

**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 MARCH 31, 2020

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 814-00891

PENNANTPARK FLOATING RATE CAPITAL LTD.

(Exact name of registrant as specified in its charter)

MARYLAND

(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 May 11, 2020 was 38,772,074.

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PART I—CONSOLIDATED FINANCIAL INFORMATION

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

	March 31, 2020 (unaudited)	September 30, 2019
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$1,048,160,082 and \$886,955,156, respectively)	\$ 1,012,983,114	\$ 889,113,264
Non-controlled, affiliated investments (cost—\$25,970,270 and \$23,645,693, respectively)	11,138,636	20,430,565
Controlled, affiliated investments (cost—\$176,312,500 and \$174,562,500, respectively)	154,838,109	172,163,080
Total of investments (cost—\$1,250,442,852 and \$1,085,172,349, respectively)	1,178,959,859	1,081,706,909
Cash and cash equivalents (cost—\$30,223,951 and \$63,367,237, respectively)	29,993,752	63,337,728
Interest receivable	4,146,825	3,892,292
Receivable for investments sold	9,050,000	2,997,546
Prepaid expenses and other assets	464,179	441,337
Total assets	1,222,614,615	1,152,375,812
Liabilities		
Distributions payable	3,683,347	3,683,347
Payable for investments purchased	—	12,033,794
Credit Facility payable, at fair value (cost—\$413,307,500 and \$265,307,500, respectively) (See Notes 5 and 10)	400,592,492	263,988,583
2023 Notes payable, at fair value (par—\$138,579,858) (See Notes 5 and 10)	111,736,940	135,240,084
2031 Asset-Backed Debt, net (par—\$228,000,000) (See Notes 5 and 10)	224,550,913	224,321,845
Interest payable on debt	4,903,259	3,275,481
Base management fee payable (See Note 3)	2,948,941	2,728,019
Performance-based incentive fee payable (See Note 3)	2,937,024	2,532,205
Accrued other expenses	1,432,425	1,514,943
Total liabilities	752,785,341	649,318,301
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 38,772,074 shares issued and outstanding Par value \$0.001 per share and 100,000,000 shares authorized	38,772	38,772
Paid-in capital in excess of par value	538,632,828	538,632,828
Distributable income	(68,842,326)	(35,614,089)
Total net assets	\$ 469,829,274	\$ 503,057,511
Total liabilities and net assets	\$ 1,222,614,615	\$ 1,152,375,812
Net asset value per share	\$ 12.12	\$ 12.97

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 20,307,380	\$ 16,825,167	\$ 39,217,274	\$ 34,995,165
Other income	1,140,500	1,390,690	1,913,603	2,011,879
From non-controlled, affiliated investments:				
Interest	233,772	—	459,125	—
From controlled, affiliated investments:				
Interest	3,069,785	3,214,482	6,225,109	6,032,527
Dividend	1,575,000	1,575,000	3,150,000	3,150,000
Total investment income	<u>26,326,437</u>	<u>23,005,339</u>	<u>50,965,111</u>	<u>46,189,571</u>
Expenses:				
Base management fee (See Note 3)	2,948,941	2,418,706	5,779,100	4,917,472
Performance-based incentive fee (See Note 3)	2,937,024	2,514,047	5,252,859	1,321,638
Interest and expenses on debt (See Note 10)	7,626,550	5,316,180	14,933,814	10,621,658
Administrative services expenses (See Note 3)	350,000	350,000	700,000	850,000
Other general and administrative expenses	616,077	616,077	1,232,153	1,232,152
Expenses before amendment costs, debt issuance costs and provision for taxes	<u>14,478,592</u>	<u>11,215,010</u>	<u>27,897,926</u>	<u>18,942,920</u>
Credit Facility amendment costs and debt issuance costs (See Notes 5 and 10)	—	5,013	—	4,517,292
Provision for taxes	100,000	—	200,000	—
Total expenses	<u>14,578,592</u>	<u>11,220,023</u>	<u>28,097,926</u>	<u>23,460,212</u>
Net investment income	<u>11,747,845</u>	<u>11,785,316</u>	<u>22,867,185</u>	<u>22,729,359</u>
Realized and unrealized loss on investments and debt:				
Net realized (loss) gain on investments:				
Non-controlled, non-affiliated investments	(1,599,285)	1,079,348	(586,972)	2,002,814
Net realized (loss) gain on investments	<u>(1,599,285)</u>	<u>1,079,348</u>	<u>(586,972)</u>	<u>2,002,814</u>
Net change in unrealized depreciation on:				
Non-controlled, non-affiliated investments	(40,004,484)	(13,288,572)	(37,625,126)	(23,330,111)
Controlled and non-controlled, affiliated investments	(24,782,772)	573,851	(30,682,477)	(1,790,617)
Debt depreciation (appreciation) (See Notes 5 and 10)	33,537,647	(5,621,668)	34,899,235	(87,975)
Net change in unrealized depreciation on investments and debt	<u>(31,249,609)</u>	<u>(18,336,389)</u>	<u>(33,408,368)</u>	<u>(25,208,703)</u>
Net realized and unrealized loss from investments and debt	<u>(32,848,894)</u>	<u>(17,257,041)</u>	<u>(33,995,340)</u>	<u>(23,205,889)</u>
Net decrease in net assets resulting from operations	<u>\$ (21,101,049)</u>	<u>\$ (5,471,725)</u>	<u>\$ (11,128,155)</u>	<u>\$ (476,530)</u>
Net decrease in net assets resulting from operations per common share (See Note 7)	<u>\$ (0.54)</u>	<u>\$ (0.14)</u>	<u>\$ (0.29)</u>	<u>\$ (0.01)</u>
Net investment income per common share	<u>\$ 0.30</u>	<u>\$ 0.30</u>	<u>\$ 0.59</u>	<u>\$ 0.59</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 March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net decrease in net assets resulting from operations:				
Net investment income	\$ 11,747,845	\$ 11,785,316	\$ 22,867,185	\$ 22,729,359
Net realized (loss) gain on investments	(1,599,285)	1,079,348	(586,972)	2,002,814
Net change in unrealized depreciation on investments	(64,787,256)	(12,714,721)	(68,307,603)	(25,120,728)
Net change in unrealized depreciation (appreciation) on debt	33,537,647	(5,621,668)	34,899,235	(87,975)
Net decrease in net assets resulting from operations	<u>(21,101,049)</u>	<u>(5,471,725)</u>	<u>(11,128,155)</u>	<u>(476,530)</u>
Distributions to stockholders	<u>(11,050,041)</u>	<u>(11,050,041)</u>	<u>(22,100,082)</u>	<u>(22,100,082)</u>
Net decrease in net assets	<u>(32,151,090)</u>	<u>(16,521,766)</u>	<u>(33,228,237)</u>	<u>(22,576,612)</u>
Net assets:				
Beginning of period	501,980,364	529,786,722	503,057,511	535,841,568
End of period	<u>\$ 469,829,274</u>	<u>\$ 513,264,956</u>	<u>\$ 469,829,274</u>	<u>\$ 513,264,956</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net decrease in net assets resulting from operations	\$ (11,128,155)	\$ (476,530)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized depreciation on investments	68,307,603	25,120,728
Net change in unrealized (depreciation) appreciation on debt	(34,899,235)	87,975
Net realized loss (gain) on investments	586,972	(2,002,814)
Net accretion of discount and amortization of premium	(887,519)	(760,733)
Purchases of investments	(406,983,072)	(316,812,305)
Payment-in-kind interest	(1,089,736)	(524,049)
Proceeds from dispositions of investments	243,107,247	333,519,118
Amortization of deferred financing costs	229,072	—
Increase in interest receivable	(254,533)	(4,404)
Increase in receivable for investments sold	(6,052,454)	(13,945,000)
(Increase) decrease in prepaid expenses and other assets	(22,842)	685,972
Decrease in payable for investments purchased	(12,033,794)	(59,587,222)
Increase in interest payable on debt	1,627,778	323,459
Increase (decrease) in base management fee payable	220,921	(923)
Increase (decrease) in performance-based incentive fee payable	404,820	(784,357)
Decrease in accrued other expenses	(82,519)	(412,701)
Net cash used in operating activities	<u>(158,949,446)</u>	<u>(35,573,786)</u>
Cash flows from financing activities:		
Distributions paid to stockholders	(22,100,082)	(22,100,082)
Borrowings under Credit Facility (See Notes 5 and 10)	245,000,000	190,700,000
Repayments under Credit Facility (See Notes 5 and 10)	(97,000,000)	(172,120,020)
Net cash provided by (used in) financing activities	<u>125,899,918</u>	<u>(3,520,102)</u>
Net decrease in cash and cash equivalents	<u>(33,049,528)</u>	<u>(39,093,888)</u>
Effect of exchange rate changes on cash	(294,448)	611,740
Cash and cash equivalents, beginning of period	63,337,728	72,224,183
Cash and cash equivalents, end of period	<u>\$ 29,993,752</u>	<u>\$ 33,742,035</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 13,076,964</u>	<u>\$ 10,298,199</u>
Taxes paid	<u>\$ 501,633</u>	<u>\$ 273,941</u>
Non-cash exchanges and conversions	<u>\$ 8,025,882</u>	<u>\$ 18,032,254</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
MARCH 31, 2020
(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—215.6% (3), (4)							
First Lien Secured Debt—201.7%							
18 Fremont Street Acquisition, LLC	08/11/2025	Hotels, Restaurants and Leisure	9.50%	1M L+800	6,697,697	\$ 6,572,409	\$ 6,228,858
Advantage Sales & Marketing	07/23/2021	Food and Staples Retailing	4.70%	1M L+325	1,279,281	1,231,422	1,228,110
Altamira Technologies, LLC	07/24/2025	IT Services	7.78%	3M L+600	6,418,750	6,329,916	6,290,375
Altamira Technologies, LLC (Revolver) (7), (9)	07/24/2025	IT Services	—	—	2,156,250	—	(43,125)
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	5.75%	3M L+475	7,423,069	7,346,860	7,348,838
American Insulated Glass, LLC	12/21/2023	Building Products	7.40%	3M L+550	14,850,035	14,621,881	14,256,034
American Teleconferencing Services, Ltd.	06/08/2023	Telecommunications	8.24%	3M L+650	9,659,927	9,547,066	7,341,544
Apex Service Partners, LLC	07/31/2025	Energy Equipment and Services	6.25%	1M L+500	6,367,833	6,304,948	6,320,075
Apex Service Partners, LLC (7), (9)	07/31/2021	Energy Equipment and Services	—	—	1,844,019	—	(13,830)
API Holdings III Corp.	05/11/2026	Electronic Equipment, Instruments, and Components	5.24%	1M L+425	5,955,000	5,926,012	5,776,350
BEI Precision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	6.58%	3M L+550	11,670,000	11,600,897	11,436,600
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.52%	3M L+625	29,352,996	29,160,577	28,472,406
By Light Professional IT Services, LLC (Revolver) (7)	05/16/2022	High Tech Industries	7.67%	3M L+625	3,166,448	3,166,448	3,071,455
By Light Professional IT Services, LLC (Revolver) (7), (9)	05/16/2022	High Tech Industries	—	—	1,013,175	—	(30,395)
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.28%	3M L+650	2,853,510	2,826,599	2,754,779
Cano Health, LLC	12/23/2021	Healthcare and Pharmaceuticals	7.84%	1M L+625	33,684,743	33,424,149	33,684,743
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	3,815,167	3,819,235	3,777,015
Centauri Group Holdings, LLC	02/12/2024	Aerospace and Defense	6.71%	3M L+525	3,265,353	3,260,122	3,167,392
CHA Holdings, Inc.	04/10/2025	Environmental Industries	5.57%	3M L+450	7,328,973	7,304,186	7,182,393
Challenger Performance Optimization, Inc. (Revolver) (7), (9)	08/31/2023	Business Services	—	—	711,447	—	(78,259)
Compex Legal Services, Inc.	02/09/2026	Professional Services	7.34%	3M L+575	7,769,468	7,617,787	7,370,894
Compex Legal Services, Inc. (7), (9)	02/09/2026	Professional Services	—	—	3,322,470	—	(170,443)
Compex Legal Services, Inc. (Revolver) (7)	02/09/2026	Professional Services	6.82%	3M L+575	1,405,660	1,405,660	1,333,550
Confluent Health, LLC	06/24/2026	Healthcare Providers and Services	6.01%	1M L+500	3,970,000	3,930,706	3,811,200
Datalot Inc.	01/24/2025	Insurance	7.05%	3M L+525	15,334,477	15,038,297	14,724,164
Datalot Inc. (Revolver) (7)	01/24/2025	Insurance	6.25%	3M L+525	3,833,619	3,833,619	3,681,041
Digital Room Holdings, Inc.	05/22/2026	Media: Advertising, Printing and Publishing	6.07%	1M L+500	9,925,000	9,776,859	9,230,250
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	7.20%	3M L+575	14,267,647	14,111,747	13,982,294
Douglas Products and Packaging Company LLC (Revolver) (7)	10/19/2022	Chemicals, Plastics and Rubber	9.00%	P+475	4,391,176	4,391,176	4,303,353
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	7.20%	3M L+575	9,767,257	9,714,220	9,571,912
DRS Holdings III, Inc.	11/03/2025	Personal Products	7.20%	1M L+575	4,987,500	4,939,379	4,732,140
DRS Holdings III, Inc. (Revolver) (7)	11/03/2025	Personal Products	6.75%	1M L+575	722,973	722,973	685,957
DRS Holdings III, Inc. (Revolver) (7), (9)	11/03/2025	Personal Products	—	—	180,743	—	(9,254)
East Valley Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	9.07%	3M L+800	18,540,775	18,447,260	18,077,255
ECM Industries, LLC	12/23/2025	Electronic Equipment, Instruments, and Components	6.13%	1M L+450	5,101,476	5,051,875	4,820,894
ECM Industries, LLC (Revolver) (7)	12/23/2025	Electronic Equipment, Instruments, and Components	5.70%	1M L+450	914,415	914,415	854,978
eCommission Financial Services, Inc. (10)	10/05/2023	Banking, Finance, Insurance & Real Estate	6.38%	1M L+500	16,378,750	16,378,750	16,051,175
eCommission Financial Services, Inc. (Revolver) (7), (10)	10/05/2023	Banking, Finance, Insurance & Real Estate	6.00%	1M L+500	5,000,000	5,000,000	4,900,000
Education Networks of America, Inc.	05/06/2021	Telecommunications	8.86%	1M L+725	10,170,513	10,170,513	9,814,545
Education Networks of America, Inc. (Revolver) (7), (9)	05/06/2021	Telecommunications	8.94%	1M L+725	2,197,230	2,197,230	2,120,327
Efficient Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	7.82%	3M L+675	7,189,139	7,164,036	6,721,845
Empire Resorts, Inc.	03/22/2021	Hotel, Gaming and Leisure	3.25%	1M L+225	8,025,882	8,025,882	8,025,882
FlexPrint, LLC	01/02/2024	Professional Services	8.81%	3M L+722	4,975,898	4,910,270	4,602,706
FlexPrint, LLC (7), (9)	01/02/2024	Professional Services	—	—	3,077,342	—	(207,720)
GCOM Software LLC	11/14/2022	High Tech Industries	7.86%	1M L+625	14,075,567	13,823,919	14,040,313
GCOM Software LLC (Revolver) (7)	11/14/2022	High Tech Industries	8.74%	P+425	2,666,667	2,666,667	2,660,000
Good2Grow LLC	11/18/2024	Beverages	5.32%	3M L+425	6,797,549	6,741,917	6,321,720
Good2Grow LLC (Revolver) (7)	11/18/2024	Beverages	5.25%	3M L+425	1,882,200	1,882,200	1,769,268
Good2Grow LLC (Revolver) (7), (9)	11/16/2023	Beverages	—	—	1,254,800	—	(75,288)
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	5.56%	3M L+450	19,227,856	19,127,205	18,747,160
GSM Holdings, Inc. (Revolver) (7)	06/03/2024	Consumer Goods: Durable	7.15%	3M L+425	7,126,484	7,126,484	6,948,322
Holdco Sands Intermediate, LLC	12/19/2025	Aerospace and Defense	7.45%	3M L+600	21,650,500	21,336,934	21,217,490
HW Holdco, LLC	12/10/2024	Media	7.25%	1M L+625	7,454,032	7,391,072	7,230,411
HW Holdco, LLC (Revolver) (7), (9)	12/10/2024	Media	—	—	1,451,613	—	(43,548)
IMIA Holdings, Inc. (Revolver) (7)	10/28/2024	Aerospace and Defense	5.50%	1M L+450	984,252	984,252	930,118
IMIA Holdings, Inc. (Revolver) (7), (9)	10/28/2024	Aerospace and Defense	—	—	984,252	—	(54,134)
Impact Group, LLC	06/27/2023	Wholesale	8.04%	1M L+650	12,739,165	12,681,686	10,891,986
Innova Medical Ophthalmics Inc. (5), (10)	04/13/2023	Capital Equipment	7.70%	3M L+625	3,288,645	3,257,315	3,058,440
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (10)	04/13/2023	Capital Equipment	7.25%	3M L+625	530,973	530,973	499,115
Integrative Nutrition, LLC	09/29/2023	Consumer Services	6.20%	3M L+475	25,625,377	25,434,705	24,600,362
Integrative Nutrition, LLC (Revolver) (7)	09/29/2023	Consumer Services	5.75%	3M L+475	5,000,000	5,000,000	4,800,000
Inventus Power, Inc.	04/30/2021	Consumer Goods: Durable	7.50%	1M L+650	3,734,390	3,720,426	3,472,983
K2 Pure Solutions NoCal, L.P. (Revolver) (7)	12/20/2023	Chemicals, Plastics and Rubber	6.75%	1M L+575	1,428,571	1,428,571	1,360,286
Kentucky Downs, LLC	03/07/2025	Hotels, Restaurants and Leisure	10.45%	1M L+900	5,444,171	5,348,344	5,416,950
			(PIK 3.00%)				
Kentucky Downs, LLC (7), (9)	03/07/2025	Hotels, Restaurants and Leisure	—	—	448,276	—	(2,241)
Lago Resort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	10.57%	3M L+950	9,265,000	9,190,156	8,616,450
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	6.95%	1M L+550	8,936,957	8,888,661	8,554,456
LAV Gear Holdings, Inc. (Revolver) (7)	10/31/2024	Capital Equipment	7.45%	1M L+550	507,937	507,937	486,197
LAV Gear Holdings, Inc. (Revolver) (7), (9)	10/31/2024	Capital Equipment	—	—	1,079,365	—	(46,197)

