

**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 JUNE 30, 2019**

**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**  
(State or other jurisdiction of incorporation or organization)

**27-3794690**  
(I.R.S. Employer Identification No.)

**590 Madison Avenue, 15th Floor**  
**New York, N.Y.**

(Address of principal executive offices)

**10022**  
(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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 August 7, 2019 was 38,772,074.

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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” refer 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; “Credit Facility” refers to our multi-currency, senior secured revolving credit facility, as amended and restated; “2023 Notes” refers to our 3.83% Series A notes due 2023; “1940 Act” refers to the Investment Company Act of 1940, as amended; “Code” refers to the Internal Revenue Code of 1986, as amended; “RIC” refers to a regulated investment company under the Code; and “BDC” refers to a business development company under the 1940 Act. References to our portfolio, our investments, our Credit Facility, and our business include investments we make through our subsidiaries.

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

	June 30, 2019 (unaudited)	September 30, 2018
<b>Assets</b>		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$895,394,733 and \$856,893,017, respectively)	\$ 884,350,757	\$ 854,753,064
Non-controlled, affiliated investments (cost—\$17,893,712 and \$0 respectively)	16,108,205.00	—
Controlled, affiliated investments (cost—\$172,812,500 and \$144,375,000, respectively)	171,694,804	145,860,229
Total of investments (cost—\$1,086,100,945 and \$1,001,268,017, respectively)	1,072,153,766	1,000,613,293
Cash and cash equivalents (cost—\$25,360,185 and \$72,231,801, respectively)	25,364,034	72,224,183
Interest receivable	3,366,168	2,813,808
Receivable for investments sold	2,977,500	—
Prepaid expenses and other assets	77,922	792,069
<b>Total assets</b>	<b>1,103,939,390</b>	<b>1,076,443,353</b>
<b>Liabilities</b>		
Distributions payable	3,683,347	3,683,347
Payable for investments purchased	36,480,000	59,587,222
Credit Facility payable (cost—\$415,307,500 and \$333,727,520, respectively) (See Notes 5 and 10)	412,129,078	332,128,815
2023 Notes payable (par—\$138,579,858) (See Notes 5 and 10)	137,526,651	135,503,385
Interest payable on debt	1,776,766	2,638,504
Base management fee payable (See Note 3)	2,564,074	2,419,629
Performance-based incentive fee payable (See Note 3)	2,350,269	3,298,404
Accrued other expenses	695,474	1,342,479
<b>Total liabilities</b>	<b>597,205,659</b>	<b>540,601,785</b>
Commitments and contingencies (See Note 11)		
<b>Net assets</b>		
Common stock, 38,772,074 shares issued and outstanding Par value \$0.001 per share and 100,000,000 shares authorized	38,722	38,772
Paid-in capital in excess of par value	539,462,336	539,462,336
Accumulated distributable net loss	(32,767,327)	(3,659,540)
<b>Total net assets</b>	<b>\$ 506,733,731</b>	<b>\$ 535,841,568</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,103,939,390</b>	<b>\$ 1,076,443,353</b>
<b>Net asset value per share</b>	<b>\$ 13.07</b>	<b>\$ 13.82</b>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Investment income:</b>				
From non-controlled, non-affiliated investments:				
Interest	\$ 16,670,408	\$ 16,718,163	\$ 50,888,582	\$ 45,225,422
Other income	974,760	559,708	2,971,768	1,255,766
From non-controlled, affiliated investments:				
Interest	305,217	—	1,082,208	—
Other income	109,863	—	124,734	—
From controlled, affiliated investments:				
Interest	3,240,760	1,551,198	9,273,287	2,985,061
Dividend	1,575,000	700,000	4,725,000	1,400,000
<b>Total investment income</b>	<u>22,876,008</u>	<u>19,529,069</u>	<u>69,065,579</u>	<u>50,866,249</u>
<b>Expenses:</b>				
Base management fee (See Note 3)	2,564,074	2,180,258	7,481,546	5,932,024
Performance-based incentive fee (See Note 3)	2,350,270	329,567	3,671,908	852,678
Interest and expenses on debt (See Note 10)	5,663,183	3,862,037	16,284,841	9,957,719
Administrative services expenses (See Note 3)	350,000	500,000	1,200,000	1,500,000
Other general and administrative expenses	616,077	622,025	1,848,229	1,859,526
<b>Expenses before amendment costs, debt issuance costs and provision for taxes</b>	<u>11,543,604</u>	<u>7,493,887</u>	<u>30,486,524</u>	<u>20,101,947</u>
Credit Facility amendment costs and debt issuance costs (See Notes 5 and 10)	—	—	4,517,292	10,869,098
Provision for taxes	—	200,000	—	600,000
<b>Total expenses</b>	<u>11,543,604</u>	<u>7,693,887</u>	<u>35,003,816</u>	<u>31,571,045</u>
<b>Net investment income</b>	<u>11,332,404</u>	<u>11,835,182</u>	<u>34,061,763</u>	<u>19,295,204</u>
<b>Realized and unrealized (loss) gain on investments and debt:</b>				
Net realized loss on investments:				
Non-controlled, non-affiliated investments	(11,230,236)	(1,790,048)	(9,227,422)	(3,113,542)
Non-controlled and controlled, affiliated investments	(7,164,304)	—	(7,164,304)	—
<b>Net realized loss on investments</b>	<u>(18,394,540)</u>	<u>(1,790,048)</u>	<u>(16,391,726)</u>	<u>(3,113,542)</u>
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	8,492,044	(3,370,875)	(9,292,141)	(1,185,879)
Controlled and non-controlled, affiliated investments	3,444,481	182,630	(3,892,061)	936,330
Debt (appreciation) depreciation (See Notes 5 and 10)	(355,573)	(1,888,502)	(443,549)	6,544,816
<b>Net change in unrealized appreciation (depreciation) on investments and debt</b>	<u>11,580,952</u>	<u>(5,076,747)</u>	<u>(13,627,751)</u>	<u>6,295,267</u>
<b>Net realized and unrealized (loss) gain from investments and debt</b>	<u>(6,813,588)</u>	<u>(6,866,795)</u>	<u>(30,019,477)</u>	<u>3,181,725</u>
<b>Net increase in net assets resulting from operations</b>	<u>\$ 4,518,816</u>	<u>\$ 4,968,387</u>	<u>\$ 4,042,286</u>	<u>\$ 22,476,929</u>
Net increase in net assets resulting from operations per common share (See Note 7)	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.10</u>	<u>\$ 0.59</u>
Net investment income per common share	<u>\$ 0.29</u>	<u>\$ 0.31</u>	<u>\$ 0.88</u>	<u>\$ 0.51</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Net increase in net assets resulting from operations:</b>				
Net investment income	\$ 11,332,404	\$ 11,835,182	\$ 34,061,763	\$ 19,295,204
Net realized loss on investments	(18,394,540)	(1,790,048)	(16,391,726)	(3,113,542)
Net change in unrealized appreciation (depreciation) on investments	11,936,525	(3,188,245)	(13,184,202)	(249,549)
Net change in unrealized (appreciation) depreciation on debt	(355,573)	(1,888,502)	(443,549)	6,544,816
<b>Net increase in net assets resulting from operations</b>	<u>4,518,816</u>	<u>4,968,387</u>	<u>4,042,286</u>	<u>22,476,929</u>
<b>Distributions to stockholders</b>	<u>(11,050,041)</u>	<u>(11,050,041)</u>	<u>(33,150,123)</u>	<u>(32,524,643)</u>
<b>Capital transactions:</b>				
Public offering (See Note 1)	—	—	—	89,031,800
Offering costs	—	—	—	(1,012,044)
<b>Net increase in net assets resulting from capital transactions</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>88,019,756</u>
<b>Net (decrease) increase in net assets</b>	<u>(6,531,225)</u>	<u>(6,081,654)</u>	<u>(29,107,837)</u>	<u>77,972,042</u>
<b>Net assets:</b>				
Beginning of period	513,264,956	541,959,970	535,841,568	457,906,274
End of period	<u>\$ 506,733,731</u>	<u>\$ 535,878,316</u>	<u>\$ 506,733,731</u>	<u>\$ 535,878,316</u>
<b>Capital share activity:</b>				
Shares issued from public offering	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,292,000</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Nine Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Net increase in net assets resulting from operations	\$ 4,042,286	\$ 22,476,929
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized depreciation on investments	13,184,202	249,549
Net change in unrealized appreciation (depreciation) on debt	443,549	(6,544,816)
Net realized loss on investments	16,391,726	3,113,542
Net accretion of discount and amortization of premium	(1,000,912)	(1,160,019)
Purchases of investments	(499,505,698)	(480,647,540)
Payment-in-kind interest	(1,512,612)	(536,132)
Proceeds from dispositions of investments	400,143,184	283,586,945
Increase in interest receivable	(552,360)	(325,844)
(Increase) decrease in receivable for investments sold	(2,977,500)	14,185,850
Decrease in prepaid expenses and other assets	714,146	524,785
Decrease in payable for investments purchased	(23,107,222)	(17,300,500)
Decrease (increase) in interest payable on debt	(861,738)	459,212
Increase in base management fee payable	144,445	395,452
Decrease in performance-based incentive fee payable	(948,135)	(1,984,158)
(Decrease) increase in accrued other expenses	(647,005)	471,688
Net cash used in operating activities	<u>(96,049,644)</u>	<u>(183,035,057)</u>
<b>Cash flows from financing activities:</b>		
Public offering	—	89,031,800
Offering costs	—	(1,012,044)
Distributions paid to stockholders	(33,150,123)	(31,926,903)
Proceeds from 2023 Notes issuance (See Notes 5 and 10)	—	138,579,858
Borrowings under Credit Facility (See Notes 5 and 10)	283,700,000	143,985,010
Repayments under Credit Facility (See Notes 5 and 10)	(202,120,020)	(142,095,000)
Net cash (used in) provided by financing activities	<u>48,429,857</u>	<u>196,562,721</u>
<b>Net (decrease) increase in cash equivalents</b>	<u>(47,619,787)</u>	<u>13,527,664</u>
Effect of exchange rate changes on cash	759,638	(1,260,350)
<b>Cash and cash equivalents, beginning of period</b>	<u>72,224,183</u>	<u>18,910,756</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 25,364,034</u>	<u>\$ 31,178,070</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	<u>\$ 17,146,578</u>	<u>\$ 9,525,005</u>
Taxes paid	<u>\$ 276,657</u>	<u>\$ 377,706</u>
Non-cash exchanges and conversions	<u>\$ 33,587,726</u>	<u>\$ 53,200,000</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**JUNE 30, 2019**  
**(Unaudited)**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
<b>Investments in Non-Controlled, Non-Affiliated Portfolio Companies—174.5% (3), (4)</b>							
<b>First Lien Secured Debt—161.1%</b>							
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	7.34%	3M L+525	5,828,129	\$ 5,755,067	\$ 5,769,853
American Insulated Glass, LLC (7)	12/21/2023	Building Products	7.99%	3M L+550	14,962,500	14,697,130	14,738,063
American Insulated Glass, LLC (7), (8)	12/21/2023	Building Products	—	—	649,351	—	(9,740)
American Scaffold	03/31/2022	Aerospace and Defense	8.83%	3M L+650	3,980,888	3,948,828	3,941,079
American Teleconferencing Services, Ltd.	12/08/2021	Telecommunications	9.06%	3M L+650	9,672,954	9,584,736	6,190,690
API Holdings III Corp.	05/11/2026	Aerospace and Defense	6.70%	1M L+425	6,000,000	5,970,000	5,977,500
BEI Precision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	7.83%	3M L+550	11,760,000	11,676,792	11,642,400
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.66%	1M L+725	12,285,837	12,028,858	12,285,837
By Light Professional IT Services, LLC (Revolver) (7)	05/16/2022	High Tech Industries	8.67%	1M L+725	481,119	481,119	481,119
By Light Professional IT Services, LLC (Revolver) (7), (8)	05/16/2022	High Tech Industries	—	—	1,932,115	—	—
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.83%	3M L+650	2,875,404	2,854,471	2,848,858
Cano Health, LLC (7)	12/23/2021	Healthcare and Pharmaceuticals	8.68%	1M L+625	5,866,767	5,813,118	5,866,767
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	8.19%	1M L+575	3,844,742	3,850,581	3,729,400
CD&R TZ Purchaser, Inc.	07/21/2023	Consumer Goods: Durable	8.48%	3M L+600	16,037,420	15,778,455	15,970,544
CHA Holdings, Inc. (7)	04/10/2025	Environmental Industries	6.83%	3M L+450	7,384,821	7,357,941	7,347,897
CHA Holdings, Inc. (7), (8)	04/10/2025	Environmental Industries	—	—	53,571	—	(268)
Challenger Performance Optimization, Inc. (Revolver) (7)	08/31/2023	Business Services	8.18%	1M L+575	142,289	142,289	140,866
Challenger Performance Optimization, Inc. (Revolver) (7), (8)	08/31/2023	Business Services	—	—	569,158	—	(5,692)
Confluent Health, LLC	06/24/2026	Health Providers and Services	7.40%	1M L+500	4,000,000	3,960,000	3,980,000
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	8.65%	3M L+625	947,304	932,690	947,304
Deva Holdings, Inc. (Revolver) (7), (8)	10/31/2022	Consumer Goods: Non-Durable	—	—	2,115,000	—	—
Digital Room Holdings, Inc.	05/22/2026	Media: Advertising, Printing and Publishing	6.00%	1M L+500	10,000,000	9,850,000	9,700,000
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	8.08%	3M L+575	14,376,838	14,183,241	14,233,069
Douglas Products and Packaging Company LLC (Revolver) (7)	10/19/2022	Chemicals, Plastics and Rubber	8.17%	3M L+575	1,317,353	1,317,353	1,304,179
Douglas Products and Packaging Company LLC (Revolver) (7), (8)	10/19/2022	Chemicals, Plastics and Rubber	—	—	3,073,824	—	(30,738)
Douglas Sewer Intermediate, LLC (7)	10/19/2022	Chemicals, Plastics and Rubber	8.08%	3M L+575	9,841,439	9,776,115	9,743,024
East Valley Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	10.40%	3M L+800	18,787,565	18,664,364	18,599,689
eCommission Financial Services, Inc. (9)	10/05/2023	Banking, Finance, Insurance & Real Estate	7.47%	1M L+500	21,626,250	21,626,250	21,626,250
eCommission Financial Services, Inc. (Revolver) (7), (8), (9)	10/05/2023	Banking, Finance, Insurance & Real Estate	—	—	5,000,000	—	—
Education Networks of America, Inc.	05/06/2021	Telecommunications	10.02%	3M L+700	10,336,020	10,315,565	10,284,338
Education Networks of America, Inc. (Revolver) (7)	05/06/2021	Telecommunications	9.82%	3M L+700	2,176,691	2,176,691	2,165,807
Efficient Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	9.08%	3M L+675	7,312,455	7,279,572	7,275,892
GCOM Software LLC	11/14/2022	High Tech Industries	8.66%	1M L+750	12,317,696	12,065,638	12,317,696
GCOM Software LLC (Revolver) (7)	11/14/2022	High Tech Industries	9.75%	P+550	1,413,333	1,413,333	1,413,333
GCOM Software LLC (Revolver) (7), (8)	11/14/2022	High Tech Industries	—	—	1,253,333	—	—
Good2Grow LLC	11/18/2024	Beverages	6.58%	3M L+425	7,462,500	7,394,079	7,387,876
Good2Grow LLC (Revolver) (7), (8)	11/16/2023	Beverages	—	—	3,137,000	—	(31,370)
GSM Holdings, Inc. (7)	06/03/2024	Consumer Goods: Durable	6.81%	3M L+450	19,374,185	19,259,472	19,180,443
GSM Holdings, Inc. (Revolver) (7)	06/03/2024	Consumer Goods: Durable	7.01%	3M L+450	5,938,737	5,938,737	5,879,349
GSM Holdings, Inc. (Revolver) (7), (8)	06/03/2024	Consumer Goods: Durable	—	—	1,187,747	—	(11,877)
Hollander Sleep Products, LLC	06/09/2023	Consumer Goods: Non-Durable	— (6)	—	10,952,132	10,785,997	5,037,981
Hollander Sleep Products, LLC - DIP	10/18/2019	Consumer Goods: Non-Durable	9.33%	1M L+700	1,343,541	1,343,541	1,330,105
Hollander Sleep Products, LLC - DIP (8)	10/18/2019	Consumer Goods: Non-Durable	—	—	1,164,402	—	(11,644)
HW Holdco, LLC	12/10/2024	Media	8.70%	3M L+625	7,510,645	7,439,661	7,510,645
HW Holdco, LLC (Revolver) (7)	12/10/2024	Media	8.70%	3M L+625	441,290	441,290	441,290
HW Holdco, LLC (Revolver) (7), (8)	12/10/2024	Media	—	—	1,010,323	—	—
IMIA Holdings, Inc. (Revolver) (7), (8)	10/28/2024	Aerospace and Defense	—	—	1,968,504	—	—
Impact Group, LLC (7)	06/27/2023	Wholesale	8.93%	3M L+650	12,841,111	12,772,844	12,712,699
Innova Medical Ophthalmics Inc. (5), (9)	04/13/2023	Capital Equipment	8.58%	3M L+675	3,314,138	3,278,124	3,280,997
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (9)	04/13/2023	Capital Equipment	10.50%	P+500	194,690	194,690	194,690
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (8), (9)	04/13/2023	Capital Equipment	—	—	336,283	—	—
Integrative Nutrition, LLC	09/29/2023	Consumer Services	7.35%	3M L+475	35,820,000	35,507,203	35,820,000
Integrative Nutrition, LLC (Revolver) (7), (8)	09/29/2023	Consumer Services	—	—	5,000,000	—	—
Inventus Power, Inc.	04/30/2020	Consumer Goods: Durable	8.90%	1M L+650	4,154,544	4,147,435	3,739,090
K2 Pure Solutions NoCal, L.P. (Revolver) (7), (8)	12/20/2023	Chemicals, Plastics and Rubber	—	—	1,428,571	—	(18,699)
Kentucky Downs, LLC	03/07/2025	Hotels, Restaurants and Leisure	11.90%	1M L+950	5,429,692	5,325,459	5,429,692
			(PIK 3.00%)				
Kentucky Downs, LLC (7), (8)	03/07/2025	Hotels, Restaurants and Leisure	—	—	1,120,690	—	—
KHC Holdings, Inc.	10/31/2022	Wholesale	8.33%	3M L+600	12,062,500	11,948,652	12,062,500
KHC Holdings, Inc. (Revolver) (7)	10/30/2020	Wholesale	6.91%	1M L+425	649,194	649,194	649,194
KHC Holdings, Inc. (Revolver) (7), (8)	10/30/2020	Wholesale	—	—	560,484	—	—
Lago Resort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	11.83%	3M L+950	10,021,500	9,914,702	9,904,549

