6.50%	1M L+650	3,709,390	3,702,960	3,672,296
K2 Pure Solutions NoCal, L.P. (Revolver) (7)	12/20/2023	Chemicals, Plastics and Rubber	8.00%	1M L+700	1,071,429	1,071,429	1,047,857
K2 Pure Solutions NoCal, L.P. (Revolver) (7), (9)	12/20/2023	Chemicals, Plastics and Rubber	—	—	357,143	—	(7,857)
Kentucky Downs, LLC	03/07/2025	Hotels, Restaurants and Leisure	9.50%	1M L+850	5,499,731	5,395,498	5,417,236
Kentucky Downs, LLC (7), (9)	03/07/2025	Hotels, Restaurants and Leisure	—	—	448,276	—	(6,724)
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	8.50% (PIK 5.00%)	1M L+750	9,028,277	8,984,046	8,315,946
LAV Gear Holdings, Inc. (Revolver) (7)	10/31/2024	Capital Equipment	8.50% (PIK 5.00%)	1M L+750	1,607,584	1,607,584	1,480,745
Lightspeed Buyer Inc.	02/03/2026	Healthcare Technology	6.25%	1M L+525	30,362,602	29,830,439	29,983,070
Lightspeed Buyer Inc. (7), (9)	08/03/2021	Healthcare Technology	—	—	1,891,068	—	(4,728)
Lightspeed Buyer Inc. (Revolver)	02/03/2026	Healthcare Technology	6.25%	1M L+525	2,499,299	2,499,299	2,468,058

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Lombart Brothers, Inc.	04/13/2023	Capital Equipment	7.25%	3M L+625	13,639,301	$ 13,517,803	$ 12,807,304
Lombart Brothers, Inc. (Revolver) (7)	04/13/2023	Capital Equipment	7.25%	3M L+625	1,238,938	1,238,938	1,163,363
Long Island Vision Management, LLC	09/07/2023	Healthcare and Pharmaceuticals	5.76%	3M L+475	8,969,009	8,919,084	8,551,950
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	13,231,250	13,162,333	12,820,552
MAG DS Corp.	04/01/2027	Aerospace and Defense	6.50%	1M L+550	4,000,000	3,800,000	3,805,000
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	7.00%	1M L+600	8,305,000	8,253,987	8,081,596
Marketplace Events LLC	01/27/2023	Media: Diversified and Production	0.00% (6)	—	5,284,919	5,220,978	4,464,171
Marketplace Events LLC (11)	01/27/2023	Media: Diversified and Production	0.00% (6)	—	C$ 16,213,270	11,377,025	10,252,929
Marketplace Events LLC (Revolver)	01/27/2023	Media: Diversified and Production	0.00% (6)	—	1,703,163	1,703,163	1,438,662
MeritDirect, LLC	05/23/2024	Media	6.50%	3M L+550	29,582,555	29,236,103	28,177,384
MeritDirect, LLC (Revolver) (7), (9)	05/23/2024	Media	—	—	4,481,655	—	(212,879)
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.00%	1M L+500	612,191	607,716	604,783
Mission Critical Electronics, Inc. (Revolver) (7), (9)	09/28/2021	Capital Equipment	—	—	1,325,088	—	(16,034)
Output Services Group, Inc.	03/27/2024	Business Services	5.50%	1M L+450	4,462,303	3,937,732	4,060,696
Ox Two, LLC	02/27/2023	Construction and Building	7.25%	1M L+625	12,526,325	12,473,095	12,463,694
Ox Two, LLC (Revolver) (7)	02/27/2023	Construction and Building	7.25%	1M L+625	108,444	108,444	107,902
Ox Two, LLC (Revolver) (7), (9)	02/27/2023	Construction and Building	—	—	447,111	—	(2,236)
Peninsula Pacific Entertainment LLC (7)	11/13/2024	Hotel, Gaming and Leisure	7.40%	1M L+725	10,224,431	10,193,277	9,508,720
Plant Health Intermediate, Inc. (7)	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	650,644	646,164	640,884
PlayPower, Inc.	05/08/2026	Leisure Products	5.72%	1M L+550	5,367,361	5,320,837	5,098,992
PRA Events, Inc.	08/08/2022	Business Services	0.00% (6)	1M L+700	2,558,746	2,527,407	2,154,464
Questex, LLC	09/09/2024	Media: Diversified and Production	6.75%	3M L+575	7,350,000	7,245,118	6,762,000
Questex, LLC (Revolver)	09/09/2024	Media: Diversified and Production	6.75%	3M L+575	598,404	598,404	550,532
Questex, LLC (Revolver) (7), (9)	09/09/2024	Media: Diversified and Production	—	—	598,404	—	(47,872)
Research Horizons, LLC	06/28/2022	Media: Advertising, Printing and Publishing	7.25%	3M L+625	6,894,172	6,847,485	6,618,405
Research Now Group, Inc. and Survey Sampling International LLC	12/20/2024	Business Services	6.50%	3M L+550	23,266,875	22,662,940	21,975,563
Riverpoint Medical, LLC	06/20/2025	Healthcare Equipment and Supplies	5.50%	3M L+450	4,937,500	4,892,077	4,764,194
Riverpoint Medical, LLC (Revolver) (7), (9)	06/20/2025	Healthcare Equipment and Supplies	—	—	909,091	—	(31,909)
Riverside Assessments, LLC	03/10/2025	Professional Services	6.75%	3M L+575	15,671,250	15,389,332	14,848,509
Sales Benchmark Index LLC	01/03/2025	Professional Services	7.75%	3M L+600	13,934,045	13,689,392	13,599,628
Sales Benchmark Index LLC (7), (9)	07/07/2021	Professional Services	—	—	3,231,707	—	(77,561)
Sales Benchmark Index LLC (Revolver) (7), (9)	01/03/2025	Professional Services	—	—	1,292,683	—	(31,024)
Salient CRGT Inc.	02/28/2022	High Tech Industries	7.50%	1M L+650	1,696,397	1,684,941	1,569,168
Sargent & Greenleaf Inc.	12/20/2024	Electronic Equipment, Instruments, and Components	7.00%	1M L+550	4,700,654	4,639,240	4,616,042
Sargent & Greenleaf Inc. (Revolver) (7), (9)	12/20/2024	Electronic Equipment, Instruments, and Components	—	—	1,056,367	—	(19,015)
Schlesinger Global, Inc.	07/14/2025	Professional Services	7.00%	1M L+600	13,478,823	13,351,351	12,501,608
Schlesinger Global, Inc. (Revolver)	07/14/2025	Professional Services	7.00%	1M L+600	774,839	774,839	718,663
Schlesinger Global, Inc. (Revolver) (7), (9)	07/14/2025	Professional Services	—	—	1,095,462	—	(79,421)
Signature Systems Holding Company	05/03/2024	Commercial Services & Supplies	7.50%	1M L+650	12,350,000	12,205,240	11,948,625
Signature Systems Holding Company (Revolver)	05/03/2024	Commercial Services & Supplies	7.50%	1M L+650	978,495	978,495	946,694
Signature Systems Holding Company (Revolver) (7), (9)	05/03/2024	Commercial Services & Supplies	—	—	768,817	—	(24,987)
Smile Brands Inc. (7)	10/14/2024	Healthcare and Pharmaceuticals	4.90%	1M L+450	3,395,269	3,395,269	3,293,411
Smile Brands Inc. (7), (9)	10/14/2024	Healthcare and Pharmaceuticals	—	—	1,076,088	—	(32,283)
Smile Brands Inc. (Revolver) (7), (9)	10/14/2024	Healthcare and Pharmaceuticals	—	—	1,616,250	—	(99,027)
Snak Club, LLC (Revolver) (7)	07/19/2021	Beverage, Food and Tobacco	6.50%	3M L+550	100,000	100,000	99,000
Snak Club, LLC (Revolver) (7), (9)	07/19/2021	Beverage, Food and Tobacco	—	—	395,136	—	(3,951)
Solutionreach, Inc.	01/17/2024	Healthcare Technology	6.75%	3M L+575	6,316,818	6,227,596	6,247,334
Solutionreach, Inc. (Revolver)	01/17/2024	Healthcare Technology	6.75%	3M L+575	1,248,750	1,248,750	1,235,014
Solutionreach, Inc. (Revolver) (7), (9)	01/17/2024	Healthcare Technology	—	—	416,250	—	(4,579)
Spear Education, LLC	02/26/2025	Professional Services	6.00%	3M L+500	15,049,375	14,913,852	14,673,140
Spear Education, LLC (7), (9)	02/26/2022	Professional Services	—	—	6,875,000	—	(171,875)
Spectacle Gary Holdings, LLC	12/23/2025	Hotels, Restaurants and Leisure	11.00%	1M L+900	8,427,027	8,196,440	8,174,216
Spectacle Gary Holdings, LLC (7), (9)	12/23/2025	Hotels, Restaurants and Leisure	—	—	972,973	—	(29,189)
STV Group Incorporated	12/11/2026	Construction & Engineering	5.40%	1M L+525	12,875,242	12,753,948	12,746,490
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	6,584,034	6,519,682	6,386,513
Teneo Holdings LLC	07/18/2025	Diversified Financial Services	6.25%	1M L+525	9,900,000	9,562,628	9,528,750
Tensar Corporation	07/09/2021	Construction and Building	5.75%	3M L+475	22,439,744	22,394,704	22,439,744
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.75%	3M L+575	18,200,773	18,074,350	18,200,773
The Original Cakerie, Co. (5), (10)	07/20/2022	Consumer Goods: Non-Durable	6.00%	2M L+500	7,547,565	7,496,711	7,472,089
The Original Cakerie Ltd. (5), (10)	07/20/2022	Consumer Goods: Non-Durable	5.50%	2M L+450	5,376,152	5,352,309	5,322,390
The Original Cakerie Ltd. (Revolver) (5), (9), (10)	07/20/2022	Consumer Goods: Non-Durable	—	—	1,418,484	—	(14,185)
TPC Canada Parent, Inc. and TPC US Parent, LLC (5), (10)	11/24/2025	Food Products	6.25%	3M L+525	4,962,500	4,918,485	4,813,625
TVC Enterprises, LLC	01/18/2024	Professional Services	6.50%	1M L+550	5,793,560	5,711,855	5,750,108
TVC Enterprises, LLC (Revolver) (7), (9)	01/18/2024	Professional Services	—	—	1,303,813	—	(9,779)
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	6,910,465	6,766,653	6,772,256
TWS Acquisition Corporation (Revolver)	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	1,819,285	1,819,285	1,782,899
TWS Acquisition Corporation (Revolver) (7), (9)	06/16/2025	Diversified Consumer Services	—	—	808,571	—	(16,171)
Tyto Athene, LLC	08/27/2024	Aerospace and Defense	6.25%	1M L+525	17,491,232	17,294,288	17,435,261
Tyto Athene, LLC (Revolver) (7), (9)	08/27/2024	Aerospace and Defense	—	—	6,818,182	—	(21,818)
UBEO, LLC	04/03/2024	Capital Equipment	5.50%	3M L+450	13,967,402	13,889,735	13,129,357
UBEO, LLC (Revolver)	04/03/2024	Capital Equipment	5.50%	3M L+450	2,933,333	2,933,333	2,717,939
Urology Management Associates, LLC	08/30/2024	Healthcare Providers and Services	6.00%	3M L+500	4,962,500	4,888,916	4,813,625

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
US Med Acquisition, Inc.	08/13/2021	Healthcare and Pharmaceuticals	9.00%	1M L+800	2,964,844	$ 2,964,844	$ 2,935,195
Vision Purchaser Corporation	06/10/2025	Media	7.25%	1M L+625	14,358,203	14,104,839	13,496,711
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	4,156,259	4,110,635	4,114,696
Wildcat Buyerco, Inc.	02/27/2026	Electronic Equipment, Instruments, and Components	6.50%	3M L+550	8,852,574	8,685,417	8,764,052
Wildcat Buyerco, Inc. (7), (9)	02/27/2022	Electronic Equipment, Instruments, and Components	—	—	2,491,176	—	3,114
Wildcat Buyerco, Inc. (Revolver) (7), (9)	02/27/2026	Electronic Equipment, Instruments, and Components	—	—	533,824	—	(9,716)
Total First Lien Secured Debt						855,654,960	837,579,784
Second Lien Secured Debt—5.1%							
DBI Holdings, LLC, Term Loan B	02/01/2026	Business Services	9.00% (PIK 9.00%)	—	11,157,124	11,157,124	11,157,124
DBI Holdings, LLC, Term Loan C (7)	03/26/2021	Business Services	9.00% (PIK 9.00%)	—	22,312	22,312	22,312
DecoPac, Inc.	03/31/2025	Beverage, Food and Tobacco	9.25%	3M L+825	9,738,580	9,654,555	9,738,580
MailSouth, Inc.	10/23/2024	Media: Advertising, Printing and Publishing	0.00% (6)	—	2,871,025	2,827,178	1,464,223
PT Network, LLC (7)	11/30/2024	Healthcare and Pharmaceuticals	11.00% (PIK 12.30%)	3M L+1,000	2,099,171	2,083,772	2,099,171
Total Second Lien Secured Debt						25,744,941	24,481,410
Preferred Equity— 1.3% (6)							
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (7), (8)	—	Healthcare and Pharmaceuticals	—	—	1,458	21,870	—
Condor Holdings Limited (5), (7), (10)	—	High Tech Industries	—	—	88,000	10,173	11,274
Condor Top Holdco Limited (5), (7), (10)	—	High Tech Industries	—	—	88,000	77,827	207,079
DBI Holding, LLC, Series A-1 (8)	—	Business Services	14.00%	—	7,041	7,040,844	2,522,555
MeritDirect Holdings, LP (7), (8)	—	Media	—	—	960	960,000	635,021
NXOF Holdings, Inc. (NextiraOne Federal, LLC) (7)		Aerospace and Defense	—	—	490	490,000	591,195
PT Network Intermediate Holdings, LLC (7)	—	Healthcare and Pharmaceuticals	11.00%	3M L+1,000	33	429,000	488,631
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	12.00%	—	1,167	1,166,993	1,221,750
TPC Holding Company, LP (5), (7), (10)	—	Food Products	—	—	409	409,011	443,141
UniTek Global Services, Inc. - Super Senior Preferred Equity (7)	—	Telecommunications	20.00%	—	343,861	343,861	—
UniTek Global Services, Inc. - Senior Preferred Equity (7)	—	Telecommunications	19.00%	—	448,851	448,851	—
UniTek Global Services, Inc. (7)	—	Telecommunications	13.50%	—	1,047,317	670,283	—
Total Preferred Equity						12,068,713	6,120,646
Common Equity/Warrants— 8.9% (6)							
Affinion Group Holdings, Inc. (Warrants)(7)	—	Consumer Goods: Durable	—	—	8,893	244,998	—
AG Investco LP (7), (8)	—	Software	—	—	805,164	805,164	1,002,599
AG Investco LP (7), (8), (9)	—	Software	—	—	194,836	—	—
Altamira Intermediate Company II, Inc. (7)	—	IT Services	—	—	1,437,500	1,437,500	933,198
By Light Investco LP (7), (8)	—	High Tech Industries	—	—	21,908	2,190,771	7,599,349
By Light Investco LP (7), (8), (9)	—	High Tech Industries	—	—	5,592	—	—
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) (7), (8)	—	Business Services	—	—	120,962	1,243,217	—
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (7), (8)	—	Healthcare and Pharmaceuticals	—	—	13,333	200,000	—
CI (Summit) Investment Holdings, LLC (SFP Holding, Inc.) (7)	—	Construction and Building	—	—	58,846	629,620	788,839
DBI Holding, LLC, Series B (8)	—	Business Services	—	—	1,489,508	330,791	—
DecoPac Holdings Inc. (7)	—	Beverage, Food and Tobacco	—	—	1,633	1,632,744	2,401,324
ECM Investors, LLC (7), (8)	—	Electronic Equipment, Instruments, and Components	—	—	295,982	295,982	449,276
eCommission Holding Corporation (7), (10)		Banking, Finance, Insurance & Real Estate	—	—	20	251,156	257,421
Faraday Holdings, LLC (7)	—	Construction and Building	—	—	1,141	58,044	375,581
Gauge InfosoftCoInvest, LLC (The Infosoft Group, LLC) (7)	—	Media: Broadcasting and Subscription	—	—	500	143,663	775,000
Gauge Lash Coinvest LLC (7)	—	Personal Products	—	—	1,485,953	1,760,670	2,615,277
Gauge Schlesinger Coinvest LLC (7)		Professional Services	—	—	437	437,371	425,883
Gauge TVC Coinvest, LLC (TVC Enterprises, LLC) (7)		Professional Services	—	—	391,144	391,144	482,277
GCOM InvestCo LP (7), (8)	—	High Tech Industries	—	—	1,722,632	1,596,634	3,010,719
GCOM InvestCo LP (7), (8), (9)	—	High Tech Industries	—	—	277,368	—	—
Go Dawgs Capital III, LP (American Insulated Glass, LLC) (7), (8)	—	Building Products	—	—	324,675	324,675	324,675
IIN Group Holdings, LLC (Integrative Nutrition, LLC) (7), (8)	—	Consumer Services	—	—	1,000	1,000,000	1,054,709
ITC Rumba, LLC (Cano Health, LLC)	—	Healthcare and Pharmaceuticals	—	—	46,763	766,149	2,335,369
JWC/UMA Holdings, L.P. (7)	—	Healthcare and Pharmaceuticals	—	—	1,000	1,000,000	1,389,498
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC) (7), (8)	—	Wholesale	—	—	1,381,741	1,381,741	8,704,966
Kentucky Racing Holdco, LLC (Warrants) (7), (8)		Hotels, Restaurants and Leisure			87,345	—	226,368
Lightspeed Investment Holdco LLC (7)	—	Healthcare Technology	—	—	585,587	585,587	672,313
MeritDirect Holdings, LP (7), (8)	—	Media	—	—	960	—	—
NXOF Holdings, Inc. (NextiraOne Federal, LLC) (7)	—	Aerospace and Defense	—	—	10,000	10,000	24,916
OceanSound Discovery Equity, LP (Holdco Sands Intermediate, LLC) (7), (8)	—	Aerospace and Defense	—	—	173,638	1,736,381	1,744,780
PT Network Intermediate Holdings, LLC (7)		Healthcare and Pharmaceuticals			25	286,000	1,067,566
QuantiTech InvestCo LP (7), (8)	—	Aerospace and Defense	—	—	70,000	70,000	103,995
QuantiTech InvestCo LP (7), (8), (9)	—	Aerospace and Defense	—	—	96,667	—	—
SBI Holdings Investments LLC (Sales Benchmark Index LLC) (7), (8)	—	Professional Services	—	—	64,634	646,341	458,093
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	—	—	61	61,421	—

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
SEPTEMBER 30, 2020

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.) (7)	—	Capital Equipment	—	—	500	$ 500,000	$ 583,200
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.) (7)	—	Capital Equipment	—	—	500	—	1,585,388
TPC Holding Company, LP (5), (7), (10)	—	Food Products	—	—	21,527	21,527	105,482
UniTek Global Services, Inc. (7)	—	Telecommunications	—	—	213,739	—	—
UniTek Global Services, Inc. (Warrants) (7)	—	Telecommunications	—	—	23,889	—	—
WBB Equity, LLC (7), (8)	—	Aerospace and Defense	—	—	142,857	142,857	625,714
Wildcat Parent, LP (Wildcat Buyerco, Inc.) (7), (8)	—	Electronic Equipment, Instruments, and Components	—	—	2,240	223,995	246,694
Total Common Equity/Warrants						22,406,143	42,370,469
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						915,874,757	910,552,309
Investments in Non-Controlled, Affiliated Portfolio Companies—2.3% (3), (4)							
First Lien Secured Debt—1.2%							
Country Fresh Holdings, LLC - Super Senior Term Loan (7)	06/01/2022	Beverage, Food and Tobacco	12.00%	—	1,366,489	1,366,489	1,366,489
Country Fresh Holdings, LLC - Super Senior Term Loan (7), (9)	06/01/2022	Beverage, Food and Tobacco	—	—	452,123	—	—
Country Fresh Holdings, LLC (7)	05/01/2023	Beverage, Food and Tobacco	6.00%	3M L+500	1,544,161	1,515,199	1,544,161
Country Fresh Holdings, LLC (Revolver) (7)	05/01/2023	Beverage, Food and Tobacco	6.00%	3M L+500	2,746,564	2,746,564	2,746,564
Total First Lien Secured Debt						5,628,252	5,657,214
Second Lien Secured Debt—1.1%							
Country Fresh Holdings, LLC (7)	04/29/2024	Beverage, Food and Tobacco	9.50% (PIK 9.50%)	1M L+850	5,882,579	5,882,579	5,429,620
Total Second Lien Secured Debt						5,882,579	5,429,620
Common Equity/Warrants—0.0% (6)							
Country Fresh Holding Company Inc. (7)	—	Beverage, Food and Tobacco	—	—	8,034	10,453,350	—
Total Common Equity/Warrants						10,453,350	—
Total Investments in Non-Controlled, Affiliated Portfolio Companies						21,964,181	11,086,834
Investments in Controlled, Affiliated Portfolio Companies—34.6% (3), (4)							
First Lien Secured Debt—26.3%							
PennantPark Senior Secured Loan Fund I LLC (7), (9), (10)	05/06/2024	Financial Services	8.22%	3M L+800	125,378,750	125,378,750	125,378,750
Total First Lien Secured Debt						125,378,750	125,378,750
Equity Interests—8.4%							
PennantPark Senior Secured Loan Fund I LLC (7), (9), (10)	—	Financial Services	—	—	53,734	53,733,750	39,910,574
Total Equity Interests						53,733,750	39,910,574
Total Investments in Controlled, Affiliated Portfolio Companies						179,112,500	165,289,324
Total Investments—227.7%						1,116,951,438	1,086,928,467
Cash and Cash Equivalents—12.1%							
BlackRock Federal FD Institutional 30						8,433,416	8,433,416
BNY Mellon Cash						49,101,005	49,078,512
Total Cash and Cash Equivalents						57,534,421	57,511,928
Total Investments and Cash Equivalents—239.8%						$ 1,174,485,859	$ 1,144,440,395
Liabilities in Excess of Other Assets—(139.8)%							(667,170,003)
Net Assets—100.0%							$ 477,270,392

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or "L" or Prime rate, or "P." The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower's option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes payment-in-kind, or PIK, interest and other fee rates, if any.