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(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Lash Opco, LLC	12/12/2024	Personal Products	8.75%	1M L+725	8,946,987	\$ 8,690,750	\$ 8,231,228
Lash Opco, LLC (Revolver) (7)	12/12/2024	Personal Products	8.39%	1M L+725	1,705,015	1,705,015	1,585,665
Lash Opco, LLC (Revolver) (7), (9)	12/12/2024	Personal Products	—	—	38,168	—	(2,672)
LifeCare Holdings LLC (7)	11/30/2021	Healthcare and Pharmaceuticals	0.00% (6)	—	4,736,107	4,599,788	236,805
Lightspeed Buyer Inc.	02/03/2026	Healthcare Technology	6.75%	1M L+575	27,144,833	26,611,314	25,244,695
Lightspeed Buyer Inc. (7), (9)	02/03/2026	Healthcare Technology	—	—	5,252,966	—	(315,178)
Lightspeed Buyer Inc. (Revolver) (7)	02/03/2026	Healthcare Technology	6.75%	1M L+575	2,499,299	2,499,299	2,324,348
Lombart Brothers, Inc.	04/13/2023	Capital Equipment	7.70%	3M L+625	13,711,638	13,572,443	12,751,824
Lombart Brothers, Inc. (Revolver) (7)	04/13/2023	Capital Equipment	7.25%	3M L+625	1,238,938	1,238,938	1,164,602
Long Island Vision Management, LLC	09/07/2023	Healthcare and Pharmaceuticals	6.56%	3M L+475	9,021,896	8,965,087	8,696,205
Long Island Vision Management, LLC (7), (9)	09/07/2023	Healthcare and Pharmaceuticals	—	—	880,212	—	(31,776)
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	13,503,125	13,420,264	12,152,813
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	7.00%	1M L+600	8,347,500	8,290,549	7,941,811
Marketplace Events LLC	01/27/2023	Media: Diversified and Production	6.70%	3M L+525	5,284,919	5,219,537	4,809,277
Marketplace Events LLC (11)	01/27/2023	Media: Diversified and Production	6.58%	P+275	16,213,270	11,370,730	10,479,649
Marketplace Events LLC (Revolver) (7)	01/27/2023	Media: Diversified and Production	6.00%	P+275	1,703,163	1,703,163	1,583,942
MeritDirect, LLC	05/23/2024	Media	6.95%	3M L+550	30,350,934	29,952,809	28,226,369
MeritDirect, LLC (Revolver) (7), (9)	05/23/2024	Media	—	—	4,481,655	—	(268,899)
Mission Critical Electronics, Inc. (7)	09/28/2022	Capital Equipment	6.94%	1M L+500	616,829	611,366	601,531
Mission Critical Electronics, Inc. (Revolver) (7)	09/28/2021	Capital Equipment	8.56%	1M L+500	883,392	883,392	861,484
Mission Critical Electronics, Inc. (Revolver) (7), (9)	09/28/2021	Capital Equipment	—	—	441,696	—	(10,954)
Nuvei Technologies Corp. (5), (10)	09/28/2025	Diversified Financial Services	6.00%	1M L+500	6,269,637	6,181,009	6,081,548
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	5.25%	1M L+425	1,428,452	1,414,168	1,414,168
Olde Thompson, LLC (Revolver) (7)	05/14/2024	Beverage, Food and Tobacco	5.25%	1M L+425	1,321,429	1,321,429	1,308,214
Olde Thompson, LLC (Revolver) (7), (9)	05/14/2024	Beverage, Food and Tobacco	—	—	1,321,429	—	(13,215)
Output Services Group, Inc.	03/27/2024	Business Services	6.11%	1M L+450	4,485,177	3,898,209	4,081,512
Output Services Group, Inc. (7), (9)	03/27/2024	Business Services	—	—	74,527	—	(6,335)
Ox Two, LLC	02/27/2023	Construction and Building	7.85%	1M L+625	12,653,425	12,590,132	12,526,890
Ox Two, LLC (Revolver) (7)	02/27/2023	Construction and Building	8.51%	1M L+625	552,888	552,888	547,359
Ox Two, LLC (Revolver) (7), (9)	02/27/2023	Construction and Building	—	—	2,667	—	(27)
Peninsula Pacific Entertainment LLC	11/13/2024	Hotel, Gaming and Leisure	8.32%	1M L+725	10,275,810	10,240,842	9,453,745
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	7.12%	3M L+575	2,103,056	2,080,278	2,060,994
PlayPower, Inc.	05/08/2026	Leisure Products	6.95%	1M L+550	5,558,000	5,506,130	5,391,260
PRA Events, Inc.	08/08/2022	Business Services	8.45%	1M L+700	2,558,746	2,523,472	2,520,364
Questex, LLC	09/09/2024	Media: Diversified and Production	6.75%	3M L+575	7,387,500	7,271,817	7,018,125
Questex, LLC (Revolver) (7)	09/09/2024	Media: Diversified and Production	6.75%	3M L+575	398,936	398,936	378,990
Questex, LLC (Revolver) (7), (9)	09/09/2024	Media: Diversified and Production	—	—	797,872	—	(39,893)
Research Horizons, LLC	06/28/2022	Media: Advertising, Printing and Publishing	7.84%	3M L+625	7,078,632	7,018,013	6,724,700
Research Now Group, Inc. and Survey Sampling International LLC	12/20/2024	Business Services	7.26%	3M L+550	25,386,499	24,668,238	24,371,038
Riverpoint Medical, LLC	06/20/2025	Healthcare Equipment and Supplies	5.75%	3M L+475	4,962,500	4,917,642	4,742,661
Riverpoint Medical, LLC (Revolver) (7)	06/20/2025	Healthcare Equipment and Supplies	5.75%	3M L+475	454,545	454,545	434,409
Riverpoint Medical, LLC (Revolver) (7), (9)	06/20/2025	Healthcare Equipment and Supplies	—	—	454,545	—	(20,136)
Riverside Assessments, LLC	03/10/2025	Professional Services	6.75%	3M L+575	15,750,000	15,438,109	14,568,750
Sales Benchmark Index LLC	01/3/2025	Professional Services	7.87%	3M L+600	14,004,065	13,736,053	13,723,985
Sales Benchmark Index LLC (7), (9)	06/3/2021	Professional Services	—	—	3,231,707	—	(64,634)
Sales Benchmark Index LLC (Revolver) (7), (9)	01/3/2025	Professional Services	—	—	1,292,683	—	(25,853)
Salient CRGT Inc.	02/28/2022	High Tech Industries	7.57%	1M L+600	1,746,626	1,730,621	1,397,300
Sargent & Greenleaf Inc.	12/20/2024	Electronic Equipment, Instruments, and Components	7.00%	1M L+550	4,748,376	4,680,177	4,510,957
Sargent & Greenleaf Inc. (Revolver) (7)	12/20/2024	Electronic Equipment, Instruments, and Components	7.00%	1M L+550	1,056,367	1,056,367	998,267
Schlesinger Global, Inc.	07/14/2025	Professional Services	7.44%	1M L+600	13,546,826	13,407,952	13,275,900
Schlesinger Global, Inc. (Revolver) (7), (9)	07/14/2025	Professional Services	—	—	1,870,302	—	(37,416)
Signature Systems Holding Company	05/03/2024	Commercial Services & Supplies	7.57%	1M L+650	12,675,000	12,509,394	12,383,475
Signature Systems Holding Company (Revolver) (7)	05/03/2024	Commercial Services & Supplies	7.50%	1M L+650	279,570	279,570	273,140
Signature Systems Holding Company (Revolver) (7), (9)	05/03/2024	Commercial Services & Supplies	—	—	1,467,742	—	(33,758)
Smile Brands Inc. (7)	10/14/2024	Healthcare and Pharmaceuticals	6.11%	1M L+450	3,417,798	3,417,798	3,383,620
Smile Brands Inc. (7), (9)	10/14/2024	Healthcare and Pharmaceuticals	—	—	1,076,088	—	(10,761)
Smile Brands Inc. (Revolver) (7)	10/14/2024	Healthcare and Pharmaceuticals	7.62%	P+350	1,429,482	1,429,482	1,403,465
Smile Brands Inc. (Revolver) (7), (9)	10/14/2024	Healthcare and Pharmaceuticals	—	—	186,768	—	(3,399)
Snak Club, LLC (Revolver) (7)	07/19/2021	Beverage, Food and Tobacco	7.05%	3M L+600	483,333	483,333	456,749
Snak Club, LLC (Revolver) (7), (9)	07/19/2021	Beverage, Food and Tobacco	—	—	11,803	—	(649)
Solutionreach, Inc.	01/17/2024	Healthcare Technology	6.74%	3M L+575	6,647,338	6,541,288	6,425,983
Solutionreach, Inc. (Revolver) (7)	01/17/2024	Healthcare Technology	6.71%	3M L+575	1,248,750	1,248,750	1,207,167
Solutionreach, Inc. (Revolver) (7), (9)	01/17/2024	Healthcare Technology	—	—	416,250	—	(13,861)
Spear Education, LLC	02/26/2025	Professional Services	6.90%	3M L+525	15,125,000	14,977,694	14,822,500
Spear Education, LLC (7), (9)	02/26/2025	Professional Services	—	—	6,875,000	—	(137,500)
Spectacle Gary Holdings, LLC	12/23/2025	Hotels, Restaurants and Leisure	11.00%	1M L+900	8,427,027	8,181,265	8,005,676
Spectacle Gary Holdings, LLC (7), (9)	12/23/2025	Hotels, Restaurants and Leisure	—	—	972,973	—	(48,649)
STV Group Incorporated	12/11/2026	Construction & Engineering	6.24%	1M L+525	13,236,472	13,106,014	12,971,742
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	6,663,122	6,596,751	6,396,597
Teneo Holdings LLC	07/18/2025	Diversified Financial Services	6.25%	1M L+525	9,950,000	9,582,343	9,452,500
Tensar Corporation	07/09/2021	Construction and Building	6.20%	3M L+475	22,620,696	22,547,428	21,263,454
The Insoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.96%	3M L+525	18,380,294	18,243,795	17,277,476
The Original Cakerie, Co. (5), (10)	07/20/2022	Consumer Goods: Non-Durable	6.62%	2M L+500	7,586,270	7,523,434	7,206,957
The Original Cakerie Ltd. (5), (10)	07/20/2022	Consumer Goods: Non-Durable	6.12%	2M L+450	5,403,722	5,375,094	5,133,536
The Original Cakerie Ltd. (Revolver) (5), (7), (10)	07/20/2022	Consumer Goods: Non-Durable	6.54%	3M L+450	1,418,484	1,418,484	1,347,560
TPC Canada Parent, Inc. and TPC US Parent, LLC (5), (10)	11/24/2025	Food Products	7.16%	3M L+525	4,987,500	4,939,707	4,839,870
Triad Manufacturing, Inc.	12/28/2020	Capital Equipment	12.24%	1M L+1,125	7,314,323	7,287,001	7,241,180
TVC Enterprises, LLC	01/18/2024	Professional Services	6.50%	1M L+550	5,898,936	5,804,926	5,780,957
TVC Enterprises, LLC (7), (9)	01/18/2024	Professional Services	—	—	1,955,719	—	(39,114)
TVC Enterprises, LLC (Revolver) (7)	01/18/2024	Professional Services	6.50%	1M L+550	733,273	733,273	718,608
TVC Enterprises, LLC (Revolver) (7), (9)	01/18/2024	Professional Services	—	—	570,539	—	(11,411)

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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	7.25%	1M L+625	6,910,465	\$ 6,754,738	\$ 6,703,151
TWS Acquisition Corporation (Revolver) (7)	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	1,819,285	1,819,285	1,764,707
TWS Acquisition Corporation (Revolver) (7), (9)	06/16/2025	Diversified Consumer Services	—	—	808,571	—	(24,257)
Tyto Athene, LLC	08/27/2024	Aerospace and Defense	6.75%	1M L+575	17,582,096	17,365,943	16,400,674
Tyto Athene, LLC (Revolver) (7)	08/27/2024	Aerospace and Defense	6.75%	1M L+575	4,318,182	4,318,182	4,028,023
Tyto Athene, LLC (Revolver) (7), (9)	08/27/2024	Aerospace and Defense	—	—	2,500,000	—	(167,987)
UBEO, LLC	04/03/2024	Capital Equipment	6.76%	3M L+450	14,101,269	14,013,752	13,960,256
UBEO, LLC (Revolver) (7)	04/03/2024	Capital Equipment	5.55%	3M L+450	2,933,333	2,933,333	2,894,672
UniTek Global Services, Inc.	08/20/2024	Telecommunications	8.11%	3M L+650	10,417,286	10,247,069	9,167,212
Urology Management Associates, LLC	08/30/2024	Healthcare Providers and Services	6.46%	3M L+500	4,987,500	4,905,677	4,887,750
US Med Acquisition, Inc. (7)	08/13/2021	Healthcare and Pharmaceuticals	9.95%	1M L+850	2,980,469	2,980,469	2,935,762
Vision Purchaser Corporation	06/10/2025	Media	7.49%	1M L+625	14,430,851	14,154,694	13,853,617
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	4,267,207	4,209,359	4,224,535
Wildcat Buyerco, Inc.	02/27/2026	Electronic Equipment, Instruments, and Components	7.14%	3M L+550	7,473,529	7,308,304	7,286,691
Wildcat Buyerco, Inc. (7), (9)	02/27/2022	Electronic Equipment, Instruments, and Components	—	—	3,914,706	—	(53,827)
Wildcat Buyerco, Inc. (Revolver) (7), (9)	02/27/2026	Electronic Equipment, Instruments, and Components	—	—	533,824	—	(13,346)
Total First Lien Secured Debt						986,913,905	947,728,061
Second Lien Secured Debt—5.6%							
Condor Borrower, LLC (7)	04/25/2025	High Tech Industries	10.53%	3M L+875	1,655,172	1,629,894	1,531,035
DBI Holdings, LLC, Term Loan B	02/02/2026	Business Services	9.00%	—	11,157,124	11,157,124	10,655,953
			(PIK 9.00%)				
DBI Holdings, LLC, Term Loan C (7)	03/26/2021	Business Services	9.00%	—	22,312	22,312	21,308
			(PIK 9.00%)				
DecoPac, Inc.	03/31/2025	Beverage, Food and Tobacco	9.25%	3M L+825	9,738,580	9,648,701	9,738,580
MailSouth, Inc.	10/23/2024	Media: Advertising, Printing and Publishing	12.00%	12M L+925	2,871,025	2,825,614	2,612,633
PT Network Intermediate Holdings, LLC (7)	11/30/2024	Healthcare and Pharmaceuticals	11.83%	3M L+1,000	1,982,007	1,965,378	1,833,356
			(PIK 11.83%)				
Total Second Lien Secured Debt						27,249,023	26,391,965
Preferred Equity—1.5% (6)							
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (7), (8)	—	Healthcare and Pharmaceuticals	—	—	1,458	21,870	190
Condor Holdings Limited (5), (7), (10)	—	High Tech Industries	—	—	88,000	10,173	10,173
Condor Top Holdco Limited (5), (7), (10)	—	High Tech Industries	—	—	88,000	77,827	77,827
DBI Holdings, LLC, Series A-1 (8)	—	Business Services	14.00%	—	7,041	7,040,844	3,542,199
MeritDirect Holdings, LP (7), (8)	—	Media	—	—	960	960,000	742,962
NXOF Holdings, Inc. (NextiraOne Federal, LLC) (7)	—	Aerospace and Defense	—	—	490	490,000	424,569
PT Network Intermediate Holdings, LLC (7), (8)	—	Healthcare and Pharmaceuticals	11.94%	3M L+1,000	33	429,000	467,044
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	12.00%	—	1,167	1,166,993	1,222,477
TPC Holding Company, LP (5), (7), (10)	—	Food Products	—	—	409	409,011	421,445
UniTek Global Services, Inc. - Super Senior Preferred Equity (7)	—	Telecommunications	20.00%	—	343,861	343,861	—
UniTek Global Services, Inc. - Senior Preferred Equity (7)	—	Telecommunications	19.00%	—	448,851	448,851	—
UniTek Global Services, Inc. (7)	—	Telecommunications	13.50%	—	1,047,317	670,283	—
Total Preferred Equity						12,068,713	6,908,886
Common Equity/Warrants—6.8% (6)							
Affinion Group Holdings, Inc. (Warrants)(7)	—	Consumer Goods: Durable	—	—	8,893	244,998	—
AG Investco LP (7), (8)	—	Software	—	—	805,164	805,164	805,164
AG Investco LP (7), (8), (9)	—	Software	—	—	194,836	—	—
Altamira Intermediate Company II, Inc. (7)	—	IT Services	—	—	1,437,500	1,437,500	1,326,801
By Light Investco LP (7), (8)	—	High Tech Industries	—	—	21,908	2,190,771	6,067,737
By Light Investco LP (7), (8), (9)	—	High Tech Industries	—	—	5,592	—	—
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) (7), (8)	—	Business Services	—	—	120,962	1,243,217	960,839
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (7), (8)	—	Healthcare and Pharmaceuticals	—	—	13,333	200,000	—
CI (Summit) Investment Holdings, LLC (SFP Holding, Inc.) (7)	—	Construction and Building	—	—	58,846	629,620	668,999
DBI Holdings, LLC, Series B (8)	—	Business Services	—	—	1,489,508	330,791	—
DecoPac Holdings Inc. (7)	—	Beverage, Food and Tobacco	—	—	1,633	1,632,744	3,126,132
ECM Investors, LLC (7), (8)	—	Electronic Equipment, Instruments, and Components	—	—	240,636	240,636	213,528
eCommission Holding Corporation (7), (10)	—	Banking, Finance, Insurance & Real Estate	—	—	20	251,156	381,004
Faraday Holdings, LLC (7)	—	Construction and Building	—	—	1,141	58,044	187,117
Gauge InfosoftCoInvest, LLC (The Infosoft Group, LLC) (7)	—	Media: Broadcasting and Subscription	—	—	500	143,663	332,316
Gauge Lash Coinvest LLC (7)	—	Personal Products	—	—	1,089,489	1,089,489	617,767
Gauge Schlesinger Coinvest LLC (7)	—	Professional Services	—	—	403	403,005	676,207
Gauge TVC Coinvest, LLC (TVC Enterprises, LLC) (7)	—	Professional Services	—	—	391,144	391,144	383,878
GCOM InvestCo LP (7), (8)	—	High Tech Industries	—	—	1,549,209	1,423,211	2,506,194
GCOM InvestCo LP (7), (8), (9)	—	High Tech Industries	—	—	450,791	—	—
Go Dawgs Capital III, LP (American Insulated Glass, LLC) (7), (8)	—	Building Products	—	—	324,675	324,675	149,350
IIN Group Holdings, LLC (Integrative Nutrition, LLC) (7), (8)	—	Consumer Services	—	—	1,000	1,000,000	706,761
ITC Rumba, LLC (Cano Health, LLC) (7), (8)	—	Healthcare and Pharmaceuticals	—	—	25,006	543,578	815,167
ITC Rumba, LLC (Cano Health, LLC) (7), (8), (9)	—	Healthcare and Pharmaceuticals	—	—	1,352	—	—
JWC/UMA Holdings, L.P. (7)	—	Healthcare and Pharmaceuticals	—	—	1,000	1,000,000	1,139,684
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC) (7), (8)	—	Wholesale	—	—	1,381,741	1,381,741	4,015,266

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
MARCH 31, 2020
(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Kentucky Racing Holdco, LLC (Warrants) (7), (8)	—	Hotels, Restaurants and Leisure	—	—	87,345	\$ —	\$ 188,520
Lightspeed Investment Holdco LLC (7)	—	Healthcare Technology	—	—	585,587	585,587	387,126
MeritDirect Holdings, LP (7), (8)	—	Media	—	—	960	—	—
NXOF Holdings, Inc. (NextiraOne Federal, LLC) (7)	—	Aerospace and Defense	—	—	10,000	10,000	—
OceanSound Discovery Equity, LP (Holdco Sands Intermediate, LLC) (7), (8)	—	Aerospace and Defense	—	—	173,638	1,736,381	1,522,681
PT Network Intermediate Holdings, LLC (7), (8)	—	Healthcare and Pharmaceuticals	—	—	25	286,000	381,474
SBI Holdings Investments LLC (Sales Benchmark Index LLC) (7), (8)	—	Professional Services	—	—	64,634	646,341	530,629
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	—	—	61	61,421	—
SSC Dominion Holdings, LLC	—	Capital Equipment	—	—	500	500,000	540,000
Class A (US Dominion, Inc.) (7)	—	—	—	—	—	—	—
SSC Dominion Holdings, LLC	—	Capital Equipment	—	—	500	—	1,106,230
Class B (US Dominion, Inc.) (7)	—	—	—	—	—	—	—
TPC Broadband Investors, LP (7), (8)	—	Telecommunications	—	—	763,837	763,837	1,516,026
TPC Broadband Investors, LP (7), (8), (9)	—	Telecommunications	—	—	236,163	—	—
TPC Holding Company, LP (5), (7), (10)	—	Food Products	—	—	21,527	21,527	52,741
UniTek Global Services, Inc. (7)	—	Telecommunications	—	—	213,739	—	—
UniTek Global Services, Inc. (Warrants) (7)	—	Telecommunications	—	—	23,889	—	—
WBB Equity, LLC (7), (8)	—	Aerospace and Defense	—	—	142,857	142,857	472,857
Wildcat Parent, LP (Wildcat Buyerco, Inc.) (7), (8)	—	Electronic Equipment, Instruments, and Components	—	—	2,093	209,343	176,007
Total Common Equity/Warrants						<u>21,928,441</u>	<u>31,954,202</u>
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						<u>1,048,160,082</u>	<u>1,012,983,114</u>
Investments in Non-Controlled, Affiliated Portfolio Companies—2.4% (3), (4)							
First Lien Secured Debt—1.0%							
Country Fresh Holdings, LLC (7)	05/01/2023	Beverage, Food and Tobacco	6.45%	3M L+500	1,544,161	1,510,188	1,544,161
Country Fresh Holdings, LLC (Revolver) (7)	05/01/2023	Beverage, Food and Tobacco	6.45%	3M L+500	2,746,564	2,746,564	2,746,564
Quick Weight Loss Centers, LLC (7)	10/12/2023	Beverage, Food and Tobacco	0.00% (6)	—	2,057,202	2,057,202	302,530
Total First Lien Secured Debt						<u>6,313,954</u>	<u>4,593,255</u>
Second Lien Secured Debt—1.2%							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	9.95% (PIK 9.95%)	1M L+850	5,602,242	5,602,242	5,602,242
Quick Weight Loss Centers, LLC	10/12/2023	Beverage, Food and Tobacco	0.00% (6)	—	235,960	238,372	—
Total Second Lien Secured Debt						<u>5,840,614</u>	<u>5,602,242</u>
Preferred Equity—0.0% (6)							
Quick Weight Loss Centers Holdings, LLC (8)	—	Beverage, Food and Tobacco	—	—	9,568,216	842,352	—
Total Preferred Equity						<u>842,352</u>	<u>—</u>
Common Equity/Warrants—0.2% (6)							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco	—	—	8,034	10,453,350	943,139
Quick Weight Loss Centers, LLC (7), (8)	—	Beverage, Food and Tobacco	—	—	60	2,520,000	—
Total Common Equity/Warrants						<u>12,973,350</u>	<u>943,139</u>
Total Investments in Non-Controlled, Affiliated Portfolio Companies						<u>25,970,270</u>	<u>11,138,636</u>
Investments in Controlled, Affiliated Portfolio Companies—33.0% (3), (4)							
First Lien Secured Debt—25.5%							
PennantPark Senior Secured Loan Fund I LLC (7), (9), (10)	05/06/2024	Financial Services	9.45%	3M L+800	123,418,750	123,418,750	119,716,188
Total First Lien Secured Debt						<u>123,418,750</u>	<u>119,716,188</u>
Equity Interests—7.5%							
PennantPark Senior Secured Loan Fund I LLC (7), (9), (10)	—	Financial Services	—	—	52,894	52,893,750	35,121,921
Total Equity Interests						<u>52,893,750</u>	<u>35,121,921</u>
Total Investments in Controlled, Affiliated Portfolio Companies						<u>176,312,500</u>	<u>154,838,109</u>
Total Investments—250.9%						<u>1,250,442,852</u>	<u>1,178,959,859</u>
Cash and Cash Equivalents—6.4%							
BlackRock Federal FD Institutional 30						8,688,080	8,688,080
BNY Mellon Cash						21,535,871	21,305,672
Total Cash and Cash Equivalents						<u>30,223,951</u>	<u>29,993,752</u>
Total Investments and Cash Equivalents—257.3%						<u>\$ 1,280,666,803</u>	<u>\$ 1,208,953,611</u>
Liabilities in Excess of Other Assets—(157.3%)							<u>(739,124,337)</u>
Net Assets—100.0%							<u>\$ 469,829,274</u>