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**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
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**JUNE 30, 2019**  
**(Unaudited)**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Above Index (1)	Par / Shares	Cost	Fair Value (2)
LAV Gear Holdings, Inc. (7)	10/31/2024	Capital Equipment	7.83%	3M L+550	8,378,175	\$ 8,330,488	\$ 8,345,946
LAV Gear Holdings, Inc. (Revolver) (7), (8)	10/31/2024	Capital Equipment	—	—	1,587,302	—	(6,106)
LifeCare Holdings LLC (7)	11/30/2021	Healthcare and Pharmaceuticals	— (6)	—	4,736,107	4,599,788	757,778
Lombart Brothers, Inc.	04/13/2023	Capital Equipment	8.58%	3M L+625	12,003,874	11,869,545	11,883,835
Lombart Brothers, Inc. (Revolver) (7)	04/13/2023	Capital Equipment	10.50%	P+500	546,590	546,590	546,590
Lombart Brothers, Inc. (Revolver) (7), (8)	04/13/2023	Capital Equipment	—	—	692,348	—	—
Long Island Vision Management, LLC	09/07/2023	Healthcare and Pharmaceuticals	7.22%	1M L+475	6,112,329	6,059,288	6,082,258
Long Island Vision Management, LLC (7), (8)	09/07/2023	Healthcare and Pharmaceuticals	—	—	3,842,276	—	(18,903)
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.46%	1M L+500	9,925,000	9,852,702	9,825,750
Long's Drugs Incorporated (Revolver) (7), (8)	08/19/2022	Healthcare and Pharmaceuticals	—	—	3,000,000	—	(60,000)
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.42%	1M L+600	13,775,000	13,675,958	12,873,840
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.40%	1M L+600	8,411,250	8,346,788	8,161,328
Marketplace Events LLC	01/27/2023	Media: Diversified and Production	7.58%	1M L+525	5,325,563	5,277,964	5,325,563
Marketplace Events LLC (10)	01/27/2021	Media: Diversified and Production	7.21%	P+275	C\$ 16,343,350	11,535,462	12,506,863
Marketplace Events LLC (Revolver) (7)	01/27/2021	Media: Diversified and Production	8.25%	P+275	1,464,720	1,464,720	1,457,396
Marketplace Events LLC (Revolver) (7), (8)	01/27/2021	Media: Diversified and Production	—	—	238,443	—	(1,192)
MeritDirect, LLC	05/23/2024	Media	8.06%	3M L + 550	35,213,000	34,691,631	34,684,805
MeritDirect, LLC (Revolver) (7)	05/23/2024	Media	7.94%	3M L + 550	960,355	960,355	945,949
MeritDirect, LLC (Revolver) (7), (8)	05/23/2024	Media	—	—	3,521,300	—	(52,819)
Mission Critical Electronics, Inc. (Revolver) (7)	09/28/2021	Capital Equipment	7.48%	1M L + 500	154,594	154,594	154,412
Mission Critical Electronics, Inc. (Revolver) (7), (8)	09/28/2021	Capital Equipment	—	—	1,170,495	—	(1,376)
Montreign Operating Company, LLC	01/24/2023	Hotel, Gaming and Leisure	10.77%	3M L+825	27,258,881	27,478,000	22,624,871
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	9.10%	1M L+600	16,863,265	16,610,792	16,778,948
Nuvei Technologies Corp. (5)	09/28/2025	Diversified Financial Services	6.00%	1M L+500	20,000,000	19,700,000	19,700,000
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.90%	1M L+450	1,672,976	1,656,246	1,672,976
Olde Thompson, LLC - Revolver (7), (8)	05/14/2024	Beverage, Food and Tobacco	—	—	2,642,857	—	—
Ox Two, LLC	02/27/2023	Construction and Building	8.65%	1M L+625	12,844,073	12,767,562	12,844,073
Ox Two, LLC (Revolver) (7)	02/27/2023	Construction and Building	12.75%	P+725	508,444	508,444	508,444
Ox Two, LLC (Revolver) (7), (8)	02/27/2023	Construction and Building	—	—	47,111	—	—
Peninsula Pacific Entertainment LLC	11/13/2024	Hotel, Gaming and Leisure	9.58%	3M L+725	11,250,000	11,197,476	11,193,750
Peninsula Pacific Entertainment LLC (7), (8)	11/13/2024	Hotel, Gaming and Leisure	—	—	1,250,000	—	(6,250)
Perforce Software, Inc.	12/27/2024	Software	9.00%	1M L+450	26,527,841	26,398,239	26,411,914
Perforce Software, Inc. (Revolver) (7)	12/27/2024	Software	9.00%	P+350	20,250	20,250	20,014
Perforce Software, Inc. (Revolver) (7), (8)	12/27/2024	Software	—	—	317,250	—	(3,690)
Pestell Minerals and Ingredients Inc. (5), (9)	06/01/2023	Beverage, Food and Tobacco	7.84%	3M L+525	14,925,000	14,800,829	14,822,015
Plant Health Intermediate, Inc. (7)	10/19/2022	Chemicals, Plastics and Rubber	8.32%	3M L+575	2,119,028	2,090,838	2,097,838
PlayPower, Inc.	05/08/2026	Leisure Products	7.90%	3M L+550	5,600,000	5,544,290	5,607,000
PRA Events, Inc.	08/08/2022	Business Services	9.61%	3M L+700	2,598,606	2,553,784	2,598,606
Questex, LLC	09/09/2024	Media: Diversified and Production	8.23%	3M L+625	7,443,750	7,310,768	7,369,313
Questex, LLC (Revolver) (7), (8)	09/09/2024	Media: Diversified and Production	—	—	1,196,809	—	(11,968)
Quick Weight Loss Centers, LLC	08/23/2021	Beverage, Food and Tobacco	— (6)	—	9,375,000	9,286,696	2,988,281
Research Horizons, LLC (7)	06/28/2022	Media: Advertising, Printing and Publishing	8.69%	1M L+625	5,574,578	5,494,328	5,435,213
Research Horizons, LLC (7), (8)	06/28/2022	Media: Advertising, Printing and Publishing	—	—	1,702,703	—	(42,567)
Research Horizons, LLC (Revolver) (7)	06/28/2022	Media: Advertising, Printing and Publishing	8.69%	1M L+625	945,946	945,946	922,297
Research Now Group, Inc. and Survey Sampling International LLC	12/20/2024	Business Services	8.00%	1M L+550	24,625,000	23,600,231	24,514,188
Riverpoint Medical, LLC	06/20/2025	Healthcare Equipment and Supplies	7.39%	1M L+500	5,000,000	4,950,119	4,950,000
Riverpoint Medical, LLC (Revolver) (7), (8)	06/20/2025	Healthcare Equipment and Supplies	—	—	909,091	—	—
Salient CRGT Inc.	02/28/2022	High Tech Industries	8.40%	1M L+575	1,784,297	1,762,845	1,704,003
SFP Holding, Inc. (7)	09/01/2022	Construction and Building	8.71%	3M L+625	7,210,345	7,161,455	7,210,345
SFP Holding, Inc. (7), (8)	09/01/2022	Construction and Building	—	—	1,600,829	—	—
SFP Holding, Inc. (Revolver) (7)	09/01/2022	Construction and Building	8.67%	3M L+625	141,667	141,667	141,667
SFP Holding, Inc. (Revolver) (7), (8)	09/01/2022	Construction and Building	—	—	358,333	—	—
Signature Systems Holding Company	05/03/2024	Commercial Services & Supplies	9.01%	3M L+650	13,000,000	12,808,266	12,805,000
Signature Systems Holding Company (Revolver) (7), (8)	05/03/2024	Commercial Services & Supplies	—	—	1,747,312	—	—
Smile Brands Inc. (7)	10/14/2024	Healthcare and Pharmaceuticals	7.23%	1M L+450	1,533,336	1,533,336	1,518,002
Smile Brands Inc. (7), (8)	10/14/2024	Healthcare and Pharmaceuticals	—	—	2,969,763	—	(29,698)
Smile Brands Inc. (Revolver) (7)	10/14/2024	Healthcare and Pharmaceuticals	9.00%	P+350	431,000	431,000	423,156
Smile Brands Inc. (Revolver) (7), (8)	10/14/2024	Healthcare and Pharmaceuticals	—	—	1,185,250	—	(21,572)
Snak Club, LLC (Revolver) (7)	07/19/2021	Beverage, Food and Tobacco	8.44%	1M L+600	250,000	250,000	220,000
Snak Club, LLC (Revolver) (7), (8)	07/19/2021	Beverage, Food and Tobacco	—	—	245,136	—	(29,416)
Solutionreach, Inc.	01/17/2024	Healthcare Technology	8.13%	1M L+575	13,286,700	13,040,514	13,005,663
Solutionreach, Inc. (Revolver) (7), (8)	01/17/2024	Healthcare Technology	—	—	1,665,000	—	(35,218)
TeleGuam Holdings, LLC	07/25/2023	Telecommunications	7.40%	1M L+500	7,540,000	7,455,244	7,464,600
Tensar Corporation	07/09/2021	Construction and Building	7.08%	3M L+475	22,620,696	22,511,377	22,353,259
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.95%	3M L+525	5,717,328	5,687,063	5,660,154
The Original Cakerie, Co. (5), (9)	07/20/2022	Consumer Goods: Non-Durable	7.48%	1M L+500	7,644,329	7,591,935	7,644,329
The Original Cakerie Ltd. (5), (9)	07/20/2022	Consumer Goods: Non-Durable	6.98%	2M L+450	5,445,077	5,410,482	5,445,077
The Original Cakerie Ltd. (Revolver) (5), (7), (9)	07/20/2022	Consumer Goods: Non-Durable	6.90%	1M L+450	397,176	397,176	397,176
The Original Cakerie Ltd. (Revolver) (5), (7), (8), (9)	07/20/2022	Consumer Goods: Non-Durable	—	—	1,021,308	—	—
Triad Manufacturing, Inc.	12/28/2020	Capital Equipment	13.65%	3M L+1,325	7,892,576	7,836,079	7,813,651
TVC Enterprises, LLC	01/18/2024	Professional Services	7.94%	1M L+550	15,983,797	15,687,716	15,983,797
TVC Enterprises, LLC (7), (8)	01/18/2024	Professional Services	—	—	1,955,719	—	—
TVC Enterprises, LLC (Revolver) (7)	01/18/2024	Professional Services	9.28%	1M L+550	467,022	467,022	467,022
TVC Enterprises, LLC (Revolver) (7), (8)	01/18/2024	Professional Services	—	—	836,791	—	—

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Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	8.66%	3M L+625	14,150,000	\$ 13,804,140	\$ 13,802,335
TWS Acquisition Corporation (Revolver) (7)	06/16/2025	Diversified Consumer Services	8.66%	3M L+625	808,571	808,571	808,571
TWS Acquisition Corporation (Revolver) (7), (8)	06/16/2025	Diversified Consumer Services	—	—	1,819,286	—	—
Tyto Athene, LLC	08/27/2024	Aerospace and Defense	8.16%	1M L+575	18,045,500	17,800,885	17,546,557
Tyto Athene, LLC (Revolver) (7)	08/27/2024	Aerospace and Defense	8.16%	1M L+575	4,465,909	4,465,909	4,342,430
Tyto Athene, LLC (Revolver) (7), (8)	08/27/2024	Aerospace and Defense	—	—	2,352,273	—	(65,035)
UBEO, LLC (7)	04/03/2024	Capital Equipment	6.90%	1M L+450	13,136,279	13,031,507	13,004,916
UBEO, LLC (7), (8)	04/03/2024	Capital Equipment	—	—	1,099,618	—	(10,996)
UBEO, LLC (Revolver) (7), (8)	04/03/2024	Capital Equipment	—	—	2,933,333	—	(38,661)
UniTek Global Services, Inc.	08/20/2024	Telecommunications	8.10%	3M L+550	10,421,250	10,227,956	10,317,036
US Dominion, Inc.	07/15/2024	Capital Equipment	9.16%	3M L+675	965,126	950,366	965,126
US Dominion, Inc. (Revolver) (7)	07/15/2024	Capital Equipment	9.17%	1M L+675	1,750,000	1,750,000	1,750,000
US Dominion, Inc. (Revolver) (7), (8)	07/15/2024	Capital Equipment	—	—	750,000	—	—
US Med Acquisition, Inc. (7)	08/13/2021	Healthcare and Pharmaceuticals	11.60%	1M L+900	3,003,906	3,003,906	2,973,867
Vision Purchaser Corporation	06/10/2025	Media	8.66%	1M L+625	3,449,666	3,380,763	3,380,673
<b>Total First Lien Secured Debt</b>						<u>839,519,168</u>	<u>816,287,525</u>
<b>Second Lien Secured Debt—5.7%</b>							
Condor Borrower, LLC (7)	04/25/2025	High Tech Industries	11.49%	3M L+875	1,655,172	1,627,393	1,655,172
DBI Holdings, LLC, Term Loan B	02/01/2026	Business Services	8.00%	—	10,639,343	10,639,343	10,586,147
			(PIK 8.00%)				
DBI Holdings, LLC, Term Loan C (7)	03/26/2021	Business Services	8.00%	—	21,276	21,276	21,276
			(PIK 8.00%)				
Deco Pac, Inc.	03/31/2025	Beverage, Food and Tobacco	10.58%	3M L+825	9,738,580	9,642,226	9,738,580
MailSouth, Inc.	10/23/2024	Media: Advertising, Printing and Publishing	12.00%	3M L+925	2,871,025	2,821,295	2,799,249
McAfee, LLC (7)	09/29/2025	High Tech Industries	10.93%	1M L+850	2,187,500	2,157,565	2,209,375
PT Network, LLC (7)	04/12/2023	Healthcare and Pharmaceuticals	12.60%	3M L+1,000	1,807,373	1,789,299	1,789,299
			(PIK 12.60%)				
<b>Total Second Lien Secured Debt</b>						<u>28,698,397</u>	<u>28,799,098</u>
<b>Preferred Equity—2.4% (6)</b>							
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (7), (11)	—	Healthcare and Pharmaceuticals	—	—	1,458	21,870	95
Condor Holdings Limited (5), (7), (9)	—	High Tech Industries	—	—	88,000	10,173	10,709
Condor Top Holdco Limited (5), (7), (9)	—	High Tech Industries	—	—	88,000	77,827	81,927
DBI Holding, LLC, Series A-1 (9), (11)	—	Business Services	13.00%	—	7,041	7,040,844	7,041,528
MeritDirect Holdings, LP (7)	—	Media	—	—	960	960,000	967,100
NXOF Holdings, Inc. (Tyto Athene, LLC) (7)	—	Aerospace and Defense	—	—	490	490,000	377,706
PT Network Intermediate Holdings, LLC (7), (11)	—	Healthcare and Pharmaceuticals	12.60%	—	33	300,000	301,830
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	—	—	1,167	1,166,993	1,200,529
UniTek Global Services, Inc. - Super Senior Preferred Equity (7)	—	Telecommunications	20.00%	—	343,861	343,861	408,335
UniTek Global Services, Inc. - Senior Preferred Equity (7)	—	Telecommunications	18.00%	—	448,851	448,851	657,036
UniTek Global Services, Inc. (7)	—	Telecommunications	13.50%	—	1,047,317	670,283	861,919
<b>Total Preferred Equity</b>						<u>11,530,702</u>	<u>11,908,714</u>
<b>Common Equity/Warrants—5.4% (6)</b>							
Affinion Group Holdings, Inc. (Warrants)(7)	—	Consumer Goods: Durable	—	—	8,893	244,998	117,665
AG Investco LP (7), (11)	—	Software	—	—	714,652	714,652	714,652
AG Investco LP (7), (8), (11)	—	Software	—	—	285,348	—	—
By Light Investco LP (7), (11)	—	High Tech Industries	—	—	21,908	2,190,771	8,236,991
By Light Investco LP (7), (8), (11)	—	High Tech Industries	—	—	5,592	—	—
CI (Allied) Investment Holdings, LLC (PRA Events, Inc.) (7), (11)	—	Business Services	—	—	120,962	1,243,217	1,185,171
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (7), (11)	—	Healthcare and Pharmaceuticals	—	—	13,333	200,000	—
CI (Summit) Investment Holdings, LLC (SFP Holding, Inc.) (7)	—	Construction and Building	—	—	54,907	581,995	722,322
DBI Holding, LLC, Series B (9), (11)	—	Business Services	—	—	1,489,508	330,791	224,063
DecoPac Holdings Inc. (7)	—	Beverage, Food and Tobacco	—	—	1,633	1,632,744	3,003,509
eCommission Holding Corporation (7), (9)	—	Banking, Finance, Insurance & Real Estate	—	—	20	251,156	311,047
Faraday Holdings, LLC (7)	—	Construction and Building	—	—	1,141	58,044	330,867
Gauge InfosoftColinvest, LLC (The Infosoft Group, LLC) (7)	—	Media: Broadcasting and Subscription	—	—	500	500,000	863,679
Gauge TVC Coinvest, LLC (TVC Enterprises, LLC) (7)	—	Professional Services	—	—	391,144	391,144	440,070
GCOM InvestCo LP (7), (11)	—	High Tech Industries	—	—	1,549,209	1,549,209	1,886,596
GCOM InvestCo LP (7), (8), (11)	—	High Tech Industries	—	—	450,791	—	—
Go Dawgs Capital III, LP (American Insulated Glass, LLC) (7), (11)	—	Building Products	—	—	324,675	324,675	340,909
IIN Group Holdings, LLC (Integrative Nutrition, LLC) (7), (11)	—	Consumer Services	—	—	1,000	1,000,000	1,555,133