(2) Valued based on our accounting policy (See Note 2). The value of all securities was determined using significant unobservable inputs (See Note 5).

(3) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally presumed to be "non-controlled" when we own 25% or less of the portfolio company's voting securities and "controlled" when we own more than 25% of the portfolio company's voting securities.

(4) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally deemed as "non-affiliated" when we own less than 5% of a portfolio company's voting securities and "affiliated" when we own 5% or more of a portfolio company's voting securities.

(5) Non-U.S. company or principal place of business outside the United States.

(6) Non-income producing securities.

(7) The securities, or a portion thereof, are not 1) pledged as collateral under the Credit Facility and held through Funding I; or, 2) securing the 2031 Asset-Backed Debt (See Note 10) and held through PennantPark CLO I, Ltd.

(8) Investment is held through our Taxable Subsidiary (See Note 1).

(9) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.

(10) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2020, qualifying assets represent 81% of our total assets and non-qualifying assets represent 19% of our total assets.

(11) Par amount is denominated in Canadian Dollars (C$) as denoted.

1. ORGANIZATION

PennantPark Floating Rate Capital Ltd. was organized as a Maryland corporation in October 2010. We are a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC under the 1940 Act.

Our investment objectives are to generate both current income and capital appreciation while seeking to preserve capital. We seek to achieve our investment objectives by investing primarily in loans bearing variable rates of interest, or Floating Rate Loans, and other investments made to U.S. middle-market private companies whose debt is rated below investment grade. Interest on Floating Rate Loans is determined periodically, on the basis of a floating base lending rate such as LIBOR, with or without a floor, plus a fixed spread. Under normal market conditions, we generally expect that at least 80% of the value of our Managed Assets, which means our net assets plus any borrowings for investment purposes, will be invested in Floating Rate Loans and other investments bearing a variable rate of interest, which may include, from time to time, variable rate derivative instruments. We generally expect that first lien secured debt will represent at least 65% of our overall portfolio. We generally expect to invest up to 35% of our overall portfolio opportunistically in other types of investments, including second lien secured debt, subordinated debt, and, to a lesser extent, equity investments.

We have entered into an investment management agreement, or the Investment Management Agreement, with the Investment Adviser, an external adviser that manages our day-to-day operations. We have also entered into an administration agreement, or the Administration Agreement, with the Administrator, which provides the administrative services necessary for us to operate.

Funding I, our wholly owned subsidiary and a special purpose entity, was organized in Delaware as a limited liability company in May 2011. We formed Funding I in order to establish the Credit Facility. The Investment Adviser serves as the collateral manager to Funding I and has irrevocably directed that any management fee owed with respect to such services is to be paid to us so long as the Investment Adviser remains the collateral manager. This arrangement does not increase our consolidated management fee. The Credit Facility allows Funding I to borrow up to $520 million at LIBOR (or an alternative risk-free floating interest rate index) plus 200 basis points during the revolving period. The Credit Facility is secured by all of the assets held by Funding I. See Note 10.

We have formed and expect to continue to form certain taxable subsidiaries, including the Taxable Subsidiary, which are subject to tax as corporations. These taxable subsidiaries allow us to hold equity securities of certain portfolio companies treated as pass-through entities for U.S. federal income tax purposes while facilitating our ability to qualify as a RIC under the Code.

In May 2017, we and a subsidiary of Kemper Corporation (NYSE: KMPR), Trinity Universal Insurance Company, or Kemper, formed PSSL, an unconsolidated joint venture. PSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSL was formed as a Delaware limited liability company. See Note 4.

In November 2017, we issued $138.6 million of our 2023 Notes. The principal on the 2023 Notes is payable in four annual installments as follows: 15% of the original principal amount on December 15, 2020, 15% of the original principal amount on December 15, 2021, 15% of the original principal amount on December 15, 2022 and 55% on December 15, 2023. The 2023 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 2023 Notes are listed on the Tel Aviv Stock Exchange, or the TASE. In connection with this offering, we have dual listed our common stock on the TASE.

In September 2019, the Securitization Issuers completed the Debt Securitization. The 2031 Asset-Backed Debt is secured by a diversified portfolio of the Securitization Issuer consisting primarily of middle market loans and participation interests in middle market loans. The 2031 Asset-Backed Debt is scheduled to mature on October 15, 2031. On the closing date of the Debt Securitization, in consideration of our transfer to the Securitization Issuer of the initial closing date loan portfolio, which included loans distributed to us by certain of our wholly owned subsidiaries, the Securitization Issuer transferred to us 100% of the Preferred Shares of the Securitization Issuer, 100% of the Class D Secured Deferrable Floating Rate Notes issued by the Securitization Issuer, and a portion of the net cash proceeds received from the sale of the 2031 Asset-Backed Debt. See Note 10.

We are operated by a person who has claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act and, therefore, is not subject to registration or regulation as a commodity pool operator under the Commodity Exchange Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the reported amount of our assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of income and expenses during the reported periods. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements have been included. Changes in the economic and regulatory environment, financial markets, the credit worthiness of our portfolio companies, the global outbreak of the novel coronavirus (“COVID-19”), and any other parameters used in determining these estimates and assumptions could cause actual results to differ from these estimates and assumptions. We may reclassify certain prior period amounts to conform to the current period presentation. We have eliminated all intercompany balances and transactions. References to the Financial Accounting Standards Board’s, or FASB’s, Accounting Standards Codification, as amended, or ASC, serve as a single source of accounting literature. Subsequent events are evaluated and disclosed as appropriate for events occurring through the date the Consolidated Financial Statements are issued.

Our Consolidated Financial Statements are prepared in accordance with GAAP, consistent with ASC Topic 946, Financial Services – Investment Companies, and pursuant to the requirements for reporting on Form 10-K/Q and Articles 6, 10 and 12 of Regulation S-X, as appropriate. In accordance with Article 6-09 of Regulation S-X, we have provided a Consolidated Statement of Changes in Net Assets in lieu of a Consolidated Statement of Changes in Stockholders’ Equity.

Our significant accounting policies consistently applied are as follows:

(a) Investment Valuations

We expect that there may not be readily available market values for many of the investments, which are or will be in our portfolio, and we value such investments at fair value as determined in good faith by or under the direction of our board of directors using a documented valuation policy and a consistently applied valuation process, as described in this Report. With respect to investments for which there is no readily available market value, the factors that our board of directors may take into account in pricing our investments at fair value include, as relevant, the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate or revise our valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and the difference may be material. See Note 5.

Our portfolio generally consists of illiquid securities, including debt and equity investments. With respect to investments for which market quotations are not readily available, or for which market quotations are deemed not reflective of the fair value, our board of directors undertakes a multi-step valuation process each quarter, as described below:

(1) Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of the Investment Adviser responsible for the portfolio investment;

(2) Preliminary valuation conclusions are then documented and discussed with the management of the Investment Adviser;

(3) Our board of directors also engages independent valuation firms to conduct independent appraisals of our investments for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment. The independent valuation firms review management's preliminary valuations in light of their own independent assessment and also in light of any market quotations obtained from an independent pricing service, broker, dealer or market maker;

(4) The audit committee of our board of directors reviews the preliminary valuations of the Investment Adviser and those of the independent valuation firms on a quarterly basis, periodically assesses the valuation methodologies of the independent valuation firms, and responds to and supplements the valuation recommendations of the independent valuation firms to reflect any comments; and

(5) Our board of directors discusses these valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our Investment Adviser, the respective independent valuation firms and the audit committee.

Our board of directors generally uses market quotations to assess the value of our investments for which market quotations are readily available. We obtain these market values from independent pricing services or at the bid prices obtained from at least two brokers or dealers, if available, or otherwise from a principal market maker or a primary market dealer. The Investment Adviser assesses the source and reliability of bids from brokers or dealers. If our board of directors has a bona fide reason to believe any such market quote does not reflect the fair value of an investment, it may independently value such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available.

(b) Security Transactions, Revenue Recognition, and Realized/Unrealized Gains or Losses

Security transactions are recorded on a trade-date basis. We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized, but considering prepayment penalties. Net change in unrealized appreciation or depreciation reflects, as applicable, the change in the fair values of our portfolio investments, the Credit Facility and the 2023 Notes during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

We record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt investments with contractual PIK interest, which represents interest accrued and added to the loan balance that generally becomes due at maturity, we will generally not accrue PIK interest when the portfolio company valuation indicates that such PIK interest is not collectable. We do not accrue as a receivable interest on loans and debt investments if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount, or OID, market discount or premium and deferred financing costs on liabilities, which we do not fair value, are capitalized and then accreted or amortized using the effective interest method as interest income or, in the case of deferred financing costs, as interest expense. We record prepayment penalties earned on loans and debt investments as income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts. From time to time, the Company receives certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, structuring fees and amendment fees, and are recorded as other investment income when earned. Litigation settlements are accounted for in accordance with the gain contingency provisions of ASC Subtopic 450-30, Gain Contingencies, or ASC 450-30.

Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more and/or if there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. As of December 31, 2020, we had two portfolio companies on non-accrual, representing 2.3% and 1.9% of our overall portfolio on a cost and fair value basis, respectively. As of September 30, 2020, we had three portfolio companies on non-accrual, representing 2.1% and 1.8% of our overall portfolio on a cost and fair value basis, respectively.

(c) Income Taxes

We have complied with the requirements of Subchapter M of the Code and have qualified to be treated as a RIC for federal income tax purposes. In this regard, we account for income taxes using the asset and liability method prescribed by ASC Topic 740, Income Taxes, or ASC 740. Under this method, income taxes are provided for amounts currently payable and for amounts deferred as tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Based upon our qualification and election to be treated as a RIC for U.S. federal income tax purposes, we typically do not incur material U.S. federal income taxes. However, we may choose to retain a portion of our calendar year income, which may result in the imposition of a U.S. federal excise tax, or we may incur taxes through our taxable subsidiaries, including the Taxable Subsidiary. For both the three months ended December 31, 2020 and 2019, we recorded a provision for taxes of $0.1 million pertaining to U.S. federal excise tax.

We recognize the effect of a tax position in our Consolidated Financial Statements in accordance with ASC 740 when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by the applicable tax authority. Tax positions not considered to satisfy the "more-likely-than-not" threshold would be recorded as a tax expense or benefit. Penalties or interest, if applicable, that may be assessed relating to income taxes would be classified as other operating expenses in the financial statements. There were no tax accruals relating to uncertain tax positions and no amounts accrued for any related interest or penalties with respect to the periods presented herein. The Company's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although the Company files both U.S. federal and state income tax returns, the Company's major tax jurisdiction is federal.

Because U.S. federal income tax regulations differ from GAAP, distributions characterized in accordance with tax regulations may differ from net investment income and net realized gains recognized for financial reporting purposes. Differences between tax regulations and GAAP may be permanent or temporary. Permanent differences are reclassified among capital accounts in the Consolidated Financial Statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

(d) Distributions and Capital Transactions

Distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid, if any, as a distribution is determined by our board of directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are distributed at least annually. The tax attributes for distributions will generally include ordinary income and capital gains, but may also include certain tax-qualified dividends and/or a return of capital.

Capital transactions in connection with offerings of our common stock are recorded when issued and offering costs are charged as a reduction of capital upon issuance of our common stock.

(e) Foreign Currency Translation

Our books and records are maintained in U.S. dollars. Any foreign currency amounts are translated into U.S. dollars on the following basis:

1. Fair value of investment securities, other assets and liabilities – at the exchange rates prevailing at the end of the applicable period; and

2. Purchases and sales of investment securities, income and expenses – at the exchange rates prevailing on the respective dates of such transactions.

Although net assets and fair values are presented based on the applicable foreign exchange rates described above, we do not isolate that portion of the results of operations due to changes in foreign exchange rates on investments, other assets and debt from the fluctuations arising from changes in fair values of investments and liabilities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments and liabilities.

Foreign security and currency translations may involve certain considerations and risks not typically associated with investing in U.S. companies and U.S. government securities. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices to be more volatile than those of comparable U.S. companies or U.S. government securities.

(f) Consolidation

As permitted under Regulation S-X and as explained by ASC paragraph 946-810-45-3, we will generally not consolidate our investment in a company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to us. Accordingly, we have consolidated the results of our taxable subsidiaries, including the Taxable Subsidiary, Funding I and the Securitization Issuer in our Consolidated Financial Statements. We do not consolidate our investment in PSSL. See further description of our investment in PSSL in Note 4.

(g) Asset Transfers and Servicing

Asset transfers that do not meet ASC Topic 860, Transfers and Servicing, requirements for sale accounting treatment are reflected in the Consolidated Statements of Assets and Liabilities and the Consolidated Schedules of Investments as investments. The creditors of Funding I have received a security interest in all its assets and such assets are not intended to be available to the creditors of PennantPark Floating Rate Capital Ltd. or any of its affiliates.

3. AGREEMENTS AND RELATED PARTY TRANSACTIONS

The Investment Management Agreement with the Investment Adviser was reapproved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2021. Under the Investment Management Agreement, the Investment Adviser, subject to the overall supervision of our board of directors, manages the day-to-day operations of and provides investment advisory services to us. The Investment Adviser serves as the collateral manager to Funding I and has irrevocably directed that any management fee owed with respect to such services is to be paid to the Company so long as the Investment Adviser remains the collateral manager. This arrangement does not increase our consolidated management fee. For providing these services, the Investment Adviser receives a fee from us consisting of two components—a base management fee and an incentive fee.

The base management fee is calculated at an annual rate of 1.00% of our “average adjusted gross assets,” which equals our gross assets (exclusive of U.S. Treasury Bills, temporary draws under any credit facility, cash and cash equivalents, repurchase agreements or other balance sheet transactions undertaken at the end of a fiscal quarter for purposes of preserving investment flexibility for the next quarter and unfunded commitments, if any) and is payable quarterly in arrears. The base management fee is calculated based on the average adjusted gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. For example, if we sold shares on the 45th day of a quarter and did not use the proceeds from the sale to repay outstanding indebtedness, our gross assets for such quarter would give effect to the net proceeds of the issuance for only 45 days of the quarter during which the additional shares were outstanding. For the three months ended December 31, 2020 and 2019, the Investment Adviser earned a base management fee of $2.7 million and $2.8 million, respectively, from us.

The incentive fee has two parts, as follows:

One part is calculated and payable quarterly in arrears based on our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, dividend income and any other income, including any other fees (other than fees for providing managerial assistance), such as amendment, commitment, origination, prepayment penalties, structuring, diligence and consulting fees or other fees received from portfolio companies, accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement and any interest expense or amendment fees under any credit facility and distribution paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a percentage of the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7.00% annualized). We pay the Investment Adviser an incentive fee with respect to our Pre-Incentive Fee Net Investment Income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 1.75%, (2) 50% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.9167% in any calendar quarter (11.67% annualized) (we refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the hurdle but is less than 2.9167%) as the “catch-up,” which is meant to provide our Investment Adviser with 20% of our Pre-Incentive Fee Net Investment Income, as if a hurdle did not apply, if this net investment income exceeds 2.9167% in any calendar quarter), and (3) 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.9167% in any calendar quarter. These calculations are pro-rated for any share issuances or repurchases during the relevant quarter, if applicable. For the three months ended December 31, 2020 and 2019, the Investment Adviser earned $1.8 million and $2.3 million, respectively, in incentive fees on net investment income from us.

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. For both periods presented herein, the Investment Adviser did not accrue an incentive fee on capital gains, as calculated under the Investment Management Agreement (as described above).

Under GAAP, we are required to accrue a capital gains incentive fee based upon net realized capital gains and net unrealized capital appreciation and depreciation on investments held at the end of each period. In calculating the capital gains incentive fee accrual, we considered the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Management Agreement. This accrual is calculated using the aggregate cumulative realized capital gains and losses and cumulative unrealized capital appreciation or depreciation. If such amount is positive at the end of a period, then we record a capital gains incentive fee equal to 20% of such amount, less the aggregate amount of actual capital gains related to incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such year. There can be no assurance that such unrealized capital appreciation will be realized in the future. The incentive fee accrued for, but not payable, under GAAP on our unrealized and realized capital gains for both the three months ended December 31, 2020 and 2019 was zero.

The Administration Agreement with the Administrator was reapproved by our board of directors, including a majority of our directors who are not interested persons of us, in February 2021. Under the Administration Agreement, the Administrator provides administrative services and office facilities to us. For providing these services, facilities and personnel, we have agreed to reimburse the Administrator for its allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs. The Administrator also offers, on our behalf, significant managerial assistance to portfolio companies to which we are required to offer such assistance. Reimbursement for certain of these costs is included in administrative services expenses in the Consolidated Statements of Operations. For the three months ended December 31, 2020 and 2019, we reimbursed the Investment Adviser approximately $0.2 million and $0.3 million, respectively, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above.

There were no transactions subject to Rule 17a-7 under the 1940 Act during both the three months ended December 31, 2020 and 2019.