- 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.
- Valued based on our accounting policy (See Note 2). The value of all securities was determined using significant unobservable inputs (See Note 5).
- 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.
- 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.
- Non-U.S. company or principal place of business outside the United States.
- Non-income producing securities.
- The securities, or a portion thereof, are not 1) pledged as collateral under the Credit Facility and held through Funding I; or 2) securing the 2031 Asset-Backed Debt (See Note 10) and held through PennantPark CLO I, Ltd.
- Investment is held through our Taxable Subsidiary (See Note 1).
- Represents the purchase of a security with a 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.
- 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 March 31, 2020, qualifying assets represent 83% of our total assets and non-qualifying assets represent 17% of our total assets.
- Par amount is denominated in Canadian Dollars (C\$) as denoted.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2019

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—176.7% (3), (4)							
First Lien Secured Debt—162.7%							
18 Fremont Street Acquisition, LLC	08/11/2025	Hotels, Restaurants and Leisure	10.04%	1M L+800	15,000,000	\$ 14,702,672	\$ 15,000,000
Altamira Technologies, LLC	07/24/2025	IT Services	8.28%	3M L+600	6,500,000	6,404,125	6,500,000
Altamira Technologies, LLC (Revolver) (7), (9)	07/24/2025	IT Services	—	—	2,156,250	—	—
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	7.07%	3M L+475	5,798,444	5,727,667	5,740,459
American Insulated Glass, LLC	12/21/2023	Building Products	8.10%	3M L+550	14,925,000	14,670,272	14,701,125
American Insulated Glass, LLC (7), (9)	12/21/2023	Building Products	—	—	649,351	—	(9,740)
American Teleconferencing Services, Ltd.	12/08/2021	Telecommunications	8.69%	3M L+650	9,672,954	9,590,848	6,771,068
API Holdings III Corp.	05/11/2026	Electronic Equipment, Instruments, and Components	6.45%	1M L+425	5,985,000	5,955,320	5,783,006
BEI Precision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	7.61%	3M L+550	11,730,000	11,651,612	11,612,700
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.56%	3M L+625	13,096,955	12,864,397	13,096,955
By Light Professional IT Services, LLC (7)	05/16/2022	High Tech Industries	—	—	15,745,817	—	—
By Light Professional IT Services, LLC (Revolver) (7), (9)	05/16/2022	High Tech Industries	—	—	2,504,092	—	—
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.54%	3M L+650	2,868,106	2,848,592	2,854,626
Cano Health, LLC	12/23/2021	Healthcare and Pharmaceuticals	8.36%	1M L+650	23,306,224	23,094,603	23,306,224
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.86%	1M L+575	3,834,884	3,840,082	3,719,837
CHA Holdings, Inc.	04/10/2025	Environmental Industries	6.79%	3M L+450	7,366,205	7,340,067	7,329,374
CHA Holdings, Inc. (7), (9)	04/10/2025	Environmental Industries	—	—	53,571	—	(268)
Challenger Performance Optimization, Inc. (Revolver) (7)	08/31/2023	Business Services	7.87%	1M L+575	284,579	284,579	277,464
Challenger Performance Optimization, Inc. (Revolver) (7), (9)	08/31/2023	Business Services	—	—	426,868	—	(10,672)
Confluent Health, LLC	06/24/2026	Healthcare Providers and Services	7.40%	1M L+500	4,000,000	3,960,046	3,940,000
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	7.60%	3M L+550	944,900	931,008	944,900
Deva Holdings, Inc. (Revolver) (7), (9)	10/31/2022	Consumer Goods: Non-Durable	—	—	2,115,000	—	—
Digital Room Holdings, Inc. (7)	05/22/2026	Media: Advertising, Printing and Publishing	7.09%	1M L+500	9,975,000	9,827,383	9,495,003
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	8.08%	3M L+575	14,340,441	14,159,516	14,197,037
Douglas Products and Packaging Company LLC (Revolver) (7), (9)	10/19/2022	Chemicals, Plastics and Rubber	9.75%	P+475	439,118	439,118	434,726
Douglas Products and Packaging Company LLC (Revolver) (7), (9)	10/19/2022	Chemicals, Plastics and Rubber	—	—	3,952,059	—	(39,522)
Douglas Sewer Intermediary, LLC (7)	10/19/2022	Chemicals, Plastics and Rubber	7.85%	3M L+575	9,816,712	9,755,921	9,718,545
East Valley Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	10.06%	3M L+800	18,592,082	18,478,010	18,406,161
eCommission Financial Services, Inc. (10)	10/05/2023	Banking, Finance, Insurance & Real Estate	7.07%	1M L+500	21,564,375	21,564,375	21,564,375
eCommission Financial Services, Inc. (Revolver) (7), (9), (10)	10/05/2023	Banking, Finance, Insurance & Real Estate	—	—	5,000,000	—	—
Education Networks of America, Inc.	05/06/2021	Telecommunications	9.62%	1M L+750 (PIK 2.50%)	10,401,338	10,401,338	10,349,331
Education Networks of America, Inc. (Revolver) (7), (9)	05/06/2021	Telecommunications	9.66%	1M L+750	2,189,535	2,189,535	2,178,587
Efficient Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	8.85%	3M L+675	7,250,797	7,220,335	7,178,290
FlexPrint, LLC	01/02/2024	Professional Services	8.61%	3M L+620	4,281,014	4,213,518	4,216,799
FlexPrint, LLC (7), (9)	01/02/2024	Professional Services	—	—	3,772,226	—	(28,292)
GCOM Software LLC	11/14/2022	High Tech Industries	8.37%	1M L+625	12,112,187	11,880,407	12,112,187
GCOM Software LLC (Revolver) (7), (9)	11/14/2022	High Tech Industries	—	—	2,666,667	—	—
Good2Grow LLC (Revolver) (7), (9)	11/16/2023	Beverages	—	—	3,137,000	—	(31,370)
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	6.66%	3M L+450	19,325,409	19,215,204	19,132,154
GSM Holdings, Inc. (Revolver) (7)	06/03/2024	Consumer Goods: Durable	6.69%	3M L+450	5,938,737	5,938,737	5,879,350
GSM Holdings, Inc. (Revolver) (7), (9)	06/03/2024	Consumer Goods: Durable	—	—	1,187,747	—	(11,877)
HW Holdco, LLC	12/10/2024	Media	8.39%	1M L+625	7,491,774	7,422,604	7,491,774
HW Holdco, LLC (Revolver) (7)	12/10/2024	Media	8.39%	1M L+625	209,032	209,032	209,032
HW Holdco, LLC (Revolver) (7), (9)	12/10/2024	Media	—	—	1,242,581	—	—
IMIA Holdings, Inc. (Revolver) (7), (9)	10/28/2024	Aerospace and Defense	—	—	1,968,504	—	—
Impact Group, LLC	06/27/2023	Wholesale	8.72%	1M L+650	12,807,129	12,742,367	12,679,058
Innova Medical Ophthalmics Inc. (5), (10)	04/13/2023	Capital Equipment	8.35%	3M L+625	3,305,640	3,271,191	3,272,584
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (10)	04/13/2023	Capital Equipment	10.00%	P+500	159,292	159,292	158,495
Innova Medical Ophthalmics Inc. (Revolver) (5), (7), (9), (10)	04/13/2023	Capital Equipment	—	—	371,681	—	(1,858)
Integrative Nutrition, LLC	09/29/2023	Consumer Services	6.85%	3M L+475	25,755,126	25,541,479	25,755,126
Integrative Nutrition, LLC (Revolver) (7), (9)	09/29/2023	Consumer Services	—	—	5,000,000	—	—
Inventus Power, Inc.	04/30/2020	Consumer Goods: Durable	8.54%	1M L+650	4,105,494	4,100,506	3,777,055
K2 Pure Solutions NoCal, L.P. (Revolver) (7)	12/20/2023	Chemicals, Plastics and Rubber	7.30%	1M L+525	500,000	500,000	493,950
K2 Pure Solutions NoCal, L.P. (Revolver) (7), (9)	12/20/2023	Chemicals, Plastics and Rubber	—	—	928,571	—	(11,236)
Kentucky Downs, LLC	03/07/2025	Hotels, Restaurants and Leisure	10.60%	1M L+850	5,429,692	5,327,414	5,429,692
Kentucky Downs, LLC (7), (9)	03/07/2025	Hotels, Restaurants and Leisure	—	—	1,344,828	—	—
KHC Holdings, Inc.	10/31/2022	Wholesale	8.23%	3M L+600	12,031,250	11,925,121	12,031,250
KHC Holdings, Inc. (Revolver) (7)	10/30/2020	Wholesale	6.29%	1M L+425	479,839	479,839	479,839
KHC Holdings, Inc. (Revolver) (7), (9)	10/30/2020	Wholesale	—	—	729,839	—	—
Lago Resort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	11.60%	3M L+950	9,316,000	9,224,654	9,176,260
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	7.60%	1M L+550	8,357,143	8,311,279	8,349,621
LAV Gear Holdings, Inc. (Revolver) (7)	10/31/2024	Capital Equipment	7.61%	1M L+550	126,984	126,984	126,870
LAV Gear Holdings, Inc. (Revolver) (7), (9)	10/31/2024	Capital Equipment	—	—	1,460,317	—	(1,314)
LifeCare Holdings LLC (7)	11/30/2021	Healthcare and Pharmaceuticals	0.00% (6)	—	4,736,107	4,599,788	94,722
Lombart Brothers, Inc.	04/13/2022	Capital Equipment	8.35%	3M L+625	13,783,976	13,628,111	13,646,136
Lombart Brothers, Inc. (Revolver) (7)	04/13/2022	Capital Equipment	10.00%	P+500	437,272	437,272	435,086
Lombart Brothers, Inc. (Revolver) (7), (9)	04/13/2022	Capital Equipment	—	—	801,666	—	(4,009)
Long Island Vision Management, LLC	09/11/2023	Healthcare and Pharmaceuticals	7.05%	3M L+475	8,165,763	8,114,887	8,124,934
Long Island Vision Management, LLC (7), (9)	09/11/2023	Healthcare and Pharmaceuticals	—	—	1,788,843	—	(8,944)
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.10%	1M L+500	9,900,000	9,830,562	9,801,000
Long's Drugs Incorporated (Revolver) (7), (9)	08/19/2022	Healthcare and Pharmaceuticals	—	—	3,000,000	—	(60,000)

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
SEPTEMBER 30, 2019

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.04%	1M L+600	13,684,375	\$ 13,590,322	\$ 12,711,826
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.11%	1M L+600	8,390,000	8,327,947	8,159,275
Marketplace Events LLC	01/27/2023	Media: Diversified and Production	7.35%	3M L+525	5,312,015	5,243,388	5,245,616
Marketplace Events LLC (11)	01/27/2023	Media: Diversified and Production	7.20%	P+275	C\$ 16,299,990	11,428,057	12,311,171
Marketplace Events LLC (Revolver) (7)	01/27/2023	Media: Diversified and Production	7.75%	P+275	476,886	476,886	476,886
Marketplace Events LLC (Revolver) (7), (9)	01/27/2023	Media: Diversified and Production	—	—	1,226,277	—	—
MeritDirect, LLC	05/23/2024	Media	8.06%	3M L+550	34,772,838	34,280,848	34,251,245
MeritDirect, LLC (Revolver) (7), (9)	05/23/2024	Media	—	—	4,481,655	—	(67,225)
Mission Critical Electronics, Inc. (Revolver) (7)	09/28/2021	Capital Equipment	7.18%	1M L+500	212,014	212,014	212,014
Mission Critical Electronics, Inc. (Revolver) (7), (9)	09/28/2021	Capital Equipment	—	—	1,113,074	—	—
Montreign Operating Company, LLC	01/24/2023	Hotel, Gaming and Leisure	10.37%	3M L+825	27,189,858	27,394,375	24,344,712
Nuvei Technologies Corp. (5), (10)	09/28/2025	Diversified Financial Services	8.43%	P+400	19,949,780	19,652,494	19,650,534
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.54%	1M L+450	1,575,476	1,559,721	1,575,476
Olde Thompson, LLC - Revolver (7), (9)	05/14/2024	Beverage, Food and Tobacco	—	—	2,642,857	—	—
Output Services Group, Inc.	03/27/2024	Business Services	6.54%	1M L+450	2,962,422	2,684,289	2,547,683
Ox Two, LLC	02/27/2023	Construction and Building	8.29%	1M L+625	12,780,524	12,708,453	12,780,524
Ox Two, LLC (Revolver) (7)	02/27/2023	Construction and Building	12.25%	P+725	508,444	508,444	508,444
Ox Two, LLC (Revolver) (7), (9)	02/27/2023	Construction and Building	—	—	47,111	—	—
Peninsula Pacific Entertainment LLC (7)	11/13/2024	Hotel, Gaming and Leisure	9.35%	1M L+725	13,275,810	13,225,232	13,275,810
Pestell Minerals and Ingredients Inc. (5), (10)	06/01/2023	Beverage, Food and Tobacco	7.57%	3M L+525	14,887,500	14,769,736	14,738,625
Plant Health Intermediate, Inc. (7)	10/19/2022	Chemicals, Plastics and Rubber	8.00%	3M L+575	2,113,704	2,087,235	2,092,567
PlayPower, Inc.	05/08/2026	Leisure Products	7.60%	1M L+550	5,586,000	5,531,151	5,579,018
PRA Events, Inc.	08/08/2022	Business Services	9.11%	1M L+700	2,585,319	2,543,697	2,585,319
Quantum Spatial, Inc.	09/04/2024	Aerospace and Defense	7.32%	1M L+525	19,000,000	18,717,745	18,715,000
Questex, LLC	09/09/2024	Media: Diversified and Production	7.11%	3M L+500	7,425,000	7,297,539	7,350,750
Questex, LLC (Revolver) (7), (9)	09/09/2024	Media: Diversified and Production	—	—	1,196,809	—	(11,968)
Research Horizons, LLC	06/28/2022	Media: Advertising, Printing and Publishing	8.36%	3M L+625	7,241,807	7,167,727	7,096,971
Research Now Group, Inc. and Survey Sampling International LLC	12/20/2024	Business Services	7.84%	3M L+550	24,562,500	23,577,849	24,600,818
Riverpoint Medical, LLC	06/20/2025	Healthcare Equipment and Supplies	7.39%	3M L+500	4,987,500	4,938,821	4,961,565
Riverpoint Medical, LLC (Revolver) (7), (9)	06/20/2025	Healthcare Equipment and Supplies	—	—	909,091	—	(4,727)
Salient CRGT Inc.	02/28/2022	High Tech Industries	8.05%	1M L+600	1,771,740	1,752,209	1,674,294
Schlesinger Global, Inc.	07/14/2025	Professional Services	7.14%	1M L+500	18,256,482	17,988,515	18,256,482
Schlesinger Global, Inc. (7), (9)	07/14/2025	Professional Services	—	—	4,007,789	—	—
Schlesinger Global, Inc. (Revolver) (7)	07/14/2025	Professional Services	7.82%	3M L+500	667,965	667,965	667,965
Schlesinger Global, Inc. (Revolver) (7), (9)	07/14/2025	Professional Services	—	—	1,202,337	—	—
Signature Systems Holding Company	05/03/2024	Commercial Services & Supplies	8.60%	1M L+650	12,918,768	12,735,120	12,918,768
Signature Systems Holding Company (Revolver) (7), (9)	05/03/2024	Commercial Services & Supplies	—	—	1,747,312	—	—
Smile Brands Inc. (7)	10/14/2024	Healthcare and Pharmaceuticals	6.64%	1M L+450	2,136,667	2,136,667	2,115,300
Smile Brands Inc. (7), (9)	10/14/2024	Healthcare and Pharmaceuticals	—	—	2,362,585	—	(23,626)
Smile Brands Inc. (Revolver) (7)	10/14/2024	Healthcare and Pharmaceuticals	8.61%	P+350	242,438	242,438	238,025
Smile Brands Inc. (Revolver) (7), (9)	10/14/2024	Healthcare and Pharmaceuticals	—	—	1,373,813	—	(25,003)
Snak Club, LLC (Revolver) (7)	07/19/2021	Beverage, Food and Tobacco	8.23%	3M L+600	50,000	50,000	46,500
Snak Club, LLC (Revolver) (7), (9)	07/19/2021	Beverage, Food and Tobacco	—	—	445,136	—	(31,160)
Solutionreach, Inc.	01/17/2024	Healthcare Technology	7.83%	3M L+575	13,253,400	13,019,272	13,082,432
Solutionreach, Inc. (7), (9)	01/17/2024	Healthcare Technology	—	—	1,665,000	—	(21,478)
TeleGuam Holdings, LLC	07/25/2023	Telecommunications	7.10%	1M L+500	7,473,846	7,393,786	7,399,108
Teneo Holdings LLC	07/18/2025	Diversified Financial Services	7.45%	1M L+525	10,000,000	9,600,726	9,525,000
Tensar Corporation	07/09/2021	Construction and Building	6.85%	3M L+475	22,620,696	22,523,390	21,715,869
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	7.37%	3M L+525	18,667,460	18,511,339	18,480,783
The Original Cakerie, Co. (5), (10)	07/20/2022	Consumer Goods: Non-Durable	7.15%	2M L+500	7,624,976	7,550,542	7,586,851
The Original Cakerie Ltd. (5), (10)	07/20/2022	Consumer Goods: Non-Durable	6.65%	2M L+450	5,431,292	5,398,553	5,404,135
The Original Cakerie Ltd. (Revolver) (5), (7), (10)	07/20/2022	Consumer Goods: Non-Durable	6.65%	3M L+450	170,218	170,218	169,367
The Original Cakerie Ltd. (Revolver) (5), (7), (9), (10)	07/20/2022	Consumer Goods: Non-Durable	—	—	1,248,266	—	(6,241)
Triad Manufacturing, Inc.	12/28/2020	Capital Equipment	13.29%	1M L+1,125	7,710,575	7,664,214	7,633,469
TVC Enterprises, LLC	01/18/2024	Professional Services	7.61%	1M L+550	5,928,804	5,824,179	5,928,804
TVC Enterprises, LLC (7), (9)	01/18/2024	Professional Services	—	—	1,955,719	—	—
TVC Enterprises, LLC (Revolver) (7)	01/18/2024	Professional Services	7.61%	1M L+550	467,022	467,022	467,022
TVC Enterprises, LLC (Revolver) (7), (9)	01/18/2024	Professional Services	—	—	836,791	—	—
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	8.28%	1M L+625	7,075,000	6,906,190	6,933,500
TWS Acquisition Corporation (Revolver) (7)	06/16/2025	Diversified Consumer Services	8.28%	1M L+625	808,571	808,571	792,400
TWS Acquisition Corporation (Revolver) (7), (9)	06/16/2025	Diversified Consumer Services	—	—	1,819,286	—	(36,385)
Tyto Athene, LLC	08/27/2024	Aerospace and Defense	7.80%	1M L+575	18,000,068	17,763,278	17,463,665
Tyto Athene, LLC (Revolver) (7)	08/27/2024	Aerospace and Defense	7.80%	1M L+575	4,465,909	4,465,909	4,332,825
Tyto Athene, LLC (Revolver) (7), (9)	08/27/2024	Aerospace and Defense	—	—	2,352,273	—	(70,098)
UBEO, LLC	04/03/2024	Capital Equipment	6.75%	3M L+450	14,169,914	14,069,246	14,028,214
UBEO, LLC (Revolver) (7), (9)	04/03/2024	Capital Equipment	—	—	2,933,333	—	(38,661)
UniTek Global Services, Inc.	08/20/2024	Telecommunications	8.42%	3M L+550	10,395,000	10,209,742	9,771,301
US Med Acquisition, Inc. (7)	08/13/2021	Healthcare and Pharmaceuticals	11.10%	1M L+900	2,996,094	2,996,094	2,996,094
Vision Purchaser Corporation	06/10/2025	Media	8.30%	1M L+625	3,440,998	3,373,821	3,406,588
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	9.55%	1M L+750	5,187,498	5,083,748	5,187,498
Total First Lien Secured Debt						829,387,687	818,357,018
Second Lien Secured Debt—5.7%							
Condor Borrower, LLC (7)	04/25/2025	High Tech Industries	11.01%	3M L+875	1,655,172	1,628,190	1,638,621