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Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
ITC Rumba, LLC (Cano Health, LLC) (7), (11)	—	Healthcare and Pharmaceuticals	—	—	19,112	\$ 382,230	\$ 429,518
ITC Rumba, LLC (Cano Health, LLC) (7), (8), (11)	—	Healthcare and Pharmaceuticals	—	—	2,417	—	—
JWC/UMA Holdings, L.P. (7)	—	Healthcare and Pharmaceuticals	—	—	1,000	1,000,000	1,142,160
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC) (7)	—	Wholesale	—	—	1,381,741	1,381,741	2,855,866
Kentucky Racing Holdco, LLC (Warrants) (11)	—	Hotels, Restaurants and Leisure	—	—	87,345	—	122,286
MeritDirect Holdings, LP (7)	—	Media	—	—	960	—	20,041
NXOF Holdings, Inc. (Tyto Athene, LLC) (7)	—	Aerospace and Defense	—	—	10,000	10,000	—
PT Network Intermediate Holdings, LLC (7), (11)	—	Healthcare and Pharmaceuticals	—	—	25	200,000	217,357
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	—	—	61	61,421	27,885
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.) (7)	—	Capital Equipment	—	—	500	500,000	500,000
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.) (7)	—	Capital Equipment	—	—	500	—	146,106
TPC Broadband Investors, LP (7), (11)	—	Telecommunications	—	—	748,706	754,821	1,524,384
TPC Broadband Investors, LP (7), (8), (11)	—	Telecommunications	—	—	245,179	—	—
UniTek Global Services, Inc. (7)	—	Telecommunications	—	—	213,739	—	—
UniTek Global Services, Inc. (Warrants) (7)	—	Telecommunications	—	—	23,889	—	—
WBB Equity, LLC (7), (11)	—	Aerospace and Defense	—	—	142,857	142,857	437,143
<b>Total Common Equity/Warrants</b>						<u>15,646,466</u>	<u>27,355,420</u>
<b>Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>						<u>895,394,733</u>	<u>884,350,757</u>
<b>Investments in Non-Controlled, Affiliated Portfolio Companies—3.2% (3), (4)</b>							
<b>First Lien Secured Debt—0.5%</b>							
Country Fresh Holdings, LLC	05/01/23	Beverage, Food and Tobacco	7.33%	P+400	1,544,161	1,503,340	1,544,161
Country Fresh Holdings, LLC (Revolver)	05/01/23	Beverage, Food and Tobacco	7.33%	1M L+500	769,038	769,038	769,038
Country Fresh Holdings, LLC - (Revolver) (8)	05/01/23	Beverage, Food and Tobacco	—	—	1,977,526	—	—
<b>Total First Lien Secured Debt</b>						<u>2,272,378</u>	<u>2,313,199</u>
<b>Second Lien Secured Debt—1.0%</b>							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	10.83%	3M L+850 (PIK 10.83%)	5,167,984	5,167,984	5,167,984
<b>Common Equity/Warrants—1.7% (6)</b>							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco	—	—	8,034	10,453,350	8,627,022
<b>Total Investments in Non-Controlled, Affiliated Portfolio Companies</b>						<u>17,893,712</u>	<u>16,108,205</u>
<b>Investments in Controlled, Affiliated Portfolio Companies—33.9% (3), (4)</b>							
<b>First Lien Secured Debt—23.9%</b>							
PennantPark Senior Secured Loan Fund I LLC (7), (9)	05/06/2024	Financial Services	10.33%	3M L+800	120,968,750	120,968,750	120,968,750
<b>Equity Interests—10.0%</b>							
PennantPark Senior Secured Loan Fund I LLC (7), (9)	—	Financial Services	—	—	51,844	51,843,750	50,726,054
<b>Total Investments in Controlled, Affiliated Portfolio Companies</b>						<u>172,812,500</u>	<u>171,694,804</u>
<b>Total Investments—211.6%</b>						<u>1,086,100,945</u>	<u>1,072,153,766</u>
<b>Cash and Cash Equivalents—4.6%</b>							
BlackRock Federal FD Institutional 30						23,161,669	23,161,669
BNY Mellon Cash						2,198,516	2,202,365
<b>Total Cash and Cash Equivalents</b>						<u>25,360,185</u>	<u>25,364,034</u>
<b>Total Investments and Cash Equivalents—216.2%</b>						<u>\$ 1,111,461,130</u>	<u>\$ 1,097,517,800</u>
<b>Liabilities in Excess of Other Assets—(116.2)%</b>							<u>(590,784,069)</u>
<b>Net Assets—100.0%</b>							<u>\$ 506,733,731</u>

- (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 pledged as collateral under the Credit Facility. All other securities are pledged as collateral under the Credit Facility and held through Funding I.
- (8) 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.
- (9) 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 June 30, 2019, qualifying assets represent 76% of our total assets and non-qualifying assets represent 24% of our total assets.
- (10) Par amount is denominated in Canadian Dollars (C\$) as denoted.
- (11) Investment is held through our Taxable Subsidiary (See Note 1).

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**SEPTEMBER 30, 2018**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
<b>Investments in Non-Controlled, Non-Affiliated Portfolio Companies—159.5% (3), (4)</b>							
<b>First Lien Secured Debt—151.6%</b>							
Alera Group Intermediate Holdings, Inc.	08/01/2025	Banking, Finance, Insurance and Real Estate	6.74%	1M L+450	9,975,000	\$ 9,950,063	\$ 10,099,688
Allied America, Inc.	08/08/2022	Business Services	9.39%	3M L+700	1,685,452	1,685,452	1,688,823
American Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	7.34%	3M L+525	5,857,878	5,800,066	5,770,010
American Scaffold	03/31/2022	Aerospace and Defense	8.89%	3M L+650	4,500,000	4,455,413	4,455,000
American Teleconferencing Services, Ltd.	12/08/2021	Telecommunications	8.84%	3M L+650	10,107,368	9,986,139	9,715,708
API Technologies Corp.	04/22/2024	Aerospace and Defense	8.25%	1M L+600	4,987,500	4,927,669	4,937,625
API Technologies Corp. (Revolver) (7), (8)	04/22/2024	Aerospace and Defense	—	—	1,968,504	—	(9,843)
Beauty Industry Group Opco, LLC	04/06/2023	Consumer Goods: Non-Durable	7.00%	1M L+475	33,047,995	32,717,900	32,882,753
BEI Precision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	7.89%	3M L+550	11,850,000	11,752,654	11,731,500
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	9.57%	3M L+725	15,454,395	15,157,019	15,454,395
By Light Professional IT Services, LLC (Revolver) (7), (8)	05/16/2022	High Tech Industries	—	—	2,311,784	—	—
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.82%	3M L+650	10,917,500	10,824,456	10,937,086
Camion Cargo Control, Inc.	06/30/2021	Transportation: Cargo	6.99%	1M L+475	2,418,750	2,406,335	2,322,000
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.99%	1M L+575	3,874,317	3,881,627	3,874,317
CD&R TZ Purchaser, Inc. (7)	07/21/2023	Consumer Goods: Durable	8.39%	3M L+600	16,161,170	15,861,453	15,837,947
CHA Holdings, Inc. (7)	04/10/2025	Environmental Industries	6.89%	3M L+450	6,145,313	6,115,613	6,176,039
CHA Holdings, Inc. (7), (8)	04/10/2025	Environmental Industries	—	—	1,339,286	—	6,696
Challenger Performance Optimization, Inc. (Revolver) (7)	08/31/2023	Business Services	7.89%	1M L+575	426,868	426,868	422,599
Challenger Performance Optimization, Inc. (Revolver) (7), (8)	08/31/2023	Business Services	—	—	284,579	—	(2,846)
Chicken Soup for the Soul Publishing, LLC	01/08/2019	Media: Advertising, Printing and Publishing	8.35%	1M L+625	4,539,286	4,535,666	3,994,572
Country Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	7.39%	3M L+500	17,727,205	17,691,760	17,195,389
Credit Infonet, Inc.	03/13/2023	High Tech Industries	8.52%	6M L+600	26,713,426	26,527,311	26,713,426
Credit Infonet, Inc. (Revolver) (7), (8)	03/13/2023	High Tech Industries	—	—	1,000,000	—	—
DBI Holding, LLC	08/02/2021	Business Services	7.51%	1M L+525	17,395,068	17,297,351	17,395,068
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	7.74%	3M L+550	7,344,001	7,214,912	7,344,001
Deva Holdings, Inc. (Revolver) (7), (8)	10/31/2022	Consumer Goods: Non-Durable	—	—	2,115,000	—	—
Digital Room Holdings, Inc. (7)	12/29/2023	Media: Advertising, Printing and Publishing	7.25%	1M L+500	16,376,250	16,227,058	16,192,017
Douglas Products and Packaging Company LLC	03/29/2022	Chemicals, Plastics and Rubber	8.14%	3M L+575	14,486,029	14,260,279	14,341,169
Douglas Products and Packaging Company LLC (Revolver) (7), (8)	03/29/2022	Chemicals, Plastics and Rubber	—	—	2,941,176	—	(29,412)
Driven Performance Brands, Inc.	09/30/2022	Consumer Goods: Durable	6.92%	2M L+475	10,085,149	10,062,733	10,085,149
Driven Performance Brands, Inc. (Revolver) (7), (8)	09/30/2022	Consumer Goods: Durable	—	—	1,000,000	—	—
East Valley Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	10.39%	3M L+800	19,923,750	19,762,133	20,172,797
Education Networks of America, Inc.	05/06/2021	Telecommunications	9.24%	1M L+700	20,742,489	20,646,931	20,742,489
Education Networks of America, Inc. (Revolver) (7)	05/06/2021	Telecommunications	9.19%	1M L+700	1,304,348	1,304,348	1,304,348
Education Networks of America, Inc. (Revolver) (7), (8)	05/06/2021	Telecommunications	—	—	869,565	—	—
Efficient Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	9.14%	3M L+675	9,331,620	9,268,771	9,284,961
ENC Holding Corporation (7), (8)	05/30/2025	Transportation: Cargo	—	—	628,571	—	(1,571)
GCOM Software LLC (Revolver) (7), (8)	11/14/2022	High Tech Industries	—	—	2,666,667	—	—
GSM Holdings, Inc. (7)	06/03/2024	Consumer Goods: Durable	6.86%	3M L+450	5,097,491	5,072,239	5,072,003
GSM Holdings, Inc. (Revolver) (7)	06/03/2024	Consumer Goods: Durable	6.87%	3M L+450	1,187,750	1,187,750	1,181,811
GSM Holdings, Inc. (Revolver) (7), (8)	06/03/2024	Consumer Goods: Durable	—	—	3,563,250	—	(17,817)
Hollander Sleep Products, LLC	06/09/2023	Consumer Goods: Non-Durable	10.39%	3M L+800	10,952,132	10,770,250	10,842,611
iEnergi Limited and Aptara, Inc. (5), (9)	05/01/2019	Business Services	8.25%	1M L+600	5,445,988	5,434,106	5,432,373
Impact Group, LLC (7)	06/27/2023	Wholesale	8.64%	1M L+625	12,482,923	12,364,105	12,420,509
Impact Group, LLC (7), (8)	06/27/2023	Wholesale	—	—	12,491,009	—	(62,455)
Innova Medical Ophthalmics Inc. (5), (9)	04/13/2022	Capital Equipment	9.14%	3M L+675	3,339,631	3,303,281	3,322,933
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (9)	04/13/2022	Capital Equipment	10.75%	P+550	176,991	176,991	176,106
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (8), (9)	04/13/2022	Capital Equipment	—	—	353,982	—	(1,770)
Integrative Nutrition, LLC	09/29/2023	Consumer Services	7.15%	3M L+475	36,000,000	35,640,000	35,640,000
Integrative Nutrition, LLC (Revolver) (7), (8)	09/29/2023	Consumer Services	—	—	5,000,000	—	—
Intralinks, Inc.	11/14/2024	Business Services	6.25%	1M L+400	14,451,316	14,384,410	14,478,484
Inventus Power, Inc.	04/30/2020	Consumer Goods: Durable	8.74%	1M L+650	4,230,023	4,216,353	3,933,921
K2 Pure Solutions NoCal, L.P. (7)	02/19/2021	Chemicals, Plastics and Rubber	11.24%	1M L+900	3,925,501	3,865,568	3,925,501
KHC Holdings, Inc.	10/31/2022	Wholesale	8.39%	3M L+600	12,109,261	11,972,865	12,109,261
KHC Holdings, Inc. (Revolver) (7)	10/30/2020	Wholesale	6.49%	1M L+425	262,097	262,097	262,097
KHC Holdings, Inc. (Revolver) (7), (8)	10/30/2020	Wholesale	—	—	947,581	—	—
Lago Resort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	11.89%	3M L+950	10,098,000	9,966,385	9,694,080
Leap Legal Software Pty Ltd (5), (9), (10)	09/12/2022	High Tech Industries	7.73%	3M L+575	A\$ 9,925,000	7,688,759	7,181,254
LifeCare Holdings LLC (7)	11/30/2021	Healthcare and Pharmaceuticals	10.33%	3M L+800	4,596,389	4,528,529	2,987,653
			(PIK 6.00%)				
Lombart Brothers, Inc.	04/13/2022	Capital Equipment	9.14%	3M L+675	9,251,830	9,147,743	9,205,570
Lombart Brothers, Inc. (Revolver) (7)	04/13/2022	Capital Equipment	10.75%	P+550	619,469	619,469	616,372
Lombart Brothers, Inc. (Revolver) (7), (8)	04/13/2022	Capital Equipment	—	—	619,469	—	(3,098)
Long Island Vision Management, LLC	09/11/2023	Healthcare and Pharmaceuticals	7.14%	3M L+475	6,052,632	5,992,433	5,976,091
Long Island Vision Management, LLC (7), (8)	09/11/2023	Healthcare and Pharmaceuticals	—	—	3,947,368	—	(49,918)
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.12%	1M L+500	10,000,000	9,914,849	9,900,000
Long's Drugs Incorporated (Revolver) (7), (8)	08/19/2022	Healthcare and Pharmaceuticals	—	—	3,000,000	—	(60,000)
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.12%	1M L+600	14,046,875	13,932,255	13,537,676
Manna Pro Products, LLC (7)	12/08/2023	Consumer Goods: Non-Durable	8.17%	1M L+600	6,983,750	6,909,661	6,930,659
Manna Pro Products, LLC (7), (8)	12/08/2023	Consumer Goods: Non-Durable	—	—	975,000	—	(7,412)
Marketplace Events LLC	01/27/2021	Media: Diversified and Production	7.64%	3M L+525	3,343,309	3,313,221	3,343,309
Marketplace Events LLC (10)	01/27/2021	Media: Diversified and Production	7.07%	P+275	C\$ 16,473,429	11,599,021	12,744,421