For the three months ended December 31, 2020, we did not sell any investments to PSSL. For the three months ended December 31, 2019, we sold $68.9 million in investments to PSSL at fair value and recognized $0.5 million of net realized gains.

4. INVESTMENTS

Purchases of investments, including PIK interest, for the three months ended December 31, 2020 and 2019 totaled $68.5 million and $240.3 million, respectively. Sales and repayments of investments for the three months ended December 31, 2020 and 2019 totaled $109.6 million and $143.7 million, respectively.

Investments and cash and cash equivalents consisted of the following:

	December 31, 2020		September 30, 2020	
Investment Classification	**Cost**	**Fair Value**	**Cost**	**Fair Value**
First lien	$ 814,647,700	$ 804,762,638	$ 861,283,212	$ 843,236,998
First lien in PSSL	126,481,250	126,481,250	125,378,750	125,378,750
Second lien	30,637,871	25,607,068	31,627,520	29,911,030
Equity	48,505,274	67,599,621	44,928,206	48,491,115
Equity in PSSL	54,206,250	42,894,805	53,733,750	39,910,574
Total investments	1,074,478,345	1,067,345,382	1,116,951,438	1,086,928,467
Cash and cash equivalents	28,487,798	28,488,111	57,534,421	57,511,928
Total investments and cash and cash equivalents	$ 1,102,966,143	$ 1,095,833,493	$ 1,174,485,859	$ 1,144,440,395

The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets (excluding cash and cash equivalents) in such industries:

Industry Classification	December 31, 2020 (1)	September 30, 2020 (1)
Professional Services	9%	8%
Aerospace and Defense	7	5
High Tech Industries	6	6
Media	6	5
Business Services	5	5
Capital Equipment	5	5
Healthcare Technology	4	4
Media: Diversified and Production	4	3
Beverage, Food and Tobacco	3	3
Commercial Services & Supplies	3	2
Consumer Services	3	2
Electronic Equipment, Instruments, and Components	3	3
Healthcare and Pharmaceuticals	3	4
Hotel, Gaming and Leisure	3	4
Wholesale	3	2
Banking, Finance, Insurance & Real Estate	2	2
Building Products	2	2
Construction and Building	2	4
Hotels, Restaurants and Leisure	2	2
Insurance	2	2
IT Services	2	1
Media: Advertising, Printing and Publishing	2	2
Media: Broadcasting and Subscription	2	2
Telecommunications	2	2
Chemicals, Plastics and Rubber	1	2
Construction & Engineering	1	1
Consumer Goods: Non-Durable	1	2
Diversified Consumer Services	1	1
Diversified Financial Services	1	1
Energy Equipment and Services	1	1
Environmental Industries	1	1
Healthcare Equipment and Supplies	1	1
Healthcare Providers and Services	1	1
Personal Products	1	1
Retail	1	1
Transportation: Consumer	1	1
Wireless Telecommunication Services	1	1
All Other	2	5
Total	100%	100%

(1) Excludes investments in PSSL.

PennantPark Senior Secured Loan Fund I LLC

In May 2017, we and Kemper formed PSSL, an unconsolidated joint venture. PSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSL was formed as a Delaware limited liability company. As of December 31, 2020 and September 30, 2020, PSSL had total assets of $395.1 million and $406.4 million, respectively. As of December 31, 2020, PSSL had $184.1 million of unused borrowing capacity under the PSSL Credit Facility (as defined point below), subject to leverage and borrowing base restrictions, and cash and cash equivalents of $11.4 million. As of September 30, 2020, PSSL had $107.5 million of unused borrowing capacity under the PSSL Credit Facility, subject to leverage and borrowing base restrictions, and cash and cash equivalents of $11.1 million. As of December 31, 2020 and September 30, 2020, we and Kemper had remaining commitments to fund first lien secured debt and equity interests in PSSL in an aggregate amount of $23.5 million and $25.3 million, respectively. PSSL invests in portfolio companies in the same industries in which we may directly invest.

We provide capital to PSSL in the form of first lien secured debt and equity interests. As of December 31, 2020 and September 30, 2020, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding first lien secured debt and equity interests. As of the same dates, our investment in PSSL consisted of first lien secured debt of $126.5 million (additional $14.4 million unfunded) and $125.4 million (additional $15.5 million unfunded), respectively, and equity interests of $54.2 million (additional $6.2 million unfunded) and $53.7 million (additional $6.6 million unfunded), respectively.

We and Kemper each appointed two members to PSSL's four-person board of directors and investment committee. All material decisions with respect to PSSL, including those involving its investment portfolio, require unanimous approval of a quorum of the board of directors or investment committee. Quorum is defined as (i) the presence of two members of the board of directors or investment committee, provided that at least one individual is present that was elected, designated or appointed by each member; (ii) the presence of three members of the board of directors or investment committee, provided that the individual that was elected, designated or appointed by the member with only one individual present shall be entitled to cast two votes on each matter; or (iii) the presence of four members of the board of directors or investment committee, provided that two individuals are present that were elected, designated or appointed by each member.

PSSL has entered into a $325.0 million senior secured revolving credit facility which bears interest at LIBOR (or an alternative risk-free floating interest rate index) plus 225 basis points, or the PSSL Credit Facility, with Capital One, N.A. through its wholly-owned subsidiary, PennantPark Senior Secured Loan Facility LLC, or PSSL Subsidiary, subject to leverage and borrowing base restrictions.

Additionally, on December 23, 2020 PSSL issued a $50.0 million senior secured promissory note. The principal is payable upon the earlier of the closing date of the PennantPark CLO II, Ltd. transaction (See Note 12) and March 12, 2021. The senior secured promissory note bears interest at LIBOR (or an alternative risk-free floating interest rate index) plus 190 basis points. Proceeds from the senior secured promissory note were used to pay down the PSSL Credit Facility.

Below is a summary of PSSL's portfolio at fair value:

	December 31, 2020	September 30, 2020
Total investments	$ 382,232,264	$ 392,986,090
Weighted average yield on debt investments	7.0%	6.8%
Number of portfolio companies in PSSL	42	45
Largest portfolio company investment	$ 21,766,222	$ 20,614,860
Total of five largest portfolio company investments	$ 90,626,739	$ 93,320,993

Below is a listing of PSSL's individual investments as of December 31, 2020:

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
First Lien Secured Debt—757.3%							
Altamira Technologies, LLC	07/24/2025	High Tech Industries	7.00%	3M L+600	4,793,655	$ 4,736,311	$ 4,577,940
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	6.00%	3M L+500	7,650,680	7,577,451	7,421,160
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.25%	1M L+625	13,322,745	13,190,035	13,322,745
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	9.50% (PIK 9.50%)	3M L+850	11,958,705	11,892,126	11,597,552
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	7,260,885	7,241,946	7,079,363
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	8.00%	1M L+675	9,557,889	9,496,515	9,032,205
Country Fresh Holdings, LLC	05/01/2023	Beverage, Food and Tobacco	6.00%	1M L+500	182,403	180,193	182,403
Country Fresh Holdings, LLC (Revolver)	05/01/2023	Beverage, Food and Tobacco	6.00%	1M L+500	450,110	450,111	450,110
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	8,814,025	8,742,832	8,725,885
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	7,384,345	7,355,651	7,310,502
DRS Holdings III, Inc.	11/03/2025	Consumer Goods: Durable	6.75%	1M L+575	8,001,943	7,933,475	8,009,944
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	5.07%	3M L+500	A $ 10,000,000	7,426,591	7,407,840
GCOM Software LLC	11/14/2022	High Tech Industries	7.75%	1M L+625	16,500,931	16,427,796	16,500,931
Good2Grow LLC	11/18/2024	Beverages	5.25%	3M L+425	9,499,183	9,433,068	9,499,183
IMIA Holdings, Inc.	10/26/2025	Aerospace and Defense	7.00%	3M L+600	12,113,209	12,070,386	12,052,642
Impact Group, LLC	06/27/2023	Wholesale	8.37%	1M L+737	9,265,185	9,197,418	9,357,837
Integrative Nutrition, LLC	09/29/2023	Diversified Consumer Services	5.75%	1M L+475	8,562,480	8,562,480	8,476,856
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	8.00%	1M L+700	19,600,000	19,400,356	19,257,000
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	8.50% (PIK 1.00%)	3M L+750	10,103,330	10,034,691	9,361,746
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	6,750,000	6,775,305	6,690,938
Marketplace Events, LLC - Super Priority First Lien Term Loan	09/30/2025	Media: Diversified and Production	6.25%	3M L+525	589,122	589,122	589,122
Marketplace Events, LLC - Super Priority First Lien Term Loan (6)	09/30/2025	Media: Diversified and Production	—	—	589,122	—	—
Marketplace Events LLC	09/30/2026	Media: Diversified and Production	0.00% (5)	—	4,402,977	3,441,474	3,490,302
MeritDirect, LLC	05/23/2024	Media: Advertising, Printing & Publishing	6.50%	3M L+550	4,756,924	4,718,027	4,566,647
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.00%	3M L+500	5,934,668	5,915,065	5,906,182
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.00%	1M L+500	14,625,000	14,537,498	13,381,876
Output Services Group, Inc.	03/27/2024	Business Services	5.50%	1M L+450	7,783,419	7,804,076	7,199,663
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	5.23%	1M L+500	9,767,613	9,696,990	9,230,395
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	1,589,974	1,577,612	1,574,075
PlayPower, Inc.	05/8/2026	Leisure Products	5.74%	3M L+550	4,015,020	3,981,683	3,829,326
Sargent & Greenleaf Inc.	12/20/2024	Wholesale	7.00%	1M L+550	4,900,000	4,839,970	4,838,749
Schlesinger Global, Inc.	07/14/2025	Business Services	7.00%	1M L+600	11,874,567	11,874,567	10,716,797
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	4.79%	3M L+450	11,147,500	11,067,083	10,813,075
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	6.50%	1M L+550	4,518,583	4,518,583	4,473,397
Solutionreach, Inc.	01/17/2024	Healthcare and Pharmaceuticals	6.75%	3M L+575	6,197,791	6,137,232	6,154,407
STV Group Incorporated	12/11/2026	Construction and Building	5.40%	1M L+525	7,742,222	7,674,638	7,742,222
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	8,187,806	8,152,391	8,105,928
Teneo Holdings LLC	07/18/2025	Business Services	6.25%	1M L+525	4,937,500	4,778,965	4,877,855
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.75%	6M L+575	8,548,701	8,534,306	8,548,701
TPC Canada Parent, Inc. and TPC US Parent, LLC	11/24/2025	Consumer Goods: Non-Durable	6.25%	3M L+525	8,901,566	8,815,449	8,634,519
TVC Enterprises, LLC	01/18/2024	Diversified Consumer Services	6.50%	1M L+550	9,722,209	9,722,209	9,795,126
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	6,910,465	6,803,278	6,910,465
UBEO, LLC	04/03/2024	Capital Equipment	5.50%	3M L+450	21,930,702	21,739,216	21,766,222
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	6.00%	3M L+500	11,434,281	11,291,119	11,177,010
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	7.25%	3M L+625	15,492,125	15,348,482	15,492,125
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	5,118,990	5,067,986	5,118,988
Total First Lien Secured Debt						376,751,758	371,247,956
Second Lien Secured Debt—18.0%							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	0.00% (5)	—	987,450	964,305	124,419
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	9.00% (PIK 9.00%)	—	17,335	17,335	17,335
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	9.00% (PIK 9.00%)	—	8,672,665	8,672,665	8,672,665
Total Second Lien Secured Debt						9,654,305	8,814,419
Equity Securities—4.4%							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco			1,317	1,713,106	—
DBI Holding, LLC, Series A-1	—	Business Services	13.00%	—	5,034	5,034,310	2,169,889
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	—
New MPE Holdings, LLC	—	Media: Diversified and Production	—	—	47	—	—
Total Equity Securities						6,983,937	2,169,889
Total Investments—779.7%						393,390,000	382,232,264
Cash and Cash Equivalents—23.3%							
BlackRock Federal FD Institutional 30						4,739,098	4,739,098
US Bank Cash						6,586,206	6,668,928
Total Cash and Cash Equivalents						11,325,304	11,408,026
Total Investments and Cash Equivalents—803.0%						$ 404,715,304	$ 393,640,290
Liabilities in Excess of Other Assets—(703.0)%							(344,617,656)
Members' Equity—100.0%							$ 49,022,634

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or "L" or Prime rate or "P". The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower's option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes PIK interest and other fee rates, if any.

(2) Valued based on PSSL's accounting policy.

(3) Non-U.S. company or principal place of business outside the United States.

(4) Par amount is denominated in Australian Dollars (A$) as denoted.

(5) Non-income producing security.

(6) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.

Below is a listing of PSSL's individual investments as of September 30, 2020:

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
First Lien Secured Debt—838.2%							
Altamira Technologies, LLC	07/24/2025	High Tech Industries	7.00%	3M L+600	4,856,155	$ 4,795,251	$ 4,686,189
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	6.00%	3M L+500	7,670,399	7,596,860	7,440,287
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.25%	1M L+625	10,901,843	10,774,172	10,792,825
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	9.50% (PIK 9.50%)	3M L+850	11,802,082	11,730,187	11,322,915
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	4,779,776	4,759,527	4,779,776
Centauri Group Holdings, LLC	02/12/2024	Aerospace and Defense	6.25%	1M L+525	5,330,847	5,330,847	5,304,193
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	7.00%	1M L+575	9,663,392	9,595,826	8,986,954
Country Fresh Holdings, LLC	05/01/2023	Beverage, Food and Tobacco	6.00%	1M L+500	182,403	179,976	182,403
Country Fresh Holdings, LLC (Revolver)	05/01/2023	Beverage, Food and Tobacco	6.00%	1M L+500	450,110	450,111	450,110
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	8,836,683	8,756,358	8,704,133
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	7,403,183	7,370,405	7,292,135
DRS Holdings III, Inc.	11/03/2025	Consumer Goods: Durable	6.75%	1M L+575	8,022,149	7,950,609	7,875,344
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	5.46%	3M L+525	A$ 10,000,000	7,411,600	6,809,125
GCOM Software LLC	11/14/2022	High Tech Industries	7.75%	1M L+625	16,646,228	16,562,972	16,646,228
Good2Grow LLC	11/18/2024	Beverages	5.25%	3M L+425	9,499,183	9,429,133	9,427,938
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	5.50%	3M L+450	19,470,523	19,354,235	19,275,817
IMIA Holdings, Inc.	10/26/2025	Aerospace and Defense	5.50%	3M L+450	12,143,568	12,097,717	12,022,132
Impact Group, LLC	06/27/2023	Wholesale	8.37%	1M L+737	9,290,185	9,216,206	9,336,636
Integrative Nutrition, LLC	09/29/2023	Diversified Consumer Services	5.75%	1M L+475	8,587,606	8,587,606	8,458,792
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	8.00%	1M L+700	19,650,000	19,436,214	19,217,700
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	8.50%	3M L+750	9,975,861	9,902,990	9,188,766
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	6,843,750	6,872,048	6,631,320
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	7.00%	1M L+600	4,313,910	4,273,019	4,197,866
Marketplace Events LLC (4)	01/27/2023	Media: Diversified and Production	0.00% (5)	—	C$ 5,730,254	4,449,786	3,623,691
MeritDirect, LLC	05/23/2024	Media: Advertising, Printing & Publishing	6.50%	3M L+550	4,812,500	4,771,073	4,583,906
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.00%	3M L+500	5,949,731	5,927,114	5,877,737
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.50%	1M L+550	14,662,500	14,568,019	13,379,531
Output Services Group, Inc.	03/27/2024	Business Services	5.50%	1M L+450	7,803,419	7,825,029	7,101,111
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	5.19%	1M L+500	9,792,594	9,717,936	9,156,076
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	1,594,030	1,579,915	1,570,120
PlayPower, Inc.	05/8/2026	Leisure Products	5.72%	3M L+550	4,025,520	3,990,707	3,824,244
Sargent & Greenleaf Inc.	12/20/2024	Wholesale	7.00%	1M L+550	4,925,000	4,860,858	4,836,350
Schlesinger Global, Inc.	07/14/2025	Business Services	7.00%	1M L+600	11,904,617	11,904,617	11,041,532
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	4.93%	3M L+450	11,175,938	11,090,654	10,840,659
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	6.50%	1M L+550	4,561,971	4,561,971	4,493,542
Solutionreach, Inc.	01/17/2024	Healthcare and Pharmaceuticals	6.75%	3M L+575	6,214,305	6,149,172	6,145,948
STV Group Incorporated	12/11/2026	Construction and Building	5.40%	1M L+525	7,762,222	7,692,023	7,684,600
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	8,309,797	8,272,104	8,060,503
Teneo Holdings LLC	07/18/2025	Business Services	6.25%	1M L+525	4,950,000	4,783,595	4,764,375
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.75%	6M L+575	8,602,807	8,584,634	8,602,807
TPC Canada Parent, Inc. and TPC US Parent, LLC	11/24/2025	Consumer Goods: Non-Durable	6.25%	3M L+525	8,924,066	8,837,614	8,656,344
TVC Enterprises, LLC	01/18/2024	Diversified Consumer Services	6.50%	1M L+550	9,747,335	9,747,335	9,674,230
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	6,910,465	6,797,117	6,772,256
UBEO, LLC	04/03/2024	Capital Equipment	5.50%	3M L+450	21,930,702	21,762,065	20,614,860
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	6.00%	3M L+500	11,463,443	11,311,325	11,119,540
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	7.25%	3M L+625	10,594,047	10,440,520	10,594,047
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	254,095	250,910	251,557
Total First Lien Secured Debt						392,309,962	382,299,150
Second Lien Secured Debt—19.5%							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	9.50% (PIK 9.50%)	1M L+850	964,045	964,045	889,813
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	9.00% (PIK 9.00%)	—	15,946	15,946	15,946
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	9.00% (PIK 9.00%)	—	7,977,513	7,977,513	7,977,513
Total Second Lien Secured Debt						8,957,504	8,883,272
Equity Securities—4.0%							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco			1,317	1,713,105	—
DBI Holding, LLC, Series A-1	—	Business Services	—	—	5,034	5,034,310	1,803,668
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	—
Total Equity Securities						6,983,936	1,803,668
Total Investments—861.6%						408,251,402	392,986,090
Cash and Cash Equivalents—24.4%							
BlackRock Federal FD Institutional 30						6,005,963	6,005,963
US Bank Cash						5,109,410	5,115,516
Total Cash and Cash Equivalents						11,115,373	11,121,479
Total Investments and Cash Equivalents—886.0%						$ 419,366,775	$ 404,107,569
Liabilities in Excess of Other Assets—(786.0)%							(358,495,484)
Members' Equity—100.0%							$ 45,612,085

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or "L" or Prime rate or "P". The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower's option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes PIK interest and other fee rates, if any.

(2) Valued based on PSSL's accounting policy.

(3) Non-U.S. company or principal place of business outside the United States.

(4) Par amount is denominated in Australian Dollars (A$) or in Canadian Dollars (C$) as denoted.

(5) Non-income producing security.

Below is the financial information for PSSL:

Statements of Assets and Liabilities

	December 31, 2020	September 30, 2020
Assets		
Investments at fair value (cost—$393,390,000 and $408,251,402, respectively)	$ 382,232,264	$ 392,986,090
Cash and cash equivalents (cost—$11,325,304 and $11,115,373, respectively)	11,408,026	11,121,479
Interest receivable	1,371,822	2,235,595
Prepaid expenses and other assets	82,838	62,812
Total assets	395,094,950	406,405,976
Liabilities		
Payable for investments purchased	9,935,844	—
PSSL Credit Facility payable	141,085,005	216,969,469
Notes payable to members	144,550,000	143,290,000
Promissory note	50,000,000	—
Interest payable on credit facility	468,325	490,858
Interest payable on members notes	33,142	32,719
Accrued other expenses	—	10,845
Total liabilities	346,072,316	360,793,891
Commitments and contingencies (1)	—	—
Members' equity	49,022,634	45,612,085
Total liabilities and members' equity	$ 395,094,950	$ 406,405,976

(1) As of December 31, 2020 and September 30, 2020, PSSL had unfunded commitments to fund investments of $0.6 million and zero, respectively.