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
SEPTEMBER 30, 2019

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
DBI Holdings, LLC, Term Loan B	02/01/2026	Business Services	8.00%	—	10,639,343	\$ 10,639,343	\$ 10,586,145
			(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%)				
DecoPac, Inc. (7)	03/31/2025	Beverage, Food and Tobacco	10.35%	3M L+825	9,738,580	9,643,427	9,738,580
MailSouth, Inc.	10/23/2024	Media: Advertising, Printing and Publishing	12.00%	12M L+925	2,871,025	2,822,554	2,784,894
McAfee, LLC (7)	09/29/2025	High Tech Industries	10.62%	1M L+850	2,187,500	2,158,107	2,205,284
PT Network Intermediate Holdings, LLC (7), (8)	11/30/2024	Healthcare and Pharmaceuticals	12.30%	3M L+1,000	1,864,409	1,846,555	1,845,765
			(PIK 12.30%)				
Total Second Lien Secured Debt						28,759,453	28,820,565
Preferred Equity— 1.9% (6)							
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (7), (8)	—	Healthcare and Pharmaceuticals	—	—	1,458	21,870	450
Condor Holdings Limited (5), (7), (10)	—	High Tech Industries	—	—	88,000	10,173	11,325
Condor Top Holdco Limited (5), (7), (10)	—	High Tech Industries	—	—	88,000	77,827	86,640
DBI Holdings, LLC, Series A-1 (8)	—	Business Services	13.00%	—	7,041	7,040,844	6,545,361
MeritDirect Holdings, LP (7), (8)	—	Media	—	—	960	960,000	1,002,057
NXOF Holdings, Inc. (NextiraOne Federal, LLC) (7)	—	Aerospace and Defense	—	—	490	490,000	362,645
PT Network Intermediate Holdings, LLC (7), (8)	—	Healthcare and Pharmaceuticals	12.14%	3M L+1,000	33	359,000	370,570
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	12.00%	—	1,167	1,166,993	1,224,860
UniTek Global Services, Inc. - Super Senior Preferred Equity (7)	—	Telecommunications	20.00%	—	343,861	343,861	30,743
UniTek Global Services, Inc. - Senior Preferred Equity (7)	—	Telecommunications	18.00%	—	448,851	448,851	—
UniTek Global Services, Inc. (7)	—	Telecommunications	13.50%	—	1,047,317	670,283	—
Total Preferred Equity						11,589,702	9,634,652
Common Equity/Warrants— 6.4% (6)							
Affinion Group Holdings, Inc. (Warrants)(7)	—	Consumer Goods: Durable	—	—	8,893	244,998	94,129
AG Investco LP (7), (8)	—	Software	—	—	714,652	714,652	714,652
AG Investco LP (7), (8), (9)	—	Software	—	—	285,348	—	—
Altamira Intermediate Company II, Inc. (7)	—	IT Services	—	—	1,437,500	1,437,500	1,437,500
By Light Investco LP (7), (8)	—	High Tech Industries	—	—	21,908	2,190,771	9,218,753
By Light Investco LP (7), (8), (9)	—	High Tech Industries	—	—	5,592	—	—
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) (7), (8)	—	Business Services	—	—	120,962	1,243,217	1,260,269
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (7), (8)	—	Healthcare and Pharmaceuticals	—	—	13,333	200,000	—
CI (Summit) Investment Holdings, LLC (SFP Holding, Inc.) (7)	—	Construction and Building	—	—	54,907	581,995	720,588
DBI Holdings, LLC, Series B (10), (8)	—	Business Services	—	—	1,489,508	330,791	—
DecoPac Holdings Inc. (7)	—	Beverage, Food and Tobacco	—	—	1,633	1,632,744	3,149,261
eCommission Holding Corporation (7), (10)	—	Banking, Finance, Insurance & Real Estate	—	—	20	251,156	370,436
Faraday Holdings, LLC (7)	—	Construction and Building	—	—	1,141	58,044	331,562
Gauge Infosoftware Invest, LLC (The Infosoftware Group, LLC) (7)	—	Media: Broadcasting and Subscription	—	—	500	143,663	497,465
Gauge Schlesinger Coinvest LLC (7)	—	Professional Services	—	—	403	403,005	403,005
Gauge TVC Coinvest, LLC (TVC Enterprises, LLC) (7)	—	Professional Services	—	—	391,144	391,144	399,678
GCOM InvestCo LP (7), (8)	—	High Tech Industries	—	—	1,549,209	1,549,209	2,233,506
GCOM InvestCo LP (7), (8), (9)	—	High Tech Industries	—	—	450,791	—	—
Go Dawgs Capital III, LP (American Insulated Glass, LLC) (7), (8)	—	Building Products	—	—	324,675	324,675	331,169
IIN Group Holdings, LLC (Integrative Nutrition, LLC) (7), (8)	—	Consumer Services	—	—	1,000	1,000,000	1,392,905
ITC Rumba, LLC (Cano Health, LLC) (10)	—	Healthcare and Pharmaceuticals	—	—	21,529	430,576	607,059
JWC/UMA Holdings, L.P. (7)	—	Healthcare and Pharmaceuticals	—	—	1,000	1,000,000	1,210,541
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC) (7), (8)	—	Wholesale	—	—	1,381,741	1,381,741	3,595,627
Kentucky Racing Holdco, LLC (Warrants) (7), (8)	—	Hotels, Restaurants and Leisure	—	—	87,345	—	166,773
MeritDirect Holdings, LP (7), (8)	—	Media	—	—	960	—	98,635
NXOF Holdings, Inc. (NextiraOne Federal, LLC) (7)	—	Aerospace and Defense	—	—	10,000	10,000	—
PT Network Intermediate Holdings, LLC (7), (8)	—	Healthcare and Pharmaceuticals	—	—	25	239,333	680,580
Signature CR Intermediate Holdco, Inc. (7)	—	Commercial Services & Supplies	—	—	61	61,421	29,886
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.) (7)	—	Capital Equipment	—	—	500	500,000	540,000
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.) (7)	—	Capital Equipment	—	—	500	—	728,601
TPC Broadband Investors, LP (7)	—	Telecommunications	—	—	754,821	754,820	1,589,878
TPC Broadband Investors, LP (7), (8), (9)	—	Telecommunications	—	—	245,179	—	—
UniTek Global Services, Inc. (7)	—	Telecommunications	—	—	213,739	—	—
UniTek Global Services, Inc. (Warrants) (7)	—	Telecommunications	—	—	23,889	—	—
WBB Equity, LLC (7), (8)	—	Aerospace and Defense	—	—	142,857	142,857	498,572
Total Common Equity/Warrants						17,218,314	32,301,030
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						886,955,156	889,113,264

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
SEPTEMBER 30, 2019

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Investments in Non-Controlled, Affiliated Portfolio Companies—4.1% (3), (4)							
First Lien Secured Debt—0.9%							
Country Fresh Holdings, LLC (7)	05/01/2023	Beverage, Food and Tobacco	7.10%	3M L+500	1,544,161	\$ 1,505,589	\$ 1,544,161
Country Fresh Holdings, LLC (Revolver) (7)	05/01/2023	Beverage, Food and Tobacco	7.10%	3M L+500	769,038	769,038	769,038
Country Fresh Holdings, LLC (Revolver) (7), (9)	05/01/2023	Beverage, Food and Tobacco	—	—	1,977,526	—	—
Quick Weight Loss Centers, LLC (7)	10/12/2023	Beverage, Food and Tobacco	4.00%	—	2,016,667	2,016,667	2,036,833
Total First Lien Secured Debt			(PIK 4.00%)			4,291,294	4,350,032
Second Lien Secured Debt—1.1%							
Country Fresh Holdings, LLC (7)	04/29/2024	Beverage, Food and Tobacco	10.60%	1M L+850	5,314,125	5,314,125	5,314,125
Quick Weight Loss Centers, LLC	10/12/2023	Beverage, Food and Tobacco	(PIK 10.60%)	—	233,572	233,572	235,908
Total Second Lien Secured Debt			(PIK 4.00%)			5,547,697	5,550,033
Preferred Equity—0.2% (6)							
Quick Weight Loss Centers Holdings, LLC (7), (8)	—	Beverage, Food and Tobacco	—	—	9,568,216	842,352	891,816
Total Preferred Equity						842,352	891,816
Common Equity/Warrants—1.9% (6)							
Country Fresh Holding Company Inc. (7)	—	Beverage, Food and Tobacco	—	—	8,034	10,453,350	6,864,302
Quick Weight Loss Centers, LLC (7), (8)	—	Beverage, Food and Tobacco	—	—	60	2,520,000	2,774,382
Total Common Equity/Warrants						12,973,350	9,638,684
Total Investments in Non-Controlled, Affiliated Portfolio Companies						23,654,693	20,430,565
Investments in Controlled, Affiliated Portfolio Companies—34.2% (3), (4)							
First Lien Secured Debt—24.3%							
PennantPark Senior Secured Loan Fund I LLC (7), (9), (10)	05/06/2024	Financial Services	10.10%	3M L+800	122,193,750	122,193,750	122,193,750
Total First Lien Secured Debt						122,193,750	122,193,750
Equity Interests—9.9%							
PennantPark Senior Secured Loan Fund I LLC (7), (9), (10)	—	Financial Services	—	—	52,369	52,368,750	49,969,330
Total Equity Interests						52,368,750	49,969,330
Total Investments in Controlled, Affiliated Portfolio Companies						174,562,500	172,163,080
Total Investments—215.0%						1,085,172,349	1,081,706,909
Cash and Cash Equivalents—12.6%							
BlackRock Federal FD Institutional 30						18,053,873	18,053,873
BNY Mellon Cash						45,313,364	45,283,855
Total Cash and Cash Equivalents						63,367,237	63,337,728
Total Investments and Cash Equivalents—227.6%						\$ 1,148,539,586	\$ 1,145,044,637
Liabilities in Excess of Other Assets—(127.6%)							
Net Assets—100.0%							(641,987,126) \$ 503,057,511

- (1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or "L" or Prime rate, or "P". The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower's option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes payment-in-kind, or PIK, interest and other fee rates, if any.
- (2) Valued based on our accounting policy (See Note 2). The value of all securities was determined using significant unobservable inputs (See Note 5).
- (3) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally presumed to be "non-controlled" when we own 25% or less of the portfolio company's voting securities and "controlled" when we own more than 25% of the portfolio company's voting securities.
- (4) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally deemed as "non-affiliated" when we own less than 5% of a portfolio company's voting securities and "affiliated" when we own 5% or more of a portfolio company's voting securities.
- (5) Non-U.S. company or principal place of business outside the United States.
- (6) Non-income producing securities.
- (7) The securities, or a portion thereof, are not 1) pledged as collateral under the Credit Facility and held through Funding I; or 2) securing the 2031 Asset-Backed Debt (See Note 10) and held through PennantPark CLO I, Ltd.
- (8) Investment is held through our Taxable Subsidiary (See Note 1).
- (9) Represents the purchase of a security with a delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.
- (10) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2019, qualifying assets represent 79% of our total assets and non-qualifying assets represent 21% of our total assets.
- (11) Par amount is denominated in Canadian Dollars (C\$) as denoted.

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 (or an alternative risk-free floating interest rate index) plus 200 basis points during the revolving period. The Credit Facility is secured by all of the assets held by Funding I. See Note 10.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the reported amount of our assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of income and expenses during the reported periods. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements have been included. 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 March 31, 2020, we had two portfolio companies on non-accrual, representing 0.6% and zero of our overall portfolio on a cost and fair value basis, respectively. As of September 30, 2019, we had one portfolio company on non-accrual, representing 0.4% and zero of our overall portfolio on a cost and fair value basis, respectively.

(c) Income Taxes

We have complied with the requirements of Subchapter M of the Code and have qualified to be treated as a RIC for federal income tax purposes. In this regard, we account for income taxes using the asset and liability method prescribed by ASC Topic 740, Income Taxes, or ASC 740. Under this method, income taxes are provided for amounts currently payable and for amounts deferred as tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Based upon our qualification and election to be treated as a RIC for U.S. federal income tax purposes, we typically do not incur any material U.S. federal income taxes. However, we may choose to retain a portion of our calendar year income, which may result in the imposition of a U.S. federal excise tax, or we may incur taxes through our taxable subsidiaries, including the Taxable Subsidiary. For the three and six months ended March 31, 2020, we recorded a provision for taxes of \$0.1 million and \$0.2 million, respectively, pertaining to U.S. federal excise tax. For both the three and six months ended March 31, 2019, we did not record a provision for taxes.

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

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

(d) Distributions and Capital Transactions

Distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid, if any, as a distribution is determined by 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 offerings of our common stock, are recorded when issued and offering costs are charged as a reduction of capital upon issuance of our common stock.

(e) Foreign Currency Translation

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

1. Fair value of investment securities, other assets and liabilities – at the exchange rates prevailing at the end of the applicable period; and
2. Purchases and sales of investment securities, income and expenses – at the exchange rates prevailing on the respective dates of such transactions.

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

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

(f) Consolidation

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

(g) Asset Transfers and Servicing

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

3. AGREEMENTS AND RELATED PARTY TRANSACTIONS

The Investment Management Agreement with the Investment Adviser was reapproved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2020. 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.

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 six months ended March 31, 2020, the Investment Adviser earned a base management fee of \$2.9 million and \$5.8 million, respectively, from us. For the three and six months ended March 31, 2019, the Investment Adviser earned a base management fee of \$2.4 million and \$4.9 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

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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 six months ended March 31, 2020, the Investment Adviser earned \$2.9 million and \$5.3 million, respectively, in incentive fees on net investment income from us. For the three and six months ended March 31, 2019, the Investment Adviser earned \$2.5 million and \$2.7 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 six months ended March 31, 2020 and 2019, the Investment Adviser did not accrue an incentive fee on capital gains, as calculated under the Investment Management Agreement (as described above).

Under GAAP, we are required to accrue a capital gains incentive fee based upon net realized capital gains and net unrealized capital appreciation and depreciation on investments held at the end of each period. In calculating the capital gains incentive fee accrual, we considered the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Management Agreement. This accrual is calculated using the aggregate cumulative realized capital gains and losses and cumulative unrealized capital appreciation or depreciation. If such amount is positive at the end of a period, then we record a capital gains incentive fee equal to 20% of such amount, less the aggregate amount of actual capital gains related to incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such year. There can be no assurance that such unrealized capital appreciation will be realized in the future. The incentive fee accrued for, but not payable, under GAAP on our unrealized and realized capital gains for both the three and six months ended March 31, 2020 was zero. The incentive fee accrued for, but not payable, under GAAP on our unrealized and realized capital gains for the three and six months ended March 31, 2019 was zero and \$(1.4) 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 2020. 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 six months ended March 31, 2020, we reimbursed the Investment Adviser approximately \$0.7 million and \$1.0 million, respectively, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above. For the three and six months ended March 31, 2019, we reimbursed the Investment Adviser approximately \$0.8 million and \$1.1 million, respectively, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above.

During both the three and six months ended March 31, 2020, the Company sold \$15.0 million in total investments to an affiliated fund managed by our Investment Adviser in accordance with, and pursuant to procedures adopted under, Rule 17a-7 of the 1940 Act. Realized losses on those sales for both periods amounted to \$1.0 million. There were no transactions subject to Rule 17a-7 under the 1940 Act during the three and six months ended March 31, 2019.

For the three and six months ended March 31, 2020, we sold \$17.8 million and \$86.7 million in investments, respectively, to PSSSL at fair value and recognized net realized gains of less than \$0.1 million and \$0.5 million, respectively. For the three and six months ended March 31, 2019, we sold \$19.7 million and \$57.7 million in investments, respectively, to PSSSL at fair value and recognized less than \$0.1 million and \$0.2 million of net realized gains, respectively.

4. INVESTMENTS

Purchases of investments, including PIK interest, for the three and six months ended March 31, 2020 totaled \$167.8 million and \$408.1 million, respectively. For the same periods in the prior year, purchases of investments, including PIK interest, totaled \$136.5 million and \$317.3 million, respectively. Sales and repayments of investments for the three and six months ended March 31, 2020 totaled \$99.4 million and \$243.1 million, respectively. For the same periods in the prior year, sales and repayments of investments totaled \$143.2 million and \$333.5 million, respectively.

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Investments, cash and cash equivalents consisted of the following:

Investment Classification	March 31, 2020		September 30, 2019	
	Cost	Fair Value	Cost	Fair Value
First lien	\$ 993,227,859	\$ 952,321,316	\$ 833,678,981	\$ 822,707,050
First lien in PSSL	123,418,750	119,716,188	122,193,750	122,193,750
Second lien	33,089,637	31,994,207	34,307,150	34,370,598
Equity	47,812,856	39,806,227	42,623,718	52,466,181
Equity in PSSL	52,893,750	35,121,921	52,368,750	49,969,330
Total investments	1,250,442,852	\$ 1,178,959,859	1,085,172,349	1,081,706,909
Cash and cash equivalents	30,223,951	29,993,752	63,367,237	63,337,728
Total investments and cash and cash equivalents	\$ 1,280,666,803	\$ 1,208,953,611	\$ 1,148,539,586	\$ 1,145,044,637

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	March 31, 2020 (1)	September 30, 2019 (1)
Professional Services	8%	3%
Aerospace and Defense	7	7
High Tech Industries	6	5
Business Services	5	5
Capital Equipment	5	5
Healthcare and Pharmaceuticals	5	6
Media	5	5
Hotel, Gaming and Leisure	4	7
Beverage, Food and Tobacco	3	6
Chemicals, Plastics and Rubber	3	3
Construction and Building	3	4
Consumer Goods: Durable	3	3
Consumer Services	3	3
Healthcare Technology	3	1
Media: Diversified and Production	3	4
Telecommunications	3	4
Banking, Finance, Insurance & Real Estate	2	2
Consumer Goods: Non-Durable	2	3
Diversified Financial Services	2	3
Electronic Equipment, Instruments, and Components	2	1
Hotels, Restaurants and Leisure	2	2
Insurance	2	—
Media: Advertising, Printing and Publishing	2	2
Media: Broadcasting and Subscription	2	2
Personal Products	2	—
Beverages	1	1
Building Products	1	2
Commercial Services & Supplies	1	2
Construction & Engineering	1	—
Diversified Consumer Services	1	1
Healthcare Providers and Services	1	—
Retail	1	1
Wholesale	1	3
All Other	5	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 March 31, 2020, PSSL had total assets of \$497.2 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 \$28.5 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 March 31, 2020, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding first lien secured debt and equity interests. As of the same date, our investment in PSSL consisted of first lien secured debt of \$123.4 million and equity interests of \$52.9 million. As of the same date, we had commitments to fund first lien secured debt to PSSL of \$140.9 million, of which \$17.5 million was unfunded, and commitments to fund equity interests in PSSL of \$60.4 million, of which \$7.4 million was unfunded.

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We and Kemper each appointed two members to PSSS's four-person board of directors and investment committee. All material decisions with respect to PSSS, 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, provided that two individuals are present that were elected, designated or appointed by each member.

Additionally, PSSS has entered into a \$420.0 million senior secured revolving credit facility which bears interest at LIBOR (or an alternative risk-free interest rate index) plus 200 basis points, or the PSSS Credit Facility, with Capital One, N.A. through its wholly-owned subsidiary, PennantPark Senior Secured Loan Facility LLC, or PSSS Subsidiary, subject to leverage and borrowing base restrictions.