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**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)**  
**SEPTEMBER 30, 2018**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Marketplace Events LLC (Revolver) (7)	01/27/2021	Media: Diversified and Production	8.00%	P+275	425,791	\$ 425,791	\$ 425,791
Marketplace Events LLC (Revolver) (7), (8)	01/27/2021	Media: Diversified and Production	—	—	1,277,372	—	—
Mission Critical Electronics, Inc. (Revolver) (7), (8)	09/28/2021	Capital Equipment	—	—	883,392	—	(2,122)
Montreign Operating Company, LLC	01/24/2023	Hotel, Gaming and Leisure	10.59%	3M L+825	26,163,397	26,518,501	23,350,832
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	8.40%	3M L+600	20,644,462	20,276,981	20,541,240
New Trident HoldCorp, Inc.	08/01/2022	Healthcare and Pharmaceuticals	8.24%	1M L+600	7,068,161	6,998,756	5,654,528
			(PIK 3.00%)				
NextiraOne Federal, LLC	08/27/2024	Aerospace and Defense	8.07%	3M L+575	18,181,818	17,911,938	17,906,255
NextiraOne Federal, LLC (Revolver) (7)	08/27/2024	Aerospace and Defense	8.07%	3M L+575	2,647,727	2,647,727	2,607,599
NextiraOne Federal, LLC (Revolver) (7), (8)	08/27/2024	Aerospace and Defense	—	—	4,170,455	—	(63,207)
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.66%	1M L+450	1,852,500	1,833,975	1,852,500
Olde Thompson, LLC - Revolver (7), (8)	05/14/2024	Beverage, Food and Tobacco	—	—	2,642,857	—	—
Ox Two, LLC	02/27/2023	Construction and Building	8.49%	1M L+625	13,034,722	12,946,045	13,034,722
Ox Two, LLC (Revolver) (7)	02/27/2023	Construction and Building	12.50%	P+725	166,667	166,667	166,667
Ox Two, LLC (Revolver) (7), (8)	02/27/2023	Construction and Building	—	—	388,889	—	—
Pestell Minerals and Ingredients Inc. (5), (9)	06/01/2023	Beverage, Food and Tobacco	7.51%	3M L+525	15,000,000	14,850,000	14,850,000
Profile Products LLC (7)	01/31/2023	Environmental Industries	7.29%	2M L+500	10,075,023	9,997,462	10,075,023
Profile Products LLC (Revolver) (7), (8)	01/31/2022	Environmental Industries	—	—	2,459,016	—	—
Questex, LLC	09/09/2024	Media: Diversified and Production	8.57%	3M L+625	7,500,000	7,351,373	7,350,000
Questex, LLC (Revolver) (7)	09/09/2024	Media: Diversified and Production	—	—	199,468	199,468	195,479
Questex, LLC (Revolver) (7), (8)	09/09/2024	Media: Diversified and Production	—	—	997,340	—	(19,947)
Quick Weight Loss Centers, LLC	08/23/2021	Beverage, Food and Tobacco	7.06%	3M L+475	9,375,000	9,288,885	7,921,875
Research Horizons, LLC	06/28/2022	Media: Advertising, Printing and Publishing	8.36%	1M L+625	5,250,000	5,150,977	5,145,000
Research Horizons, LLC (7), (8)	06/28/2022	Media: Advertising, Printing and Publishing	—	—	2,128,378	—	(42,568)
Research Horizons, LLC (Revolver) (7)	06/28/2022	Media: Advertising, Printing and Publishing	8.36%	1M L+625	416,216	416,216	407,892
Research Horizons, LLC (Revolver) (7), (8)	06/28/2022	Media: Advertising, Printing and Publishing	—	—	529,730	—	(10,595)
Research Now Group, Inc. and Survey Sampling International LLC	12/20/2024	Business Services	7.74%	1M L+550	24,812,500	23,676,196	24,882,223
Salient CRGT Inc.	02/28/2022	High Tech Industries	7.99%	1M L+575	18,136,905	17,867,722	18,318,274
SFP Holding, Inc. (7)	09/01/2022	Construction and Building	8.59%	3M L+625	5,985,000	5,898,822	5,985,000
SFP Holding, Inc. (7), (8)	09/01/2022	Construction and Building	—	—	4,125,000	—	—
SFP Holding, Inc. (Revolver) (7), (8)	09/01/2022	Construction and Building	—	—	500,000	—	—
Snak Club, LLC (Revolver) (7)	07/19/2021	Beverage, Food and Tobacco	8.10%	1M L+600	483,333	483,333	418,084
Snak Club, LLC (Revolver) (7), (8)	07/19/2021	Beverage, Food and Tobacco	—	—	183,333	—	(24,750)
Snak Club, LLC (Revolver) (7), (8)	02/22/2019	Beverage, Food and Tobacco	—	—	133,333	—	(667)
Softvision, LLC	05/21/2021	High Tech Industries	7.74%	1M L+550	10,201,863	10,146,148	10,201,863
TeleGuam Holdings, LLC	07/25/2023	Telecommunications	7.24%	1M L+500	7,920,000	7,818,453	7,939,800
Tensor Corporation	07/09/2021	Construction and Building	7.14%	3M L+475	22,620,696	22,474,697	22,281,386
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.56%	3M L+525	6,689,308	6,644,404	6,622,415
The Original Cakerie, Co. (5), (9)	07/20/2022	Consumer Goods: Non-Durable	7.20%	2M L+500	7,721,739	7,658,431	7,721,739
The Original Cakerie Ltd. (5), (9)	07/20/2022	Consumer Goods: Non-Durable	6.70%	2M L+450	5,500,217	5,459,582	5,500,217
The Original Cakerie Ltd. (Revolver) (5), (7), (9)	07/20/2022	Consumer Goods: Non-Durable	6.58%	3M L+450	255,327	255,327	255,327
The Original Cakerie Ltd. (Revolver) (5), (7), (8), (9)	07/20/2022	Consumer Goods: Non-Durable	—	—	1,163,157	—	—
Triad Manufacturing, Inc.	12/28/2020	Capital Equipment	15.49%	1M L+1,325	8,470,850	8,383,257	8,216,724
UBEO, LLC (7)	04/03/2024	Capital Equipment	6.60%	1M L+450	1,995,000	1,976,435	1,995,000
UBEO, LLC (Revolver) (7)	04/03/2024	Capital Equipment	6.88%	3M L+450	1,173,333	1,173,333	1,173,333
UBEO, LLC (Revolver) (7), (8)	04/03/2024	Capital Equipment	—	—	1,026,667	—	—
UniTek Global Services, Inc. (7)	08/20/2024	Telecommunications	7.89%	3M L+550	8,750,000	8,533,866	8,662,500
UniTek Global Services, Inc. (7), (8)	08/20/2024	Telecommunications	—	—	1,750,000	—	(17,500)
US Dominion, Inc.	07/15/2024	Capital Equipment	9.14%	3M L+675	5,985,000	5,883,015	5,985,000
US Dominion, Inc. (Revolver) (7), (8)	07/15/2024	Capital Equipment	—	—	2,500,000	—	—
US Med Acquisition, Inc. (7)	08/13/2021	Healthcare and Pharmaceuticals	11.39%	1M L+900	3,027,344	3,027,344	2,875,976
Veterinary Specialists of North America, LLC (7)	07/15/2021	Healthcare and Pharmaceuticals	7.75%	1M L+550	15,398,203	15,324,732	15,475,194
Veterinary Specialists of North America, LLC (7), (8)	07/15/2021	Healthcare and Pharmaceuticals	—	—	2,094,671	—	10,473
Veterinary Specialists of North America, LLC (Revolver) (7), (8)	07/15/2021	Healthcare and Pharmaceuticals	—	—	880,000	—	4,400
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	8.25%	1M L+600	6,937,500	6,910,133	6,954,844
Walker Edison Furniture Company LLC (7)	09/26/2024	Wholesale	8.88%	3M L+650	16,307,500	15,981,904	15,981,350
Winchester Electronics Corporation	06/30/2022	Capital Equipment	8.74%	1M L+650	11,724,183	11,675,472	11,724,182
<b>Total First Lien Secured Debt</b>						<b>817,243,688</b>	<b>812,235,476</b>
<b>Second Lien Secured Debt—4.0%</b>							
Condor Borrower, LLC (7)	04/25/2025	High Tech Industries	11.09%	3M L+875	2,000,000	1,963,478	2,000,000
DecoPac, Inc. (7)	03/31/2025	Beverage, Food and Tobacco	10.64%	3M L+825	11,341,463	11,136,261	11,341,463
MailSouth, Inc.	10/23/2024	Media: Advertising, Printing and Publishing	12.00%	3M L+925	3,775,000	3,702,622	3,699,500
McAfee, LLC (7)	09/29/2025	High Tech Industries	10.74%	1M L+850	2,500,000	2,464,229	2,543,750
PT Network, LLC (7)	04/12/2023	Healthcare and Pharmaceuticals	12.34%	3M L+1,000	1,666,667	1,638,368	1,650,000
<b>Total Second Lien Secured Debt</b>						<b>20,904,958</b>	<b>21,234,713</b>
<b>Preferred Equity—0.6% (6), (7)</b>							
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (11)	—	Healthcare and Pharmaceuticals	—	—	1,458	21,870	22,614
Condor Holdings Limited (5), (9)	—	High Tech Industries	—	—	88,000	10,173	10,173
Condor Top Holdco Limited (5), (9)	—	High Tech Industries	—	—	88,000	77,827	77,827

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)**  
**SEPTEMBER 30, 2018**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
NXOF Holdings, Inc. (NextiraOne Federal, LLC)		Aerospace and Defense	—	—	490	\$ 490,000	\$ 453,077
UniTek Global Services, Inc. - Super Senior Preferred Equity	—	Telecommunications	20.00%	—	343,861	343,861	351,752
UniTek Global Services, Inc. - Senior Preferred Equity	—	Telecommunications	18.00%	—	448,851	448,851	570,762
UniTek Global Services, Inc.	—	Telecommunications	13.50%	—	1,047,317	670,283	1,726,920
<b>Total Preferred Equity</b>						<u>2,062,865</u>	<u>3,213,125</u>
<b>Common Equity/Warrants—3.3% (6), (7)</b>							
Affinion Group Holdings, Inc.	—	Consumer Goods: Durable	—	—	99,029	3,514,571	2,089,710
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Goods: Durable	—	—	4,298	1,186,649	3,449
By Light Investco LP (11)	—	High Tech Industries	—	—	21,908	2,190,771	4,426,169
By Light Investco LP (8), (11)	—	High Tech Industries	—	—	5,592	—	—
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) (11)	—	Business Services	—	—	84,000	840,004	957,866
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (11)	—	Healthcare and Pharmaceuticals	—	—	13,333	200,000	200,000
CI (Summit) Investment Holdings, LLC (SFP Holding, Inc.)	—	Construction and Building	—	—	47,893	500,000	596,660
DecoPac Holdings Inc.	—	Beverage, Food and Tobacco	—	—	1,633	1,632,744	1,972,251
Faraday Holdings, LLC	—	Construction and Building	—	—	1,141	58,044	305,907
Gauge InfosoftColinvest, LLC (The Infosoft Group, LLC)	—	Media: Broadcasting and Subscription	—	—	500	500,000	738,439
GCOM InvestCo LP (11)	—	High Tech Industries	—	—	1,281,433	1,281,433	1,132,039
GCOM InvestCo LP (8), (11)	—	High Tech Industries	—	—	718,567	—	(83,773)
IIN Group Holdings, LLC (Integrative Nutrition, LLC) (11)	—	Consumer Services	—	—	1,000	1,000,000	1,000,000
JWC/UMA Holdings, L.P.	—	Healthcare and Pharmaceuticals	—	—	1,000	1,000,000	1,000,000
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC)	—	Wholesale	—	—	1,381,741	1,381,741	1,381,741
NXOF Holdings, Inc. (NextiraOne Federal, LLC)	—	Aerospace and Defense	—	—	10,000	10,000	32,308
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.)	—	Capital Equipment	—	—	500	500,000	500,000
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.)	—	Capital Equipment	—	—	500	—	—
TPC Broadband Investors, LP (11)	—	Telecommunications	—	—	742,692	742,692	1,024,002
TPC Broadband Investors, LP (8), (11)	—	Telecommunications	—	—	257,308	—	—
UniTek Global Services, Inc.	—	Telecommunications	—	—	213,739	—	524,411
UniTek Global Services, Inc. (Warrants)	—	Telecommunications	—	—	23,889	—	—
WBB Equity, LLC (11)	—	Aerospace and Defense	—	—	142,857	142,857	268,571
<b>Total Common Equity/Warrants</b>						<u>16,681,506</u>	<u>18,069,750</u>
<b>Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>						<u>856,893,017</u>	<u>854,753,064</u>
<b>Investments in Controlled, Affiliated Portfolio Companies—27.2% (3), (4)</b>							
<b>First Lien Secured Debt—18.9%</b>							
PennantPark Senior Secured Loan Fund I LLC (7), (9)	05/06/2024	Financial Services	10.39%	3M L+800	101,062,500	101,062,500	101,062,500
<b>Equity Interests—8.3%</b>							
PennantPark Senior Secured Loan Fund I LLC (7), (9)	—	Financial Services	—	—	—	43,312,500	44,797,729
<b>Total Investments in Controlled, Affiliated Portfolio Companies</b>						<u>144,375,000</u>	<u>145,860,229</u>
<b>Total Investments—186.7%</b>						<u>1,001,268,017</u>	<u>1,000,613,293</u>
<b>Cash and Cash Equivalents—13.5%</b>							
BlackRock Federal FD Institutional 30						69,502,018	69,502,018
BNY Mellon Cash						2,729,783	2,722,165
<b>Total Cash and Cash Equivalents</b>						<u>72,231,801</u>	<u>72,224,183</u>
<b>Total Investments and Cash Equivalents—200.2%</b>						<u>\$ 1,073,499,818</u>	<u>\$ 1,072,837,476</u>
<b>Liabilities in Excess of Other Assets—(100.2)%</b>							
<b>Net Assets—100.0%</b>							<u>(536,995,908)</u>
							<u>\$ 535,841,568</u>

- (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 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 pledged as collateral under the Credit Facility. All other securities are pledged as collateral under the Credit Facility and held through Funding I.
- (8) 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.
- (9) 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, 2018, qualifying assets represent 82% of our total assets and non-qualifying assets represent 18% of our total assets.
- (10) Par amount is denominated in Australian Dollars (A\$) or Canadian Dollars (C\$) as denoted.
- (11) Investment is held through our Taxable Subsidiary (See Note 1).

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **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 objective 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 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 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 the 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 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 completed a follow-on public offering of 6,292,000 shares of common stock at a public offering price of \$14.15 per share resulting in net proceeds of approximately \$88.0 million. The Investment Adviser paid approximately \$2.1 million of the sales load payable to the underwriters. We are not obligated to repay the sales load paid by the Investment Adviser.

In November 2017, we issued \$138.6 million of our 2023 Notes. The principal on the 2023 Notes will be 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.

## **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. 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. 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 the 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 the 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 any 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 June 30, 2019, we had three portfolio companies on non-accrual, representing 2.3% and 0.8% 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 federal income tax purposes, we typically do not incur any material federal income taxes. However, we may choose to retain a portion of our calendar year income, which may result in the imposition of an excise tax, or we may incur taxes through our taxable subsidiaries, including the Taxable Subsidiary. For both the three and nine months ended June 30, 2019, we did not record a provision for taxes. For the three and nine months ended June 30, 2018, we recorded a provision for taxes of \$0.2 million and \$0.6 million, respectively, 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. As of June 30, 2019, 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 federal and state income tax returns, the Company's major tax jurisdiction is federal.



Because 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 the 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 our dividend reinvestment plan, which was terminated on November 22, 2017, or through 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, in our Consolidated Financial Statements. We do not consolidate our investment in PSSS. See further description of our investment in PSSS 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 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 our creditors or any of our affiliates.

**(h) Recent Accounting Pronouncements**

In August 2018, the FASB issued Accounting Standards Update, or ASU, 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, or ASU 2018-13, which changed the fair value measurement disclosure requirements of ASC Topic 820, Fair Value Measurements and Disclosures, or ASC 820. The key provisions include new, eliminated and modified disclosure requirements. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods therein. Early application is permitted. The Company is currently evaluating the impact the adoption of this new accounting standard will have on its consolidated financial statements, but the impact of the adoption is not expected to be material.

In August 2018, the SEC issued Securities Act Release No. 33-10532, *Disclosure Update and Simplification*, or the Final Rule Release, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The amendments are intended to facilitate the disclosure of information to investors and simplify compliance. The Final Rule Release became effective for all filings on or after November 5, 2018. We adopted these amendments as currently required and they are reflected in the Company's consolidated financial statements and related disclosures. Certain prior year information has been adjusted to conform to these amendments.

In March 2019, the SEC issued the Final Rule Release No. 33-10618, *FAST Act Modernization and Simplification of Regulation S-K*, which amends certain SEC disclosure requirements. The amendments are intended to simplify certain disclosure requirements and to provide for a consistent set of rules to govern incorporating information by reference and hyperlinking, improve readability and navigability of disclosure documents, and discourage repetition and disclosure of immaterial information. The amendments are effective for all filings submitted on or after May 2, 2019. The Company adopted the requisite amendments effective May 2, 2019. As it pertains to the Company for this Form 10-Q, there were no significant changes to the Company's consolidated financial position or disclosures. The Company is still evaluating the impact these amendments will have on its other future periodic filings and registration statements.

**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 2019. 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 the 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.

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2019**  
**(Unaudited)**

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 and nine months ended June 30, 2019, the Investment Adviser earned a base management fee of \$2.6 million and \$7.5 million, respectively, from us. For the three and nine months ended June 30, 2018, the Investment Adviser earned a base management fee of \$2.2 million and \$5.9 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 and nine months ended June 30, 2019, the Investment Adviser earned \$2.4 million and \$5.1 million, respectively, in incentive fees on net investment income from us. For the three and nine months ended June 30, 2018, the Investment Adviser earned \$1.3 million and \$1.6 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 the three and nine months ended June 30, 2019, the Investment Adviser did not accrue an incentive fee on capital gains, as calculated under the Investment Management Agreement (as described above). For the three and nine months ended June 30, 2018, the Investment Adviser accrued an incentive fee on capital gains of zero and \$(0.1) million, respectively, 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 the three and nine months ended June 30, 2019 was zero and \$(1.4) million, respectively. The incentive fee accrued for under GAAP on our unrealized and realized capital gains for the three and nine months ended June 30, 2018 was \$(1.0) million and \$(0.6) million, respectively.

The Administration Agreement with the Administrator was reapproved by our board of directors, including a majority of the directors who are not interested persons of us, in February 2019. 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 and nine months ended June 30, 2019, we reimbursed the Investment Adviser approximately \$0.4 million and \$1.5 million, respectively, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above. For the three and nine months ended June 30, 2018, we reimbursed the Investment Adviser approximately \$0.4 million and \$1.2 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 and nine months ended June 30, 2019. During both the three and nine months ended June 30, 2018, the Company purchased \$3.9 million in total investments from an affiliated fund managed by our Investment Adviser in accordance with, and pursuant to procedures adopted under, Rule 17a-7 under the 1940 Act.

For the three and nine months ended June 30, 2019, we sold zero and \$57.7 million in investments, respectively, to PSSL at fair value and recognized zero and \$0.2 million of net realized gains, respectively. For the three and nine months ended June 30, 2018, we sold \$27.1 million and \$60.6 million in investments, respectively, to PSSL at fair value and recognized less than \$0.1 million of net realized gains for both periods.

#### **4. INVESTMENTS**

Purchases of investments, including PIK interest, for the three and nine months ended June 30, 2019 totaled \$183.7 million and \$501.0 million, respectively. For the same periods in the prior year, purchases of investments, including PIK interest, totaled \$165.5 million and \$481.2 million, respectively. Sales and repayments of investments for the three and nine months ended June 30, 2019 totaled \$66.6 million and \$400.1 million, respectively. For the same periods in the prior year, sales and repayments of investments totaled \$87.9 million and \$283.6 million, respectively.