Statements of Operations

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Investment income:		
Interest	$ 6,747,939	$ 8,768,628
Other income	155,384	—
Total investment income	6,903,323	8,768,628
Expenses:		
Interest and expenses on credit facility	1,416,006	3,606,085
Interest expense on members notes	3,054,519	3,430,557
Administrative services expenses	300,000	300,000
Other general and administrative expenses (1)	195,317	113,710
Total expenses	4,965,842	7,450,352
Net investment income	1,937,481	1,318,276
Realized and unrealized gain on investments and credit facility foreign currency translations:		
Net realized (loss) gain on investments	(791,279)	452,477
Net change in unrealized appreciation on:		
Investments	4,184,101	1,078,789
Credit facility appreciation of foreign currency translation	(659,754)	(1,325,522)
Net change in unrealized appreciation (depreciation) on investments and credit facility foreign currency translations	3,524,347	(246,733)
Net realized and unrealized gain from investments and credit facility foreign currency translations	2,733,068	205,744
Net increase in members' equity resulting from operations	$ 4,670,549	$ 1,524,020

(1) No management or incentive fees are payable by PSSL. If any fees were to be charged, they would be separately disclosed in the Statement of Operations.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value, as defined under ASC 820, is the price that we would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment or liability. ASC 820 emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of us. Unobservable inputs reflect the assumptions market participants would use in pricing an asset or liability based on the best information available to us on the reporting period date.

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Inputs that are quoted prices for similar assets or liabilities in active markets, or that are quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term, if applicable, of the financial instrument.

Level 3: Inputs that are unobservable for an asset or liability because they are based on our own assumptions about how market participants would price the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments, our 2031 Asset-Backed Debt and our Credit Facility are classified as Level 3. Our 2023 Notes are classified as Level 1, as they were valued using the closing price from the primary exchange. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and those differences may be material.

The inputs into the determination of fair value may require significant management judgment or estimation. Even if observable market data is available, such information may be the result of consensus pricing information, disorderly transactions or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence were available. Corroborating evidence that would result in classifying these non-binding broker/dealer bids as a Level 2 asset includes observable orderly market-based transactions for the same or similar assets or other relevant observable market-based inputs that may be used in pricing an asset.

Our investments are generally structured as Floating Rate Loans, mainly first lien secured debt, but also may include second lien secured debt, subordinated debt and equity investments. The transaction price, excluding transaction costs, is typically the best estimate of fair value at inception. Ongoing reviews by our Investment Adviser and independent valuation firms are based on an assessment of each underlying investment, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information including comparable transactions, performance multiples and yields, among other factors. These non-public investments valued using unobservable inputs are included in Level 3 of the fair value hierarchy.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in our ability to observe valuation inputs may result in a reclassification for certain financial assets or liabilities.

In addition to using the above inputs to value cash equivalents, investments, our 2023 Notes, our 2031 Asset-Backed Debt and our Credit Facility, we employ the valuation policy approved by our board of directors that is consistent with ASC 820. Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value. See Note 2.

As outlined in the table below, some of our Level 3 investments using a market approach valuation technique are valued using the average of the bids from brokers or dealers. The bids include a disclaimer, may not have corroborating evidence, may be the result of a disorderly transaction and may be the result of consensus pricing. The Investment Adviser assesses the source and reliability of bids from brokers or dealers. If our board of directors has a bona fide reason to believe any such bids do not reflect the fair value of an investment, it may independently value such investment by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available. In accordance with ASC 820, we do not categorize any investments for which fair value is measured using the net asset value per share within the fair value hierarchy.

The remainder of our investment portfolio and our long-term Credit Facility are valued using a market comparable or an enterprise market value technique. With respect to investments for which there is no readily available market value, the factors that our board of directors may take into account in pricing our investments at fair value include, as relevant, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the pricing indicated by the external event, excluding transaction costs, is used to corroborate the valuation. When using earnings multiples to value a portfolio company, the multiple used requires the use of judgment and estimates in determining how a market participant would price such an asset. These non-public investments using unobservable inputs are included in Level 3 of the fair value hierarchy. Generally, the sensitivity of unobservable inputs or combination of inputs such as industry comparable companies, market outlook, consistency, discount rates and reliability of earnings and prospects for growth, or lack thereof, affects the multiple used in pricing an investment. As a result, any change in any one of those factors may have a significant impact on the valuation of an investment. Generally, an increase in a market yield will result in a decrease in the valuation of a debt investment, while a decrease in a market yield will have the opposite effect. Generally, an increase in an earnings before interest, taxes, depreciation and amortization, or EBITDA, multiple will result in an increase in the valuation of an investment, while a decrease in an EBITDA multiple will have the opposite effect.

Our Level 3 valuation techniques, unobservable inputs and ranges were categorized as follows:

Asset Category		Fair value at December 31, 2020	Valuation Technique	Unobservable Input	Range of Input (Weighted Average) (1)
First lien	$	179,034,785	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien		745,612,162	Market Comparable	Market Yield	5.3% – 16.6% (8.0%)
Second lien		24,050,361	Market Comparable	Market Yield	9.2% – 11.0% (9.8%)
First lien		6,596,941	Enterprise Market Value	EBITDA multiple	0.2x
Second lien		1,556,707	Enterprise Market Value	EBITDA multiple	0.2x – 5.9x (3.1x)
Equity		67,599,621	Enterprise Market Value	EBITDA multiple	0.2x – 13.6x (10.6x)
Total Level 3 investments	$	1,024,450,577			
Long-Term Credit Facility	$	253,303,400	Market Comparable	Market Yield	2.8%

Asset Category		Fair value at September 30, 2020	Valuation Technique	Unobservable Input	Range of Input (Weighted Average) (1)
First lien	$	114,844,301	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien		848,114,233	Market Comparable	Market Yield	5.4% – 19.5% (8.4%)
Second lien		23,017,187	Market Comparable	Market Yield	9.3% – 11.0% (9.5%)
First lien		5,657,214	Enterprise Market Value	EBITDA multiple	0.3x
Second lien		6,893,843	Enterprise Market Value	EBITDA multiple	0.3x – 8.5x (2.0x)
Equity		48,491,115	Enterprise Market Value	EBITDA multiple	0.3x – 15.2x (10.4x)
Total Level 3 investments	$	1,047,017,893			
Long-Term Credit Facility	$	299,047,275	Market Comparable	Market Yield	3.4%

(1) The weighted averages disclosed in the table above were weighted by their relative fair value.

Our investments, cash and cash equivalents, Credit Facility, 2023 Notes, and the 2031 Asset-Backed Debt were categorized as follows in the fair value hierarchy:

	Fair Value at December 31, 2020				
Description	Fair Value	Level 1	Level 2	Level 3	Measured at Net Asset Value (1)
First lien	$ 931,243,888	$ —	$ —	$ 931,243,888	$ —
Second lien	25,607,068	—	—	25,607,068	—
Equity	110,494,426	—	—	67,599,621	42,894,805
Total investments	1,067,345,382	—	—	1,024,450,577	42,894,805
Cash and cash equivalents	28,488,111	28,488,111	—	—	—
Total investments and cash and cash equivalents	$ 1,095,833,493	$ 28,488,111	$ —	$ 1,024,450,577	$ 42,894,805
Long-Term Credit Facility	$ 253,303,400	$ —	$ —	$ 253,303,400	$ —
2023 Notes	106,567,218	106,567,218	—	—	—
2031 Asset-Backed Debt (2)	225,024,045	—	—	225,024,045	—
Total debt	$ 584,894,663	$ 106,567,218	$ —	$ 478,327,445	$ —

(1) In accordance with ASC Subtopic 820-10, Fair Value Measurements and Disclosures, or ASC 820-10, our equity investment in PSSL is measured using the net asset value per share (or its equivalent) as a practical expedient for fair value, have not been classified in the fair value hierarchy.

(2) We elected not to apply ASC 825-10 to the 2031 Asset-Backed Debt and thus the balance reported in the Consolidated Statement of Assets and Liabilities represents the carrying value, which approximates the fair value.

	Fair Value at September 30, 2020				
Description	Fair Value	Level 1	Level 2	Level 3	Measured at Net Asset Value (1)
First lien	$ 968,615,748	$ —	$ —	$ 968,615,748	$ —
Second lien	29,911,030	—	—	29,911,030	—
Equity	88,401,689	—	—	48,491,115	39,910,574
Total investments	1,086,928,467	—	—	1,047,017,893	39,910,574
Cash and cash equivalents	57,511,928	57,511,928	—	—	—
Total investments and cash and cash equivalents	$ 1,144,440,395	$ 57,511,928	$ —	$ 1,047,017,893	$ 39,910,574
Long-Term Credit Facility	$ 299,047,275	$ —	$ —	$ 299,047,275	$ —
2023 Notes	129,295,008	129,295,008	—	—	—
2031 Asset-Backed Debt(2)	224,866,334	—	—	224,866,334	—
Total debt	$ 653,208,617	$ 129,295,008	$ —	$ 523,913,609	$ —

(1) In accordance with ASC Subtopic 820-10, Fair Value Measurements and Disclosures, or ASC 820-10, our equity investment in PSSL is measured using the net asset value per share (or its equivalent) as a practical expedient for fair value, have not been classified in the fair value hierarchy.

(2) We elected not to apply ASC 825-10 to the 2031 Asset-Backed Debt and thus the balance reported in the Consolidated Statement of Assets and Liabilities represents the carrying value, which approximates the fair value.

The tables below show a reconciliation of the beginning and ending balances for investments measured at fair value using significant unobservable inputs (Level 3):

	Three Months Ended December 31, 2020		
Description	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	$ 968,615,748	$ 78,402,145	$ 1,047,017,893
Net realized loss	(810,853)	(1,102,977)	(1,913,830)
Net change in unrealized appreciation	8,161,152	12,217,125	20,378,277
Purchases, PIK interest, net discount accretion and non-cash exchanges	64,022,024	4,550,204	68,572,228
Sales, repayments and non-cash exchanges	(108,744,183)	(859,808)	(109,603,991)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	$ 931,243,888	$ 93,206,689	$ 1,024,450,577
Net change in unrealized appreciation reported within the net change in unrealized appreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date	$ 7,397,488	$ 12,347,478	$ 19,744,966

	Three Months Ended December 31, 2019		
Description	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	$ 944,900,800	$ 86,836,779	$ 1,031,737,579
Net realized gains	976,698	35,322	1,012,020
Net change in unrealized appreciation (depreciation)	679,968	(4,051,404)	(3,371,436)
Purchases, PIK interest, net discount accretion and non-cash exchanges	237,379,619	3,373,585	240,753,204
Sales, repayments and non-cash exchanges	(141,423,648)	(2,319,653)	(143,743,301)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	$ 1,042,513,437	$ 83,874,629	$ 1,126,388,066
Net change in unrealized appreciation (depreciation) reported within the net change in unrealized appreciation (depreciation) on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date	$ 534,054	$ (3,974,340)	$ (3,440,286)

The table below shows a reconciliation of the beginning and ending balances for liabilities measured at fair value using significant unobservable inputs (Level 3):

	Three Months Ended December 31,	
Long-Term Credit Facility	2020	2019
Beginning Balance (cost – $308,598,500 and $265,307,500, respectively)	$ 299,047,275	$ 263,988,583
Net change in unrealized depreciation included in earnings	5,954,625	51,927
Borrowings	27,500,000	86,000,000
Repayments	(79,198,500)	(16,000,000)
Transfers in and/or out of Level 3	—	—
Ending Balance (cost – $256,900,000 and $335,307,500, respectively)	$ 253,303,400	$ 334,040,510

As of December 31, 2020, we did not have any outstanding non-U.S. dollar borrowings on the Credit Facility.

As of September 30, 2020, we had outstanding non-U.S. dollar borrowings on the Credit Facility. Net change in fair value from foreign currency translation on outstanding borrowings is listed below:

Foreign Currency	Amount Borrowed	Borrowing Cost	Current Value	Reset Date	Change in Fair Value
Canadian Dollar	C$ 16,500,000	$ 11,698,500	$ 12,352,610	October 1, 2020	$ 654,110

Generally, the carrying value of our consolidated financial liabilities approximates fair value. We have adopted the principles under ASC Subtopic 825-10, Financial Instruments, or ASC 825-10, which provides companies with an option to report selected financial assets and liabilities at fair value, and made an irrevocable election to apply ASC 825-10 to the Credit Facility and the 2023 Notes. We elected to use the fair value option for the Credit Facility and the 2023 Notes to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Due to that election and in accordance with GAAP, we did not incur any expenses relating to amendment costs on the Credit Facility during the three months ended December 31, 2020 and 2019. ASC 825-10 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect on earnings of a company's choice to use fair value. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statements of Assets and Liabilities and changes in fair value of the Credit Facility and the 2023 Notes are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including our 2031 Asset-Backed Debt.

For the three months ended December 31, 2020 and 2019, the Credit Facility and the 2023 Notes had a net change in unrealized (appreciation) depreciation of ($4.0) million and $1.4 million, respectively. As of December 31, 2020 and September 30, 2020, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled $14.8 million and $18.8 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of the Credit Facility in a manner consistent with the valuation process that our board of directors uses to value our investments. Our 2023 Notes trade on the TASE and we use the closing price on the exchange to determine the fair value.

6. TRANSACTIONS WITH AFFILIATED COMPANIES

An affiliated portfolio company is a company in which we have ownership of 5% or more of its voting securities. A portfolio company is generally presumed to be a non-controlled affiliate when we own at least 5% but 25% or less of its voting securities and a controlled affiliate when we own more than 25% of its voting securities. Transactions related to our funded investments with both controlled and non-controlled affiliates for the three months ended December 31, 2020 were as follows:

Name of Investment	Fair value at September 30, 2020	Purchases of / Advances to Affiliates	Sale of / Distributions from Affiliates	Net Change in Unrealized Appreciation (Depreciation)	Fair value at December 31, 2020	Interest Income	Dividend/Other Income	Net Realized Gains (Losses)
Non-Controlled Affiliates								
Country Fresh Holding Company Inc.	$ 11,086,834	$ 943,919	$ —	$ (4,674,611)	$ 7,356,142	$ 96,462	$ 20,307	$ —
Total Non-Controlled Affiliates	$ 11,086,834	$ 943,919	$ —	$ (4,674,611)	$ 7,356,142	$ 96,462	$ 20,307	$ —
Controlled Affiliates								
Marketplace Events, LLC (1)	$ 16,155,762	$ 5,058,260	$ (1,052,048)	$ 2,415,646	$ 22,577,620	$ 28,596	$ 195,630	$ (1,052,048)
PennantPark Senior Secured Loan Fund I LLC *	165,289,324	1,575,000.0	—	2,511,731	169,376,055	2,634,280	1,575,000	—
Total Controlled Affiliates	$ 181,445,086	$ 6,633,260	$ (1,052,048)	$ 4,927,377	$ 191,953,675	$ 2,662,876	$ 1,770,630	$ (1,052,048)
Total Controlled and Non-Controlled Affiliates	$ 192,531,920	$ 7,577,179	$ (1,052,048)	$ 252,766	$ 199,309,817	$ 2,759,338	$ 1,790,937	$ (1,052,048)

* We and Kemper are the members of PSSL, a joint venture formed as a Delaware limited liability company that is not consolidated by us for financial reporting purposes. The members of PSSL make investments in PSSL in the form of first lien secured debt and equity interests, and all portfolio and other material decisions regarding PSSL must be submitted to PSSL's board of directors or investment committee, both of which are comprised of two members appointed by each of us and Kemper. Because management of PSSL is shared equally between us and Kemper, we do not believe we control PSSL for purposes of the 1940 Act or otherwise.

(1) Marketplace Events, LLC became a controlled affiliate during the quarter ended December 31, 2020.

7. CHANGE IN NET ASSETS FROM OPERATIONS PER COMMON SHARE

The following information sets forth the computation of basic and diluted per share net increase in net assets resulting from operations:

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Numerator for net increase in net assets resulting from operations	$ 26,130,588	$ 9,972,894
Denominator for basic and diluted weighted average shares	38,772,074	38,772,074
Basic and diluted net increase in net assets per share resulting from operations	$ 0.67	$ 0.26

8. CASH AND CASH EQUIVALENTS

Cash equivalents represent cash in money market funds pending investment in longer-term portfolio holdings. Our portfolio may consist of temporary investments in U.S. Treasury Bills (of varying maturities), repurchase agreements, money market funds or repurchase agreement-like treasury securities. These temporary investments with original maturities of 90 days or less are deemed cash equivalents and are included in the Consolidated Schedule of Investments. At the end of each fiscal quarter, we may take proactive steps to preserve investment flexibility for the next quarter by investing in cash equivalents, which is dependent upon the composition of our total assets at quarter-end. We may accomplish this in several ways, including purchasing U.S. Treasury Bills and closing out positions on a net cash basis after quarter-end, temporarily drawing down on the Credit Facility, or utilizing repurchase agreements or other balance sheet transactions as are deemed appropriate for this purpose. These amounts are excluded from average adjusted gross assets for purposes of computing the Investment Adviser's management fee. U.S. Treasury Bills with maturities greater than 60 days from the time of purchase are valued consistent with our valuation policy. As of December 31, 2020 and September 30, 2020, cash and cash equivalents consisted of money market funds in the amounts of $28.5 million and $57.5 million at fair value, respectively.

9. FINANCIAL HIGHLIGHTS

Below are the financial highlights:

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Per Share Data:		
Net asset value, beginning of period	$ 12.31	$ 12.97
Net investment income (1)	0.26	0.29
Net change in realized and unrealized gain (loss) (1)	0.41	(0.03)
Net increase in net assets resulting from operations (1)	0.67	0.26
Distributions to stockholders (1), (2)	(0.29)	(0.29)
Net asset value, end of period	$ 12.70	$ 12.95
Per share market value, end of period	$ 10.53	$ 12.18
Total return* (3)	28.51%	7.56%
Shares outstanding at end of period	38,772,074	38,772,074
Ratios / Supplemental Data:**		
Ratio of operating expenses to average net assets (4)	4.38%	4.96%
Ratio of debt related expenses to average net assets (5)	4.43%	5.83%
Ratio of total expenses to average net assets (5)	8.81%	10.79%
Ratio of net investment income to average net assets (5)	8.39%	8.88%
Net assets at end of period	$ 492,350,939	$ 501,980,364
Weighted average debt outstanding	$ 649,905,940	$ 647,164,200
Weighted average debt per share (1)	$ 16.76	$ 16.69
Asset coverage per unit (6)	$ 1,792	$ 1,704
Portfolio turnover ratio	25.26%	51.44%

* Not annualized for periods less than one year.
** Annualized for periods less than one year.
(1) Based on the weighted average shares outstanding for the respective periods.
(2) The tax status of distributions is calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP, and reported on Form 1099-DIV each calendar year.
(3) Based on the change in market price per share during the periods and assumes distributions, if any, are reinvested.
(4) Excludes debt related costs.
(5) Includes interest and expenses on debt (annualized) as well as Credit Facility amendment and debt issuance costs, if any, (not annualized).
(6) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by the senior securities representing indebtedness at par (changed from fair value). This asset coverage ratio is multiplied by $1,000 to determine the asset coverage per unit.