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

	March 31, 2020	September 30, 2019
Total investments	\$ 482,798,265	\$ 488,549,847
Weighted average yield on debt investments	7.0%	7.6%
Number of portfolio companies in PSSS	51	45
Largest portfolio company investment	\$ 21,915,026	\$ 22,026,186
Total of five largest portfolio company investments	\$ 98,532,862	\$ 102,872,275

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Below is a listing of PSSS's individual investments as of March 31, 2020:

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
First Lien Secured Debt							
Altamira Technologies, LLC	07/24/2025	Business Services	7.78%	3M L+600	4,937,500	\$ 4,870,291	\$ 4,838,750
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	5.75%	3M L+475	7,709,836	7,635,520	7,632,738
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.86%	1M L+625	13,578,048	13,380,598	13,170,706
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.28%	3M L+650	11,675,625	11,593,803	11,271,648
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	7,311,083	7,276,584	7,237,972
Centauro Group Holdings, LLC	02/12/2024	Aerospace and Defense	6.71%	1M L+525	10,370,472	10,361,964	10,059,358
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	7.36%	1M L+575	9,997,608	9,918,100	8,897,872
Country Fresh Holdings, LLC	05/01/2023	Beverage, Food and Tobacco	6.45%	1M L+500	182,403	179,556	182,403
Country Fresh Holdings, LLC (Revolver)	05/01/2023	Beverage, Food and Tobacco	6.45%	1M L+500	450,110	450,110	450,110
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	7.20%	3M L+575	12,250,000	12,116,071	12,005,000
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	7.20%	3M L+575	8,125,453	8,081,707	7,962,943
DRS Holdings III, Inc.	11/03/2025	Consumer Goods: Non-Durable	7.20%	1M L+575	8,062,563	7,985,331	7,649,760
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	5.87%	3M L+525 A	\$ 10,000,000	7,385,936	5,753,270
GCOM Software LLC	11/14/2022	High Tech Industries	7.86%	1M L+625	17,091,551	16,988,454	17,048,821
Good2Grow LLC	11/18/2024	Beverage, Food and Tobacco	5.32%	3M L+425	11,329,248	11,237,035	10,536,200
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	5.56%	3M L+450	19,569,810	19,436,112	19,080,565
IMIA Holdings, Inc.	10/28/2024	Aerospace and Defense	5.95%	3M L+450	12,343,750	12,292,298	11,603,125
Impact Group, LLC	06/27/2023	Wholesale	7.95%	1M L+650	9,340,185	9,254,980	7,985,858
Infrastructure Supply Operations Pty Ltd. (3), (4)	12/12/2023	Wholesale	5.75%	1M L+475 A	\$ 15,000,000	10,984,374	8,382,025
Integrative Nutrition, LLC	09/29/2023	Diversified Consumer Services	6.20%	1M L+475	9,924,623	9,924,623	9,527,638
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	6.75%	1M L+525	19,750,000	19,507,844	18,805,950
Lash Opco, LLC - Term Loan	12/12/2024	Consumer Goods: Non-Durable	8.75%	3M L+725	7,406,250	7,192,235	6,813,750
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	6.95%	3M L+550	9,975,000	9,794,401	9,452,350
Leap Legal Software Pty Ltd (3), (4)	09/12/2022	High Tech Industries	6.75%	3M L+575 A	\$ 14,680,747	10,435,897	8,850,571
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	6,984,375	7,018,576	6,285,938
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	7.00%	1M L+600	6,842,500	6,769,218	6,509,954
Marketplace Events LLC (4)	01/27/2023	Media: Diversified and Production	6.58%	P+275 C	\$ 5,730,254	4,447,088	3,703,821
MeritDirect, LLC	05/23/2024	Media: Advertising, Printing & Publishing	6.95%	3M L+500	4,937,500	4,889,980	4,591,875
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.00%	3M L+500	5,979,856	5,952,437	5,831,556
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.00%	1M L+500	14,737,500	14,629,441	13,890,094
Nuvei Technologies Corp.	09/28/2025	High Tech Industries	6.00%	1M L+500	12,452,133	12,513,133	12,078,570
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	5.25%	1M L+425	10,768,333	10,660,650	10,660,648
Output Services Group, Inc.	03/27/2024	Business Services	6.11%	1M L+450	7,843,419	7,866,673	7,137,512
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	6.07%	1M L+500	9,842,557	9,759,641	9,252,004
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	7.12%	3M L+575	1,749,547	1,730,634	1,714,556
PlayPower, Inc.	05/08/2026	Consumer Goods: Durable	6.95%	3M L+550	4,168,500	4,129,610	4,043,445
Sargent & Greenleaf Inc.	12/20/2024	Wholesale	7.00%	1M L+550	4,975,000	4,902,819	4,726,250
Schlesinger Global, Inc.	07/14/2025	Business Services	7.44%	1M L+600	11,964,715	11,964,715	11,725,430
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	6.20%	3M L+450	11,232,813	11,139,848	11,120,484
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	7.58%	1M L+600	4,687,495	4,687,495	4,406,245
Solutionreach, Inc.	01/17/2024	Healthcare and Pharmaceuticals	6.74%	3M L+575	6,539,462	6,461,958	6,321,698
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	5.00%	3M L+400	15,147,368	15,150,402	14,162,789
STV Group Incorporated	12/11/2026	Construction and Building	6.24%	1M L+525	7,980,000	7,902,772	7,820,400
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	8,409,616	8,368,338	8,073,231
Teneo Holdings LLC	07/18/2025	Business Services	6.25%	1M L+525	4,975,000	4,793,152	4,726,250
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.92%	6M L+525	6,687,660	8,661,839	8,166,400
TPC Canada Parent, Inc. and TPC US Parent, LLC	11/24/2025	Consumer Goods: Non-Durable	7.14%	3M L+475	9,969,066	8,882,178	8,703,582
TVC Enterprises, LLC	01/18/2024	Diversified Consumer Services	6.50%	1M L+550	9,924,623	9,924,623	9,726,131
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	6,910,465	6,785,977	6,703,151
UBEO, LLC	04/03/2024	Capital Equipment	6.76%	3M L+450	22,136,390	21,947,892	21,915,026
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	6.00%	3M L+500	11,521,769	11,353,227	11,291,333
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	8.41%	3M L+650	15,797,891	15,545,471	15,797,891
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	5,326,734	5,262,695	5,273,467
Total First Lien Secured Debt						492,386,307	471,559,114
Second Lien Secured Debt							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	9.95%	1M L+850	918,103	918,103	918,104
			(PIK 9.95%)				
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	9.00%		15,946	15,946	15,229
			(PIK 9.00%)				
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	9.00%	—	7,977,513	7,977,513	7,618,525
			(PIK 9.00%)				
Total Second Lien Secured Debt						8,911,562	8,551,858
Equity Securities							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco	—	—	1,317	1,713,106	154,563
DBI Holding, LLC, Series A-1	—	Business Services	—	—	5,034	5,034,310	2,532,730
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	—
Total Equity Securities						6,983,937	2,687,293
Cash and Cash Equivalents							
BlackRock Federal FD Institutional 30						8,789,465	8,789,465
US Bank Cash						3,128,147	2,964,039
Total Cash and Cash Equivalents						11,917,612	11,753,504
Total Investments and Cash Equivalents						\$ 520,199,418	\$ 494,551,769
Liabilities in Excess of Other Assets							(454,412,431)
Members' Equity							\$ 40,139,338

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR, "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 PSSS'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 (AS) or in Canadian Dollars (CS) as denoted.

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Below is a listing of PSSS's individual investments as of September 30, 2019:

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
First Lien Secured Debt							
Altamira Technologies, LLC	07/24/2025	High Tech Industries	8.28%	3M L+600	5,000,000	\$ 4,927,149	\$ 5,000,000
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	6.85%	3M L+475	7,749,274	7,674,216	7,671,781
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.52%	1M L+725	13,772,261	13,531,751	13,772,261
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.54%	3M L+650	11,735,208	11,644,440	11,680,054
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.79%	1M L+575	7,348,866	7,311,507	7,128,400
Centaury Group Holdings, LLC	02/12/2024	Aerospace and Defense	7.36%	1M L+525	10,422,726	10,413,416	10,396,669
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	7.87%	1M L+575	10,127,447	10,040,432	9,874,261
Country Fresh Holdings, LLC	05/01/2023	Beverage, Food and Tobacco	7.10%	1M L+500	182,403	179,170	182,403
Country Fresh Holdings, LLC (Revolver)	05/01/2023	Beverage, Food and Tobacco	7.10%	1M L+500	126,031	126,031	126,031
Country Fresh Holdings, LLC - (Revolver) (5)	05/01/2023	Beverage, Food and Tobacco	—	—	324,080	—	—
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	7.54%	3M L+625	19,748,744	19,748,744	19,748,744
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	7.85%	3M L+575	12,312,500	12,157,345	12,189,375
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	7.85%	3M L+575	8,166,594	8,116,022	8,084,928
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	6.26%	3M L+525 A \$	10,000,000	7,376,173	6,542,165
GCOM Software LLC	11/14/2022	High Tech Industries	8.37%	1M L+750	17,384,864	17,263,748	17,384,864
Good2Grow LLC	11/18/2024	Beverages	6.35%	3M L+425	11,752,655	11,649,126	11,576,366
Good Source Solutions, Inc.	06/29/2023	Beverage, Food and Tobacco	6.37%	3M L+600	14,357,813	14,241,579	14,135,267
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	6.60%	3M L+450	19,669,098	19,524,460	19,472,406
IMIA Holdings, Inc.	10/28/2024	Aerospace and Defense	6.60%	3M L+450	12,406,250	12,351,255	12,344,219
Impact Group, LLC	06/27/2023	Wholesale	8.60%	1M L+650	9,390,185	9,296,753	9,296,283
Infrastructure Supply Operations Pty Ltd. (3), (4)	12/12/2023	Wholesale	5.80%	1M L+425 A \$	15,000,000	10,973,919	9,717,138
Integrative Nutrition, LLC	09/29/2023	Diversified Consumer Services	6.85%	1M L+475	9,974,874	9,974,874	9,974,874
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	7.30%	1M L+525	19,850,000	19,586,294	19,609,815
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	7.60%	3M L+550	9,925,000	9,837,686	9,916,068
Leap Legal Software Pty Ltd (3), (4)	09/12/2022	High Tech Industries	6.80%	3M L+575 A \$	14,755,747	10,483,859	9,952,014
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.10%	1M L+500	17,820,000	17,688,160	17,641,800
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.04%	1M L+600	7,078,125	7,118,977	6,575,083
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.05%	1M L+600	6,877,500	6,797,207	6,688,369
Marketplace Events LLC (4)	01/27/2021	Media: Diversified and Production	7.20%	P+275 C \$	5,760,254	4,461,926	4,350,645
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	7.10%	3M L+500	6,009,982	5,977,867	6,009,982
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.35%	1M L+425	14,812,500	14,691,710	14,664,375
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.54%	1M L+450	11,876,667	11,757,900	11,876,667
Output Services Group, Inc.	03/27/2024	Business Services	6.54%	1M L+425	7,883,419	7,909,754	6,779,740
Pestell Minerals and Ingredients Inc.	06/01/2023	Beverage, Food and Tobacco	7.57%	3M L+525	9,925,000	9,840,202	9,825,750
Pestell Minerals and Ingredients Inc.	06/01/2023	Beverage, Food and Tobacco	7.23%	3M L+525 C \$	3,242,655	2,412,626	2,424,644
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	7.04%	1M L+500	9,892,519	9,804,058	9,397,893
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	8.00%	3M L+575	1,758,406	1,736,386	1,740,822
PlayPower, Inc.	05/8/2024	Leisure Products	7.60%	3M L+550	4,189,500	4,148,451	4,184,263
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	6.66%	3M L+450	11,889,688	11,189,470	11,176,791
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	8.10%	1M L+600	4,687,495	4,687,495	4,359,370
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	6.35%	3M L+425	15,224,842	15,227,900	15,224,842
Teneo Holdings LLC	07/18/2025	Business Services	7.29%	1M L+525	5,000,000	4,804,110	4,762,500
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.43%	6M L+500	8,823,392	8,790,069	8,735,157
TVC Enterprises, LLC	01/18/2024	Diversified Consumer Services	7.55%	1M L+550	9,974,874	9,974,874	9,974,874
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	8.28%	1M L+625	7,075,000	6,937,888	6,933,500
UBEO, LLC	04/03/2024	Capital Equipment	6.78%	3M L+450	22,248,673	22,045,879	22,026,186
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	7.04%	3M L+450	11,572,122	11,388,612	11,572,122
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	8.83%	3M L+650	16,001,734	15,724,459	16,121,747
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	9.55%	1M L+750	5,466,024	5,389,938	5,466,024
Total First Lien Secured Debt						478,935,867	474,289,532
Second Lien Secured Debt							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	10.60% (PIK 10.60%)	1M L+850	870,886	870,886	870,886
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	8.00%	6M L+525	15,206	15,206	15,206
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	8.00% (PIK 8.00%)	—	7,607,291	7,607,291	7,569,255
Total Second Lien Secured Debt						8,493,383	8,455,347
Equity Securities							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco	—	—	1,317	1,713,106	1,124,929
DBI Holding, LLC, Series A-1	—	Business Services	—	—	5,034	5,034,310	4,680,039
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	-
Total Equity Securities						6,983,937	5,804,968
Cash and Cash Equivalents							
BlackRock Federal FD Institutional 30						12,166,301	12,166,301
US Bank Cash						3,156,230	3,128,580
Total Cash and Cash Equivalents						15,322,531	15,294,881
Total Investments and Cash Equivalents							
						\$ 509,735,718	\$ 503,844,728
Liabilities in Excess of Other Assets							
Members' Equity							(446,736,922)
							\$ 57,107,806

- 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 a 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.

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Below is the financial information for PSSL:

Statements of Assets and Liabilities

	March 31, 2020 (Unaudited)	September 30, 2019
Assets		
Investments at fair value (cost—\$508,281,806 and \$494,413,190, respectively)	\$ 482,798,265	\$ 488,549,847
Cash and cash equivalents (cost—\$11,917,612 and \$15,322,531, respectively)	11,753,504	15,294,881
Interest receivable	1,703,141	1,855,545
Prepaid expenses and other assets	490,875	996,333
Total assets	496,745,785	506,696,606
Liabilities		
PSSL Credit Facility payable	314,443,536	308,724,305
Notes payable to members	141,050,000	139,650,000
Interest payable on PSSL Credit Facility	1,073,654	1,015,468
Interest payable on notes to members	39,257	176,273
Accrued other expenses	—	22,754
Total liabilities	456,606,447	449,588,800
Commitments and contingencies (1)	—	—
Members' equity	40,139,338	57,107,806
Total liabilities and members' equity	\$ 496,745,785	\$ 506,696,606

(1) As of March 31, 2020 and September 30, 2019, PSSL had unfunded commitments to fund investments of zero and \$0.3 million, respectively.

Statements of Operations

	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Investment income:				
Interest	\$ 8,623,991	\$ 10,379,484	\$ 17,399,249	\$ 5,097,142
Other income	2,994	141,030	(3,637)	12,219
Total investment income	8,626,985	10,520,514	17,395,612	5,109,361
Expenses:				
Interest and expenses on PSSL Credit Facility	3,341,355	4,336,173	6,746,751	1,957,836
Interest expense on notes to members	3,508,325	3,673,693	7,139,570	1,638,700
Administrative services expenses	300,000	300,000	600,000	150,000
Other general and administrative expenses (1)	113,650	113,650	227,360	465,436
Total expenses	7,263,330	8,423,516	14,713,681	4,211,972
Net investment income	1,363,655	2,096,998	2,681,931	897,389
Realized and unrealized (loss) gain on investments and credit facility foreign currency translations:				
Net realized (loss) gain on investments	(34,117)	320,818	418,361	15,946
Net change in unrealized (depreciation) appreciation on:				
Investments	(20,835,443)	388,105	(19,756,654)	999,702
Credit facility foreign currency translation	4,013,416	(350,091)	2,687,894	(251,668)
Net change in unrealized (depreciation) appreciation on investments and credit facility foreign currency translation	(16,822,027)	38,014	(17,068,760)	748,034
Net realized and unrealized (loss) gain from investments and credit facility foreign currency translation	(16,856,144)	358,832	(16,650,399)	763,980
Net (decrease) increase in members' equity resulting from operations	\$ (15,492,489)	\$ 2,455,830	\$ (13,968,468)	\$ 1,661,369

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

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

- Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities, accessible by us at the measurement date.
- Level 2: Inputs that are quoted prices for similar assets or liabilities in active markets, or that are quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term, if applicable, of the financial instrument.
- Level 3: Inputs that are unobservable for an asset or liability because they are based on our own assumptions about how market participants would price the asset or liability.

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

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

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

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

In addition to using the above inputs to value cash equivalents, investments, our 2023 Notes, our 2031 Asset-Backed Debt and our Credit Facility 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. In accordance with ASC 820, we do not categorize any investments for which fair value is measured using the net asset value per share as a practical expedient within the fair value hierarchy.

The remainder of our investment portfolio and our long-term Credit Facility are valued using a market comparable or an enterprise market value technique. With respect to investments for which there is no readily available market value, the factors that 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.

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Our Level 3 valuation techniques, unobservable inputs and ranges were categorized as follows for ASC 820 purposes:

Asset Category	Fair Value at March 31, 2020	Valuation Technique	Unobservable Input	Range of Input (Weighted Average) (1)
First lien	\$ 53,056,176	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	1,007,349,058	Market Comparable	Market Yield	6.0% – 18.0% (9.0%)
Second lien	26,391,965	Market Comparable	Market Yield	9.3% – 14.2% (10.6%)
First lien	11,632,270	Enterprise Market Value	EBITDA multiple	4.8x – 5.0x (4.9x)
Second lien	5,602,242	Enterprise Market Value	EBITDA multiple	4.8x
Equity	39,806,227	Enterprise Market Value	EBITDA multiple	4.8x – 12.9x (9.6x)
Total Level 3 investments	\$ 1,143,837,938			
Long-Term Credit Facility	\$ 400,592,492	Market Comparable	Market Yield	4.5%

Asset Category	Fair Value at September 30, 2019	Valuation Technique	Unobservable Input	Range of Input (Weighted Average) (1)
First lien	\$ 274,095,799	Market Comparable	Broker/Dealer bids or quotes	N/A
Second lien	2,205,284	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	661,720,734	Market Comparable	Market Yield	3.9% – 29.2% (8.3%)
Second lien	26,851,188	Market Comparable	Market Yield	3.9% – 14.2% (10.6%)
First lien	9,084,267	Enterprise Market Value	EBITDA multiple	5.0x – 10.9x (6.5x)
Second lien	5,314,125	Enterprise Market Value	EBITDA multiple	10.9x
Equity	52,466,181	Enterprise Market Value	EBITDA multiple	6.3x – 50.8x (15.4x)
Total Level 3 investments	\$ 1,031,737,579			
Long-Term Credit Facility	\$ 263,988,583	Market Comparable	Market Yield	4.0%

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

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

Description	Fair Value at March 31, 2020				Measured at Net Asset Value (1)
	Fair Value	Level 1	Level 2	Level 3	
First lien	\$ 1,072,037,504	\$ —	\$ —	\$ 1,072,037,504	\$ —
Second lien	31,994,207	—	—	31,994,207	—
Equity	74,928,148	—	—	39,806,227	35,121,921
Total investments	1,178,959,859	—	—	1,143,837,938	35,121,921
Cash and cash equivalents	29,993,752	29,993,752	—	—	—
Total investments and cash and cash equivalents	\$ 1,208,953,611	\$ 29,993,752	\$ —	\$ 1,143,837,938	\$ 35,121,921
Long-Term Credit Facility	\$ 400,592,492	\$ —	\$ —	\$ 400,592,492	\$ —
2023 Notes	111,736,940	111,736,940	—	—	—
2031 Asset-Backed Debt (2)	224,550,913	—	—	224,550,913	—
Total debt	\$ 736,880,345	\$ 111,736,940	\$ —	\$ 625,143,405	\$ —

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

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

Description	Fair Value at September 30, 2019				Measured at Net Asset Value (1)
	Fair Value	Level 1	Level 2	Level 3	
First lien	\$ 944,900,800	\$ —	\$ —	\$ 944,900,800	\$ —
Second lien	34,370,598	—	—	34,370,598	—
Equity	102,435,511	—	—	52,466,181	49,969,330
Total investments	1,081,706,909	—	—	1,031,737,579	49,969,330
Cash and cash equivalents	63,337,728	63,337,728	—	—	—
Total investments and cash and cash equivalents	\$ 1,145,044,637	\$ 63,337,728	\$ —	\$ 1,031,737,579	\$ 49,969,330
Long-Term Credit Facility	\$ 263,988,583	\$ —	\$ —	\$ 263,988,583	\$ —
2023 Notes	135,240,084	135,240,084	—	—	\$ —
2031 Asset-Backed Debt(2)	224,321,845	—	—	224,321,845	—
Total debt	\$ 623,550,512	\$ 135,240,084	\$ —	\$ 488,310,428	\$ —