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2019**  
**(Unaudited)**

Investments, cash and cash equivalents consisted of the following:

Investment Classification	June 30, 2019		September 30, 2018	
	Cost	Fair Value	Cost	Fair Value
First lien	\$ 841,791,546	\$ 818,600,724	\$ 817,243,688	\$ 812,235,476
First lien in PSSL	120,968,750	\$ 120,968,750	101,062,500	101,062,500
Second lien	33,866,381	\$ 33,967,082	20,904,958	21,234,713
Equity	37,630,518	47,891,156	18,744,371	21,282,875
Equity in PSSL	51,843,750	\$ 50,726,054	43,312,500	44,797,729
Total investments	1,086,100,945	\$ 1,072,153,766	1,001,268,017	1,000,613,293
Cash and cash equivalents	25,360,185	\$ 25,364,034	72,231,801	72,224,183
Total investments and cash and cash equivalents	\$ 1,111,461,130	\$ 1,097,517,800	\$ 1,073,499,818	\$ 1,072,837,476

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	June 30, 2019 (1)	September 30, 2018 (1)
Hotel, Gaming and Leisure	7%	6%
Beverage, Food and Tobacco	6	7
Capital Equipment	5	5
Media	5	—
Business Services	5	8
Consumer Goods: Non-Durable	5	11
Consumer Goods: Durable	5	5
Construction and Building	5	5
High Tech Industries	5	10
Aerospace and Defense	5	6
Telecommunications	4	6
Consumer Services	4	4
Media: Diversified and Production	4	4
Healthcare and Pharmaceuticals	3	5
Wholesale	3	5
Chemicals, Plastics and Rubber	3	2
Software	3	—
Banking, Finance, Insurance & Real Estate	2	1
Diversified Financial Services	2	—
Media: Advertising, Printing and Publishing	2	3
Professional Services	2	—
Building Products	2	—
Diversified Consumer Services	2	—
Commercial Services & Supplies	2	—
Healthcare Technology	1	—
Retail	1	2
Beverages	1	—
Environmental Industries	1	—
Media: Broadcasting and Subscription	1	1
All Other	4	4
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 June 30, 2019, PSSL had total assets of \$483.3 million. As of the same date, we and Kemper had remaining commitments to fund first lien secured debt and equity interests in PSSL in an aggregate amount of \$12.5 million. 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 June 30, 2019, 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 date, our investment in PSSL consisted of first lien secured debt of \$121.0 million and equity interests of \$51.8 million. As of the same date, we had commitments to fund first lien secured debt to PSSL of \$128.6 million, of which \$7.6 million was unfunded. As of June 30, 2019, we had commitments to fund equity interests in PSSL of \$55.1 million, of which \$3.3 million was unfunded.

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2019**  
**(Unaudited)**

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; and (iii) the presence of four members of the board of directors or investment committee shall constitute a quorum, provided that two individuals are present that were elected, designated or appointed by each member.

Additionally, PSSL has entered into a senior secured revolving credit facility, or the PSSL Credit Facility, with Capital One, N.A. through its wholly-owned subsidiary, PennantPark Senior Secured Loan Facility LLC, or PSSL Subsidiary, which as of June 30, 2019 allowed PSSL Subsidiary to borrow up to \$420.0 million at any one time outstanding, subject to leverage and borrowing base restrictions.

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

	<b>June 30, 2019</b>	<b>September 30, 2018</b>
Total investments	\$ 469,969,339	\$ 425,420,881
Weighted average yield on debt investments	7.9%	7.8%
Number of portfolio companies in PSSL	42	42
Largest portfolio company investment	\$ 22,137,382	\$ 21,152,781
Total of five largest portfolio company investments	\$ 103,217,607	\$ 95,941,790

Below is a listing of PSSL's individual investments as of June 30, 2019:

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2019**  
**(Unaudited)**

**PennantPark Senior Secured Loan Fund I LLC**  
**Schedule of Investments**  
**June 30, 2019**  
**(Unaudited)**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
<b>Investments in Non-Controlled, Non-Affiliated Portfolio Companies—810.7%</b>							
<b>First Lien Secured Debt—784.7%</b>							
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	7.34%	3M L+475	7,788,947	\$ 7,713,247	\$ 7,711,057
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.65%	1M L+725	13,966,474	13,703,235	13,966,474
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.83%	3M L+650	11,765,000	11,669,308	11,656,385
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	8.15%	1M L+575	7,367,758	7,328,804	7,146,725
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	8.18%	1M L+575	10,192,367	10,101,245	10,090,443
Country Fresh Holdings, LLC	05/01/23	Beverage, Food and Tobacco	7.33%	1M L+500	126,031	126,031	126,031
Country Fresh Holdings, LLC (Revolver)	05/01/23	Beverage, Food and Tobacco	7.33%	1M L+500	182,403	178,981	182,403
Country Fresh Holdings, LLC - (Revolver) (5)	05/01/23	Beverage, Food and Tobacco	—	—	324,080	—	—
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	8.65%	3M L+625	19,798,995	19,798,995	19,798,995
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	8.08%	3M L+575	12,343,750	12,177,552	12,220,312
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	8.08%	3M L+575	8,187,165	8,132,821	8,105,293
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	6.70%	3M L+525 A	10,000,000	7,370,292	6,806,965
GCOM Software LLC	11/14/2022	High Tech Industries	8.64%	1M L+750	17,679,835	17,548,440	17,679,835
Good2Grow LLC	11/18/2024	Beverages	6.58%	3M L+425	12,437,500	12,323,465	12,313,126
Good Source Solutions, Inc.	06/29/2023	Beverage, Food and Tobacco	6.66%	3M L+600	14,486,250	14,362,677	13,982,621
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	6.81%	3M L+540	19,718,741	19,567,681	19,521,554
IMIA Holdings, Inc.	10/28/2024	Aerospace and Defense	6.83%	3M L+450	12,437,500	12,380,182	12,375,312
Impact Group, LLC	06/27/2023	Wholesale	8.83%	1M L+650	9,415,185	9,317,781	9,321,033
Infrastructure Supply Operations Pty Ltd. (3), (4)	12/12/2023	Wholesale	6.06%	1M L+425 A	15,000,000	10,966,988	10,401,910
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	7.19%	1M L+525	19,950,000	19,674,203	19,688,865
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	7.83%	3M L+550	9,950,000	9,858,961	9,911,725
Leap Legal Software Pty Ltd (3), (4)	09/12/2022	High Tech Industries	7.46%	3M L+575 A	14,793,247	10,508,475	10,381,146
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.44%	1M L+500	17,865,000	17,724,092	17,686,350
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.42%	1M L+600	7,125,000	7,169,234	6,658,883
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.40%	1M L+600	6,895,000	6,811,021	6,690,130
Marketplace Events LLC (4)	01/27/2021	Media: Diversified and Production	7.21%	P+275 C	5,775,254	4,468,226	4,419,554
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	7.40%	3M L+500	6,025,044	5,990,699	6,017,961
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	8.33%	1M L+600	16,678,402	16,575,814	16,595,010
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.69%	1M L+425	14,887,500	14,760,960	14,738,625
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.90%	1M L+450	12,611,667	12,485,550	12,611,667
Output Services Group, Inc.	03/27/2024	Business Services	6.65%	1M L+425	7,903,419	7,931,431	7,073,560
Pestell Minerals and Ingredients Inc.	06/01/2023	Beverage, Food and Tobacco	7.84%	3M L+525	9,950,000	9,860,482	9,881,344
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	7.40%	1M L+500	10,917,500	10,816,718	10,808,325
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	8.32%	3M L+575	1,762,835	1,739,384	1,745,207
PlayPower, Inc.	05/8/2026	Leisure Products	7.90%	3M L+550	4,200,000	4,158,218	4,205,250
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	7.20%	3M L+450	11,318,125	11,213,908	11,204,944
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	8.44%	1M L+600	4,687,495	4,687,495	4,124,996
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	6.58%	3M L+425	15,263,579	15,266,582	15,263,579
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.87%	6M L+525	8,988,029	8,950,390	8,898,149
UBEO, LLC	04/03/2024	Capital Equipment	6.90%	1M L+450	22,360,991	22,150,179	22,137,382
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	7.40%	1M L+500	8,436,250	8,302,714	8,436,250
US Dominion, Inc.	07/15/2024	Capital Equipment	9.16%	3M L+675	3,960,000	3,899,682	3,960,000
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	9.10%	3M L+650	16,103,656	15,813,761	16,200,279
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	9.91%	1M L+900	5,501,362	5,419,531	5,501,362
Xebec Global Holdings, LLC	02/12/2024	Aerospace and Defense	7.93%	3M L+550	6,698,853	6,674,853	6,682,106
<b>Total First Lien Secured Debt</b>						<b>457,680,287</b>	<b>454,929,121</b>
<b>Second Lien Secured Debt—14.5%</b>							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	10.83%	1M L+850	846,936	846,936	846,936
			(PIK 10.83%)				
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	8.00%	6M L+525	7,607,291	7,607,291	7,569,255
			(PIK 8.00%)				
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	8.00%	—	15,206	15,206	15,206
			(PIK 8.00%)				
<b>Total Second Lien Secured Debt</b>						<b>8,469,434</b>	<b>8,431,398</b>
<b>Equity Securities—11.4%</b>							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco	—	—	1,317	1,713,106	1,413,806
DBI Holding, LLC, Series A-1	—	Business Services	—	—	5,034	5,034,310	5,034,806
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	160,208
<b>Total Equity Securities</b>						<b>6,983,937</b>	<b>6,608,821</b>
<b>Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>						<b>473,133,658</b>	<b>469,969,339</b>
<b>Cash and Cash Equivalents—16.8%</b>							
BlackRock Federal FD Institutional 30						7,556,272	7,556,272
US Bank Cash						2,196,606	2,202,887
<b>Total Cash and Cash Equivalents</b>						<b>9,752,878</b>	<b>9,759,159</b>
<b>Total Investments and Cash Equivalents—827.5%</b>						<b>\$ 482,886,536</b>	<b>\$ 479,728,498</b>
<b>Liabilities in Excess of Other Assets—(727.5)%</b>							<b>(421,755,865)</b>
<b>Members' Equity—100.0%</b>							<b>\$ 57,972,633</b>

- 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.
- Valued based on PSSS's accounting policy.
- Non-U.S. company or principal place of business outside the United States.
- Par amount is denominated in Australian Dollars (A\$) or in Canadian Dollars (C\$) as denoted.
- 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.

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2019**  
**(Unaudited)**

Below is a listing of PSSL's individual investments as of September 30, 2018:

**PennantPark Senior Secured Loan Fund I LLC**  
**Schedule of Investments**  
**September 30, 2018**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
<b>Investments in Non-Controlled, Non-Affiliated Portfolio Companies—830.9%</b>							
<b>First Lien Secured Debt—830.9%</b>							
Alvogen Pharma US, Inc. (3)	04/04/2022	Healthcare and Pharmaceuticals	6.99%	1M L+475	5,424,261	\$ 5,370,876	\$ 5,464,943
American Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	7.34%	3M L+525	4,949,622	4,910,720	4,875,378
Anvil International, LLC	08/01/2024	Construction and Building	6.70%	2M L+450	5,944,975	5,900,529	5,985,876
API Technologies Corp.	04/22/2024	Aerospace and Defense	8.25%	1M L+600	19,950,000	19,710,688	19,750,500
Beauty Industry Group Opco, LLC	04/06/2023	Consumer Goods: Non-Durable	7.00%	1M L+475	21,259,078	21,057,494	21,152,781
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	9.57%	3M L+725	10,761,235	10,538,732	10,761,235
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.83%	3M L+650	11,854,375	11,745,013	11,875,641
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.99%	1M L+575	7,424,433	7,381,442	7,424,433
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	7.85%	1M L+575	10,387,126	10,284,272	10,283,255
Country Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	7.39%	3M L+500	4,348,465	4,348,465	4,218,011
DBI Holdings, LLC	08/02/2021	Business Services	7.51%	1M L+525	12,437,500	12,334,446	12,437,500
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	7.74%	3M L+550	19,949,749	19,949,749	19,949,749
Digital Room Holdings, Inc.	12/29/2023	Media: Advertising, Printing and Publishing	7.25%	1M L+500	9,925,000	9,832,647	9,813,344
Douglas Products and Packaging Company LLC	03/29/2022	Chemicals, Plastics and Rubber	8.14%	3M L+575	12,437,500	12,243,681	12,313,125
Driven Performance Brands, Inc.	09/30/2022	Consumer Goods: Durable	6.86%	1M L+475	4,750,000	4,712,239	4,750,000
ENC Holding Corporation	05/30/2025	Transportation: Cargo	6.64%	3M L+425	10,345,500	10,320,383	10,319,636
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	7.23%	2M L+525 A \$	10,000,000	7,348,975	7,018,455
GCOM Software LLC	11/14/2022	High Tech Industries	9.67%	3M L+750	14,666,667	14,597,068	14,666,667
Good Source Solutions, Inc.	06/29/2023	Beverage, Food and Tobacco	8.39%	3M L+600	14,871,563	14,724,626	14,670,097
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	6.87%	3M L+450	15,461,250	15,313,430	15,383,940
Impact Group, LLC	06/27/2023	Wholesale	8.64%	1M L+625	9,975,000	9,860,343	9,925,125
Infrastructure Supply Operations Pty Ltd. (3), (4)	12/12/2023	Wholesale	6.64%	1M L+475 A \$	15,000,000	10,941,545	10,810,400
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.12%	1M L+500	18,000,000	17,831,930	17,820,000
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.12%	1M L+600	7,265,625	7,319,871	7,002,246
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.15%	1M L+600	6,947,500	6,853,205	6,894,684
Marketplace Events LLC (4)	01/27/2021	Media: Diversified and Production	7.08%	P+275 C \$	5,820,254	4,486,587	4,502,752
Maytex Mills, Inc.	12/27/2023	Consumer Goods: Durable	6.71%	1M L+450	8,761,452	8,721,691	8,783,355
McAfee, LLC	09/30/2024	High Tech Industries	6.74%	1M L+450	7,425,000	7,359,161	7,482,024
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	7.20%	2M L+500	4,005,973	3,986,058	3,996,350
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	8.40%	3M L+600	17,355,538	17,229,100	17,268,760
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.37%	1M L+425	15,000,000	14,856,552	14,925,000
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.66%	1M L+450	13,965,000	13,825,350	13,965,000
Output Services Group, Inc.	03/27/2024	Business Services	6.49%	1M L+425	7,983,419	8,015,803	8,023,336
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	8.10%	1M L+600	4,687,495	4,687,495	4,054,683
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	6.49%	1M L+425	15,379,790	15,382,892	15,379,790
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.58%	3M L+525	10,516,049	10,459,746	10,410,888
UBEO, LLC	04/03/2024	Capital Equipment	6.60%	1M L+450	12,468,750	12,352,721	12,468,750
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	7.24%	1M L+500	8,500,000	8,352,305	8,351,250
US Dominion, Inc.	07/15/2024	Capital Equipment	9.14%	3M L+675	3,990,000	3,921,923	3,990,000
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	8.25%	1M L+600	4,625,000	4,678,730	4,636,563
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	11.25%	1M L+900	4,950,000	4,866,299	4,950,000
Xebec Global Holdings, LLC	02/12/2024	Aerospace and Defense	7.84%	3M L+550	6,749,730	6,721,428	6,665,359
<b>Total First Lien Secured Debt</b>						<b>425,336,210</b>	<b>425,420,881</b>
<b>Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>						<b>425,336,210</b>	<b>425,420,881</b>
<b>Cash and Cash Equivalents—26.4%</b>							
BlackRock Federal FD Institutional 30						12,510,098	12,510,098
US Bank Cash						1,010,029	1,010,662
<b>Total Cash and Cash Equivalents</b>						<b>13,520,127</b>	<b>13,520,760</b>
<b>Total Investments and Cash Equivalents—857.3%</b>						<b>\$ 438,856,337</b>	<b>\$ 438,941,641</b>
<b>Liabilities in Excess of Other Assets—(757.3)%</b>							
<b>Members' Equity—100.0%</b>							<b>(387,744,237)</b>
							<b>\$ 51,197,404</b>

- 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.
- Valued based on PSSL's accounting policy.
- Non-U.S. company or principal place of business outside the United States.
- Par amount is denominated in Australian Dollars (A\$) or in Canadian Dollars (C\$) as denoted.

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2019**  
**(Unaudited)**

Below is the financial information for PSSL:

**PennantPark Senior Secured Loan Fund I LLC**  
**Statements of Assets and Liabilities**

	June 30, 2019 (Unaudited)	September 30, 2018
<b>Assets</b>		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$473,133,658 and \$425,336,210, respectively)	\$ 469,969,339	\$ 425,420,881
Cash and cash equivalents (cost—\$9,752,878 and \$13,520,127, respectively)	9,759,159	13,520,760
Interest receivable	2,116,251	1,670,053
Prepaid expenses and other assets	1,423,333	2,784,477
<b>Total assets</b>	<b>483,268,082</b>	<b>443,396,171</b>
<b>Liabilities</b>		
PSSL Credit Facility payable	285,450,977	275,285,900
Notes payable to members	138,250,000	115,500,000
Interest payable on PSSL Credit Facility	1,113,520	1,065,306
Interest payable on notes to members	119,009	99,966
Accrued other expenses	361,943	247,595
<b>Total liabilities</b>	<b>425,295,449</b>	<b>392,198,767</b>
Commitments and contingencies (1)	—	—
<b>Members' equity</b>	<b>57,972,633</b>	<b>51,197,404</b>
<b>Total liabilities and members' equity</b>	<b>\$ 483,268,082</b>	<b>\$ 443,396,171</b>

(1) As of June 30, 2019 and September 30, 2018, PSSL had unfunded commitments to fund investments of \$0.3 million and zero, respectively.