10. DEBT

The annualized weighted average cost of debt for the three months ended December 31, 2020 and 2019, inclusive of the fee on the undrawn commitment on the Credit Facility, was 3.3% and 4.5%, respectively. As of December 31, 2020, in accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that we are in compliance with a 150% asset coverage ratio requirement after such borrowing.

On April 5, 2018, our board of directors approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Consolidated Appropriations Act of 2018 (which includes the SBCAA). As a result, the asset coverage requirement applicable to us for senior securities was reduced from 200% (i.e., $1 of debt outstanding for each $1 of equity) to 150% (i.e., $2 of debt outstanding for each $1 of equity), effective as of April 5, 2019, subject to compliance with certain disclosure requirements. As of December 31, 2020 and September 30, 2020, our asset coverage ratio, as computed in accordance with the 1940 Act, was 179% and 168%, respectively.

Credit Facility

Funding I's multi-currency Credit Facility with affiliates of Truist Bank (formerly SunTrust Bank), or the Lenders, was $520 million as of December 31, 2020, subject to satisfaction of certain conditions and regulatory restrictions that the 1940 Act imposes on us as a BDC, has an interest rate spread above LIBOR (or an alternative risk-free floating interest rate index) of 200 basis points, a maturity date of October 2023 and a revolving period that ends in October 2021. As of December 31, 2020 and September 30, 2020, Funding I borrowed $256.9 million and $308.6 million under the Credit Facility, respectively. The Credit Facility had a weighted average interest rate of 2.2% and 2.2%, exclusive of the fee on undrawn commitments as of December 31, 2020 and September 30, 2020, respectively. As of December 31, 2020 and September 30, 2020, we had $263.1 million and $211.4 million of unused borrowing capacity under the Credit Facility, respectively, subject to leverage and borrowing base restrictions.

During the revolving period, the Credit Facility bears interest at LIBOR (or an alternative risk-free floating interest rate index) plus 200 basis points and, after the revolving period, the rate sets to LIBOR (or an alternative risk-free floating interest rate index) plus 425 basis points for the remaining two years, maturing in October 2023. The Credit Facility is secured by all of the assets of Funding I. Both PennantPark Floating Rate Capital Ltd. and Funding I have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities.

The Credit Facility contains covenants, including, but not limited to, restrictions of loan size, industry requirements, average life of loans, geographic and individual portfolio concentrations, minimum portfolio yield and loan payment frequency. Additionally, the Credit Facility requires the maintenance of a minimum equity investment in Funding I and income ratio as well as restrictions on certain payments and issuance of debt. The Credit Facility compliance reporting is prepared on a basis of accounting other than GAAP. As of December 31, 2020, we were in compliance with the covenants relating to the Credit Facility.

We own 100% of the equity interest in Funding I and treat the indebtedness of Funding I as our leverage. Our Investment Adviser serves as collateral manager to Funding I under the Credit Facility.

Our interest in Funding I (other than the management fee) is subordinate in priority of payment to every other obligation of Funding I and is subject to certain payment restrictions set forth in the Credit Facility. We may receive cash distributions on our equity interests in Funding I only after it has made all required payments of (1) cash interest and, if applicable, principal to the Lenders, (2) administrative expenses and (3) claims of other unsecured creditors of Funding I. We cannot assure you that there will be sufficient funds available to make any distributions to us or that such distributions will meet our expectations from Funding I. The Investment Adviser has irrevocably directed that any management fee owed with respect to such services is to be paid to us so long as the Investment Adviser remains the collateral manager.

2023 Notes

In November 2017, we issued $138.6 million of our 2023 Notes pursuant to a deed of trust between the Company and Mishmeret Trust Company, Ltd., as trustee, of which $117.8 million and $138.6 million was outstanding as of December 31, 2020 and September 30, 2020, respectively.

The 2023 Notes pay interest at a rate of 4.3% per year. Interest on the 2023 Notes is payable semi-annually in arrears on June 15 and December 15 of each year, commencing June 15, 2018. The principal on the 2023 Notes is payable in four annual installments as follows: 15% of the original principal amount on December 15, 2020, 15% of the original principal amount on December 15, 2021, 15% of the original principal amount on December 15, 2022 and 55% of the original principal amount on December 15, 2023.

The 2023 Notes are general, unsecured obligations, rank equal in right of payment with all of our existing and future senior unsecured indebtedness and are generally redeemable at our option. The deed of trust governing the 2023 Notes includes certain customary covenants, including minimum equity requirements, and events of default. Please refer to the deed of trust filed as Exhibit (d)(8) to the post-effective amendment to our registration statement filed on December 13, 2017 for more information. The 2023 Notes are rated ilA- by S&P Global Ratings Maalot Ltd. and are listed on the TASE. In connection with this offering, we have dual listed our common stock on the TASE.

The 2023 Notes have not been and will not be registered under the Securities Act of 1933, as amended, or the Securities Act, and may not be offered or sold in the United States absent registration under the Securities Act or in transactions exempt from, or not subject to, such registration requirements.

2031 Asset-Backed Debt

In September 2019, the Company completed the 301.4 million term debt securitization. Term debt securitizations, also known as CLOs, are a form of secured financing incurred by the Company, which is consolidated by the Company and subject to the Company's asset coverage requirements. The 2031 Asset-Backed Debt was issued by the Securitization Issuer. The 2031 Asset-Backed Debt is secured by the middle market loans, participation interests in middle market loans and other assets of the Securitization Issuer. The Debt Securitization was executed through (A) a private placement of: (i) $78.5 million Class A-1 Senior Secured Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 1.80%, (ii) $15.0 million Class A-2 Senior Secured Fixed Rate Notes due 2031, which bear interest at 3.66%, (iii) $14.0 million Class B-1 Senior Secured Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 2.90%, (iv) $16.0 million Class B-2 Senior Secured Fixed Rate Notes due 2031, which bear interest at 4.266%, (v) $19.0 million Class C-1 Secured Deferrable Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 4.00%, (vi) $8.0 million Class C-2 Secured Deferrable Fixed Rate Notes due 2031, which bear interest at 5.379%, and (vii) $18.0 million Class D Secured Deferrable Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 4.75% and (B) the borrowing of $77.5 million Class A-1 Senior Secured Floating Rate Loans due 2031, which bear interest at the three-month LIBOR plus 1.80%, under a credit agreement by and among the Securitization Issuers, as borrowers, various financial institutions, as lenders, and U.S. Bank National Association, as collateral agent and as loan agent. The annualized interest on the 2031 Asset-Backed Debt will be paid, to the extent of funds available. The reinvestment period of the Debt Securitization ends on October 15, 2023 and the 2031 Asset-Backed Debt is scheduled to mature on October 15, 2031.

On the closing date of the Debt Securitization, in consideration of our transfer to the Securitization Issuer of the initial closing date loan portfolio, which included loans distributed to us by certain of our wholly owned subsidiaries, the Securitization Issuer transferred to us 100% of the Preferred Shares of the Securitization Issuer, 100% of the Class D Secured Deferrable Floating Rate Notes issued by the Securitization Issuer, and a portion of the net cash proceeds received from the sale of the 2031 Asset-Backed Debt. The Preferred Shares of the Securitization Issuer do not bear interest and had a stated value of approximately $55.4 million at the closing of the Debt Securitization.

The 2031 Asset-Backed Debt is included in the Consolidated Statement of Assets and Liabilities as debt of the Company and the Class D Secured Deferrable Floating Rate Notes and the Preferred Shares of the Securitization Issuer were eliminated in consolidation. As of both December 31, 2020 and September 30, 2020, the Company had $228.0 million of 2031 Asset-Backed Debt outstanding with a weighted average interest rate of 2.7%. As of December 31, 2020 and September 30, 2020, the unamortized fees on the 2031 Asset-Backed Debt were $3.0 million and $3.1, respectively.

Our Investment Adviser serves as collateral manager to the Securitization Issuer pursuant to the Collateral Management Agreement. For so long as our Investment Adviser serves as collateral manager, it will elect to irrevocably waive any collateral management fee to which it may be entitled under the Collateral Management Agreement.

11. COMMITMENTS AND CONTINGENCIES

From time to time, we, the Investment Adviser or the Administrator may be a party to legal proceedings, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations. Unfunded debt and equity investments, if any, are disclosed in the Consolidated Schedules of Investments. Under these arrangements, we may be required to supply a letter of credit to a third party if the portfolio company were to request a letter of credit. As of December 31, 2020 and September 30, 2020, we had $93.0 million and $73.3 million, respectively, in commitments to fund investments. Additionally, as described in Note 4, the Company had unfunded commitments of up to $20.6 million and $22.1 million to PSSL as of December 31, 2020 and September 30, 2020, respectively, that may be contributed primarily for the purpose of funding new investments approved by the PSSL board of directors or investment committee.

12. SUBSEQUENT EVENTS

On January 27, 2021, PSSL, through its wholly-owned and consolidated subsidiary, PennantPark CLO II, Ltd., closed a three-year reinvestment period, eleven-year final maturity $300.7 million debt securitization in the form of a collateralized loan obligation consisting of the following classes of notes: Class A-1 Notes, Class A-1 Loans, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes, Class C Notes, Class D Notes, Class E Notes and Subordinated Notes, or the Debt. PSSL will retain all of the Class E Notes and Subordinated Notes through a consolidated subsidiary. The reinvestment period for the term debt securitization ends in January 2024 and the Debt is scheduled to mature in January 2032. The term debt securitization is expected to be approximately 95% funded at close. The proceeds from the Debt were used to repay a portion of the PSSL Credit Facility, as well as repay the $50.0 million senior secured promissory note issued by PSSL. Additionally, in conjunction with the closing of this transaction, PSSL's $325.0 million senior secured revolving credit facility with Capital One, N.A. was terminated and replaced with a new $125.0 million senior secured revolving credit facility provided by Ally Bank. The Ally Bank credit facility has an interest rate spread above LIBOR (or an alternative risk-free floating interest rate index) of 260 basis points, a LIBOR floor of 25 basis points, a maturity date of January 26, 2026 and a revolving period that ends on January 26, 2024.

Effective January 19, 2021, we reduced the size of the Credit Facility from $520 million to $400 million in order to reduce the cost of the unused facility fees.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of PennantPark Floating Rate Capital Ltd. and its Subsidiaries

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated statement of assets and liabilities of PennantPark Floating Rate Capital Ltd. and its Subsidiaries (collectively referred to as the "Company"), including the consolidated schedule of investments, as of December 31, 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the three-month periods ended December 31, 2020 and 2019, and the related notes to the consolidated financial statements (collectively, the interim financial information or financial statements). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of assets and liabilities of the Company, including the consolidated schedule of investments, as of September 30, 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended (not presented herein); and in our report dated November 18, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities as of September 30, 2020, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

/s/ RSM US LLP

New York, New York
February 9, 2021

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains statements that constitute forward-looking statements, which relate to us and our consolidated subsidiaries regarding future events or our future performance or future financial condition. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our Company, our industry, our beliefs and our assumptions. The forward-looking statements contained in this Report involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies, including as a result of the current pandemic caused by COVID-19;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets that could result in changes to the value of our assets, including changes from the impact of the current COVID-19 pandemic;
- our ability to continue to effectively manage our business due to the significant disruptions caused by the current COVID-19 pandemic;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of investments that we expect to make;
- the impact of fluctuations in interest rates and foreign exchange rates on our business and our portfolio companies;
- our contractual arrangements and relationships with third parties;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- the ability of our prospective portfolio companies to achieve their objectives;
- our expected financings and investments and ability to fund capital commitments to PSSL;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our prospective portfolio companies;
- the impact of price and volume fluctuations in the stock market;
- the ability of our Investment Adviser to locate suitable investments for us and to monitor and administer our investments;
- the impact of future legislation and regulation on our business and our portfolio companies; and
- the impact of the United Kingdom's withdrawal from the European Union (commonly known as "Brexit") and other world economic and political issues.

We use words such as "anticipates," "believes," "expects," "intends," "seeks," "plans," "estimates" and similar expressions to identify forward-looking statements. You should not place undue influence on the forward-looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors in "Risk Factors" and elsewhere in this Report.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Report should not be regarded as a representation by us that our plans and objectives will be achieved.

We have based the forward-looking statements included in this Report on information available to us on the date of this Report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements in this Report, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including reports on Form 10-Q/K and current reports on Form 8-K.

You should understand that under Section 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to forward-looking statements made in periodic reports we file under the Exchange Act.

The following analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related notes thereto contained elsewhere in this Report.

Overview

PennantPark Floating Rate Capital Ltd. is a BDC whose objectives are to generate both current income and capital appreciation while seeking to preserve capital by investing primarily in Floating Rate Loans and other investments made to U.S. middle-market companies.

We believe that Floating Rate Loans to U.S. middle-market companies offer attractive risk-reward to investors due to a limited amount of capital available for such companies. We use the term "middle-market" to refer to companies with annual revenues between $50 million and $1 billion. Our investments are typically rated below investment grade. Securities rated below investment grade are often referred to as "leveraged loans" or "high yield" securities or "junk bonds" and are often higher risk compared to debt instruments that are rated above investment grade and have speculative characteristics. However, when compared to junk bonds and other non-investment grade debt, senior secured Floating Rate Loans typically have more robust capital-preserving qualities, such as historically lower default rates than junk bonds, represent the senior source of capital in a borrower's capital structure and often have certain of the borrower's assets pledged as collateral. Our debt investments may generally range in maturity from three to ten years and are made to U.S. and, to a limited extent, non-U.S. corporations, partnerships and other business entities which operate in various industries and geographical regions.

Under normal market conditions, we generally expect that at least 80% of the value of our Managed Assets will be invested in Floating Rate Loans and other investments bearing a variable-rate of interest. We generally expect that first lien secured debt will represent at least 65% of our overall portfolio. We also generally expect to invest up to 35% of our overall portfolio opportunistically in other types of investments, including second lien secured debt and subordinated debt and, to a lesser extent, equity investments. We seek to create a diversified portfolio by generally targeting an investment size between $5 million and $30 million, on average, although we expect that this investment size will vary proportionately with the size of our capital base.

Our investment activity depends on many factors, including the amount of debt and equity capital available to middle-market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make. We have used, and expect to continue to use, our debt capital, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

Organization and Structure of PennantPark Floating Rate Capital Ltd.

PennantPark Floating Rate Capital Ltd., a Maryland corporation organized in October 2010, is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for federal income tax purposes we elected to be treated, and intend to qualify annually, as a RIC under the Code.

Our investment activities are managed by the Investment Adviser. Under our Investment Management Agreement, we have agreed to pay our Investment Adviser an annual base management fee based on our average adjusted gross assets as well as an incentive fee based on our investment performance. We have also entered into an Administration Agreement with the Administrator. Under our Administration Agreement, we have agreed to reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs. Our board of directors, a majority of whom are independent of us, provides overall supervision of our activities, and the Investment Adviser supervises our day-to-day activities.

COVID-19 Developments

COVID-19 was first detected in December 2019 in the city of Wuhan in China and has since been identified as a global pandemic by the World Health Organization. In response, governmental authorities of affected jurisdictions, including those in the United States, have imposed travel restrictions and required the temporary closures of many corporate offices, retail stores, manufacturing facilities, factories and other common places of public congregation. These restrictions and “stay-at-home” orders have essentially resulted in the shutdown of all non-essential businesses for a period of time, as defined by each governmental authority imposing the respective orders. The economic impact resulting from such restrictions has adversely affected the business operations of some, if not all, of our portfolio companies, as well as our own operations and the operations of our Adviser. While some jurisdictions have either lifted or started to ease certain restrictions on businesses, a resurgence of COVID-19, including the emergence of a more contagious strain of COVID-19, has resulted in additional closures. We cannot predict with any level of certainty the magnitude of the ongoing impact to our business operations or the business operations of our portfolio companies due to the business and supply-chain disruptions caused by the COVID-19 pandemic and the resulting governmental responses. However, we expect such adverse effects to continue for the duration of the pandemic, and potentially for some time thereafter.

Due to the nature of these governmental restrictions and their potentially long-lasting duration, some portfolio companies, especially those in vulnerable industries such as retail, food and beverage and travel, have experienced significant financial distress and may default on their financial obligations to us and their other capital providers. Moreover, certain of our portfolio companies that remain subject to prolonged and severe financial distress, have substantially curtailed their operations, deferred capital expenditures, furloughed or laid off workers and/or terminated relationships with their service providers. These developments will likely continue to impact the value of our investments in such portfolio companies.

The COVID-19 pandemic will likely continue to have an adverse impact on the global economy and result in a period, however long, of global economic slowdown. Particularly, COVID-19 presents material uncertainty and risk with respect to our future performance and financial results as well as the future performance and financial results of our portfolio companies. While we are unable to predict the ultimate adverse effect of COVID-19 on our results of operation, we have identified certain factors that are likely to affect market, economic and geopolitical conditions, and thereby may adversely affect our business, including:

- U.S. and global economic slowdowns;
- changes in interest rates, including LIBOR;
- limited availability of credit, both in the United States and internationally;
- disruptions to supply-chains and price volatility;
- changes to existing laws and regulations, or the imposition of new laws and regulations; and
- uncertainty regarding future governmental and regulatory policies.

The business disruption and financial harm resulting from COVID-19 experienced by our portfolio companies are likely to reduce, over time, the amount of interest and dividend income that we receive from such investments and may require us to provide an increase of capital to such companies in the form of follow on investments. In connection with the adverse effects of the COVID-19 pandemic, we may also need to restructure the capitalization of some of our portfolio companies, which could result in reduced interest payments, an increase in the amount of PIK interest we receive or a permanent reduction in the value of our investments. If our net investment income decreases, the percentage of our cash flows dedicated to debt servicing and distribution payments to stockholders would subsequently increase. If such cash flows cannot be sustained, we may be required to reduce the amount of our future distributions to stockholders. As of December 31, 2020, we had two portfolio companies on non-accrual status, and the continuing impact of the COVID-19 pandemic may result in additional portfolio investments being placed on non-accrual status in the future.

Additionally, as of December 31, 2020 and September 30, 2020, our asset coverage ratio, as computed in accordance with the 1940 Act, was 179% and 168%, respectively. Our Credit Facility includes standard covenants and events of default provisions. If we fail to make the required payments or breach the covenants therein, it could result in a default under the Credit Facility. Failure to cure such default or obtain a waiver from the appropriate party would result in an event of default, and the lenders may accelerate the repayment of our indebtedness under the Credit Facility, such that all amounts owed are due immediately at the time of default. Such an action would negatively affect our liquidity, business, financial condition, results of operations, cash flows and ability to pay distributions to our stockholders.

We are also subject to financial risks, including changes in market interest rates. As of December 31, 2020, our debt portfolio consisted of 98% variable-rate investments. The variable-rate loans are usually based on a floating interest rate index such as LIBOR and typically have durations of three months after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In addition, the Credit Facility currently bears interest at LIBOR (or an alternative risk-free floating interest rate index) plus 200 basis points and, after the revolving period ends in October 2021, the rate will reset to LIBOR (or an alternative risk-free floating interest rate index) plus 425 basis points. In connection with the COVID-19 pandemic, the U.S. Federal Reserve and other central banks have reduced interest rates, which has caused LIBOR to decrease. Due to such rates, our gross investment income has decreased, which could result in a decrease in our net investment income if such decreases in LIBOR are not offset by, among other things, a corresponding increase in the spread over LIBOR that we earn on such loans or a decrease in the interest rate of our floating interest rate liabilities tied to LIBOR. See “Item 3. Quantitative and Qualitative Disclosures About Market Risk” below.