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

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

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	Six Months Ended March 31, 2020		
	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	\$ 944,900,800	\$ 86,836,779	\$ 1,031,737,579
Net realized (loss) gain	(619,987)	35,322	(584,665)
Net change in unrealized depreciation	(33,637,179)	(19,007,976)	(52,645,155)
Purchases, PIK interest, net discount accretion and non-cash exchanges	402,181,468	6,255,958	408,437,426
Sales, repayments and non-cash exchanges	(240,787,598)	(2,319,649)	(243,107,247)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	<u>\$ 1,072,037,504</u>	<u>\$ 71,800,434</u>	<u>\$ 1,143,837,938</u>
Net change in unrealized depreciation reported within the net change in unrealized depreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date.	<u>\$ (36,700,242)</u>	<u>\$ (18,960,794)</u>	<u>\$ (55,661,036)</u>

Description	Six Months Ended March 31, 2019		
	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	\$ 913,297,976	\$ 42,517,588	\$ 955,815,564
Net realized gains	1,284,454	65,936	1,350,390
Net change in unrealized (depreciation) appreciation	(24,640,721)	1,351,293	(23,289,428)
Purchases, PIK interest, net discount accretion and non-cash exchanges	288,897,752	20,668,086	309,565,838
Sales, repayments and non-cash exchanges	(328,719,308)	(4,799,810)	(333,519,118)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	<u>\$ 850,120,153</u>	<u>\$ 59,803,093</u>	<u>\$ 909,923,246</u>
Net change in unrealized (depreciation) appreciation reported within the net change in unrealized depreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date.	<u>\$ (24,868,883)</u>	<u>\$ 1,351,293</u>	<u>\$ (23,517,590)</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	Six Months Ended March 31,	
	2020	2019
Beginning Balance (cost – \$265,307,500 and \$333,727,520, respectively)	\$ 263,988,583	\$ 332,128,815
Net change in unrealized depreciation included in earnings	(11,396,091)	(1,768,994)
Borrowings	245,000,000	190,700,000
Repayments	(97,000,000)	(172,120,020)
Transfers in and/or out of Level 3	—	—
Ending Balance (cost – \$413,307,500 and \$352,307,500, respectively)	<u>\$ 400,592,492</u>	<u>\$ 348,939,801</u>

As of March 31, 2020, we had outstanding non-U.S. dollar borrowings on the Credit Facility. Net change in fair value from foreign currency translation on outstanding borrowings is listed below:

Foreign Currency	Amount Borrowed	Borrowing Cost	Current Value	Reset Date	Change in Fair Value
Canadian Dollar	C\$ 17,500,000	\$ 12,407,501	\$ 12,294,938	April 1, 2020	\$ (112,563)

As of September 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	\$ 12,407,501	\$ 13,217,523	October 1, 2019	\$ 810,022

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
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Generally, the carrying value of our consolidated financial liabilities approximates fair value. We have adopted the principles under ASC Subtopic 825-10, Financial Instruments, or ASC 825-10, which provides companies with an option to report selected financial assets and liabilities at fair value, and made an irrevocable election to apply ASC 825-10 to the Credit Facility and the 2023 Notes. We elected to use the fair value option for the Credit Facility and the 2023 Notes to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Due to that election and in accordance with GAAP, we incurred expenses of zero, relating to amendment costs on the Credit Facility during both the three and six months ended March 31, 2020. Due to that election and in accordance with GAAP, we incurred expenses of less than \$0.1 million and \$4.5 million, respectively, relating to amendment costs on the Credit Facility during the three and six months ended March 31, 2019. ASC 825-10 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect on earnings of a company's choice to use fair value. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statements of Assets and Liabilities and changes in fair value of the Credit Facility and the 2023 Notes are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including our 2031 Asset-Backed Debt.

For the three and six months ended March 31, 2020, the Credit Facility and the 2023 Notes had a net change in unrealized depreciation of \$33.5 million and \$34.9 million, respectively. For the three and six months ended March 31, 2019, the Credit Facility and the 2023 Notes had a net change in unrealized appreciation of \$5.6 million and \$0.1 million, respectively. As of March 31, 2020 and September 30, 2019, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled \$39.6 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 six months ended March 31, 2020 were as follows:

Name of Investment	Fair value at September 30, 2019	Purchases of / Advances to Affiliates	Sale of / Distributions from Affiliates	Net Change in Unrealized Appreciation (Depreciation)	Fair value at March 31, 2020	Interest Income	Dividend Income	Net Realized Gains (Losses)
Non-Controlled Affiliates								
Country Fresh Holding Company Inc.	\$ 14,491,626	\$ 2,270,242	\$ —	\$ (5,925,762)	\$ 10,836,106	\$ 412,835	\$ —	\$ —
Quick Weight Loss Centers, LLC	5,938,939	45,335	—	(5,681,744)	302,530.0	46,290	—	—
Total Non-Controlled Affiliates	\$ 20,430,565	\$ 2,315,577	\$ —	\$ (11,607,506)	\$ 11,138,636	\$ 459,125	\$ —	\$ —
Controlled Affiliates								
PennantPark Senior Secured Loan Fund I LLC *	\$ 172,163,080	\$ 1,750,000	\$ —	\$ (19,074,971)	\$ 154,838,109	\$ 6,225,109	\$ 3,150,000	\$ —
Total Controlled Affiliates	\$ 172,163,080	\$ 1,750,000	\$ —	\$ (19,074,971)	\$ 154,838,109	\$ 6,225,109	\$ 3,150,000	\$ —
Total Controlled and Non-Controlled Affiliates	\$ 192,593,645	\$ 4,065,577	\$ —	\$ (30,682,477)	\$ 165,976,745	\$ 6,684,234	\$ 3,150,000	\$ —

* 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 decisions 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 March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Numerator for net decrease in net assets resulting from operations	\$ (21,101,049)	\$ (5,471,725)	\$ (11,128,155)	\$ (476,530)
Denominator for basic and diluted weighted average shares	38,772,074	38,772,074	38,772,074	38,772,074
Basic and diluted net decrease in net assets per share resulting from operations	\$ (0.54)	\$ (0.14)	\$ (0.29)	\$ (0.01)

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 March 31, 2020 and September 30, 2019, cash and cash equivalents consisted of money market funds in the amounts of \$30.0 million and \$63.3 million at fair value, respectively.

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9. FINANCIAL HIGHLIGHTS

Below are the financial highlights:

	Six Months Ended March 31,	
	2020	2019
Per Share Data:		
Net asset value, beginning of period	\$ 12.97	\$ 13.82
Net investment income (1)	0.59	0.59
Net change in realized and unrealized loss (1)	(0.88)	(0.60)
Net decrease in net assets resulting from operations (1)	(0.29)	(0.01)
Distributions to stockholders (1), (2)	(0.57)	(0.57)
Net asset value, end of period	<u>\$ 12.12</u>	<u>\$ 13.24</u>
Per share market value, end of period	<u>\$ 4.86</u>	<u>\$ 12.81</u>
Total return* (3)	(56.05)%	1.75%
Shares outstanding at end of period	<u>38,772,074</u>	<u>38,772,074</u>
Ratios** / Supplemental Data:		
Ratio of operating expenses to average net assets (4)	5.30%	3.16%
Ratio of debt related expenses to average net assets (5)	6.01%	4.89%
Ratio of total expenses to average net assets (5)	11.31%	8.05%
Ratio of net investment income to average net assets (5)	9.20%	9.49%
Net assets at end of period	<u>\$ 469,829,274</u>	<u>\$ 513,264,956</u>
Weighted average debt outstanding	<u>\$ 720,417,458</u>	<u>\$ 418,424,913</u>
Weighted average debt per share (1)	<u>\$ 18.58</u>	<u>\$ 10.79</u>
Asset coverage per unit (6)	<u>\$ 1,552</u>	<u>\$ 2,044</u>
Portfolio turnover ratio	42.35%	65.73%

* Not annualized for periods less than one year.

** Annualized for periods less than one year.

(1) Based on the weighted average shares outstanding for the respective periods.

(2) The tax status of distributions is calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP, and reported on Form 1099-DIV each calendar year.

(3) Based on the change in market price per share during the periods and assumes distributions, if any, are reinvested.

(4) Excludes debt related costs.

(5) Includes interest and expenses on debt (annualized) as well as Credit Facility amendment and debt issuance costs, if any, (not annualized).

(6) The asset coverage ratio for a class of senior securities representing indebtedness is calculated 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 six months ended March 31, 2020 and 2019, inclusive of the fee on the undrawn commitment on the Credit Facility, amendment costs and debt issuance costs, was 4.1% and 6.2%, respectively. As of March 31, 2020, in accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that we are in compliance with a 150% asset coverage ratio requirement after such borrowing.

On April 5, 2018, our board of directors approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Consolidated Appropriations Act of 2018 (which includes the SBCAA). As a result, the asset coverage requirement applicable to us for senior securities was reduced from 200% (i.e., \$1 of debt outstanding for each \$1 of equity) to 150% (i.e., \$2 of debt outstanding for each \$1 of equity), effective as of April 5, 2019, subject to compliance with certain disclosure requirements. As of March 31, 2020 and September 30, 2019, our asset coverage ratio, as computed in accordance with the 1940 Act, was 155% and 179%, respectively.

Credit Facility

Funding I's multi-currency Credit Facility with affiliates of Truist Bank (formerly SunTrust Bank), or the Lenders, was \$520 million as of March 31, 2020, subject to satisfaction of certain conditions and regulatory restrictions that the 1940 Act imposes on us as a BDC, has an interest rate spread above LIBOR (or an alternative risk-free interest rate index) of 200 basis points, a maturity date of October 2023 and a revolving period that ends in October 2021. As of March 31, 2020 and September 30, 2019, Funding I had \$413.3 million and \$265.3 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had a weighted average interest rate of 3.6% and 4.1%, exclusive of the fee on undrawn commitments as of March 31, 2020 and September 30, 2019, respectively. As of March 31, 2020 and September 30, 2019, we had \$106.7 million and \$254.7 million of unused borrowing capacity under the Credit Facility, respectively, subject to leverage and borrowing base restrictions.

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

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
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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 March 31, 2020, we were in compliance with the covenants relating to the Credit Facility.

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

Our interest in Funding I (other than the management fee) is subordinate in priority of payment to every other obligation of Funding I and is subject to certain payment restrictions set forth in the Credit Facility. We may receive cash distributions on our equity interests in Funding I only after it has made (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 currently pay interest at a rate of 4.3% per year. Interest on the 2023 Notes is payable semi-annually in arrears on June 15 and December 15 of each year, commencing June 15, 2018. The principal on the 2023 Notes is payable in four annual installments as follows: 15% of the original principal amount on December 15, 2020, 15% of the original principal amount on December 15, 2021, 15% of the original principal amount on December 15, 2022 and 55% of the original principal amount on December 15, 2023.

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

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

2031 Asset-Backed Debt

In September 2019, the Company completed the 301.4 million term debt securitization. Term debt securitizations, also known as CLOs, are a form of secured financing incurred by the Company, which is consolidated by the Company and subject to the Company's asset coverage requirements. The 2031 Asset-Backed Debt was issued by the Securitization Issuer. The 2031 Asset-Backed Debt is secured by the middle market loans, participation interests in middle market loans and other assets of the Securitization Issuer. The Debt Securitization was executed through (A) a private placement of: (i) \$78.5 million Class A-1 Senior Secured Floating Rate Loans maturing 2031, which bear interest at the three-month LIBOR plus 1.8%, (ii) \$15.0 million Class A-2 Senior Secured Fixed Rate Notes due 2031, which bear interest at 3.7%, (iii) \$14.0 million Class B-1 Senior Secured Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 2.9%, (iv) \$16.0 million Class B-2 Senior Secured Fixed Rate Notes due 2031, which bear interest at 4.3%, (v) \$19.0 million Class C-1 Secured Deferrable Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 4.0%, (vi) \$8.0 million Class C-2 Secured Deferrable Fixed Rate Notes due 2031, which bear interest at 5.4%, and (vii) \$18.0 million Class D Secured Deferrable Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 4.8% and (B) the borrowing of \$77.5 million Class A-1 Senior Secured Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 1.8%, under a credit agreement by and among the Securitization Issuers, as borrowers, various financial institutions, as lenders, and U.S. Bank National Association, as collateral agent and as loan agent. The annualized interest on the 2031 Asset-Backed Debt will be paid, to the extent of funds available. The reinvestment period of the Debt Securitization ends on October 15, 2023 and the 2031 Asset-Backed Debt is scheduled to mature on October 15, 2031.

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

The 2031 Asset-Backed Debt is included in the Consolidated Statement of Assets and Liabilities as debt of the Company and the Class D Secured Deferrable Floating Rate Notes and the Preferred Shares of the Securitization Issuer were eliminated in consolidation. As of March 31, 2020 and September 30, 2019, the Company had \$228.0 million of 2031 Asset-Backed Debt outstanding, respectively, with a weighted average interest rate of 4.0% and 4.2%. As of March 31, 2020 and September 30, 2019, the unamortized fees on the 2031 Asset-Backed Debt were \$3.4 million and \$3.7 million, respectively.

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

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 March 31, 2020 and September 30, 2019, we had \$60.3 million and \$101.1 million, respectively, in commitments to fund investments. Additionally, as described in Note 4, the Company had unfunded commitments of up to \$24.9 million and \$9.2 million, respectively, to PSSS as of March 31, 2020 and September 30, 2019 that may be contributed primarily for the purpose of funding new investments approved by the PSSS 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 March 31, 2020, the related consolidated statements of operations and the related consolidated statements of changes in net assets for the three and six months ended March 31, 2020 and 2019, and cash flows for the six months ended March 31, 2020 and 2019, and the related notes to the consolidated financial statements (collectively, the interim financial information or financial statements). Based on our reviews, we are not aware of any material modifications that should be made to the 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, 2019, 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 20, 2019, 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, 2019, 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
May 11, 2020

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

FORWARD-LOOKING STATEMENTS

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

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies, including as a result of the current pandemic caused by the novel coronavirus (commonly known as "COVID-19");
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets that could result in changes to the value of our assets, including changes from the impact of the current COVID-19 pandemic;
- our ability to continue to effectively manage our business due to the significant disruptions caused by the current COVID-19 pandemic;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of investments that we expect to make;
- the impact of fluctuations in interest rates and foreign exchange rates on our business and our portfolio companies;
- our contractual arrangements and relationships with third parties;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- the ability of our prospective portfolio companies to achieve their objectives;
- our expected financings and investments and ability to fund capital commitments to PSSS;
- 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. 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," "high yield" securities or "junk bonds" and are often higher risk compared to debt instruments that are rated above investment grade and have speculative characteristics. However, when compared to junk bonds and other non-investment grade debt, senior secured Floating Rate Loans typically have more robust capital-preserving qualities, such as historically lower default rates than junk bonds, represent the senior source of capital in a borrower's capital structure and often have certain of the borrower's assets pledged as collateral. Our debt investments may generally range in

maturity from three to ten years and are made to U.S. and, to a limited extent, non-U.S. corporations, partnerships and other business entities which operate in various industries and geographical regions.

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

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

Organization and Structure of PennantPark Floating Rate Capital Ltd.

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

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

COVID-19 Developments

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

Due to the nature of these governmental restrictions and their potentially long-lasting duration, we anticipate that some portfolio companies, especially those in vulnerable industries such as retail, food and beverage and travel, will undergo significant financial distress and possibly default on their financial obligations to us and their other capital providers. Moreover, if our portfolio companies remain subject to prolonged and severe financial distress, we expect such companies to substantially curtail their operations, defer capital expenditures, furlough or lay off workers and terminate relationships with their service providers. These developments would likely reduce the value of our investments in such portfolio companies and permanently impair their business operations.

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

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

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

We have had a significant reduction in our net asset value as of March 31, 2020 as compared to our net asset value as of the prior quarter, which was primarily due to the immediate adverse economic effects of the COVID-19 pandemic, the continuing uncertainty surrounding its long-term impact as well as the re-pricing of credit risk in the broadly syndicated credit market. The decrease in net asset value as of March 31, 2020 primarily resulted from an increase in unrealized depreciation in respect of our portfolio company investments, which led to a decrease in the fair value of some of our portfolio company investments.

Additionally, as of March 31, 2020 and September 30, 2019, our asset coverage ratio, as computed in accordance with the 1940 Act, was 155% and 179%, respectively. Our Credit Facility includes standard covenants and events of default provisions. If we fail to make payments required under such facility or breach the covenants therein, it could result in a default under the Credit Facility. Failure to cure such default or obtain a waiver from the appropriate party would result in an event of default, and the Lenders may accelerate the repayment of our indebtedness under the Credit Facility, such that all amounts owed are due immediately at the time of default. Such an action would negatively affect our liquidity, business, financial condition, results of operations, cash flows and ability to pay distributions to our stockholders.

We are also subject to financial risks, including changes in market interest rates. As of March 31, 2020, our debt portfolio consisted of 99% variable-rate investments. The variable-rate loans are usually based on a floating interest rate index such as LIBOR and typically have durations of three months after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In addition, the Credit Facility currently bears interest at LIBOR (or an alternative risk-free floating interest rate index) plus 200 basis points and, after the revolving period ends in October 2021, the rate will reset to LIBOR (or an alternative risk-free floating interest rate index) plus 425 basis points. LIBOR decreased in March 2020 when, among other things, the U.S. Federal Reserve reduced certain interest rates as a result of the COVID-19 pandemic. If interest rates remain at such levels, our gross investment income may decrease which could result in a decrease in our net investment income if decreases in LIBOR are not offset by, among other things, a corresponding increase in the spread over LIBOR that we earn on any portfolio investments, or a decrease in the interest rate of any floating interest rate liabilities we may have that are tied to LIBOR. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk" below.

While we have generally avoided direct investments in industries that have been hard hit by the spread of COVID-19, including oil and gas, retail, restaurants and airlines, some of our portfolio companies, such as those in the events and gaming industries, have been especially susceptible to the economic effects of the COVID-19 pandemic. As the COVID-19 pandemic began to worsen, we proactively took action to support and evaluate our portfolio companies including, but not limited to, the following: 1) gathering additional information regarding the business operations and market impact of COVID-19 from a multitude of sources such as qualified third-party service providers, management teams and private equity sponsor owners of our investment companies and other sources; 2) establishing frequent real-time communications with our private equity sponsor partners and stakeholders, which we believe will result in more efficient solutions for our portfolio companies and, due to our strong business relationships with such sponsors, will create the appropriate incentives necessary for them to work with us to address the needs of our portfolio companies; and 3) through the use of our underwriting team and the benefit of our strong analytics surrounding the portfolio, assessing the likely impact of the COVID-19 pandemic on our portfolio companies and segmenting our portfolio to call attention to those borrowers who, as a result of COVID-19, are of moderate or higher risk of default, which will enable us to focus on and assist those borrowers which are more likely to require attention.

Revenues

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

Expenses

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

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

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

PORTFOLIO AND INVESTMENT ACTIVITY

As of March 31, 2020, our portfolio totaled \$1,179.0 million and consisted of \$1,072.0 million of first lien secured debt (including \$119.7 million in PSSL), \$32.0 million of second lien secured debt and \$74.9 million of preferred and common equity (including \$35.1 million in PSSL). Our debt portfolio consisted of 99% variable-rate investments. As of March 31, 2020, we had two portfolio companies on non-accrual, representing 0.6% and zero of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized depreciation of \$71.7 million. Our overall portfolio consisted of 108 companies with an average investment size of \$10.9 million, had a weighted average yield on debt investments of 7.8%, and was invested 91% in first lien secured debt (including 10% in PSSL), 3% in second lien secured debt and 6% in preferred and common equity (including 3% in PSSL). As of March 31, 2020, 98% of the investments held by PSSL were first lien secured debt.

As of September 30, 2019, our portfolio totaled \$1,081.7 million and consisted of \$944.9 million of first lien secured debt (including \$122.2 million in PSSL), \$34.4 million of second lien secured debt and \$102.4 million of preferred and common equity (including \$50.0 million in PSSL). Our debt portfolio consisted of 99% variable-rate investments. As of September 30, 2019, we had one portfolio company on non-accrual, representing 0.4% and zero of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized depreciation of \$3.5 million. Our overall portfolio consisted of 95 companies with an average investment size of \$11.4 million, had a weighted average yield on debt investments of 8.7%, and was invested 87% in first lien secured debt (including 11% in PSSL), 3% in second lien secured debt and 10% in preferred and common equity (including 5% in PSSL). As of September 30, 2019, 97% of the investments held by PSSL were first lien secured debt.

For the three months ended March 31, 2020, we invested \$167.5 million in seven new and 37 existing portfolio companies with a weighted average yield on debt investments of 7.5%. Sales and repayments of investments for the three months ended March 31, 2020 totaled \$99.4 million. For the six months ended March 31, 2020, we invested \$407.0 million in 17 new and 68 existing portfolio companies with a weighted average yield on debt investments of 8.0%. Sales and repayments of investments for the six months ended March 31, 2020 totaled \$243.1 million.