**PennantPark Senior Secured Loan Fund I LLC**  
**Statements of Operations**  
**(Unaudited)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
<b>Investment income:</b>				
From non-controlled, non-affiliated investments:				
Interest	\$ 9,870,920	\$ 5,281,955	\$ 29,791,971	\$ 10,379,097
Other income	220,500	6,219	519,443	18,438
<b>Total investment income</b>	<b>10,091,420</b>	<b>5,288,174</b>	<b>30,311,414</b>	<b>10,397,535</b>
<b>Expenses:</b>				
Interest and expenses on PSSL Credit Facility	4,145,313	2,321,809	12,568,962	4,279,645
Interest expense on notes to members	3,701,558	1,772,798	10,595,874	3,411,498
Administrative services expenses	300,000	250,000	850,000	400,000
Other general and administrative expenses (1)	113,650	113,650	340,950	579,086
<b>Total expenses</b>	<b>8,260,521</b>	<b>4,458,257</b>	<b>24,355,786</b>	<b>8,670,229</b>
<b>Net investment income</b>	<b>1,830,899</b>	<b>829,917</b>	<b>5,955,628</b>	<b>1,727,306</b>
<b>Realized and unrealized (loss) gain on investments and credit facility foreign currency translations:</b>				
Net realized (loss) gain on investments	(1,604,539)	63,395	(1,025,488)	79,341
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	404,262	(1,072,357)	(3,243,343)	(72,655)
Credit facility depreciation of foreign currency translations	241,025	1,187,765	738,432	936,097
<b>Net change in unrealized appreciation (depreciation) on investments and credit facility foreign currency translations</b>	<b>645,287</b>	<b>115,408</b>	<b>(2,504,911)</b>	<b>863,442</b>
<b>Net realized and unrealized (loss) gain from investments and credit facility foreign currency translations</b>	<b>(959,252)</b>	<b>178,803</b>	<b>(3,530,399)</b>	<b>942,783</b>
<b>Net increase in members' equity resulting from operations</b>	<b>\$ 871,647</b>	<b>\$ 1,008,720</b>	<b>\$ 2,425,229</b>	<b>\$ 2,670,089</b>

(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 and our Credit Facility are classified as Level 3. Our 2023 Notes are classified as Level 1. 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. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the end of the quarter in which the reclassifications occur. During both the nine months ended June 30, 2019 and 2018, our ability to observe valuation inputs resulted in no reclassifications.

In addition to using the above inputs in cash equivalents, investments, our 2023 Notes and our Credit Facility valuations, 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 the 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. We have adopted ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

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 the 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.



**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
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Our Level 3 valuation techniques, unobservable inputs and ranges were categorized as follows for ASC 820 purposes:

<b>Asset Category</b>	<b>Fair Value at June 30, 2019</b>	<b>Valuation Technique</b>	<b>Unobservable Input</b>	<b>Range of Input (Weighted Average)</b>
First lien	\$ 270,056,726	Market Comparable	Broker/Dealer bids or quotes	N/A
Second lien	2,209,375	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	655,213,099	Market Comparable	Market Yield	6.5% – 26.3% (8.3%)
Second lien	26,589,723	Market Comparable	Market Yield	10.0% – 14.0% (10.7%)
First lien	14,299,648	Enterprise Market Value	EBITDA multiple	4.5x – 10.3x (6.4x)
Second lien	5,167,984	Enterprise Market Value	EBITDA multiple	10.3x
Equity	47,891,157	Enterprise Market Value	EBITDA multiple	6.5x – 38.8x (14.3x)
Total Level 3 investments	\$ 1,021,427,712			
Long-Term Credit Facility	\$ 412,129,078	Market Comparable	Market Yield	4.6%

<b>Asset Category</b>	<b>Fair Value at September 30, 2018</b>	<b>Valuation Technique</b>	<b>Unobservable Input</b>	<b>Range of Input (Weighted Average)</b>
First lien	\$ 303,786,401	Market Comparable	Broker/Dealer bids or quotes	N/A
Second lien	2,543,750	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	609,511,575	Market Comparable	Market Yield	6.6% – 17.5% (9.7%)
Second lien	18,690,963	Market Comparable	Market Yield	10.7% – 14.1% (11.7%)
Equity	21,282,875	Enterprise Market Value	EBITDA multiple	6.2x – 12.0x (9.2x)
Total Level 3 investments	\$ 955,815,564			
Long-Term Credit Facility	\$ 332,128,815	Market Comparable	Market Yield	5.3%

Our investments, cash and cash equivalents, Credit Facility and the 2023 Notes were categorized as follows in the fair value hierarchy for ASC 820 purposes:

<b>Description</b>	<b>Fair Value at June 30, 2019</b>				<b>Measured at Net Asset Value (1)</b>
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
First lien	\$ 939,569,474	\$ —	\$ —	\$ 939,569,474	\$ —
Second lien	33,967,082	—	—	33,967,082	—
Equity	98,617,210	—	—	47,891,156	50,726,054
Total investments	1,072,153,766	—	—	1,021,427,712	50,726,054
Cash and cash equivalents	25,364,034	25,364,034	—	—	—
Total investments and cash and cash equivalents	\$ 1,097,517,800	\$ 25,364,034	\$ —	\$ 1,021,427,712	\$ 50,726,054
Long-Term Credit Facility	\$ 412,129,078	\$ —	\$ —	\$ 412,129,078	\$ —
2023 Notes	137,526,651	137,526,651	—	—	—
Total debt	\$ 549,655,729	\$ 137,526,651	\$ —	\$ 412,129,078	\$ —

(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.

<b>Description</b>	<b>Fair Value at September 30, 2018</b>				<b>Measured at Net Asset Value (1)</b>
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
First lien	\$ 913,297,976	\$ —	\$ —	\$ 913,297,976	\$ —
Second lien	21,234,713	—	—	21,234,713	—
Equity	66,080,604	—	—	21,282,875	44,797,729
Total investments	1,000,613,293	—	—	955,815,564	44,797,729
Cash and cash equivalents	72,224,183	72,224,183	—	—	—
Total investments and cash and cash equivalents	\$ 1,072,837,476	\$ 72,224,183	\$ —	\$ 955,815,564	\$ 44,797,729
Long-Term Credit Facility	\$ 332,128,815	\$ —	\$ —	\$ 332,128,815	\$ —
2023 Notes	135,503,385	135,503,385	—	—	—
Total debt	\$ 467,632,200	\$ 135,503,385	\$ —	\$ 332,128,815	\$ —

(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.

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
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The tables below show a reconciliation of the beginning and ending balances for fair valued investments measured using significant unobservable inputs (Level 3):

Description	Nine Months Ended June 30, 2019		
	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	\$ 913,297,976	\$ 42,517,588	\$ 955,815,564
Net realized loss	(12,595,096)	(4,448,014)	(17,043,110)
Net change in unrealized (depreciation) appreciation	(18,182,610)	7,493,080	(10,689,530)
Purchases, PIK interest, net discount accretion and non-cash exchanges	467,294,508	26,193,464	493,487,972
Sales, repayments and non-cash exchanges	(395,335,166)	(4,808,018)	(400,143,184)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	<u>\$ 954,479,612</u>	<u>\$ 66,948,100</u>	<u>\$ 1,021,427,712</u>
Net change in unrealized (depreciation) appreciation reported within the net change in unrealized (depreciation) appreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date.	<u>\$ (20,477,519)</u>	<u>\$ 5,444,110</u>	<u>\$ (15,033,409)</u>

Description	Nine Months Ended June 30, 2018		
	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	\$ 609,668,554	\$ 87,389,065	\$ 697,057,619
Net realized loss	(1,047,884)	(1,214,108)	(2,261,992)
Net change in unrealized (depreciation) appreciation	(2,857,546)	2,096,092	(761,454)
Purchases, PIK interest, net discount accretion and non-cash exchanges	481,100,549	31,905,640	513,006,189
Sales, repayments and non-cash exchanges	(266,925,169)	(69,861,776)	(336,786,945)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	<u>\$ 819,938,504</u>	<u>\$ 50,314,913</u>	<u>\$ 870,253,417</u>
Net change in unrealized (depreciation) appreciation 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.	<u>\$ (3,161,334)</u>	<u>\$ 1,076,376</u>	<u>\$ (2,084,958)</u>

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

Long-Term Credit Facility	Nine Months Ended June 30,	
	2019	2018
Beginning Balance (cost – \$333,727,520 and \$253,783,301, respectively)	\$ 332,128,815	\$ 256,858,457
Net change in unrealized depreciation included in earnings	(1,579,717)	(2,886,308)
Borrowings	283,700,000	143,985,010
Repayments	(202,120,020)	(142,095,000)
Transfers in and/or out of Level 3	—	—
Ending Balance (cost – \$415,307,500 and \$255,673,311, respectively)	<u>\$ 412,129,078</u>	<u>\$ 255,862,159</u>

As of June 30, 2019, 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\$ 17,500,000	\$ 12,407,500	\$ 13,391,998	July 1, 2019	\$ 984,498

As of September 30, 2018, 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
Australian Dollar	A\$ 9,900,000	\$ 7,720,020	\$ 7,163,165	October 1, 2018	\$ (556,855)
Canadian Dollar	C\$ 17,500,000	12,407,500	13,538,612	October 1, 2018	1,131,112
		<u>\$ 20,127,520</u>	<u>\$ 20,701,777</u>		<u>\$ 574,257</u>

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
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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 incurred expenses of zero million and \$4.5 million, respectively, relating to amendment costs on the Credit Facility during the three and nine months ended June 30, 2019. Due to that election and in accordance with GAAP, we incurred expenses of zero and \$10.9 million, respectively, relating to amendment costs on the Credit Facility and debt issuance costs on the 2023 Notes during the three and nine months ended June 30, 2018. 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. For the three and nine months ended June 30, 2019, the Credit Facility and the 2023 Notes had a net change in unrealized appreciation of \$0.4 million and \$0.4 million, respectively. For the three and nine months ended June 30, 2018, the Credit Facility and the 2023 Notes had a net change in unrealized (appreciation) depreciation of \$(1.9) million and \$6.5 million, respectively. As of June 30, 2019 and September 30, 2018, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled \$4.2 million and \$4.7 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 the 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 nine months ended June 30, 2019 were as follows:

Name of Investment	Fair Value at September 30, 2018	Purchases of / Advances to Affiliates	Sale of / Distributions from Affiliates	Net Change in Unrealized Appreciation (Depreciation)	Fair Value at June 30, 2019	Interest Income	Dividend Income	Net Realized Gains (Losses)
<b>Non-Controlled Affiliates</b>								
Country Fresh Holding Company Inc.	\$ 17,195,389	\$ 7,421,182	\$ (7,219,230)	\$ (1,289,136)	\$ 16,108,205	\$ 1,206,942	\$ —	\$ (7,164,304)
<b>Total Non-Controlled Affiliates</b>	<u>\$ 17,195,389</u>	<u>\$ 7,421,182</u>	<u>\$ (7,219,230)</u>	<u>\$ (1,289,136)</u>	<u>\$ 16,108,205</u>	<u>\$ 1,206,942</u>	<u>\$ —</u>	<u>\$ (7,164,304)</u>
<b>Controlled Affiliates</b>								
PennantPark Senior Secured Loan Fund I LLC *	\$ 145,860,229	\$ 28,437,500	\$ —	\$ (2,602,925)	\$ 171,694,804	\$ 9,273,287	\$ 4,725,000	\$ —
<b>Total Controlled Affiliates</b>	<u>\$ 145,860,229</u>	<u>\$ 28,437,500</u>	<u>\$ —</u>	<u>\$ (2,602,925)</u>	<u>\$ 171,694,804</u>	<u>\$ 9,273,287</u>	<u>\$ 4,725,000</u>	<u>\$ —</u>

\* We and Kemper are the members of PSSSL, a joint venture formed as a Delaware limited liability company that is not consolidated by us for financial reporting purposes. The members of PSSSL make investments in the PSSSL in the form of first lien secured debt and equity interests, and all portfolio and other material decision regarding PSSSL must be submitted to PSSSL'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 PSSSL is shared equally between us and Kemper, we do not believe we control PSSSL for purposes of the 1940 Act or otherwise.

**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 June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Numerator for net increase in net assets resulting from operations	\$ 4,518,816	\$ 4,968,387	\$ 4,042,286	\$ 22,476,929
Denominator for basic and diluted weighted average shares	38,772,074	38,772,074	38,772,074	38,139,678
Basic and diluted net increase in net assets per share resulting from operations	\$ 0.12	\$ 0.13	\$ 0.10	\$ 0.59

**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 June 30, 2019 and September 30, 2018, cash and cash equivalents consisted of money market funds in the amounts of \$25.4 million and \$72.2 million at fair value, respectively.

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2019**  
**(Unaudited)**

**9. FINANCIAL HIGHLIGHTS**

Below are the financial highlights:

	<b>Nine Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Per Share Data:</b>		
Net asset value, beginning of period	\$ 13.82	\$ 14.10
Net investment income (1)	0.88	0.51
Net change in realized and unrealized (loss) gain (1)	(0.77)	0.08
Net increase in net assets resulting from operations (1)	0.10	0.59
Distributions to stockholders (1), (2)	(0.86)	(0.86)
(Dilutive) effect of common stock issuance	—	(0.01)
Net asset value, end of period	\$ 13.07	\$ 13.82
Per share market value, end of period	\$ 11.56	\$ 13.66
Total return* (3)	(5.89)%	0.29%
Shares outstanding at end of period	38,772,074	38,772,074
<b>Ratios** / Supplemental Data:</b>		
Ratio of operating expenses to average net assets (4)	3.63%	2.69%
Ratio of debt related expenses to average net assets (5)	5.03%	4.54%
Ratio of total expenses to average net assets (5)	8.66%	7.23%
Ratio of net investment income to average net assets (5)	8.99%	5.52%
Net assets at end of period	\$ 506,733,731	\$ 535,878,316
Weighted average debt outstanding	\$ 491,199,285	\$ 332,567,763
Weighted average debt per share (1)	\$ 12.67	\$ 8.72
Asset coverage per unit (6)	\$ 1,904	\$ 2,342
Portfolio turnover ratio	54.40%	47.57%

\* 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 takes into account distributions, if any, reinvested in accordance with our dividend reinvestment plan, which was terminated on November 22, 2017.

(4) Excludes debt related costs.

(5) Credit Facility amendment and debt issuance costs, if any, are not annualized.

(6) The asset coverage ratio for a class of senior securities representing indebtedness is calculated on 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 nine months ended June 30, 2019 and 2018, inclusive of the fee on the undrawn commitment of 0.4% on the Credit Facility, amendment costs and debt issuance costs, was 5.3% and 7.3%, respectively. As of June 30, 2019, 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 Small Business Credit Availability Act, or 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 June 30, 2019 and September 30, 2018, our asset coverage ratio, as computed in accordance with the 1940 Act, was 190% and 213%, respectively.

**Credit Facility**

Funding I's multi-currency Credit Facility with affiliates of SunTrust Bank, or the Lenders, was \$520 million as of June 30, 2019, 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 of 200 basis points, a maturity date of October 2023 and a revolving period that ends in October 2021. As of June 30, 2019 and September 30, 2018, Funding I had \$415.3 million and \$333.7 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had a weighted average interest rate of 4.4% and 4.3%, exclusive of the fee on undrawn commitments as of June 30, 2019 and September 30, 2018, respectively.

During the revolving period, the Credit Facility bears interest at LIBOR plus 200 basis points and, after the revolving period, the rate sets to LIBOR 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.

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
**JUNE 30, 2019**  
**(Unaudited)**

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 June 30, 2019, 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 (1) all required cash interest and, if applicable, principal payments to the Lenders, (2) required administrative expenses and (3) claims of other unsecured creditors of Funding I. The Investment Adviser has irrevocably directed that the 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.

#### **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.

The 2023 Notes pay interest at a rate of 3.8% 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 our post-effective amendment filed on December 13, 2017 for more information. The 2023 Notes are rated iAA- 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.

#### **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. As of June 30, 2019 and September 30, 2018, we had \$79.8 million and \$79.4 million, respectively, in commitments to fund investments. Additionally, as described in Note 4, the Company had unfunded commitments of up to \$10.9 million and \$39.4 million, respectively, to PSSL as of June 30, 2019 and September 30, 2018, respectively, that may be contributed primarily for the purpose of funding new investments approved by the PSSL board of directors or investment committee.

## 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 June 30, 2019, the related consolidated statements of operations and the related consolidated statements of changes in net assets for the three-month and nine-month periods ended June 30, 2019 and 2018, and cash flows for the nine-month periods ended June 30, 2019 and 2018, 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 interim financial statements referred to above 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, 2018, 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 14, 2018, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities as of September 30, 2018, 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  
August 7, 2019

**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;
- 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 PSSSL;
- 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 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.

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 and the potential for rising interest rates. 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.

#### ***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 or semiannually. 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 June 30, 2019, our portfolio totaled \$1,072.2 million and consisted of \$939.6 million of first lien secured debt (including \$121.0 million in PSSL), \$34.0 million of second lien secured debt and \$98.6 million of preferred and common equity (including \$50.7 million in PSSL). Our debt portfolio consisted of 99% variable-rate investments and 1% fixed-rate investments. As of June 30, 2019, we had three portfolio companies on non-accrual, representing 2.3% and 0.8% of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized depreciation of \$13.9 million. Our overall portfolio consisted of 93 companies with an average investment size of \$11.5 million, had a weighted average yield on debt investments of 8.9%, and was invested 88% in first lien secured debt (including 11% in PSSL), 3% in second lien secured debt and 9% in preferred and common equity (including 5% in PSSL). As of June 30, 2019, 99% of the investments held by PSSL were first and second lien secured debt and 1% was in common equity.