In addition, we activated our business continuity planning strategy. Our priority has been to safeguard the health of our employees and to ensure continuity of business operations on behalf of our investors. As a result of the execution of our business continuity planning strategy, nearly all of our employees are working remotely. Our systems and infrastructure have continued to support our business operations. We implemented a heightened level of communication across senior management, our investment team and our board of directors, and we have proactively engaged with our vendors on a regular basis to ensure they continue to meet our criteria for business continuity.

Revenues

We generate revenue in the form of interest income on the debt securities we hold and capital gains and dividends, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of first lien secured debt, second lien secured debt or subordinated debt, typically have a term of three to ten years and bear interest at a floating or fixed rate. Interest on debt securities is generally payable quarterly. In some cases, our investments provide for deferred interest payments or PIK interest. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of amendment, commitment, origination, structuring or diligence fees, fees for providing significant managerial assistance and possibly consulting fees. Loan origination fees, OID and market discount or premium are capitalized and accreted or amortized using the effective interest method as interest income or, in the case of deferred financing costs, as interest expense. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts. From time to time, the Company receives certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, structuring fees and amendment fees, and are recorded as other investment income when earned. Litigation settlements are accounted for in accordance with the gain contingency provisions of ASC 450-30.

Expenses

Our primary operating expenses include the payment of a management fee and the payment of an incentive fee to our Investment Adviser, if any, our allocable portion of overhead under our Administration Agreement and other operating costs as detailed below. Our management fee compensates our Investment Adviser for its work in identifying, evaluating, negotiating, consummating and monitoring our investments. Additionally, we pay interest expense on the outstanding debt and unused commitment fees on undrawn amounts, under our various debt facilities. We bear all other direct or indirect costs and expenses of our operations and transactions, including:

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence and reviews of prospective investments or complementary businesses;
- expenses incurred by the Investment Adviser in performing due diligence and reviews of investments;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees and any exchange listing fees;
- federal, state, local and foreign taxes;
- independent directors’ fees and expenses;
- brokerage commissions;
- fidelity bond, directors and officers, errors and omissions liability insurance and other insurance premiums;
- direct costs such as printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws; and
- all other expenses incurred by either the Administrator or us in connection with administering our business, including payments under our Administration Agreement that will be based upon our allocable portion of overhead, and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs.

Generally, during periods of asset growth, we expect our general and administrative expenses to be relatively stable or to decline as a percentage of total assets and increase during periods of asset declines. Incentive fees, interest expense and costs relating to future offerings of securities would be additive to the expenses described above.

PORTFOLIO AND INVESTMENT ACTIVITY

As of December 31, 2020, our portfolio totaled $1,067.3 million, which consisted of $931.2 million of first lien secured debt (including $126.5 million in PSSL), $25.6 million of second lien secured debt and $110.5 million of preferred and common equity (including $42.9 million in PSSL). Our debt portfolio consisted of 98% variable-rate investments. As of December 31, 2020, we had two portfolio companies on non-accrual, representing 2.3% and 1.9% of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized depreciation of $7.1 million. Our overall portfolio consisted of 100 companies with an average investment size of $10.7 million, had a weighted average yield on debt investments of 7.5%, and was invested 87% in first lien secured debt (including 12% invested in PSSL), 3% in second lien secured debt and 10% in preferred and common equity (including 4% in PSSL). As of December 31, 2020, 97% of the investments held by PSSL were first lien secured debt.

As of September 30, 2020, our portfolio totaled $1,086.9 million, which consisted of $968.6 million of first lien secured debt (including $125.4 million in PSSL), $29.9 million of second lien secured debt and $88.4 million of preferred and common equity (including $39.9 million in PSSL). Our debt portfolio consisted of 99% variable-rate investments. As of September 30, 2020, we had three portfolio companies on non-accrual, representing 2.1% and 1.8% of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized depreciation of $29.9 million. Our overall portfolio consisted of 102 companies with an average investment size of $10.7 million, had a weighted average yield on debt investments of 7.3%, and was invested 89% in first lien secured debt (including 12% in PSSL), 3% in second lien secured debt and 8% in preferred and common equity (including 4% in PSSL). As of September 30, 2020, 97% of the investments held by PSSL were first lien secured debt.

For the three months ended December 31, 2020, we invested $67.0 million in five new and 17 existing portfolio companies with a weighted average yield on debt investments of 7.6%. Sales and repayments of investments for the three months ended December 31, 2020 totaled $109.6 million.

For the three months ended December 31, 2019, we invested $239.4 million in 10 new and 31 existing portfolio companies with a weighted average yield on debt investments of 8.2%. Sales and repayments of investments for the three months ended December 31, 2019 totaled $143.7 million.

PennantPark Senior Secured Loan Fund I LLC

As of December 31, 2020, PSSL's portfolio totaled $382.2 million, consisted of 42 companies with an average investment size of $9.1 million and had a weighted average yield on debt investments of 7.0%. As of September 30, 2020, PSSL's portfolio totaled $393.0 million, consisted of 45 companies with an average investment size of $8.7 million and had a weighted average yield on debt investments of 6.8%.

For the three months ended December 31, 2020, PSSL invested $15.4 million (none of which was purchased from the Company) in zero new and five existing portfolio companies with a weighted average yield on debt investments of 7.8%. PSSL's sales and repayments of investments for the three months ended December 31, 2020 totaled $30.6 million.

For the three months ended December 31, 2019, PSSL invested $69.1 million (of which $68.9 million was purchased from the Company) in eight new and one existing portfolio companies with a weighted average yield on debt investments of 7.5%. PSSL's sales and repayments of investments for the three months ended December 31, 2019 totaled $66.4 million.

CRITICAL ACCOUNTING POLICIES

The preparation of our Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of our assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of income and expenses during the reported periods. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements have been included. Actual results could differ from these estimates due to changes in the economic and regulatory environment, financial markets and any other parameters used in determining such estimates and assumptions, including the credit worthiness of our portfolio companies and the global outbreak of COVID-19. We may reclassify certain prior period amounts to conform to the current period presentation. We have eliminated all intercompany balances and transactions. References to ASC serve as a single source of accounting literature. Subsequent events are evaluated and disclosed as appropriate for events occurring through the date the Consolidated Financial Statements are issued. In addition to the discussion below, we describe our critical accounting policies in the notes to our Consolidated Financial Statements.

Investment Valuations

We expect that there may not be readily available market values for many of the investments which are or will be in our portfolio, and we value such investments at fair value as determined in good faith by or under the direction of our board of directors using a documented valuation policy and a consistently applied valuation process, as described in this Report. With respect to investments for which there is no readily available market value, the factors that our board of directors may take into account in pricing our investments at fair value include, as relevant, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate or revise our valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and the difference may be material.

Our portfolio generally consists of illiquid securities, including debt and equity investments. With respect to investments for which market quotations are not readily available, or for which market quotations are deemed not reflective of the fair value, our board of directors undertakes a multi-step valuation process each quarter, as described below:

(1) Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our Investment Adviser responsible for the portfolio investment;

(2) Preliminary valuation conclusions are then documented and discussed with the management of our Investment Adviser;

(3) Our board of directors also engages independent valuation firms to conduct independent appraisals of our investments for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment. The independent valuation firms review management's preliminary valuations in light of their own independent assessment and also in light of any market quotations obtained from an independent pricing service, broker, dealer or market maker;

(4) The audit committee of our board of directors reviews the preliminary valuations of our Investment Adviser and those of the independent valuation firms on a quarterly basis, periodically assesses the valuation methodologies of the independent valuation firms, and responds to and supplements the valuation recommendations of the independent valuation firms to reflect any comments; and

(5) Our board of directors discusses these valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our Investment Adviser, the respective independent valuation firms and the audit committee.

Our board of directors generally uses market quotations to assess the value of our investments for which market quotations are readily available. We obtain these market values from independent pricing services or at the bid prices obtained from at least two brokers or dealers, if available, or otherwise from a principal market maker or a primary market dealer. The Investment Adviser assesses the source and reliability of bids from brokers or dealers. If our board of directors has a bona fide reason to believe any such market quote does not reflect the fair value of an investment, it may independently value such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available.

Fair value, as defined under ASC 820, is the price that we would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment or liability. ASC 820 emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of us. Unobservable inputs reflect the assumptions market participants would use in pricing an asset or liability based on the best information available to us on the reporting period date.

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Inputs that are quoted prices for similar assets or liabilities in active markets, or that are quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term, if applicable, of the financial instrument.

Level 3: Inputs that are unobservable for an asset or liability because they are based on our own assumptions about how market participants would price the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments, our 2031 Asset-Backed Debt and our Credit Facility are classified as Level 3. Our 2023 Notes are classified as Level 1, as they were valued using the closing price from the primary exchange. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and those differences may be material.

In addition to using the above inputs to value cash equivalents, investments, our 2023 Notes, our 2031 Asset-Backed Debt and our Credit Facility, we employ the valuation policy approved by our board of directors that is consistent with ASC 820. Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

Generally, the carrying value of our consolidated financial liabilities approximates fair value. We have adopted the principles under ASC Subtopic 825-10, Financial Instruments, or ASC 825-10, which provides companies with an option to report selected financial assets and liabilities at fair value, and made an irrevocable election to apply ASC 825-10 to the Credit Facility and the 2023 Notes. We elected to use the fair value option for the Credit Facility and the 2023 Notes to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Due to that election and in accordance with GAAP, we did not incur any expenses relating to amendment costs on the Credit Facility during the three months ended December 31, 2020 and 2019. ASC 825-10 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect on earnings of a company's choice to use fair value. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statements of Assets and Liabilities and changes in fair value of the Credit Facility and the 2023 Notes are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including our 2031 Asset-Backed Debt.

For the three months ended December 31, 2020 and 2019, the Credit Facility and the 2023 Notes had a net change in unrealized (appreciation) depreciation of ($4.0) million and $1.4 million, respectively. As of December 31, 2020 and September 30, 2020, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled $14.8 million and $18.8 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of the Credit Facility in a manner consistent with the valuation process that our board of directors uses to value our investments. Our 2023 Notes trade on the TASE and we use the closing price on the exchange to determine the fair value.

Revenue Recognition

We record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt investments with contractual PIK interest, which represents interest accrued and added to the loan balance that generally becomes due at maturity, we will generally not accrue PIK interest when the portfolio company valuation indicates that such PIK interest is not collectable. We do not accrue as a receivable interest on loans and debt investments if we have reason to doubt our ability to collect such interest. Loan origination fees, OID, market discount or premium and deferred financing costs on liabilities, which we do not fair value, are capitalized and then accreted or amortized using the effective interest method as interest income or, in the case of deferred financing costs, as interest expense. We record prepayment penalties on loans and debt investments as income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts. From time to time, the Company receives certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, structuring fees and amendment fees, and are recorded as other investment income when earned.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in fair values of our portfolio investments, our Credit Facility and the 2023 Notes during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

Foreign Currency Translation

Our books and records are maintained in U.S. dollars. Any foreign currency amounts are translated into U.S. dollars on the following basis:

1. Fair value of investment securities, other assets and liabilities – at the exchange rates prevailing at the end of the applicable period; and

2. Purchases and sales of investment securities, income and expenses – at the exchange rates prevailing on the respective dates of such transactions.

Although net assets and fair values are presented based on the applicable foreign exchange rates described above, we do not isolate that portion of the results of operations due to changes in foreign exchange rates on investments, other assets and debt from the fluctuations arising from changes in fair values of investments and liabilities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments and liabilities.

PIK Interest

We have investments in our portfolio which contain a PIK interest provision. PIK interest is added to the principal balance of the investment and is recorded as income. In order for us to maintain our ability to be subject to tax as a RIC, substantially all of this income must be paid out to stockholders in the form of dividends for U.S. federal income tax purposes, even though we may not have collected any cash with respect to interest on PIK securities.

Federal Income Taxes

We have elected to be treated, and intend to qualify annually to maintain our election to be treated, as a RIC under Subchapter M of the Code. To maintain our RIC tax election, we must, among other requirements, meet certain annual source-of-income and quarterly asset diversification requirements. We also must annually distribute dividends for U.S. federal income tax purposes to our stockholders out of the assets legally available for distribution of an amount generally at least equal to 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, or investment company taxable income, determined without regard to any deduction for dividends paid.

Although not required for us to maintain our RIC tax status, in order to preclude the imposition of a 4% nondeductible U.S. federal excise tax imposed on RICs, we must distribute dividends for U.S. federal income tax purposes to our stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of our net ordinary income (subject to certain deferrals and elections) for the calendar year, (2) 98.2% of the excess, if any, of our capital gains over our capital losses, or capital gain net income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of the calendar year plus (3) the sum of any net ordinary income plus capital gain net income for preceding years that was not distributed during such years and on which we did not incur any U.S. federal income tax, or the Excise Tax Avoidance Requirement. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions in the manner described above, we have retained and may continue to retain such net capital gains or investment company taxable income, contingent on maintaining our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

Because U.S. federal income tax regulations differ from GAAP, distributions characterized in accordance with tax regulations may differ from net investment income and net realized gains recognized for financial reporting purposes. Differences between tax regulations and GAAP may be permanent or temporary. Permanent differences are reclassified among capital accounts in the Consolidated Financial Statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

We have formed and expect to continue to form certain taxable subsidiaries, including the Taxable Subsidiary, which are subject to tax as corporations. These taxable subsidiaries allow us to hold equity securities of certain portfolio companies treated as pass-through entities for U.S. federal income tax purposes while facilitating our ability to qualify as a RIC under the Code.

RESULTS OF OPERATIONS

Set forth below are the results of operations for the three months ended December 31, 2020 and 2019.

Investment Income

Investment income for the three months ended December 31, 2020 was $20.7 million, which was attributable to $18.7 million from first lien secured debt and $2.0 million from other investments. This compares to investment income for the three months ended December 31, 2019 of $24.6 million, which was attributable to $22.4 million from first lien secured debt and $2.2 million from other investments. The decrease in investment income compared to the same period in the prior year was primarily due to a decrease in LIBOR.

Expenses

Expenses for the three months ended December 31, 2020 totaled $10.6 million. Base management fee for the same period totaled $2.7 million, incentive fee totaled $1.8 million, debt related interest and expenses totaled $5.3 million, general and administrative expenses totaled $0.7 million, and provision for taxes totaled $0.1 million. This compares to expenses for the three months ended December 31, 2019, which totaled $13.5 million. Base management fee for the same period totaled $2.8 million, incentive fee totaled $2.3 million, debt related interest and expenses totaled $7.3 million, general and administrative expenses totaled $1.0 million, and provision for taxes totaled $0.1 million. The decrease in expenses for the three months ended December 31, 2020 compared to the same period in the prior year was primarily due to a decrease in debt related interest and expenses.

Net Investment Income

Net investment income totaled $10.1 million, or $0.26 per share, for the three months ended December 31, 2020. Net investment income totaled $11.1 million, or $0.29 per share, for the three months ended December 31, 2019. The change in net investment income compared to the same period in the prior year was primarily due to lower investment income, partially offset by a reduction in expenses in the current period.

Net Realized Gains or Losses

Sales and repayments of investments for the three months ended December 31, 2020 totaled $109.6 million and net realized losses totaled $2.8 million. Sales and repayments of investments for the three months ended December 31, 2019 totaled $143.7 million and net realized gains totaled $1.0 million. The change in realized gains/losses was primarily due to changes in the market conditions of our investments and the values at which they were realized.

Unrealized Appreciation or Depreciation on Investments, the Credit Facility and the 2023 Notes

For the three months ended December 31, 2020, we reported net change in unrealized appreciation on investments of $22.8 million. For the three months ended December 31, 2019, we reported net change in unrealized depreciation on investments of $3.5 million. As of December 31, 2020 and September 30, 2020, our net unrealized depreciation on investments totaled $7.1 million and $29.9 million, respectively. The net change in unrealized appreciation on our investments compared to the same period in the prior year was primarily due to unrealized gains in our equity co-investment program, including ITC Rumba, LLC (Cano Health, LLC), as well as the financial performance of certain portfolio companies primarily driven by the market disruption caused by the COVID-19 pandemic and the uncertainty surrounding its continued adverse economic impact, as discussed above under “COVID-19 Developments.”

For the three months ended December 31, 2020 and 2019, the Credit Facility and the 2023 Notes had a net change in unrealized (appreciation) depreciation of ($4.0) million and $1.4 million, respectively. As of December 31, 2020 and September 30, 2020, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled $14.8 million and $18.8 million, respectively. The net change in net unrealized (appreciation) depreciation compared to the same period in the prior year was primarily due to changes in the capital markets.

Net Change in Net Assets Resulting from Operations

Net change in net assets resulting from operations totaled $26.1 million, or $0.67 per share, for the three months ended December 31, 2020. This compares to a net change in net assets resulting from operations of $10.0 million, or $0.26 per share, for the three months ended December 31, 2019. The increase in net assets from operations compared to the same period in the prior year was primarily due to unrealized gains in our equity co-investment program, including ITC Rumba, LLC (Cano Health, LLC), as well as the financial performance of certain portfolio companies primarily driven by the market disruption caused by the COVID-19 pandemic and the uncertainty surrounding its continued adverse economic impact, as discussed above under “COVID-19 Developments.”

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are derived primarily from proceeds of securities offerings, debt capital and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our debt capital, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives. As of December 31, 2020, in accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that we are in compliance with a 150% asset coverage ratio requirement after such borrowing. This “Liquidity and Capital Resources” section should be read in conjunction with the “COVID-19 Developments” section above.

On April 5, 2018, our board of directors approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Consolidated Appropriations Act of 2018 (which includes the SBCAA). As a result, the asset coverage requirement applicable to us for senior securities was reduced from 200% (i.e., $1 of debt outstanding for each $1 of equity) to 150% (i.e., $2 of debt outstanding for each $1 of equity), effective as of April 5, 2019, subject to compliance with certain disclosure requirements. As of December 31, 2020 and September 30, 2020, our asset coverage ratio, as computed in accordance with the 1940 Act, was 179% and 168%, respectively.

The annualized weighted average cost of debt for the three months ended December 31, 2020 and 2019, inclusive of the fee on the undrawn commitment on the Credit Facility, amendment costs and debt issuance costs, was 3.3% and 4.5%, respectively. As of December 31, 2020 and September 30, 2020, we had $263.1 million and $211.4 million of unused borrowing capacity under the Credit Facility, respectively, subject to leverage and borrowing base restrictions.

Funding I’s multi-currency Credit Facility with the Lenders was $520 million as of December 31, 2020, subject to satisfaction of certain conditions and regulatory restrictions that the 1940 Act imposes on us as a BDC, has an interest rate spread above LIBOR (or an alternative risk-free floating interest rate index) of 200 basis points, a maturity date of October 2023 and a revolving period that ends in October 2021. As of December 31, 2020 and September 30, 2020, Funding I borrowed $256.9 million and $308.6 million under the Credit Facility, respectively. The Credit Facility had a weighted average interest rate of 2.2% and 2.2%, exclusive of the fee on undrawn commitments as of December 31, 2020 and September 30, 2020, respectively.

During the revolving period, the Credit Facility bears interest at LIBOR (or an alternative risk-free floating interest rate index) plus 200 basis points and, after the revolving period, the rate sets to LIBOR (or an alternative risk-free floating interest rate index) plus 425 basis points for the remaining two years, maturing in October 2023. The Credit Facility is secured by all of the assets of Funding I. Both PennantPark Floating Rate Capital Ltd. and Funding I have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities.

The Credit Facility contains covenants, including but not limited to, restrictions of loan size, currency types and amounts, industry requirements, average life of loans, geographic and individual portfolio concentrations, minimum portfolio yield and loan payment frequency. Additionally, the Credit Facility requires the maintenance of a minimum equity investment in Funding I and income ratio as well as restrictions on certain payments and issuance of debt. The Credit Facility compliance reporting is prepared on a basis of accounting other than GAAP. As of December 31, 2020, we were in compliance with the covenants relating to the Credit Facility.