For the three months ended March 31, 2019, we invested \$136.1 million in five new and 22 existing portfolio companies with a weighted average yield on debt investments of 8.7%. Sales and repayments of investments for the three months ended March 31, 2019 totaled \$143.2 million. For the six months ended March 31, 2019, we invested \$316.8 million in 14 new and 46 existing portfolio companies with a weighted average yield on debt investments of 8.6%. Sales and repayments of investments for the six months ended March 31, 2019 totaled \$333.5 million.

PennantPark Senior Secured Loan Fund I LLC

As of March 31, 2020, PSSL's portfolio totaled \$482.8 million, consisted of 51 companies with an average investment size of \$9.5 million and had a weighted average yield on debt investments of 7.0%. As of September 30, 2019, PSSL's portfolio totaled \$488.5 million, consisted of 45 companies with an average investment size of \$10.9 million and had a weighted average yield on debt investments of 7.6%.

For the three months ended March 31, 2020, PSSL invested \$17.9 million (including \$17.8 million purchased from the Company) in three new and one existing portfolio companies with a weighted average yield on debt investments of 7.4%. Sales and repayments of investments for the three months ended March 31, 2020 totaled \$7.9 million. For the six months ended March 31, 2020, PSSL invested \$87.1 million (including \$86.7 million purchased from the Company) in 11 new and two existing portfolio companies with a weighted average yield on debt investments of 7.4%. Sales and repayments of investments for the six months ended March 31, 2020 totaled \$74.3 million.

For the three months ended March 31, 2019, PSSL invested \$25.2 million (of which \$19.7 million was purchased from the Company) in one new and three existing portfolio companies with a weighted average yield on debt investments of 8.0%. PSSL's sales and repayments of investments for the three months ended March 31, 2019 totaled \$17.8 million. For the six months ended March 31, 2019 PSSL invested \$167.6 million in 10 new and 10 existing portfolio companies with a weighted average yield on debt investments of 8.1%. PSSL's sales and repayments of investments for the six months ended March 31, 2019 totaled \$88.5 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, our 2031 Asset-Backed Debt and our Credit Facility are classified as Level 3. Our 2023 Notes are classified as Level 1, as they were valued using the closing price from the primary exchange. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and those differences may be material.

In addition to using the above inputs to value cash equivalents, investments, our 2023 Notes, our 2031 Asset-Backed Debt and our Credit Facility 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.

Generally, the carrying value of our consolidated financial liabilities approximates fair value. We have adopted the principles under ASC Subtopic 825-10, Financial Instruments, or ASC 825-10, which provides companies with an option to report selected financial assets and liabilities at fair value, and made an irrevocable election to apply ASC 825-10 to the Credit Facility and the 2023 Notes. We elected to use the fair value option for the Credit Facility and the 2023 Notes to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Due to that election and in accordance with GAAP, we incurred expenses of zero relating to amendment costs on the Credit Facility during both the three and six months ended March 31, 2020. Due to that election and in accordance with GAAP, we incurred expenses of less than \$0.1 million and \$4.5 million, respectively, relating to amendment costs on the Credit Facility during the three and six months ended March 31, 2019. ASC 825-10 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect on earnings of a company's choice to use fair value. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statements of Assets and Liabilities and changes in fair value of the Credit Facility and the 2023 Notes are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including our 2031 Asset-Backed Debt.

For the three and six months ended March 31, 2020, the Credit Facility and the 2023 Notes had a net change in unrealized depreciation of \$33.5 million and \$34.9 million, respectively. For the three and six months ended March 31, 2019, the Credit Facility and the 2023 Notes had a net change in unrealized appreciation of \$5.6 million and \$0.1 million, respectively. As of March 31, 2020 and September 30, 2019, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled \$39.6 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 six months ended March 31, 2020 and 2019.

Investment Income

Investment income for the three and six months ended March 31, 2020 was \$26.3 million and \$51.0 million, respectively, and was attributable to \$24.1 million and \$46.5 million from first lien secured debt and \$2.2 million and \$4.5 million from other investments, respectively. This compares to investment income for the three and six months ended March 31, 2019, which was \$23.0 million and \$46.2 million, respectively, and was attributable to \$21.0 million and \$42.1 million from first lien secured debt and \$2.0 million and \$4.1 million from other investments, respectively. The increase in investment income compared to the same periods in the prior year was primarily due to the growth of our portfolio.

Expenses

Expenses for the three and six months ended March 31, 2020 totaled \$14.6 million and \$28.1 million, respectively. Base management fee for the same periods totaled \$2.9 million and \$5.8 million, incentive fee totaled \$2.9 million and \$5.3 million, debt related interest and expenses totaled \$7.6 million and \$14.9 million and general and administrative expenses totaled \$1.0 million and \$1.9 million, respectively. This compares to expenses for the three and six months ended March 31, 2019 which totaled \$11.2 million and \$23.5 million, respectively. Base management fee for the same periods totaled \$2.4 million and \$4.9 million, incentive fee totaled \$2.5 million and \$1.3 million (including \$(1.4) million on realized and unrealized gains accrued but not payable), debt related interest and expenses totaled \$5.3 million (including less than \$0.1 million in Credit Facility amendment costs) and \$15.1 million (including \$4.5 million in Credit Facility amendment costs), and general and administrative expenses totaled \$1.0 million and \$2.2 million, respectively. The increase in expenses for the three and six months ended March 31, 2020 compared to the same periods in the prior year was primarily due to the growth of our portfolio.

Net Investment Income

Net investment income totaled \$11.7 million and \$22.9 million, or \$0.30 and \$0.59 per share, for the three and six months ended March 31, 2020, respectively. Net investment income totaled \$11.8 million and \$22.7 million, or \$0.30 and \$0.59 per share, for the three and six months ended March 31, 2019, respectively.

Net Realized Gains or Losses

Sales and repayments of investments for the three and six months ended March 31, 2020 totaled \$99.4 million and \$243.1 million, respectively, and net realized losses totaled \$1.6 million and \$0.6 million, respectively. Sales and repayments of investments for the three and six months ended March 31, 2019 totaled \$143.2 million and \$333.5 million, respectively, and net realized gains totaled \$1.1 million and \$2.0 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 six months ended March 31, 2020, we reported net change in unrealized depreciation on investments of \$64.8 million and \$68.3 million, respectively. For the three and six months ended March 31, 2019, we reported net change in unrealized depreciation on investments of \$12.7 million and \$25.1 million, respectively. As of March 31, 2020 and September 30, 2019, our net unrealized depreciation on investments totaled \$71.7 million and \$3.5 million, respectively. The net change in unrealized depreciation on our investments compared to the same periods in the prior year was primarily due to changes in the capital market conditions as well as the financial performance of certain portfolio companies primarily driven by the market disruption caused by the COVID-19 pandemic and the uncertainty surrounding its continued adverse economic impact, as discussed above under "COVID-19 Developments."

For the three and six months ended March 31, 2020, the Credit Facility and the 2023 Notes had a net change in unrealized appreciation of \$33.5 million and \$34.9 million, respectively. For the three and six months ended March 31, 2019, the Credit Facility and the 2023 Notes had a net change in unrealized appreciation of \$5.6 million and \$0.1 million, respectively. As of March 31, 2020 and September 30, 2019, the net unrealized depreciation on the Credit Facility and the 2023 Notes totaled \$39.6 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 decrease in net assets resulting from operations totaled \$21.1 million and \$11.1 million, or \$0.54 and \$0.29 per share, respectively, for the three and six months ended March 31, 2020. This compares to a net decrease in net assets resulting from operations of \$5.5 million and \$0.5 million, or \$0.14 and \$0.01 per share, respectively, for the three and six months ended March 31, 2019. 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 primarily driven by the market disruption caused by the COVID-19 pandemic and the uncertainty surrounding its continued adverse economic impact, as discussed above under "COVID-19 Developments."

LIQUIDITY AND CAPITAL RESOURCES

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

On April 5, 2018, our board of directors approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Consolidated Appropriations Act of 2018 (which includes the SBCAA). As a result, the asset coverage requirement applicable to us for senior securities was reduced from 200% (i.e., \$1 of debt outstanding for each \$1 of equity) to 150% (i.e., \$2 of debt outstanding for each \$1 of equity), effective as of April 5, 2019, subject to compliance with certain disclosure requirements. As of March 31, 2020 and September 30, 2019, our asset coverage ratio, as computed in accordance with the 1940 Act, was 155% and 179%, respectively.

The annualized weighted average cost of debt for the six months ended March 31, 2020 and 2019, inclusive of the fee on the undrawn commitment on the Credit Facility, amendment costs and debt issuance costs, was 4.1% and 6.2%, respectively (excluding amendment and debt issuance costs, amounts were 4.1% and 5.1%, respectively). As of March 31, 2020 and September 30, 2019, we had \$106.7 million and \$254.7 million of unused borrowing capacity under the Credit Facility, respectively, subject to leverage and borrowing base restrictions.

Funding I's multi-currency Credit Facility with the Lenders was \$520 million as of March 31, 2020, subject to satisfaction of certain conditions and regulatory restrictions that the 1940 Act imposes on us as a BDC, has an interest rate spread above LIBOR (or an alternative risk-free floating interest rate index) of 200 basis points, a maturity date of October 2023 and a revolving period that ends in October 2021. As of March 31, 2020 and September 30, 2019, Funding I had \$413.3 million and 265.3 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had a weighted average interest rate of 3.6% and 4.1%, exclusive of the fee on undrawn commitments as of March 31, 2020 and September 30, 2019, respectively.

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

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

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

Our interest in Funding I (other than the management fee) is subordinate in priority of payment to every other obligation of Funding I and is subject to certain payment restrictions set forth in the Credit Facility. We may receive cash distributions on our equity interests in Funding I only after it has made (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 currently pay interest at a rate of 4.3% per year. Interest on the 2023 Notes is payable semi-annually in arrears on June 15 and December 15 of each year, commencing June 15, 2018. The principal on the 2023 Notes 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 the post-effective amendment to our registration statement filed on December 13, 2017 for more information. The 2023 Notes are rated iA- by S&P Global Ratings Maalot Ltd. and are listed on the TASE. In connection with this offering, we have dual listed our common stock on the TASE.

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

In September 2019, the Securitization Issuers completed the Debt Securitization. The 2031 Asset-Backed Debt is secured by the middle market loans, participation interests in middle market loans and other assets of the Securitization Issuer. The Debt Securitization was executed through (A) a private placement of: (i) \$78.5 million Class A-1 Senior Secured Floating Rate Notes maturing 2031, which bear interest at the three-month LIBOR plus 1.8%, (ii) \$15.0 million Class A-2 Senior Secured Fixed Rate Notes due 2031, which bear interest at 3.7%, (iii) \$14.0 million Class B-1 Senior Secured Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 2.9%, (iv) \$16.0 million Class B-2 Senior Secured Fixed Rate Notes due 2031, which bear interest at 4.3%, (v) \$19.0 million Class C-1 Secured Deferrable Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 4.0%, (vi) \$8.0 million Class C-2 Secured Deferrable Fixed Rate Notes due 2031, which bear interest at 5.4%, and (vii) \$18.0 million Class D Secured Deferrable Floating Rate Notes due 2031, which bear interest at the three-month LIBOR plus 4.8% and (B) the borrowing of \$77.5 million Class A-1 Senior Secured Floating Rate Loans due 2031, which bear interest at the three-month LIBOR plus 1.8%, under a credit agreement by and among the Securitization Issuers, as borrowers, various financial institutions, as lenders, and U.S. Bank National Association, as collateral agent and as loan agent. The 2031 Asset-Backed Debt is scheduled to mature on October 15, 2031. As of March 31, 2020 and September 30, 2019, the Company had \$228.0 million of 2031 Asset-Backed Debt outstanding, respectively, with a weighted average interest rate of 4.0% and 4.2%.

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

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

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

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

As of March 31, 2020 and September 30, 2019, we had cash equivalents of \$30.0 million and \$63.3 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 \$158.9 million for the six months ended March 31, 2020, and our financing activities provided cash of \$125.9 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from draws on our credit facility, partially offset by distributions paid to stockholders.

Our operating activities used cash of \$35.6 million for the six months ended March 31, 2019 and our financing activities used cash of \$3.5 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities used cash primarily for distributions paid to stockholders.

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 March 31, 2020, PSSSL had total assets of \$497.2 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 \$28.5 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 March 31, 2020, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding first lien secured debt and equity interests. As of the same date, our investment in PSSSL consisted of first lien secured debt of \$123.4 million (additional \$17.5 million unfunded) and equity interests of \$52.9 million (additional \$7.4 million 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, 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 March 31, 2020 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:

	March 31, 2020	September 30, 2019
Total investments	\$ 482,798,265	\$ 488,549,847
Weighted average yield on debt investments	7.0%	7.6%
Number of portfolio companies in PSSSL	51	45
Largest portfolio company investment	\$ 21,915,026	\$ 22,026,186
Total of five largest portfolio company investments	\$ 98,532,862	\$ 102,872,275

Below is a listing of PSSSL's individual investments as of March 31, 2020:

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
First Lien Secured Debt							
Altamira Technologies, LLC	07/24/2025	Business Services	7.78%	3M L+600	4,937,500	\$ 4,870,291	\$ 4,838,750
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	5.75%	3M L+475	7,709,836	7,635,520	7,632,738
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	7.86%	1M L+625	13,578,048	13,380,598	13,170,706
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.28%	3M L+650	11,675,625	11,593,803	11,271,648
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	6.75%	1M L+575	7,311,083	7,276,584	7,237,972
Centauri Group Holdings, LLC	02/12/2024	Aerospace and Defense	6.71%	1M L+525	10,370,472	10,361,964	10,059,358
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	7.36%	1M L+575	9,997,608	9,918,100	8,897,872
Country Fresh Holdings, LLC	05/01/2023	Beverage, Food and Tobacco	6.45%	1M L+500	182,403	179,556	182,403
Country Fresh Holdings, LLC (Revolver)	05/01/2023	Beverage, Food and Tobacco	6.45%	1M L+500	450,110	450,111	450,110
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	7.20%	3M L+575	12,250,000	12,116,071	12,005,000
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	7.20%	3M L+575	8,125,453	8,081,707	7,962,943
DRS Holdings III, Inc.	11/03/2025	Consumer Goods: Non-Durable	7.20%	1M L+575	8,062,563	7,985,331	7,649,760
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	5.87%	3M L+525 A \$ 10,000,000		7,385,936	5,753,270
GCOM Software LLC	11/14/2022	High Tech Industries	7.86%	1M L+625	17,091,551	16,988,454	17,048,821
Good2Grow LLC	11/18/2024	Beverage, Food and Tobacco	5.32%	3M L+425	11,329,248	11,237,035	10,536,200
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	5.56%	3M L+450	19,569,810	19,436,112	19,080,565
IMIA Holdings, Inc.	10/28/2024	Aerospace and Defense	5.95%	3M L+450	12,343,750	12,292,298	11,603,125
Impact Group, LLC	06/27/2023	Wholesale	7.95%	1M L+650	9,340,185	9,254,980	7,985,858
Infrastructure Supply Operations Pty Ltd. (3), (4)	12/12/2023	Wholesale	5.75%	1M L+475 A \$ 15,000,000		10,984,374	8,382,025
Integrative Nutrition, LLC	09/29/2023	Diversified Consumer Services	6.20%	1M L+475	9,924,623	9,924,623	9,527,638
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	6.75%	1M L+525	19,750,000	19,507,844	18,805,950
Lash Opco, LLC - Term Loan	12/12/2024	Consumer Goods: Non-Durable	8.75%	3M L+725	7,406,250	7,192,235	6,813,750
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	6.95%	3M L+550	9,875,000	9,794,401	9,452,350
Leap Legal Software Pty Ltd (3), (4)	09/12/2022	High Tech Industries	6.75%	3M L+575 A \$ 14,680,747		10,435,897	8,850,571
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.00%	1M L+600	6,984,375	7,018,576	6,285,938
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	7.00%	1M L+600	6,842,500	6,769,218	6,509,954
Marketplace Events LLC (4)	01/27/2023	Media: Diversified and Production	6.58%	P+275 C \$ 5,730,254		4,447,088	3,703,821
MeritDirect, LLC	05/23/2024	Media: Advertising, Printing & Publishing	6.95%	3M L+550	4,937,500	4,889,980	4,591,875
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.00%	3M L+500	5,979,856	5,952,437	5,831,556
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.00%	1M L+500	14,737,500	14,629,441	13,890,094
Nuvei Technologies Corp.	09/28/2025	High Tech Industries	6.00%	1M L+500	12,452,133	12,513,133	12,078,570
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	5.25%	1M L+425	10,768,333	10,660,650	10,660,648
Output Services Group, Inc.	03/27/2024	Business Services	6.11%	1M L+450	7,843,419	7,866,673	7,137,512
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	6.07%	1M L+500	9,842,557	9,759,641	9,252,004
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	7.12%	3M L+575	1,749,547	1,730,634	1,714,556
PlayPower, Inc.	05/08/2026	Consumer Goods: Durable	6.95%	3M L+550	4,168,500	4,129,610	4,043,445
Sargent & Greenleaf Inc.	12/20/2024	Wholesale	7.00%	1M L+550	4,975,000	4,902,819	4,726,250
Schlesinger Global, Inc.	07/14/2025	Business Services	7.44%	1M L+600	11,964,715	11,964,715	11,725,430
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	6.20%	3M L+450	11,232,813	11,139,848	11,120,484
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	7.58%	1M L+600	4,687,495	4,687,495	4,406,245
Solutionreach, Inc.	01/17/2024	Healthcare and Pharmaceuticals	6.74%	3M L+575	6,539,462	6,461,958	6,321,698
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	5.00%	3M L+400	15,147,368	15,150,402	14,162,789
STV Group Incorporated	12/11/2026	Construction and Building	6.24%	1M L+525	7,980,000	7,902,772	7,820,400
TeleGuam Holdings, LLC	11/20/2025	Telecommunications	5.50%	1M L+450	8,409,616	8,368,338	8,073,231
Teneo Holdings LLC	07/18/2025	Business Services	6.25%	1M L+525	4,975,000	4,793,152	4,726,250
The Infosoft Group, LLC	09/16/2024	Media: Broadcasting and Subscription	6.92%	6M L+525	8,687,660	8,661,839	8,166,400
TPC Canada Parent, Inc. and TPC US Parent, LLC	11/24/2025	Consumer Goods: Non-Durable	7.14%	3M L+475	9,969,066	8,882,178	8,703,582
TVC Enterprises, LLC	01/18/2024	Diversified Consumer Services	6.50%	1M L+550	9,924,623	9,924,623	9,726,131
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	7.25%	1M L+625	6,910,465	6,785,977	6,703,151
UBEQ, LLC	04/03/2024	Capital Equipment	6.76%	3M L+450	22,136,390	21,947,892	21,915,026
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	6.00%	3M L+500	11,521,769	11,353,227	11,291,333
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	8.41%	3M L+650	15,797,891	15,545,471	15,797,891
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	8.50%	1M L+750	5,326,734	5,262,695	5,273,467
Total First Lien Secured Debt						492,386,307	471,559,114
Second Lien Secured Debt							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	9.95% (PIK 9.95%)	1M L+850	918,103	918,103	918,104
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	9.00% (PIK 9.00%)	—	15,946	15,946	15,229
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	9.00% (PIK 9.00%)	—	7,977,513	7,977,513	7,618,525
Total Second Lien Secured Debt						8,911,562	8,551,858
Equity Securities							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco	—	—	1,317	1,713,106	154,563
DBI Holding, LLC, Series A-1	—	Business Services	—	—	5,034	5,034,310	2,532,730
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	—
Total Equity Securities						6,983,937	2,687,293
Cash and Cash Equivalents							
BlackRock Federal FD Institutional 30						8,789,465	8,789,465
US Bank Cash						3,128,147	2,964,039
Total Cash and Cash Equivalents						11,917,612	11,753,504
Total Investments and Cash Equivalents						\$ 520,199,418	\$ 494,551,769
Liabilities in Excess of Other Assets							(454,412,431)
Members' Equity							\$ 40,139,338

-
- (1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or "L" or Prime rate or "P". The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower's option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes PIK interest and other fee rates, if any.
 - (2) Valued based on PSSL's accounting policy.
 - (3) Non-U.S. company or principal place of business outside the United States.
 - (4) Par amount is denominated in Australian Dollars (AS) or in Canadian Dollars (CS) as denoted.