As of September 30, 2018, our portfolio totaled \$1,000.6 million and consisted of \$913.3 million of first lien secured debt (including \$101.1 million in PSSL), \$21.2 million of second lien secured debt and \$66.1 million of preferred and common equity (including \$44.8 million in PSSL). Our debt portfolio consisted of 100% variable-rate investments. As of September 30, 2018, we had no portfolio companies on non-accrual. Overall, the portfolio had net unrealized depreciation of \$0.9 million. Our overall portfolio consisted of 88 companies with an average investment size of \$11.4 million, had a weighted average yield on debt investments of 8.8%, and was invested 91% in first lien secured debt (including 10% in PSSL), 2% in second lien secured debt and 7% in preferred and common equity (including 4% in PSSL). As of September 30, 2018, all of the investments held by PSSL were first lien secured debt.

For the three months ended June 30, 2019, we invested \$182.7 million in eight new and 14 existing portfolio companies with a weighted average yield on debt investments of 9.3%. Sales and repayments of investments for the three months ended June 30, 2019 totaled \$66.6 million. For the nine months ended June 30, 2019, we invested \$499.5 million in 22 new and 60 existing portfolio companies with a weighted average yield on debt investments of 8.9%. Sales and repayments of investments for the nine months ended June 30, 2019 totaled \$400.1 million.

For the three months ended June 30, 2018, we invested \$165.3 million in five new and 23 existing portfolio companies with a weighted average yield on debt investments of 8.2%. Sales and repayments of investments for the three months ended June 30, 2018 totaled \$87.9 million. For the nine months ended June 30, 2018, we invested \$480.6 million in 22 new and 51 existing portfolio companies with a weighted average yield on debt investments of 8.0%. Sales and repayments of investments for the nine months ended June 30, 2018 totaled \$283.6 million.

### **PennantPark Senior Secured Loan Fund I LLC**

As of June 30, 2019, PSSL's portfolio totaled \$470.0 million, consisted of 42 companies with an average investment size of \$11.2 million and had a weighted average yield on debt investments of 7.9%. As of September 30, 2018, PSSL's portfolio totaled \$425.4 million, consisted of 42 companies with an average investment size of \$10.1 million and had a weighted average yield on debt investments of 7.8%.

For the three months ended June 30, 2019, we invested \$8.4 million in one new and three existing portfolio companies with a weighted average yield on debt investments of 9.0%. Sales and repayments of investments for the three months ended June 30, 2019 totaled \$39.7 million. For the nine months ended June 30, 2019, we invested \$176.0 (including \$57.7 million purchased from the Company) million in 11 new and 13 existing portfolio companies with a weighted average yield on debt investments of 8.1%. Sales and repayments of investments for the nine months ended June 30, 2019 totaled \$128.2 million.

For the three months ended June 30, 2018, PSSL invested \$142.7 million (of which \$27.1 million was purchased from the Company) in 10 new and three existing portfolio companies with a weighted average yield on debt investments of 7.4%. PSSL's sales and repayments of investments for the three months ended June 30, 2018 totaled \$16.1 million. For the nine months ended June 30, 2018, PSSL invested \$270.4 million in 23 new and six existing portfolio companies with a weighted average yield on debt investments of 7.4%. PSSL's sales and repayments of investments for the nine months ended June 30, 2018 totaled \$23.8 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. 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 the 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 the 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 and our Credit Facility are classified as Level 3. Our 2023 Notes are classified as Level 1. 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 in cash equivalents, investments, our 2023 Notes and our Credit Facility valuations, 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.

The carrying value of our consolidated financial liabilities approximates fair value. We have adopted the principles under 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 incurred expenses of zero and \$4.5 million, respectively, relating to amendment costs on the Credit Facility during the three and nine months ended June 30, 2019. Due to that election and in accordance with GAAP, we incurred expenses of zero and \$10.9 million, respectively, relating to amendment costs on the Credit Facility and debt issuance costs on the 2023 Notes during the three and nine months ended June 30, 2018. 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. For the three and nine months ended June 30, 2019, the Credit Facility and the 2023 Notes had a net change in unrealized depreciation of \$0.4 million and \$0.4 million, respectively. For the three and nine months ended June 30, 2018, our Credit Facility and the 2023 Notes had a net change in unrealized (appreciation) depreciation of \$(1.9) million and \$6.5 million, respectively. As of June 30, 2019 and September 30, 2018, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled \$4.2 million and \$4.7 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 the 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 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 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 our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

Because federal income tax regulations differ from GAAP, distributions characterized in accordance with tax regulations may differ from net investment income and net realized gain 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 appropriate 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 and nine months ended June 30, 2019 and 2018.

#### **Investment Income**

Investment income for the three and nine months ended June 30, 2019 was \$22.9 million and \$69.1 million, respectively, and was attributable to \$19.9 million and \$62.0 million from first lien secured debt and \$3.0 million and \$7.0 million from second lien secured debt and preferred equity, respectively. This compares to investment income for the three and nine months ended June 30, 2018, which was \$19.5 million and \$50.9 million, respectively, and was attributable to \$19.2 million and \$46.0 million from first lien secured debt and \$0.3 million and \$4.9 million from second lien secured debt, subordinated debt and preferred and common equity, respectively. The increase in investment income compared to the same periods in the prior year was primarily due to the growth of our portfolio and an increase in dividend income from one of our portfolio companies.

#### **Expenses**

Expenses for the three and nine months ended June 30, 2019 totaled \$11.5 million and \$35.0 million, respectively. Base management fee for the same periods totaled \$2.6 million and \$7.5 million, incentive fee totaled \$2.4 million (including \$2.4 million on net investment income and zero accrued but not payable on realized gains) and \$3.7 million (including \$5.1 million on net investment income and \$(1.4) million accrued but not payable on realized gains), debt related interest and expenses totaled \$5.7 million and \$20.8 million (including \$4.5 million in Credit Facility amendment costs) and general and administrative expenses totaled \$1.0 million and \$3.0 million, respectively. This compares to expenses for the three and nine months ended June 30, 2018 totaled \$7.7 million and \$31.6 million, respectively. Base management fee for the same periods totaled \$2.2 million and \$5.9 million, incentive fee totaled \$0.3 million (including \$(1.0) million on unrealized gains accrued but not payable) and \$0.9 million (including \$(0.1) million on realized gains and \$(0.6) million on unrealized gains accrued but not payable), debt related interest and expenses totaled \$3.9 million and \$20.8 million (including \$10.9 million in Credit Facility amendment and debt issuance costs on the 2023 Notes), general and administrative expenses totaled \$1.1 million and \$3.4 million and provision for taxes totaled \$0.2 million and \$0.6 million, respectively. The increase in expenses for the three months ended June 30, 2019 compared to the same period in the prior year was primarily due to increase in management and incentive fees and debt related interest and expenses due to the growth of our portfolio in the current period. The increase in expenses for the nine months ended June 30, 2019 compared to the same period in the prior year was primarily due to the expenses incurred in connection with the amendment of the credit facility as well as higher interest expense.

### **Net Investment Income**

Net investment income totaled \$11.3 million and \$34.1 million, or \$0.29 and \$0.88 per share, for the three and nine months ended June 30, 2019, respectively. Net investment income totaled \$11.8 million and \$19.3 million, or \$0.31 and \$0.51 per share, for the three and nine months ended June 30, 2018, respectively. The change in net investment income compared to the same periods in the prior year was primarily due to the growth of our portfolio as well higher leverage cost.

### **Net Realized Gains or Losses**

Sales and repayments of investments for the three and nine months ended June 30, 2019 totaled \$66.6 million and \$400.1 million, respectively, and net realized losses totaled \$18.4 million and \$16.4 million, respectively. Sales and repayments of investments for the three and nine months ended June 30, 2018 totaled \$87.9 million and \$283.6 million, respectively, and net realized losses totaled \$1.8 million and \$3.1 million, respectively. 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 and nine months ended June 30, 2019, we reported net change in unrealized appreciation (depreciation) on investments of \$11.9 million and \$(13.2) million, respectively. For the three and nine months ended June 30, 2018, we reported net change in unrealized depreciation on investments of \$3.2 million and \$0.2 million, respectively. As of June 30, 2019 and September 30, 2018, our net unrealized depreciation on investments totaled \$13.9 million and \$0.9 million, respectively. The net change in unrealized appreciation/depreciation on our investments compared to the same period in the prior year was primarily due to changes in the capital market conditions, the financial performance of certain portfolio companies and the reversal of unrealized appreciation/depreciation on investments that were realized.

For the three and nine months ended June 30, 2019, the Credit Facility and the 2023 Notes had a net change in unrealized appreciation of \$0.4 million and \$0.4 million, respectively. For the three and nine months ended June 30, 2018, the Credit Facility and the 2023 Notes had a net change in unrealized (appreciation) depreciation of \$(1.9) million and \$6.5 million, respectively. As of June 30, 2019 and September 30, 2018, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled \$4.2 million and \$4.7 million, respectively. The net change in net unrealized 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 \$4.5 million and \$4.0 million, or \$0.12 and \$0.10 per share, respectively, for the three and nine months ended June 30, 2019. This compares to a net change in net assets resulting from operations of \$5.0 million and \$22.5 million, or \$0.13 and \$0.59 per share, respectively, for the three and nine months ended June 30, 2018. The decrease in the net change in net assets from operations compared to the same periods in the prior year was primarily due to depreciation of the portfolio in the current period.

### **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 June 30, 2019, 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 June 30, 2019 and September 30, 2018, our asset coverage ratio, as computed in accordance with the 1940 Act, was 190% and 213%, respectively.

Funding I's multi-currency Credit Facility with the Lenders was \$520 million as of June 30, 2019, 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 of 200 basis points, a maturity date of October 2023 and a revolving period that ends in October 2021. As of June 30, 2019 and September 30, 2018, Funding I had \$415.3 million and \$333.7 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had a weighted average interest rate of 4.4% and 4.3%, exclusive of the fee on undrawn commitments as of June 30, 2019 and September 30, 2018, respectively.

The annualized weighted average cost of debt for the nine months ended June 30, 2019 and 2018, inclusive of the fee on the undrawn commitment of 0.4% on the Credit Facility, amendment costs and debt issuance costs, was 5.3% and 7.3%, respectively (excluding amendment and debt issuance costs, amounts were 4.4% and 4.0%, respectively). As of June 30, 2019 and September 30, 2018, we had \$104.7 million and \$71.3 million of unused borrowing capacity under the Credit Facility, respectively, subject to the regulatory restrictions.

During the revolving period, the Credit Facility bears interest at LIBOR plus 200 basis points and, after the revolving period, the rate sets to LIBOR 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 June 30, 2019, 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 (1) all required cash interest and, if applicable, principal payments to the Lenders, (2) required 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 the 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.

In November 2017, we issued \$138.6 million of our 2023 Notes. The 2023 Notes were issued pursuant to a deed of trust between the Company and Mishmeret Trust Company, Ltd., as trustee.

The 2023 Notes pay interest at a rate of 3.8% 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 will be 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 our post-effective amendment filed on December 13, 2017 for more information. The 2023 Notes are rated AAA- 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.

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 nine months ended June 30, 2019 and 2018, we issued zero and 6.3 million shares, respectively. As a result, we raised approximately zero and \$88.0 million in net proceeds from our issuances of our equity capital, respectively.

As of June 30, 2019 and September 30, 2018, we had cash equivalents of \$25.4 million and \$72.2 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 used cash of \$96.0 million for the nine months ended June 30, 2019, and our financing activities provided cash of \$48.4 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.

Our operating activities used cash of \$183.0 million for the nine months ended June 30, 2018 and our financing activities provided cash of \$196.6 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from a follow-on equity offering and the issuance of the 2023 Notes.

#### **PennantPark Senior Secured Loan Fund I LLC**

In May 2017, we and Kemper formed PSSSL, an unconsolidated joint venture. PSSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSSL was formed as a Delaware limited liability company. As of June 30, 2019, PSSSL had total assets of \$483.3 million. As of the same date, we and Kemper had remaining commitments to fund first lien secured debt and equity interests in PSSSL in an aggregate amount of \$12.5 million. PSSSL invests in portfolio companies in the same industries in which we may directly invest.

We provide capital to PSSSL in the form of first lien secured debt and equity interests. As of June 30, 2019, 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 date, our investment in PSSSL consisted of first lien secured debt of \$121.0 million and equity interests of \$51.8 million. As of the same date, we had commitments to fund first lien secured debt to PSSSL of \$128.6 million, of which \$7.6 million was unfunded. As of June 30, 2019, we had commitments to fund equity interests in PSSSL of \$55.1 million, of which \$3.3 million was unfunded.

We and Kemper each appointed two members to PSSSL's four person board of directors and investment committee. All material decisions with respect to PSSSL, 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; and (iii) the presence of four members of the board of directors or investment committee shall constitute a quorum, provided that two individuals are present that were elected, designated or appointed by each member.

Additionally, PSSSL has entered into the PSSSL Credit Facility, with Capital One, N.A. through its wholly-owned subsidiary, PSSSL Subsidiary, which as of June 30, 2019 allowed PSSSL Subsidiary to borrow up to \$420.0 million at any one time outstanding, subject to leverage and borrowing base restrictions.

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

	<b>June 30, 2019</b>	<b>September 30, 2018</b>
Total investments	\$ 469,969,339	\$ 425,420,881
Weighted average yield on debt investments	7.9%	7.8%
Number of portfolio companies in PSSSL	42	42
Largest portfolio company investment	\$ 22,137,382	\$ 21,152,781
Total of five largest portfolio company investments	\$ 103,217,607	\$ 95,941,790

Below is a listing of PSSSL's individual investments as of June 30, 2019:

**PennantPark Senior Secured Loan Fund I LLC**  
**Schedule of Investments**  
**June 30, 2019**  
**(Unaudited)**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
<b>Investments in Non-Controlled, Non-Affiliated Portfolio Companies—810.7%</b>							
<b>First Lien Secured Debt—784.7%</b>							
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	7.34%	3M L+475	7,788,947	\$ 7,713,247	\$ 7,711,057
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.65%	1M L+725	13,966,474	13,703,235	13,966,474
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.83%	3M L+650	11,765,000	11,669,308	11,656,385
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	8.15%	1M L+575	7,367,758	7,328,804	7,146,725
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	8.18%	1M L+575	10,192,367	10,101,245	10,090,443
Country Fresh Holdings, LLC	05/01/23	Beverage, Food and Tobacco	7.33%	1M L+500	126,031	126,031	126,031
Country Fresh Holdings, LLC (Revolver)	05/01/23	Beverage, Food and Tobacco	7.33%	1M L+500	182,403	178,981	182,403
Country Fresh Holdings, LLC - (Revolver) (5)	05/01/23	Beverage, Food and Tobacco	—	—	324,080	—	—
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	8.65%	3M L+625	19,798,995	19,798,995	19,798,995
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	8.08%	3M L+575	12,343,750	12,177,552	12,220,312
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	8.08%	3M L+575	8,187,165	8,132,821	8,105,293
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	6.70%	3M L+525 A	\$ 10,000,000	7,370,292	6,806,965
GGOM Software LLC	11/14/2022	High Tech Industries	8.64%	1M L+500	17,679,835	17,548,440	17,679,835
Good2Grow LLC	11/18/2024	Beverages	6.58%	3M L+425	12,437,500	12,323,465	12,313,126
Good Source Solutions, Inc.	06/29/2023	Beverage, Food and Tobacco	6.66%	3M L+600	14,486,250	14,362,677	13,982,621
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	6.81%	3M L+450	19,718,741	19,567,681	19,521,554
IMIA Holdings, Inc.	10/28/2024	Aerospace and Defense	6.83%	3M L+450	12,437,500	12,380,182	12,375,312
Impact Group, LLC	06/27/2023	Wholesale	8.83%	1M L+650	9,415,185	9,317,781	9,321,033
Infrastructure Supply Operations Pty Ltd. (3), (4)	12/12/2023	Wholesale	6.06%	1M L+425 A	\$ 15,000,000	10,966,988	10,401,910
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	7.19%	1M L+525	19,950,000	19,674,203	19,688,865
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	7.83%	3M L+550	9,950,000	9,858,961	9,911,725
Leap Legal Software Pty Ltd (3), (4)	09/12/2022	High Tech Industries	7.46%	3M L+575 A	14,793,247	10,508,475	10,381,146
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.44%	1M L+500	17,865,000	17,724,092	17,686,350
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.42%	1M L+600	7,125,000	7,169,234	6,656,883
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.40%	1M L+600	6,895,000	6,811,021	6,690,130
Marketplace Events LLC (4)	01/27/2021	Media: Diversified and Production	7.21%	P+275 C	\$ 5,775,254	4,468,226	4,419,554
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	7.40%	3M L+500	6,025,044	5,990,699	6,017,961
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	8.33%	1M L+600	16,678,402	16,575,814	16,595,010
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.69%	1M L+425	14,887,500	14,760,960	14,738,625
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.90%	1M L+450	12,611,667	12,485,550	12,611,667
Output Services Group, Inc.	03/27/2024	Business Services	6.65%	1M L+425	7,903,419	7,931,431	7,073,560
Pestell Minerals and Ingredients Inc.	06/01/2023	Beverage, Food and Tobacco	7.84%	3M L+525	9,950,000	9,860,482	9,881,344
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	7.40%	1M L+500	10,917,500	10,816,718	10,808,325
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	8.32%	3M L+575	1,762,835	1,739,384	1,745,207
PlayPower, Inc.	05/8/2026	Leisure Products	7.90%	3M L+550	4,200,000	4,158,218	4,205,250
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	7.20%	3M L+450	11,318,125	11,213,908	11,204,944
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	8.44%	1M L+600	4,687,495	4,687,495	4,124,996
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	6.58%	3M L+425	15,263,579	15,266,582	15,263,579
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.87%	6M L+525	8,988,029	8,950,390	8,898,149
UBEO, LLC	04/03/2024	Capital Equipment	6.90%	1M L+450	22,360,991	22,150,179	22,137,382
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	7.40%	1M L+500	8,436,250	8,302,714	8,436,250
US Dominion, Inc.	07/15/2024	Capital Equipment	9.16%	3M L+675	3,960,000	3,899,682	3,960,000
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	9.10%	3M L+650	16,103,656	15,813,761	16,200,279
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	9.91%	1M L+900	5,501,362	5,419,531	5,501,362
Xebec Global Holdings, LLC	02/12/2024	Aerospace and Defense	7.93%	3M L+550	6,698,853	6,674,853	6,682,106
<b>Total First Lien Secured Debt</b>						<b>457,680,287</b>	<b>454,929,121</b>
<b>Second Lien Secured Debt—14.5%</b>							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	10.83%	1M L+850	846,936	846,936	846,936
			(PIK 10.83%)				
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	8.00%	6M L+525	7,607,291	7,607,291	7,569,255
			(PIK 8.00%)				
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	8.00%	—	15,206	15,206	15,206
			(PIK 8.00%)				
<b>Total Second Lien Secured Debt</b>						<b>8,469,434</b>	<b>8,431,398</b>
<b>Equity Securities—11.4%</b>							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco	—	—	1,317	1,713,106	1,413,806
DBI Holding, LLC, Series A-1	—	Business Services	—	—	5,034	5,034,310	5,034,806
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	160,208
<b>Total Equity Securities</b>						<b>6,983,937</b>	<b>6,608,821</b>
<b>Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>							
<b>Cash and Cash Equivalents—16.8%</b>						<b>7,556,272</b>	<b>7,556,272</b>
BlackRock Federal FD Institutional 30						2,196,606	2,202,887
US Bank Cash						9,752,878	9,759,159
<b>Total Cash and Cash Equivalents</b>						<b>12,145,756</b>	<b>12,214,326</b>
<b>Total Investments and Cash Equivalents—827.5%</b>						<b>\$ 482,886,536</b>	<b>\$ 479,728,490</b>
<b>Liabilities in Excess of Other Assets—(727.5)%</b>							
<b>Members' Equity—100.0%</b>							<b>(421,755,865)</b>
							<b>\$ 57,972,633</b>