We own 100% of the equity interest in Funding I and treat the indebtedness of Funding I as our leverage. Our Investment Adviser serves as collateral manager to Funding I under the Credit Facility.

Our interest in Funding I (other than the management fee) is subordinate in priority of payment to every other obligation of Funding I and is subject to certain payment restrictions set forth in the Credit Facility. We may receive cash distributions on our equity interests in Funding I only after it has made all required payments of (1) cash interest and, if applicable, principal to the Lenders, (2) administrative expenses and (3) claims of other unsecured creditors of Funding I. We cannot assure you that there will be sufficient funds available to make any distributions to us or that such distributions will meet our expectations from Funding I. The Investment Adviser has irrevocably directed that any management fee owed with respect to such services is to be paid to us so long as the Investment Adviser remains the collateral manager.

In November 2017, we issued $138.6 million of our 2023 Notes pursuant to a deed of trust between the Company and Mishmeret Trust Company, Ltd., as trustee, of which $117.8 million and $138.6 million was outstanding as of December 31, 2020 and September 30, 2020, respectively.

The 2023 Notes pay interest at a rate of 4.3% per year. Interest on the 2023 Notes is payable semi-annually in arrears on June 15 and December 15 of each year, commencing June 15, 2018. The principal on the 2023 Notes is payable in four annual installments as follows: 15% of the original principal amount on December 15, 2020, 15% of the original principal amount on December 15, 2021, 15% of the original principal amount on December 15, 2022 and 55% of the original principal amount on December 15, 2023.

The 2023 Notes are general, unsecured obligations, rank equal in right of payment with all of our existing and future senior unsecured indebtedness and are generally redeemable at our option. The deed of trust governing the 2023 Notes includes certain customary covenants, including minimum equity requirements, and events of default. Please refer to the deed of trust filed as Exhibit (d)(8) to the post-effective amendment to our registration statement filed on December 13, 2017 for more information. The 2023 Notes are rated ilA- by S&P Global Ratings Maalot Ltd. and are listed on the TASE. In connection with this offering, we have dual listed our common stock on the TASE.

The 2023 Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration under the Securities Act or in transactions exempt from, or not subject to, such registration requirements.

In September 2019, the Securitization Issuers completed the Debt Securitization. The 2031 Asset-Backed Debt is secured by the middle market loans, participation interests in middle market loans and other assets of the Securitization Issuer. The Debt Securitization was executed through (A) a private placement of: (i) $78.5 million Class A-1 Senior Secured Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 1.80%, (ii) $15.0 million Class A-2 Senior Secured Fixed Rate Notes due 2031, which bear interest at 3.66%, (iii) $14.0 million Class B-1 Senior Secured Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 2.90%, (iv) $16.0 million Class B-2 Senior Secured Fixed Rate Notes due 2031, which bear interest at 4.266%, (v) $19.0 million Class C-1 Secured Deferrable Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 4.00%, (vi) $8.0 million Class C-2 Secured Deferrable Fixed Rate Notes due 2031, which bear interest at 5.379%, and (vii) $18.0 million Class D Secured Deferrable Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 4.75% and (B) the borrowing of $77.5 million Class A-1 Senior Secured Floating Rate Loans due 2031, which bear interest at the three-month LIBOR plus 1.80%, under a credit agreement by and among the Securitization Issuers, as borrowers, various financial institutions, as lenders, and U.S. Bank National Association, as collateral agent and as loan agent. The 2031 Asset-Backed Debt is scheduled to mature on October 15, 2031. As of both December 31, 2020 and September 30, 2020, the Company had $228.0 million of 2031 Asset-Backed Debt outstanding with a weighted average interest rate of 2.7%.

On the closing date of the Debt Securitization, in consideration of our transfer to the Securitization Issuer of the initial closing date loan portfolio, which included loans distributed to us by our wholly owned subsidiary, the Securitization Issuer transferred to us 100% of the Preferred Shares of the Securitization Issuer, 100% of the Class D Secured Deferrable Floating Rate Notes issued by the Securitization Issuer, and a portion of the net cash proceeds received from the sale of the 2031 Asset-Backed Debt. The Preferred Shares of the Securitization Issuer do not bear interest and had a stated value of $55.4 million at the closing of the Debt Securitization.

The 2031 Asset-Backed Debt constitutes secured obligations of the Securitization Issuers, and the indenture governing the 2031 Asset-Backed Debt includes customary covenants and events of default. The 2031 Asset-Backed Debt has not been, and will not be, registered under the Securities Act or any state securities or "blue sky" laws and may not be offered or sold in the United States absent registration with the SEC or an applicable exemption from registration.

Our Investment Adviser serves as collateral manager to the Securitization Issuer pursuant to a collateral management agreement between our Investment Adviser and the Securitization Issuer, or the Collateral Management Agreement. For so long as our Investment Adviser serves as collateral manager, it will elect to irrevocably waive any collateral management fee to which it may be entitled under the Collateral Management Agreement.

We may raise equity or debt capital through both registered offerings off our shelf registration statement and private offerings of securities, securitizing a portion of our investments among other considerations or mergers and acquisitions. Furthermore, the Credit Facility availability depends on various covenants and restrictions as discussed in the preceding paragraphs. The primary use of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or for other general corporate purposes. For the three months ended December 31, 2020 and 2019, we did not issue any shares.

As of December 31, 2020 and September 30, 2020, we had cash and cash equivalents of $28.5 million and $57.5 million, respectively, available for investing and general corporate purposes. We believe our liquidity and capital resources are sufficient to take advantage of market opportunities.

Our operating activities provided cash of $55.5 million for the three months ended December 31, 2020, and our financing activities used cash of $83.5 million for the same period. Our operating activities provided cash primarily from our investment activities and our financing activities used cash primarily to pay down our Credit Facility and the 2023 Notes.

Our operating activities used cash of $66.1 million for the three months ended December 31, 2019 and our financing activities provided cash of $58.9 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from draws on our Credit Facility, partially offset by distributions paid to stockholders.

PennantPark Senior Secured Loan Fund I LLC

In May 2017, we and Kemper formed PSSL, an unconsolidated joint venture. PSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSL was formed as a Delaware limited liability company. As of December 31, 2020 and September 30, 2020, PSSL had total assets of $395.1 million and $406.4 million, respectively. As of December 31, 2020, PSSL had $184.1 million of unused borrowing capacity under the PSSL Credit Facility (as defined below), subject to leverage and borrowing base restrictions, and cash and cash equivalents of $11.4 million. As of September 30, 2020, PSSL had $107.5 million of unused borrowing capacity under the PSSL Credit Facility, subject to leverage and borrowing base restrictions, and cash and cash equivalents of $11.1 million. As of December 31, 2020 and September 30, 2020, we and Kemper had remaining commitments to fund first lien secured debt and equity interests in PSSL in an aggregate amount of $23.5 million and $25.3 million, respectively. PSSL invests in portfolio companies in the same industries in which we may directly invest.

We provide capital to PSSL in the form of first lien secured debt and equity interests. As of December 31, 2020 and September 30, 2020, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding first lien secured debt and equity interests. As of the same dates, our investment in PSSL consisted of first lien secured debt of $126.5 million (additional $14.4 million unfunded) and $125.4 million (additional $15.5 million unfunded), respectively, and equity interests of $54.2 million (additional $6.2 million unfunded) and $53.7 million (additional $6.6 million unfunded), respectively.

We and Kemper each appointed two members to PSSL's four-person board of directors and investment committee. All material decisions with respect to PSSL, including those involving its investment portfolio, require unanimous approval of a quorum of the board of directors or investment committee. Quorum is defined as (i) the presence of two members of the board of directors or investment committee, provided that at least one individual is present that was elected, designated or appointed by each member; (ii) the presence of three members of the board of directors or investment committee, provided that the individual that was elected, designated or appointed by the member with only one individual present shall be entitled to cast two votes on each matter; or (iii) the presence of four members of the board of directors or investment committee, provided that two individuals are present that were elected, designated or appointed by each member.

PSSL has entered into a $325.0 million senior secured revolving credit facility which bears interest at LIBOR (or an alternative risk-free floating interest rate index) plus 225 basis points, or the PSSL Credit Facility, with Capital One, N.A. through its wholly-owned subsidiary, PennantPark Senior Secured Loan Facility LLC, or PSSL Subsidiary, subject to leverage and borrowing base restrictions.

Additionally, on December 23, 2020 PSSL issued a $50.0 million senior secured promissory note. The principal is payable upon the earlier of the closing date of the PennantPark CLO II, Ltd. transaction (See Note 12) and March 12, 2021. The senior secured promissory note bears interest at LIBOR (or an alternative risk-free floating interest rate index) plus 190 basis points. Proceeds from the senior secured promissory note were used to pay down the PSSL Credit Facility.

Below is a summary of PSSL's portfolio at fair value:

	December 31, 2020	September 30, 2020
Total investments	$ 382,232,264	$ 392,986,090
Weighted average yield on debt investments	7.0%	6.8%
Number of portfolio companies in PSSL	42	45
Largest portfolio company investment	$ 21,766,222	$ 20,614,860
Total of five largest portfolio company investments	$ 90,626,739	$ 93,320,993

Below is a listing of PSSL's individual investments as of December 31, 2020:

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
First Lien Secured Debt—757.3%							
Altamira Technologies, LLC	07/24/2025	High Tech Industries	7.00%	3M L+600	4,793,655	$ 4,736,311	$ 4,577,940
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	6.00%	3M L+500	7,650,680	7,577,451	7,421,160
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.25%	1M L+625	13,322,745	13,190,035	13,322,745
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	9.50% (PIK 9.50%)	3M L+850	11,958,705	11,892,126	11,597,552
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	7,260,885	7,241,946	7,079,363
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	8.00%	1M L+675	9,557,889	9,496,515	9,032,205
Country Fresh Holdings, LLC	05/01/2023	Beverage, Food and Tobacco	6.00%	1M L+500	182,403	180,193	182,403
Country Fresh Holdings, LLC (Revolver)	05/01/2023	Beverage, Food and Tobacco	6.00%	1M L+500	450,110	450,111	450,110
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	8,814,025	8,742,832	8,725,885
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	7,384,345	7,355,651	7,310,502
DRS Holdings III, Inc.	11/03/2025	Consumer Goods: Durable	6.75%	1M L+575	8,001,943	7,933,475	8,009,944
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	5.07%	3M L+500	A $ 10,000,000	7,426,591	7,407,840
GCOM Software LLC	11/14/2022	High Tech Industries	7.75%	1M L+625	16,500,931	16,427,796	16,500,931
Good2Grow LLC	11/18/2024	Beverages	5.25%	3M L+425	9,499,183	9,433,068	9,499,183
IMIA Holdings, Inc.	10/26/2025	Aerospace and Defense	7.00%	3M L+600	12,113,209	12,070,386	12,052,642
Impact Group, LLC	06/27/2023	Wholesale	8.37%	1M L+737	9,265,185	9,197,418	9,357,837
Integrative Nutrition, LLC	09/29/2023	Diversified Consumer Services	5.75%	1M L+475	8,562,480	8,562,480	8,476,856
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	8.00%	1M L+700	19,600,000	19,400,356	19,257,000
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	8.50% (PIK 1.00%)	3M L+750	10,103,330	10,034,691	9,361,746
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	6,750,000	6,775,305	6,690,938
Marketplace Events, LLC - Super Priority First Lien Term Loan	09/30/2025	Media: Diversified and Production	6.25%	3M L+525	589,122	589,122	589,122
Marketplace Events, LLC - Super Priority First Lien Term Loan (6)	09/30/2025	Media: Diversified and Production	—	—	589,122	—	—
Marketplace Events LLC	09/30/2026	Media: Diversified and Production	0.00% (5)	—	4,402,977	3,441,474	3,490,302
MeritDirect, LLC	05/23/2024	Media: Advertising, Printing & Publishing	6.50%	3M L+550	4,756,924	4,718,027	4,566,647
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.00%	3M L+500	5,934,668	5,915,065	5,906,182
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.00%	1M L+500	14,625,000	14,537,498	13,381,876
Output Services Group, Inc.	03/27/2024	Business Services	5.50%	1M L+450	7,783,419	7,804,076	7,199,663
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	5.23%	1M L+500	9,767,613	9,696,990	9,230,395
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	1,589,974	1,577,612	1,574,075
PlayPower, Inc.	05/8/2026	Leisure Products	5.74%	3M L+550	4,015,020	3,981,683	3,829,326
Sargent & Greenleaf Inc.	12/20/2024	Wholesale	7.00%	1M L+550	4,900,000	4,839,970	4,838,749
Schlesinger Global, Inc.	07/14/2025	Business Services	7.00%	1M L+600	11,874,567	11,874,567	10,716,797
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	4.79%	3M L+450	11,147,500	11,067,083	10,813,075
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	6.50%	1M L+550	4,518,583	4,518,583	4,473,397
Solutionreach, Inc.	01/17/2024	Healthcare and Pharmaceuticals	6.75%	3M L+575	6,197,791	6,137,232	6,154,407
STV Group Incorporated	12/11/2026	Construction and Building	5.40%	1M L+525	7,742,222	7,674,638	7,742,222
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	8,187,806	8,152,391	8,105,928
Teneo Holdings LLC	07/18/2025	Business Services	6.25%	1M L+525	4,937,500	4,778,965	4,877,855
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.75%	6M L+575	8,548,701	8,534,306	8,548,701
TPC Canada Parent, Inc. and TPC US Parent, LLC	11/24/2025	Consumer Goods: Non-Durable	6.25%	3M L+525	8,901,566	8,815,449	8,634,519
TVC Enterprises, LLC	01/18/2024	Diversified Consumer Services	6.50%	1M L+550	9,722,209	9,722,209	9,795,126
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	6,910,465	6,803,278	6,910,465
UBEO, LLC	04/03/2024	Capital Equipment	5.50%	3M L+450	21,930,702	21,739,216	21,766,222
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	6.00%	3M L+500	11,434,281	11,291,119	11,177,010
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	7.25%	3M L+625	15,492,125	15,348,482	15,492,125
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	5,118,990	5,067,986	5,118,988
Total First Lien Secured Debt						376,751,758	371,247,956
Second Lien Secured Debt—18.0%							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	0.00% (5)	—	987,450	964,305	124,419
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	9.00% (PIK 9.00%)	—	17,335	17,335	17,335
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	9.00% (PIK 9.00%)	—	8,672,665	8,672,665	8,672,665
Total Second Lien Secured Debt						9,654,305	8,814,419
Equity Securities—4.4%							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco			1,317	1,713,106	—
DBI Holding, LLC, Series A-1	—	Business Services	13.00%	—	5,034	5,034,310	2,169,889
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	—
New MPE Holdings, LLC	—	Media: Diversified and Production	—	—	47	—	—
Total Equity Securities						6,983,937	2,169,889
Total Investments—779.7%						393,390,000	382,232,264
Cash and Cash Equivalents—23.3%							
BlackRock Federal FD Institutional 30						4,739,098	4,739,098
US Bank Cash						6,586,206	6,668,928
Total Cash and Cash Equivalents						11,325,304	11,408,026
Total Investments and Cash Equivalents—803.0%						$ 404,715,304	$ 393,640,290
Liabilities in Excess of Other Assets—(703.0)%							(344,617,656)
Members' Equity—100.0%							$ 49,022,634

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or "L" or Prime rate or "P". The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower's option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes PIK interest and other fee rates, if any.

(2) Valued based on PSSL's accounting policy.

(3) Non-U.S. company or principal place of business outside the United States.

(4) Par amount is denominated in Australian Dollars (A$) as denoted.

(5) Non-income producing security.

(6) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.

Below is a listing of PSSL's individual investments as of September 30, 2020:

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
First Lien Secured Debt—838.2%							
Altamira Technologies, LLC	07/24/2025	High Tech Industries	7.00%	3M L+600	4,856,155	$ 4,795,251	$ 4,686,189
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	6.00%	3M L+500	7,670,399	7,596,860	7,440,287
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.25%	1M L+625	10,901,843	10,774,172	10,792,825
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	9.50% (PIK 9.50%)	3M L+850	11,802,082	11,730,187	11,322,915
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	4,779,776	4,759,527	4,779,776
Centauri Group Holdings, LLC	02/12/2024	Aerospace and Defense	6.25%	1M L+525	5,330,847	5,330,847	5,304,193
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	7.00%	1M L+575	9,663,392	9,595,826	8,986,954
Country Fresh Holdings, LLC	05/01/2023	Beverage, Food and Tobacco	6.00%	1M L+500	182,403	179,976	182,403
Country Fresh Holdings, LLC (Revolver)	05/01/2023	Beverage, Food and Tobacco	6.00%	1M L+500	450,110	450,111	450,110
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	8,836,683	8,756,358	8,704,133
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	7,403,183	7,370,405	7,292,135
DRS Holdings III, Inc.	11/03/2025	Consumer Goods: Durable	6.75%	1M L+575	8,022,149	7,950,609	7,875,344
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	5.46%	3M L+525	A $ 10,000,000	7,411,600	6,809,125
GCOM Software LLC	11/14/2022	High Tech Industries	7.75%	1M L+625	16,646,228	16,562,972	16,646,228
Good2Grow LLC	11/18/2024	Beverages	5.25%	3M L+425	9,499,183	9,429,133	9,427,938
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	5.50%	3M L+450	19,470,523	19,354,235	19,275,817
IMIA Holdings, Inc.	10/26/2025	Aerospace and Defense	5.50%	3M L+450	12,143,568	12,097,717	12,022,132
Impact Group, LLC	06/27/2023	Wholesale	8.37%	1M L+737	9,290,185	9,216,206	9,336,636
Integrative Nutrition, LLC	09/29/2023	Diversified Consumer Services	5.75%	1M L+475	8,587,606	8,587,606	8,458,792
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	8.00%	1M L+700	19,650,000	19,436,214	19,217,700
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	8.50%	3M L+750	9,975,861	9,902,990	9,188,766
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	6,843,750	6,872,048	6,631,320
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	7.00%	1M L+600	4,313,910	4,273,019	4,197,866
Marketplace Events LLC (4)	01/27/2023	Media: Diversified and Production	0.00% (5)	—	C $ 5,730,254	4,449,786	3,623,691
MeritDirect, LLC	05/23/2024	Media: Advertising, Printing & Publishing	6.50%	3M L+550	4,812,500	4,771,073	4,583,906
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.00%	3M L+500	5,949,731	5,927,114	5,877,737
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.50%	1M L+550	14,662,500	14,568,019	13,379,531
Output Services Group, Inc.	03/27/2024	Business Services	5.50%	1M L+450	7,803,419	7,825,029	7,101,111
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	5.19%	1M L+500	9,792,594	9,717,936	9,156,076
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	6.75%	3M L+575	1,594,030	1,579,915	1,570,120
PlayPower, Inc.	05/8/2026	Leisure Products	5.72%	3M L+550	4,025,520	3,990,707	3,824,244
Sargent & Greenleaf Inc.	12/20/2024	Wholesale	7.00%	1M L+550	4,925,000	4,860,858	4,836,350
Schlesinger Global, Inc.	07/14/2025	Business Services	7.00%	1M L+600	11,904,617	11,904,617	11,041,532
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	4.93%	3M L+450	11,175,938	11,090,654	10,840,659
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	6.50%	1M L+550	4,561,971	4,561,971	4,493,542
Solutionreach, Inc.	01/17/2024	Healthcare and Pharmaceuticals	6.75%	3M L+575	6,214,305	6,149,172	6,145,948
STV Group Incorporated	12/11/2026	Construction and Building	5.40%	1M L+525	7,762,222	7,692,023	7,684,600
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	8,309,797	8,272,104	8,060,503
Teneo Holdings LLC	07/18/2025	Business Services	6.25%	1M L+525	4,950,000	4,783,595	4,764,375
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.75%	6M L+575	8,602,807	8,584,634	8,602,807
TPC Canada Parent, Inc. and TPC US Parent, LLC	11/24/2025	Consumer Goods: Non-Durable	6.25%	3M L+525	8,924,066	8,837,614	8,656,344
TVC Enterprises, LLC	01/18/2024	Diversified Consumer Services	6.50%	1M L+550	9,747,335	9,747,335	9,674,230
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	6,910,465	6,797,117	6,772,256
UBEO, LLC	04/03/2024	Capital Equipment	5.50%	3M L+450	21,930,702	21,762,065	20,614,860
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	6.00%	3M L+500	11,463,443	11,311,325	11,119,540
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	7.25%	3M L+625	10,594,047	10,440,520	10,594,047
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	254,095	250,910	251,557
Total First Lien Secured Debt						392,309,962	382,299,150
Second Lien Secured Debt—19.5%							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	9.50% (PIK 9.50%)	1M L+850	964,045	964,045	889,813
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	9.00% (PIK 9.00%)	—	15,946	15,946	15,946
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	9.00% (PIK 9.00%)	—	7,977,513	7,977,513	7,977,513
Total Second Lien Secured Debt						8,957,504	8,883,272
Equity Securities—4.0%							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco			1,317	1,713,105	—
DBI Holding, LLC, Series A-1	—	Business Services	—	—	5,034	5,034,310	1,803,668
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	—
Total Equity Securities						6,983,936	1,803,668
Total Investments—861.6%						408,251,402	392,986,090
Cash and Cash Equivalents—24.4%							
BlackRock Federal FD Institutional 30						6,005,963	6,005,963
US Bank Cash						5,109,410	5,115,516
Total Cash and Cash Equivalents						11,115,373	11,121,479
Total Investments and Cash Equivalents—886.0%						$ 419,366,775	$ 404,107,569
Liabilities in Excess of Other Assets—(786.0)%							(358,495,484)
Members' Equity—100.0%							$ 45,612,085

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or "L" or Prime rate or "P". The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower's option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes PIK interest and other fee rates, if any.