- 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.
- Valued based on PSSSL's accounting policy.
- Non-U.S. company or principal place of business outside the United States.
- Par amount is denominated in Australian Dollars (A\$) or in Canadian Dollars (C\$) as denoted.
- 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 PSSSL's individual investments as of September 30, 2018:

**PennantPark Senior Secured Loan Fund I LLC**  
**Schedule of Investments**  
**September 30, 2018**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
<b>Investments in Non-Controlled, Non-Affiliated Portfolio Companies—830.9%</b>							
<b>First Lien Secured Debt—830.9%</b>							
Alvogen Pharma US, Inc. (3)	04/04/2022	Healthcare and Pharmaceuticals	6.99%	1M L+475	5,424,261	\$ 5,370,876	\$ 5,464,943
American Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	7.34%	3M L+525	4,949,622	4,910,720	4,875,378
Anvil International, LLC	08/01/2024	Construction and Building	6.70%	2M L+450	5,944,975	5,900,529	5,985,876
API Technologies Corp.	04/22/2024	Aerospace and Defense	8.25%	1M L+600	19,950,000	19,710,688	19,750,500
Beauty Industry Group Opco, LLC	04/06/2023	Consumer Goods: Non-Durable	7.00%	1M L+475	21,259,078	21,057,494	21,152,781
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	9.57%	3M L+725	10,761,235	10,538,732	10,761,235
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.83%	3M L+650	11,854,375	11,745,013	11,875,641
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.99%	1M L+575	7,424,433	7,381,442	7,424,433
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	7.85%	1M L+575	10,387,126	10,284,272	10,283,255
Country Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	7.39%	3M L+500	4,348,465	4,348,465	4,218,011
DBI Holdings, LLC	08/02/2021	Business Services	7.51%	1M L+525	12,437,500	12,334,446	12,437,500
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	7.74%	3M L+550	19,949,749	19,949,749	19,949,749
Digital Room Holdings, Inc.	12/29/2023	Media: Advertising, Printing and Publishing	7.25%	1M L+500	9,925,000	9,832,647	9,813,344
Douglas Products and Packaging Company LLC	03/29/2022	Chemicals, Plastics and Rubber	8.14%	3M L+575	12,437,500	12,243,681	12,313,125
Driven Performance Brands, Inc.	09/30/2022	Consumer Goods: Durable	6.86%	1M L+475	4,750,000	4,712,239	4,750,000
ENC Holding Corporation	05/30/2025	Transportation: Cargo	6.64%	3M L+425	10,345,500	10,320,383	10,319,636
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	7.23%	2M L+525 A \$	10,000,000	7,348,975	7,018,455
GCOM Software LLC	11/14/2022	High Tech Industries	9.67%	3M L+750	14,666,667	14,597,068	14,666,667
Good Source Solutions, Inc.	06/29/2023	Beverage, Food and Tobacco	8.39%	3M L+600	14,871,563	14,724,626	14,670,097
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	6.87%	3M L+450	15,461,250	15,313,430	15,383,940
Impact Group, LLC	06/27/2023	Wholesale	8.64%	1M L+625	9,975,000	9,860,343	9,925,125
Infrastructure Supply Operations Pty Ltd. (3), (4)	12/12/2023	Wholesale	6.64%	1M L+475 A \$	15,000,000	10,941,545	10,810,400
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.12%	1M L+500	18,000,000	17,831,930	17,820,000
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.12%	1M L+600	7,265,625	7,319,871	7,002,246
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.15%	1M L+600	6,947,500	6,853,205	6,894,684
Marketplace Events LLC (4)	01/27/2021	Media: Diversified and Production	7.08%	P+275 C \$	5,820,254	4,486,587	4,502,752
Maytex Mills, Inc.	12/27/2023	Consumer Goods: Durable	6.71%	1M L+450	8,761,452	8,721,691	8,783,355
McAfee, LLC	09/30/2024	High Tech Industries	6.74%	1M L+450	7,425,000	7,359,161	7,482,024
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	7.20%	2M L+500	4,005,973	3,986,058	3,996,350
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	8.40%	3M L+600	17,355,538	17,229,100	17,268,760
New Milami Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.37%	1M L+425	15,000,000	14,856,552	14,925,000
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.66%	1M L+450	13,965,000	13,825,350	13,965,000
Output Services Group, Inc.	03/27/2024	Business Services	6.49%	1M L+425	7,983,419	8,015,803	8,023,336
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	8.10%	1M L+600	4,687,495	4,687,495	4,054,683
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	6.49%	1M L+425	15,379,790	15,382,892	15,379,790
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.58%	3M L+525	10,516,049	10,459,746	10,410,888
UBEO, LLC	04/03/2024	Capital Equipment	6.60%	1M L+450	12,468,750	12,352,721	12,468,750
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	7.24%	1M L+500	8,500,000	8,352,305	8,351,250
US Dominion, Inc.	07/15/2024	Capital Equipment	9.14%	3M L+675	3,990,000	3,921,923	3,990,000
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	8.25%	1M L+600	4,625,000	4,678,730	4,636,563
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	11.25%	1M L+900	4,950,000	4,866,299	4,950,000
Xebec Global Holdings, LLC	02/12/2024	Aerospace and Defense	7.84%	3M L+550	6,749,730	6,721,428	6,665,359
<b>Total First Lien Secured Debt</b>						<u>425,336,210</u>	<u>425,420,881</u>
<b>Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>							
<b>Cash and Cash Equivalents—26.4%</b>							
BlackRock Federal FD Institutional 30						12,510,098	12,510,098
US Bank Cash						1,010,029	1,010,662
<b>Total Cash and Cash Equivalents</b>						<u>13,520,127</u>	<u>13,520,760</u>
<b>Total Investments and Cash Equivalents—857.3%</b>						<u>\$ 438,856,337</u>	<u>\$ 438,941,641</u>
<b>Liabilities in Excess of Other Assets—(757.3)%</b>							
<b>Members' Equity—100.0%</b>							<u>(387,744,237)</u>
							<u>\$ 51,197,404</u>

- (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 PSSSL'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.

Below is the financial information for PSSL:

**PennantPark Senior Secured Loan Fund I LLC**  
**Statements of Assets and Liabilities**

	June 30, 2019 (Unaudited)	September 30, 2018
<b>Assets</b>		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$473,133,658 and \$425,336,210, respectively)	\$ 469,969,339	\$ 425,420,881
Cash and cash equivalents (cost—\$9,752,878 and \$13,520,127, respectively)	9,759,159	13,520,760
Interest receivable	2,116,251	1,670,053
Prepaid expenses and other assets	1,423,333	2,784,477
<b>Total assets</b>	<b>483,268,082</b>	<b>443,396,171</b>
<b>Liabilities</b>		
PSSL Credit Facility payable	285,450,977	275,285,900
Notes payable to members	138,250,000	115,500,000
Interest payable on PSSL Credit Facility	1,113,520	1,065,306
Interest payable on notes to members	119,009	99,966
Accrued other expenses	361,943	247,595
<b>Total liabilities</b>	<b>425,295,449</b>	<b>392,198,767</b>
Commitments and contingencies (1)	—	—
<b>Members' equity</b>	<b>57,972,633</b>	<b>51,197,404</b>
<b>Total liabilities and members' equity</b>	<b>\$ 483,268,082</b>	<b>\$ 443,396,171</b>

(1) As of June 30, 2019 and September 30, 2018, PSSL had unfunded commitments to fund investments of \$0.3 million and zero, respectively.

**PennantPark Senior Secured Loan Fund I LLC**  
**Statements of Operations**  
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
<b>Investment income:</b>				
From non-controlled, non-affiliated investments:				
Interest	\$ 9,870,920	\$ 5,281,955	\$ 29,791,971	\$ 10,379,097
Other income	220,500	6,219	519,443	18,438
<b>Total investment income</b>	<b>10,091,420</b>	<b>5,288,174</b>	<b>30,311,414</b>	<b>10,397,535</b>
<b>Expenses:</b>				
Interest and expenses on PSSL Credit Facility	4,145,313	2,321,809	12,568,962	4,279,645
Interest expense on notes to members	3,701,558	1,772,798	10,595,874	3,411,498
Administrative services expenses	300,000	250,000	850,000	400,000
Other general and administrative expenses (1)	113,650	113,650	340,950	579,086
<b>Total expenses</b>	<b>8,260,521</b>	<b>4,458,257</b>	<b>24,355,786</b>	<b>8,670,229</b>
<b>Net investment income</b>	<b>1,830,899</b>	<b>829,917</b>	<b>5,955,628</b>	<b>1,727,306</b>
<b>Realized and unrealized (loss) gain on investments and credit facility foreign currency translations:</b>				
Net realized (loss) gain on investments	(1,604,539)	63,395	(1,025,488)	79,341
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	404,262	(1,072,357)	(3,243,343)	(72,655)
Credit facility depreciation of foreign currency translations	241,025	1,187,765	738,432	936,097
<b>Net change in unrealized appreciation (depreciation) on investments and credit facility foreign currency translations</b>	<b>645,287</b>	<b>115,408</b>	<b>(2,504,911)</b>	<b>863,442</b>
<b>Net realized and unrealized (loss) gain from investments and credit facility foreign currency translations</b>	<b>(959,252)</b>	<b>178,803</b>	<b>(3,530,399)</b>	<b>942,783</b>
<b>Net increase in members' equity resulting from operations</b>	<b>\$ 871,647</b>	<b>\$ 1,008,720</b>	<b>\$ 2,425,229</b>	<b>\$ 2,670,089</b>

(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 June 30, 2019, including borrowings under our Credit Facility, 2023 Notes 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
<b>a</b>					
Credit Facility	\$ 412.1	\$ —	\$ —	\$ 412.1	\$ —
2023 Notes	137.5	—	41.2	96.3	—
Total debt outstanding (1)	\$ 549.6	\$ —	\$ 41.2	\$ 508.4	\$ —
Unfunded commitments to PSSSL	10.9	—	—	—	10.9
Unfunded investments (2)	79.8	1.2	21.3	55.7	1.6
Total contractual obligations	\$ 640.3	\$ 1.2	\$ 62.5	\$ 564.1	\$ 12.5

(1) The annualized weighted average cost of debt as of June 30, 2019, excluding amendment costs and debt issuance costs, was 3.4% 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 2019, 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 2019, 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.

## 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 of the assets legally available for distribution of an amount generally at least equal to 90% of 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 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 the three and nine months ended June 30, 2019, we declared distributions of \$0.285 and \$0.855 per share, respectively, for total distributions of \$11.1 and \$33.2 million, respectively. For the same periods in the prior year, we declared distributions of \$0.285 and \$0.855 per share, respectively, for total distributions of \$11.1 million and \$32.5 million, respectively. 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.

On November 22, 2017, we terminated our dividend reinvestment plan. The termination of the plan applies to the reinvestment of cash distributions paid on or after December 22, 2017.

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.

## Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, which changed the fair value measurement disclosure requirements of ASC 820. The key provisions include new, eliminated and modified disclosure requirements. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods therein. Early application is permitted. The Company is currently evaluating the impact the adoption of this new accounting standard will have on its consolidated financial statements, but the impact of the adoption is not expected to be material.

In August 2018, the SEC issued Securities Act Release No. 33-10532, *Disclosure Update and Simplification*, or the Final Rule Release, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The amendments are intended to facilitate the disclosure of information to investors and simplify compliance. The Final Rule Release became effective for all filings on or after November 5, 2018. We adopted these amendments as currently required and these are reflected in the Company's consolidated financial statements and related disclosures. Certain prior year information has been adjusted to conform to these amendments.

In March 2019, the SEC issued the Final Rule Release No. 33-10618, *FAST Act Modernization and Simplification of Regulation S-K*, which amends certain SEC disclosure requirements. The amendments are intended to simplify certain disclosure requirements and to provide for a consistent set of rules to govern incorporating information by reference and hyperlinking, improve readability and navigability of disclosure documents, and discourage repetition and disclosure of immaterial information. The amendments are effective for all filings submitted on or after May 2, 2019. The Company adopted the requisite amendments effective May 2, 2019. As it pertains to the Company for this Form 10-Q, there were no significant changes to the Company's consolidated financial position or disclosures. The Company is still evaluating the impact these amendments will have on its other future periodic filings and registration statements.

### Item 3. Quantitative And Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. As of June 30, 2019, our debt portfolio consisted of 99% variable-rate investments and 1% fixed-rate investments. The variable-rate loans are usually based on a LIBOR rate 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%	\$	(5,120)	\$	(0.13)
Up 1%	\$	5,120	\$	0.13
Up 2%	\$	10,240	\$	0.26
Up 3%	\$	15,483	\$	0.40
Up 4%	\$	21,077	\$	0.54

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 June 30, 2019 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, 2018, 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, the Company was 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, the Company is 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 and the 2023 Notes 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 leveraging 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), and our stockholders, respectively, 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.

As of June 30, 2019 and September 30, 2018, our asset coverage ratio, as computed in accordance with the 1940 Act, was 190% and 213%, respectively. Since our leverage was 111% and 89% of our net assets as of June 30, 2019 and September 30, 2018, respectively, we would have to receive an annual return of at least 2.2% and 1.9%, respectively, to cover annual interest payments.

As of June 30, 2019, we had outstanding borrowings of \$415.3 million under our Credit Facility and \$138.6 million outstanding under our 2023 Notes. Our consolidated debt outstanding was \$553.9 million and had a weighted average annual interest rate at the time of 4.3%, exclusive of the fees on the undrawn commitment on the Credit Facility. To cover the annual interest on our borrowings of \$553.9 million outstanding as of June 30, 2019, at the weighted average annual rate of 4.3%, we would have to receive an annual yield of at least 2.2%. This example is for illustrative purposes only, and actual interest rates on our Credit Facility or any future borrowings are likely to fluctuate. The costs associated with our borrowings, including any increase in the management fee or incentive fee payable to our Investment Adviser, are and will be borne by our stockholders.

The following table is designed to illustrate the effect on the return to a holder of our common stock of the leverage created by our use of borrowing as of June 30, 2019 of 50% of total assets (including such borrowed funds), at the current interest rate at the time of 4.3%, and assumes hypothetical annual returns on our portfolio of minus 10 to plus 10 percent. The table also assumes that we will maintain a constant level of leverage and weighted average interest rate. The amount of leverage and cost of borrowing that we use will vary from time to time. As can be seen, leverage generally increases the return to stockholders when the portfolio return is positive and decreases return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed return on portfolio (net of expenses) <sup>(1)</sup>	(10.0)%	(5.0)%	—%	5.0%	10.0%
Corresponding return to common stockholders <sup>(2)</sup>	(26.5)%	(15.6)%	(4.7)%	6.2%	17.1%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance.

(2) In order to compute the “corresponding return to common stockholders,” the “assumed return on portfolio” is multiplied by the total value of our assets at the beginning of the period to obtain an assumed return to us. From this amount, all interest expense expected to be accrued during the period is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of the beginning of the period to determine the “corresponding return to common stockholders.”

**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\).](#)

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\* 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: August 7, 2019

By: \_\_\_\_\_  
/s/ Arthur H. Penn  
**Arthur H. Penn**  
**Chief Executive Officer and Chairman of the Board of Directors**  
**(Principal Executive Officer)**

Date: August 7, 2019

By: \_\_\_\_\_  
/s/ Aviv Efrat  
**Aviv Efrat**  
**Chief Financial Officer and Treasurer**  
**(Principal Financial and Accounting Officer)**

**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: August 7, 2019

/s/ Arthur H. Penn

Name: Arthur H. Penn

Title: Chief Executive Officer

**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: August 7, 2019

/s/ Aviv Efrat

Name: Aviv Efrat

Title: Chief Financial Officer



**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 and nine months ended June 30, 2019, 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: August 7, 2019

**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 and nine months ended June 30, 2019, 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: August 7, 2019