(2) Valued based on PSSL's accounting policy.

(3) Non-U.S. company or principal place of business outside the United States.

(4) Par amount is denominated in Australian Dollars (A$) or Canadian Dollars (C$) as denoted.

(5) Non-income producing security.

Below is the financial information for PSSL:

Statements of Assets and Liabilities

	December 31, 2020	September 30, 2020
Assets		
Investments at fair value (cost—$393,390,000 and $408,251,402, respectively)	$ 382,232,264	$ 392,986,090
Cash and cash equivalents (cost—$11,325,304 and $11,115,373, respectively)	11,408,026	11,121,479
Interest receivable	1,371,822	2,235,595
Prepaid expenses and other assets	82,838	62,812
Total assets	395,094,950	406,405,976
Liabilities		
Payable for investments purchased	9,935,844	—
PSSL Credit Facility payable	141,085,005	216,969,469
Notes payable to members	144,550,000	143,290,000
Promissory note	50,000,000	—
Interest payable on credit facility	468,325	490,858
Interest payable on members notes	33,142	32,719
Accrued other expenses	—	10,845
Total liabilities	346,072,316	360,793,891
Commitments and contingencies (1)	—	—
Members' equity	49,022,634	45,612,085
Total liabilities and members' equity	$ 395,094,950	$ 406,405,976

(1) As of December 31, 2020 and September 30, 2020, PSSL had unfunded commitments to fund investments of $0.6 million and zero, respectively.

Statements of Operations

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019
Investment income:		
Interest	$ 6,747,939	$ 8,768,628
Other income	155,384	—
Total investment income	6,903,323	8,768,628
Expenses:		
Interest and expenses on credit facility	1,416,006	3,606,085
Interest expense on members notes	3,054,519	3,430,557
Administrative services expenses	300,000	300,000
Other general and administrative expenses (1)	195,317	113,710
Total expenses	4,965,842	7,450,352
Net investment income	1,937,481	1,318,276
Realized and unrealized gain on investments and credit facility foreign currency translations:		
Net realized (loss) gain on investments	(791,279)	452,477
Net change in unrealized appreciation on:		
Investments	4,184,101	1,078,789
Credit facility appreciation of foreign currency translation	(659,754)	(1,325,522)
Net change in unrealized appreciation (depreciation) on investments and credit facility foreign currency translations	3,524,347	(246,733)
Net realized and unrealized gain from investments and credit facility foreign currency translations	2,733,068	205,744
Net increase in members' equity resulting from operations	$ 4,670,549	$ 1,524,020

(1) Currently, no management or incentive fees are payable by PSSL. If any fees were to be charged, they would be separately disclosed in the Statements of Operations.

Contractual Obligations

A summary of our significant contractual payment obligations at cost as of December 31, 2020, including borrowings under our Credit Facility, 2023 Notes, 2031 Asset-Backed Debt and other contractual obligations, is as follows:

	Payments due by period (millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility	$ 256.9	$ —	$ 256.9	$ —	$ —
2023 Notes	117.8	20.8	97.0	—	—
2031 Asset-Backed Debt	228.0	—	—	—	228.0
Total debt outstanding (1)	$ 602.7	$ 20.8	$ 353.9	$ —	$ 228.0
Unfunded commitments to PSSL	20.6	—	—	—	20.6
Unfunded investments (2)	93.0	8.7	40.5	37.6	6.2
Total contractual obligations	$ 716.3	$ 29.5	$ 394.4	$ 37.6	$ 254.8

(1) The annualized weighted average cost of debt as of December 31, 2020, was 2.8% exclusive of the fee on the undrawn commitment on the Credit Facility.
(2) Unfunded debt and equity investments are disclosed in the Consolidated Schedule of Investments and Note 11 of our Consolidated Financial Statements.

We have entered into certain contracts under which we have material future commitments. Under our Investment Management Agreement, which was most recently reapproved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2021, PennantPark Investment Advisers serves as our investment adviser. Payments under our Investment Management Agreement in each reporting period are equal to (1) a management fee equal to a percentage of the value of our average adjusted gross assets and (2) an incentive fee based on our performance.

Under our Administration Agreement, which was most recently reapproved by our board of directors, including a majority of our directors who are not interested persons of us, in February 2021, the Administrator furnishes us with office facilities and administrative services necessary to conduct our day-to-day operations. If requested to provide significant managerial assistance to our portfolio companies, we or the Administrator will be paid an additional amount based on the services provided. Payment under our Administration Agreement is based upon our allocable portion of the Administrator’s overhead in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of our Chief Compliance Officer, Chief Financial Officer and their respective staffs.

If any of our contractual obligations discussed above are terminated, our costs under new agreements that we enter into may increase. In addition, we will likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our Investment Management Agreement and our Administration Agreement. Any new investment management agreement would also be subject to approval by our stockholders.

Recent Developments

On January 27, 2021, PSSL, through its wholly-owned and consolidated subsidiary, PennantPark CLO II, Ltd., closed a three-year reinvestment period, eleven-year final maturity $300.7 million debt securitization in the form of a collateralized loan obligation consisting of the following classes of notes: Class A-1 Notes, Class A-1 Loans, Class A-2 Notes, Class B-1 Notes, Class B-2 Notes, Class C Notes, Class D Notes, Class E Notes and Subordinated Notes, or the Debt. PSSL will retain all of the Class E Notes and Subordinated Notes through a consolidated subsidiary. The reinvestment period for the term debt securitization ends in January 2024 and the Debt is scheduled to mature in January 2032. The term debt securitization is expected to be approximately 95% funded at close. The proceeds from the Debt were used to repay a portion of the PSSL Credit Facility, as well as repay the $50.0 million senior secured promissory note issued by PSSL. Additionally, in conjunction with the closing of this transaction, PSSL’s $325.0 million senior secured revolving credit facility with Capital One, N.A. was terminated and replaced with a new $125.0 million senior secured revolving credit facility provided by Ally Bank. The Ally Bank credit facility has an interest rate spread above LIBOR (or an alternative risk-free floating interest rate index) of 260 basis points, a LIBOR floor of 25 basis points, a maturity date of January 26, 2026 and a revolving period that ends on January 26, 2024.

Effective January 19, 2021, we reduced the size of the Credit Facility from $520 million to $400 million in order to reduce the cost of the unused facility fees.

Off-Balance Sheet Arrangements

We currently engage in no off-balance sheet arrangements other than our funding requirements for the unfunded investments described above.

Distributions

In order to be treated as a RIC for federal income tax purposes and to not be subject to corporate-level tax on undistributed income or gains, we are required, under Subchapter M of the Code, to annually distribute dividends for U.S. federal income tax purposes to our stockholders out of the assets legally available for distribution of an amount generally at least equal to 90% of our investment company taxable income, determined without regard to any deduction for dividends paid.

Although not required for us to maintain our RIC tax status, in order to preclude the imposition of a 4% nondeductible U.S. federal excise tax imposed on RICs, we must distribute dividends for U.S. federal income tax purposes to our stockholders in respect of each calendar year of an amount at least equal to the Excise Tax Avoidance Requirement. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions in the manner described above, we have retained and may continue to retain such net capital gains or investment company taxable income, contingent on maintaining our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

During both the three months ended December 31, 2020 and 2019, we declared distributions of $0.285 per share for total distributions of $11.1 million. We monitor available net investment income to determine if a return of capital for tax purposes may occur for the fiscal year. To the extent our taxable earnings fall below the total amount of our distributions for any given fiscal year, stockholders will be notified of the portion of those distributions deemed to be a tax return of capital. Tax characteristics of all distributions will be reported to stockholders subject to information reporting on Form 1099-DIV after the end of each calendar year and in our periodic reports filed with the SEC.

We intend to continue to make monthly distributions to our stockholders. Our monthly distributions, if any, are determined by our board of directors quarterly.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage ratio for borrowings applicable to us as a BDC under the 1940 Act and due to provisions in future credit facilities. If we do not distribute at least a certain percentage of our income annually, we could suffer adverse tax consequences, including possible loss of our ability to be subject to tax as a RIC. We cannot assure stockholders that they will receive any distributions at a particular level.

Item 3. Quantitative And Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. As of December 31, 2020, our debt portfolio consisted of 98% variable-rate investments. The variable-rate loans are usually based on a LIBOR rate (or an alternative risk-free floating interest rate index) and typically have durations of three months, after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In regards to variable-rate instruments with a floor, we do not benefit from increases in interest rates until such rates exceed the floor and thereafter benefit from market rates above any such floor. In contrast, our cost of funds, to the extent it is not fixed, will fluctuate with changes in interest rates since it has no floor.

Assuming that the most recent Consolidated Statements of Assets and Liabilities was to remain constant, and no actions were taken to alter the existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates:

Change In Interest Rates	Change In Interest Income, Net Of Interest Expense (in thousands)	Change In Interest Income, Net of Interest Expense Per Share
Down 1%	$ (550)	$ (0.01)
Up 1%	(1,914)	(0.05)
Up 2%	3,038	0.08
Up 3%	7,991	0.21
Up 4%	$ 12,944	$ 0.33

Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets on the Consolidated Statements of Assets and Liabilities and other business developments that could affect net increase in net assets resulting from operations or net investment income. Accordingly, no assurances can be given that actual results would not differ materially from those shown above.

Because we borrow money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds, as well as our level of leverage. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income or net assets.

We may hedge against interest rate and foreign currency fluctuations by using standard hedging instruments such as futures, options and forward contracts or our Credit Facility subject to the requirements of the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates and foreign currencies, they may also limit our ability to participate in benefits of lower interest rates or higher exchange rates with respect to our portfolio of investments with fixed interest rates or investments denominated in foreign currencies. During the periods covered by this Report, we did not engage in interest rate hedging activities or foreign currency derivatives hedging activities.

Item 4. Controls and Procedures

As of the period covered by this Report, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic filings with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1.Legal Proceedings

None of us, our Investment Adviser or our Administrator, is currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us, or against our Investment Adviser or Administrator. From time to time, we, our Investment Adviser or Administrator, may be a party to certain legal proceedings, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these and any future legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

Item 1A.Risk Factors

In addition to the other information set forth in this Report, you should consider carefully the factors discussed below, as well as in Part I "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020 filed on November 18, 2020, which could materially affect our business, financial condition and/or operating results. The risks described below, as well as in our Annual Report on Form 10-K are not the only risks facing PennantPark Floating Rate Capital Ltd. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Legislation enacted in 2018 allows us to incur additional leverage.

A BDC has historically been able to issue "senior securities," including borrowing money from banks or other financial institutions, only in amounts such that its asset coverage, as defined in Section 61(a)(2) of the 1940 Act, equals at least 200% after such incurrence or issuance. In March 2018, the Consolidated Appropriations Act of 2018 (which includes the SBCAA) was enacted which amended the 1940 Act to decrease this percentage from 200% (i.e., $1 of debt outstanding for each $1 of equity) to 150% (i.e., $2 of debt outstanding for each $1 of equity) for a BDC that has received either stockholder approval or approval of a "required majority" (as defined in Section 57(o) of the 1940 Act) of its board of directors of the application of such lower asset coverage ratio to the BDC. On April 5, 2018, our board of directors approved such reduction. As of April 5, 2019, we are able to incur additional indebtedness so long as we comply with the applicable disclosure requirement, which may increase the risk of investing in us. Under the 200% minimum asset coverage ratio, we were permitted to borrow up to one dollar for investment purposes for every one dollar of investor equity and, under the 150% minimum asset coverage ratio, we are permitted to borrow up to two dollars for investment purposes for every one dollar of investor equity. In other words, Section 61(a)(2) of the 1940 Act permits BDCs to potentially increase their debt-to-equity ratio from a maximum of 1-to-1 to a maximum of 2-to-1. In addition, since our base management fee is determined and payable based upon our average adjusted gross assets, which includes any borrowings for investment purposes, our base management fee expense may increase if we incur additional leverage.

Because we intend to distribute substantially all of our income to our stockholders to maintain our ability to be subject to tax as a RIC, we may need to raise additional capital to finance our growth. If funds are not available to us, we may need to curtail new investments, and our common stock value could decline.

In connection with satisfying the requirements to be subject to tax as a RIC for federal income tax purposes, we intend to distribute to our stockholders substantially all of our investment company taxable income and net capital gains each taxable year. However, we may retain all or a portion of our net capital gains and incur applicable income taxes with respect thereto and elect to treat such retained net capital gains as deemed dividend distributions to our stockholders.

As noted above, on April 5, 2018, our board of directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act), approved a reduction of our asset coverage ratio from 200% to 150%. As a result, as of April 5, 2019, the asset coverage requirement applicable to us for senior securities was reduced from 200% (i.e., $1 of debt outstanding for each $1 of equity) to 150% (i.e., $2 of debt outstanding for each $1 of equity). If we incur additional indebtedness under this provision, the risk of investing in us will increase. If the value of our assets declines, we may be unable to satisfy this asset coverage test. If that happens, we may be required to sell a portion of our investments or sell additional common stock and, depending on the nature of our leverage, to repay a portion of our indebtedness at a time when such sales and repayments may be disadvantageous. In addition, the issuance of additional securities could dilute the percentage ownership of our current stockholders in us.

We are partially dependent on our subsidiary, Funding I, for cash distributions to enable us to meet the distribution requirements in order to permit us to be subject to tax as a RIC. In this regard, Funding I is limited by its covenants from making certain distributions to us that may be necessary to fulfill our requirements to be subject to tax as a RIC. In such case, we would need to request a waiver of these covenants' restrictions for Funding I to make certain distributions to enable us to be subject to tax as a RIC. We cannot assure you that Funding I will be granted such a waiver, and if Funding I is unable to obtain a waiver, compliance with the covenants may cause us to incur a corporate-level income tax.

If we incur additional debt, it could increase the risk of investing in our shares.

We have indebtedness outstanding pursuant to our Credit Facility, 2023 Notes and the 2031 Asset-Backed Debt and expect in the future to borrow additional amounts under our Credit Facility or other debt securities, subject to market availability, and, may increase the size of our Credit Facility. We cannot assure you that our leverage will remain at current levels. The amount of leverage that we employ will depend upon our assessment of the market and other factors at the time of any proposed borrowing. Lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or preferred stockholders, if any, and we have granted a security interest in Funding I's assets in connection with our Credit Facility borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. Any future debt issuance will increase our leverage and may be subordinate to our Credit Facility. In addition, borrowings or debt issuances, also known as leverage, magnify the potential for loss or gain on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets decreases, then the use of leverage would cause the net asset value attributable to our common stock to decline more than it otherwise would have had we not utilized leverage. Similarly, any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on our common or preferred stock. Our ability to service any debt that we incur depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures.

As noted above, on April 5, 2018, our board of directors, including a "required majority" (as such term is defined in Section 57(o) of the 1940 Act), approved a reduction of our asset coverage ratio. As a result, as of April 5, 2019, the asset coverage requirement applicable to us for senior securities was reduced from 200% to 150%. As of such date, we are able to incur additional indebtedness so long as we comply with the applicable disclosure requirements, which may increase the risk of investing in us.

Item 2.Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3.Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6.Exhibits

Unless specifically indicated otherwise, the following exhibits are incorporated by reference to exhibits previously filed with the SEC:

3.1	Articles of Amendment and Restatement of the Registrant (Incorporated by reference to Exhibit 99(A) to the Registrant's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-170243), filed on March 29, 2011).
3.2	Amended and Restated Bylaws of the Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 814-00891), filed on December 2, 2015).
4.1	Form of Share Certificate (Incorporated by reference to Exhibit 99(D) to the Registrant's Pre-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-170243), filed on April 5, 2011).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.
99.1	Privacy Policy of the Registrant (Incorporated by reference to Exhibit 99.1 to the Registrant's Annual Report on Form 10-K (File No. 814-00891), filed on November 17, 2011).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

PENNANTPARK FLOATING RATE CAPITAL LTD.

Date: February 9, 2021	By:	/s/ Arthur H. Penn **Arthur H. Penn** **Chief Executive Officer and Chairman of the Board of Directors** **(Principal Executive Officer)**
Date: February 9, 2021	By:	/s/ Aviv Efrat **Aviv Efrat** **Chief Financial Officer and Treasurer** **(Principal Financial and Accounting Officer)**

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302
CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Arthur H. Penn, Chief Executive Officer of PennantPark Floating Rate Capital Ltd., certify that:

1. I have reviewed this Report on Form 10-Q of PennantPark Floating Rate Capital Ltd.;

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared; and

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 9, 2021

/s/ Arthur H. Penn

Name: Arthur H. Penn
Title: Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302
CHIEF FINANCIAL OFFICER CERTIFICATION

I, Aviv Efrat, Chief Financial Officer of PennantPark Floating Rate Capital Ltd., certify that:

1. I have reviewed this Report on Form 10-Q of PennantPark Floating Rate Capital Ltd.;

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared; and

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 9, 2021

/s/ Aviv Efrat

Name: Aviv Efrat
Title: Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with this Report on Form 10-Q for the three months ended December 31, 2020, or the Report, of PennantPark Floating Rate Capital Ltd., or the Registrant, as filed with the Securities and Exchange Commission on the date hereof, I, Arthur H. Penn, Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Arthur H. Penn

Name: Arthur H. Penn
Title: Chief Executive Officer
Date: February 9, 2021

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with this Report on Form 10-Q for the three months ended December 31, 2020, or the Report, of PennantPark Floating Rate Capital Ltd., or the Registrant, as filed with the Securities and Exchange Commission on the date hereof, I, Aviv Efrat, Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Aviv Efrat

Name: Aviv Efrat
Title: Chief Financial Officer
Date: February 9, 2021