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

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
First Lien Secured Debt							
Altamira Technologies, LLC	07/24/2025	High Tech Industries	8.28%	3M L+600	5,000,000	\$ 4,927,149	\$ 5,000,000
American Auto Auction Group, LLC	01/02/2024	Transportation: Consumer	6.85%	3M L+475	7,749,274	7,674,216	7,671,781
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.52%	1M L+725	13,772,261	13,531,751	13,772,261
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	8.54%	3M L+650	11,735,208	11,644,440	11,680,054
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.79%	1M L+575	7,348,866	7,311,507	7,128,400
Centauri Group Holdings, LLC	02/12/2024	Aerospace and Defense	7.36%	1M L+525	10,422,726	10,413,416	10,396,669
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	8.87%	1M L+575	10,127,447	10,040,432	9,874,261
Country Fresh Holdings, LLC	05/01/2023	Beverage, Food and Tobacco	7.10%	1M L+500	182,403	179,170	182,403
Country Fresh Holdings, LLC (Revolver)	05/01/2023	Beverage, Food and Tobacco	7.10%	1M L+500	126,031	126,031	126,031
Country Fresh Holdings, LLC - (Revolver) (5)	05/01/2023	Beverage, Food and Tobacco	—	—	324,080	—	—
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	7.54%	3M L+625	19,748,744	19,748,744	19,748,744
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	7.85%	3M L+575	12,312,500	12,157,345	12,189,375
Douglas Sewer Intermediate, LLC	10/19/2022	Chemicals, Plastics and Rubber	7.85%	3M L+575	8,166,594	8,116,022	8,084,928
Findex Group Limited (3), (4)	05/31/2024	Banking, Finance, Insurance and Real Estate	6.26%	3M L+525 A \$	10,000,000	7,376,173	6,542,165
GCOM Software LLC	11/14/2022	High Tech Industries	8.37%	1M L+750	17,384,864	17,263,748	17,384,864
Good2Grow LLC	11/18/2024	Beverages	6.35%	3M L+425	11,752,655	11,649,126	11,576,366
Good Source Solutions, Inc.	06/29/2023	Beverage, Food and Tobacco	6.37%	3M L+600	14,357,813	14,241,579	14,135,267
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	6.60%	3M L+450	19,669,098	19,524,460	19,472,406
IMIA Holdings, Inc.	10/28/2024	Aerospace and Defense	6.60%	3M L+450	12,406,250	12,351,255	12,344,219
Impact Group, LLC	06/27/2023	Wholesale	8.60%	1M L+650	9,390,185	9,296,753	9,296,283
Infrastructure Supply Operations Pty Ltd. (3), (4)	12/12/2023	Wholesale	5.80%	1M L+425 A \$	15,000,000	10,973,919	9,717,138
Integrative Nutrition, LLC	09/29/2023	Diversified Consumer Services	6.85%	1M L+475	9,974,874	9,974,874	9,974,874
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	7.30%	1M L+525	19,850,000	19,586,294	19,609,815
LAV Gear Holdings, Inc.	10/31/2024	Capital Equipment	7.60%	3M L+550	9,925,000	9,837,686	9,916,068
Leap Legal Software Pty Ltd (3), (4)	09/12/2022	High Tech Industries	6.80%	3M L+575 A \$	14,755,747	10,483,859	9,952,014
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.10%	1M L+500	17,820,000	17,688,160	17,641,800
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.04%	1M L+600	7,078,125	7,118,977	6,575,083
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.05%	1M L+600	6,877,500	6,797,207	6,688,369
Marketplace Events LLC (4)	01/27/2021	Media: Diversified and Production	7.20%	P+275 C \$	5,760,254	4,461,926	4,350,645
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	7.10%	3M L+500	6,009,982	5,977,867	6,009,982
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.35%	1M L+425	14,812,500	14,691,710	14,664,375
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.54%	1M L+450	11,876,667	11,757,900	11,876,667
Output Services Group, Inc.	03/27/2024	Business Services	6.54%	1M L+425	7,883,419	7,909,754	6,779,740
Pestell Minerals and Ingredients Inc.	06/01/2023	Beverage, Food and Tobacco	7.57%	3M L+525	9,925,000	9,840,202	9,825,750
Pestell Minerals and Ingredients Inc.	06/01/2023	Beverage, Food and Tobacco	7.23%	3M L+525 C \$	3,242,655	2,412,626	2,424,644
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	7.04%	1M L+500	9,892,519	9,804,058	9,397,893
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	8.00%	3M L+575	1,758,406	1,736,386	1,740,822
PlayPower, Inc.	05/8/2026	Leisure Products	7.60%	3M L+550	4,189,500	4,148,451	4,184,263
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	6.66%	3M L+450	11,289,688	11,189,470	11,176,791
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	8.10%	1M L+600	4,687,495	4,687,495	4,359,370
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	6.35%	3M L+425	15,224,842	15,227,900	15,224,842
Teneo Holdings LLC	07/18/2025	Business Services	7.29%	1M L+525	5,000,000	4,804,110	4,762,500
The Insoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.43%	6M L+500	8,823,392	8,790,069	8,735,157
TVC Enterprises, LLC	01/18/2024	Diversified Consumer Services	7.55%	1M L+550	9,974,874	9,974,874	9,974,874
TWS Acquisition Corporation	06/16/2025	Diversified Consumer Services	8.28%	1M L+625	7,075,000	6,937,888	6,933,500
UBEO, LLC	04/03/2024	Capital Equipment	6.78%	3M L+450	22,248,673	22,045,879	22,026,186
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	7.04%	3M L+450	11,572,122	11,388,612	11,572,122
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	8.83%	3M L+650	16,001,734	15,724,459	16,121,747
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	9.55%	1M L+750	5,466,024	5,389,938	5,466,024
Total First Lien Secured Debt						478,935,867	474,289,532
Second Lien Secured Debt							
Country Fresh Holdings, LLC	04/29/2024	Beverage, Food and Tobacco	10.60%	1M L+850	870,886	870,886	870,886
			(PIK 10.60%)				
DBI Holding, LLC, Term Loan B	03/26/2021	Business Services	8.00%	6M L+525	15,206	15,206	15,206
			(PIK 8.00%)				
DBI Holding, LLC, Term Loan C	02/02/2026	Business Services	8.00%	—	7,607,291	7,607,291	7,569,255
			(PIK 8.00%)				
Total Second Lien Secured Debt						8,493,383	8,455,347
Equity Securities							
Country Fresh Holding Company Inc.	—	Beverage, Food and Tobacco	—	—	1,317	1,713,106	1,124,929
DBI Holding, LLC, Series A-1	—	Business Services	—	—	5,034	5,034,310	4,680,039
DBI Holding, LLC, Series B	—	Business Services	—	—	1,065,021	236,521	-
Total Equity Securities						6,983,937	5,804,968
Cash and Cash Equivalents							
BlackRock Federal FD Institutional 30						12,166,301	12,166,301
US Bank Cash						3,156,230	3,128,580
Total Cash and Cash Equivalents						15,322,531	15,294,881
Total Investments and Cash Equivalents						\$ 509,735,718	\$ 503,844,728
Liabilities in Excess of Other Assets							
Members' Equity							(446,736,922)
							\$ 57,107,806

- 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.
- 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 the financial information for PSSL:

Statements of Assets and Liabilities

	March 31, 2020 (Unaudited)	September 30, 2019
Assets		
Investments at fair value (cost—\$508,281,806 and \$494,413,190, respectively)	\$ 482,798,265	\$ 488,549,847
Cash and cash equivalents (cost—\$11,917,612 and \$15,322,531, respectively)	11,753,504	15,294,881
Interest receivable	1,703,141	1,855,545
Prepaid expenses and other assets	490,875	996,333
Total assets	496,745,785	506,696,606
Liabilities		
PSSL Credit Facility payable	314,443,536	308,724,305
Notes payable to members	141,050,000	139,650,000
Interest payable on PSSL Credit Facility	1,073,654	1,015,468
Interest payable on notes to members	39,257	176,273
Accrued other expenses	—	22,754
Total liabilities	456,606,447	449,588,800
Commitments and contingencies (1)	—	—
Members' equity	40,139,338	57,107,806
Total liabilities and members' equity	\$ 496,745,785	\$ 506,696,606

(1) As of March 31, 2020 and September 30, 2019, PSSL had unfunded commitments to fund investments of zero and \$0.3 million, respectively.

Statements of Operations

	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Investment income:				
Interest	\$ 8,623,991	\$ 10,379,484	\$ 17,399,249	\$ 5,097,142
Other income	2,994	141,030	(3,637)	12,219
Total investment income	8,626,985	10,520,514	17,395,612	5,109,361
Expenses:				
Interest and expenses on PSSL Credit Facility	3,341,355	4,336,173	6,746,751	1,957,836
Interest expense on notes to members	3,508,325	3,673,693	7,139,570	1,638,700
Administrative services expenses	300,000	300,000	600,000	150,000
Other general and administrative expenses (1)	113,650	113,650	227,360	465,436
Total expenses	7,263,330	8,423,516	14,713,681	4,211,972
Net investment income	1,363,655	2,096,998	2,681,931	897,389
Realized and unrealized (loss) gain on investments and credit facility foreign currency translations:				
Net realized (loss) gain on investments	(34,117)	320,818	418,361	15,946
Net change in unrealized (depreciation) appreciation on:				
Investments	(20,835,443)	388,105	(19,756,654)	999,702
Credit facility foreign currency translation	4,013,416	(350,091)	2,687,894	(251,668)
Net change in unrealized (depreciation) appreciation on investments and credit facility foreign currency translation	(16,822,027)	38,014	(17,068,760)	748,034
Net realized and unrealized (loss) gain from investments and credit facility foreign currency translation	(16,856,144)	358,832	(16,650,399)	763,980
Net (decrease) increase in members' equity resulting from operations	\$ (15,492,489)	\$ 2,455,830	\$ (13,968,468)	\$ 1,661,369

(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 March 31, 2020, including borrowings under our Credit Facility, 2023 Notes, 2031 Asset-Backed Debt and other contractual obligations, is as follows:

	Payments due by period (millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility	\$ 413.3	\$ —	\$ —	\$ 413.3	\$ —
2023 Notes	138.6	20.8	41.6	76.2	—
2031 Asset-Backed Debt	228.0	—	—	—	228.0
Total debt outstanding (1)	\$ 779.9	\$ 20.8	\$ 41.6	\$ 489.5	\$ 228.0
Unfunded commitments to PSSSL	24.9	—	—	—	24.9
Unfunded investments (2)	60.3	—	10.4	32.9	17.0
Total contractual obligations	\$ 865.1	\$ 20.8	\$ 52.0	\$ 522.4	\$ 269.9

- (1) The annualized weighted average cost of debt as of March 31, 2020, excluding amendment costs and debt issuance costs, was 3.8% exclusive of the fee on the undrawn commitment on the Credit Facility.
- (2) Unfunded debt and equity investments are disclosed in the Consolidated Schedule of Investments and Note 11 of our Consolidated Financial Statements.

We have entered into certain contracts under which we have material future commitments. Under our Investment Management Agreement, which was most recently reapproved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2020, 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 2020, 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 out 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 six months ended March 31, 2020 and 2019, we declared distributions of \$0.285 and \$0.57 per share, respectively, for total distributions of \$11.1 and \$22.1 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.

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 Developments

Subsequent to March 31, 2020, the market disruptions caused by the COVID-19 pandemic have continued to adversely affect the business operations of some, if not all, of our portfolio companies and have adversely affected, and may continue to adversely affect, our operations and the operations of our Investment Adviser. While we are closely monitoring this situation, we cannot predict the impact of COVID-19 on our future financial condition, results of operations or cash flows with any level of certainty. That said, we expect that the COVID-19 pandemic will have a material adverse impact on our future net investment income, the fair value of our portfolio investments, and the results of operations and financial condition of our portfolio companies. For more information, see "COVID-19 Developments" above.

Item 3. Quantitative And Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. As of March 31, 2020, our debt portfolio consisted of 99% variable-rate investments. The variable-rate loans are usually based on a floating interest rate index such as LIBOR and typically have durations of three months, after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the

floor. In 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%	\$	1,614	\$	0.04
Up 1%		4,386		0.11
Up 2%		9,792		0.25
Up 3%		15,198		0.39
Up 4%	\$	20,604	\$	0.53

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 March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should consider carefully the factors discussed below, as well as in Part I “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019 filed on November 20, 2019, 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, 2023 Notes and the 2031 Asset-Backed Debt and expect in the future to borrow additional amounts under our Credit Facility or other debt securities, subject to market availability, and may increase the size of our Credit Facility. We cannot assure you that our leverage will remain at current levels. The amount of leverage that we employ will depend upon our assessment of the market and other factors at the time of any proposed borrowing. Lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or preferred stockholders, if any, and we have granted a security interest in Funding I’s assets in connection with our Credit Facility borrowings. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. Any future debt issuance will increase our leverage and may be subordinate to our Credit Facility. In addition, borrowings or debt issuances, also known as leverage, magnify the potential for loss or gain on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets decreases, then 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.

Global capital markets could enter a period of severe disruption and instability due to future recessions, political instability, geopolitical turmoil and foreign hostilities, and disease pandemics and other serious health events. These market conditions have historically had and could again have a materially adverse effect on debt and equity capital markets in the United States, which could have a materially negative impact on our business, financial condition and results of operations.

The U.S. and global capital markets have, from time to time, experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of major financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with material and adverse

consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future. In addition, continuing uncertainty arising from the United Kingdom's decision to leave the European Union (commonly known as "Brexit") could lead to further market disruptions and currency volatility, potentially weakening consumer, corporate and financial confidence and resulting in lower economic growth for companies that rely significantly on Europe for their business activities and revenues. Furthermore, uncertainty between the United States and other countries with respect to trade policies, treaties and tariffs, among other factors, have caused disruptions in the global markets, including markets in which we participate, and we cannot assure you that these market conditions will not continue or worsen in the future. We may in the future have difficulty accessing debt and equity capital markets, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels, Brexit or other global economic and political conditions, including future recessions, political instability, geopolitical turmoil and foreign hostilities, and disease, pandemics and other serious health events, could have a material adverse effect on our business, financial condition and results of operations.

In December 2019, COVID-19 was first detected in the city of Wuhan in the Hubei province of China. The spread of COVID-19 has resulted in governmental orders imposing travel restrictions and prolonged closures of many corporate offices, retail stores, manufacturing facilities, factories and other common places of public congregation around the world, which has materially disrupted the demand for our portfolio companies' products and services and is making it more difficult for our portfolio companies to conduct their businesses. In addition, supply chains worldwide have been interrupted, slowed, or rendered inoperable as a result of the COVID-19 pandemic, and an increasing number of individuals are becoming ill, quarantined, or otherwise unable to work and/or travel due to health reasons or governmental restrictions. Governmental mandates to control the outbreak have resulted in forced shutdowns of our portfolio companies' facilities for extended periods. These prolonged disruptions in the business of our portfolio companies, including disruptions in their supply chains, have adversely affected their ability to obtain the necessary raw materials or components to make their products and caused a decline in the demand for their products or services. This may require, or in some cases already has required, our portfolio companies to furlough or lay off employees, terminate relationships with service providers or otherwise significantly curtail their standard business operations, which would likely cause, or already has caused, a negative impact on their operating results.

The global impact of the COVID-19 outbreak continues to evolve and is adversely affecting our operations and the operations of our portfolio companies. The COVID-19 pandemic has resulted in, and will continue to result in, among other things, the following: (i) increased draws by borrowers on revolving lines of credit; (ii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iii) volatility and disruption of markets including greater volatility in pricing and spreads, difficulty in valuing loans during periods of increased volatility, and liquidity issues; (iv) reduction in certain interest rates by the U.S. Federal Reserve and other central banks and decreased LIBOR; and (v) unfavorable economic conditions that would be expected to increase borrowers' funding costs, limit borrowers' access to the capital markets or result in a decision by lenders not to extend credit to borrowers. These factors are limiting our portfolio companies' access to capital in a time of great economic distress. While government authorities are rapidly introducing creative proposals to address the needs of businesses, such actions may not adequately address the problems facing our portfolio companies.

The outbreak is likely to have a continued adverse impact on economic and market conditions and may trigger a prolonged period of global economic slowdown. The full impact on global markets from COVID-19 is difficult to predict, and the degree to which COVID-19 will continue to negatively affect our operating results or the duration of any potential business disruption remains uncertain. The full negative impact of COVID-19 on our business and results of operations will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to reduce the spread of the virus, all of which are beyond our control. These future events, while unpredictable, will likely adversely affect our operating results and the operating results of our portfolio companies.

We are currently operating in a period of capital markets disruption and economic uncertainty.

The U.S. capital markets have experienced extreme volatility and disruption following the global outbreak of COVID-19. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a prolonged period of world-wide economic downturn. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. Such disruptions are adversely affecting our business, financial condition, results of operations and cash flows, and future market disruptions and/or illiquidity will continue to negatively impact us. These unfavorable economic conditions are also increasing our funding costs and limiting our access to the capital markets, and may result in a decision by lenders not to extend credit to us in the future. These events have limited and will continue to limit our investment originations, limit our ability to grow and negatively impact our operating results and the fair values of our debt and equity investments.

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

On May 8, 2020, our board of directors adopted the Second Amended and Restated Bylaws of the Company (the "Second A&R Bylaws"), which became effective immediately. The Second A&R Bylaws, among other things, amended (i) the exclusive forum provision in Article XV and (ii) the voting standard for the election of directors in Article II, Section 7, as described below.

The Second A&R Bylaws amended Article XV to include Internal Corporate Claims (a new term resulting from a change in Maryland law that is defined in Section 1-101 of the Maryland General Corporation Law (the "MGCL")) as a type of litigation subject to the Company's exclusive forum provision. The revised Article XV also clarifies that the exclusive forum provision does not cover actions arising under federal securities laws and provides that none of the actions, claims or proceedings explicitly covered in the exclusive forum provision may be brought in any court sitting outside the State of Maryland without the Company's written consent.

The Second A&R Bylaws also amended Article II, Section 7 to provide that a director nominee shall be elected by an affirmative vote of a majority of the total votes cast for and against such nominee in an uncontested election at a meeting of stockholders duly called and at which a quorum is present, except that nominees for director shall be elected by a plurality of the votes cast at a meeting of stockholders during a contested election where the number of nominees is greater than the number of directors to be elected. Prior to the amendment, a director nominee may be elected by an affirmative vote of the holders of a majority of the total votes cast for and affirmatively withheld from such nominee. Under the revised voting standard, a nominee shall be elected to the Company's board of directors by a majority of the votes cast with respect to such nominee, which means that the number of votes cast for a director nominee must exceed the number of votes cast against the nominee; provided that if the election is contested, directors shall be elected by a plurality of the votes cast. The amendment further provides that voting on any matter, including the election of directors, may be conducted orally unless the

chairman of the meeting orders that voting be by ballot or otherwise.

The foregoing description of the Second A&R Bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of the Second A&R Bylaws, which is attached as Exhibit 3.2 to this Form 10-Q and incorporated herein by reference.

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

* Filed herewith.

SIGNATURES

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

PENNANTPARK FLOATING RATE CAPITAL LTD.

Date: May 11, 2020

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

Date: May 11, 2020

By: _____
/s/ Aviv Efrat
Aviv Efrat
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

PENNANTPARK FLOATING RATE CAPITAL LTD.**SECOND AMENDED AND RESTATED BYLAWS****ARTICLE I****OFFICES**

Section 1. **PRINCIPAL OFFICE.** The principal office of the Corporation in the State of Maryland shall be located at such place as the Board of Directors may designate.

Section 2. **ADDITIONAL OFFICES.** The Corporation may have additional offices, including a principal executive office, at such places as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II**MEETINGS OF STOCKHOLDERS**

Section 1. **PLACE.** All meetings of stockholders shall be held at the principal executive office of the Corporation or at such other place as shall be set in accordance with these Bylaws and stated in the notice of the meeting.

Section 2. **ANNUAL MEETING.** An annual meeting of stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held on the date and at the time and place set by the Board of Directors.

Section 3. **SPECIAL MEETINGS.**

(a) **General.** The Chairman of the Board, the president or the Board of Directors may call a special meeting of the stockholders. Subject to subsection (b) of this Section 3, a special meeting of stockholders shall also be called by the secretary of the Corporation to act on any matter that may properly be considered at a meeting of stockholders upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

(b) **Stockholder Requested Special Meetings.** (1) Any stockholder of record seeking to have stockholders request a special meeting shall, by sending written notice to the secretary (the "Record Date Request Notice") by registered mail, return receipt requested, request the Board of Directors to fix a record date to determine the stockholders entitled to request a special meeting (the "Request Record Date"). The Record Date Request Notice shall set forth the purpose of the meeting and the matters proposed to be acted on at it, shall be signed by one or more stockholders of record as of the date of signature (or their agents duly authorized in a writing accompanying the Record Date Request Notice), shall bear the date of signature of each such stockholder (or such agent) and shall set forth all information relating to each such stockholder that must be disclosed in solicitations of proxies for election of directors in an election contest

(even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"). Upon receiving the Record Date Request Notice, the Board of Directors may fix a Request Record Date. The Request Record Date shall not precede and shall not be more than ten days after the close of business on the date on which the resolution fixing the Request Record Date is adopted by the Board of Directors. If the Board of Directors, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date, the Request Record Date shall be the

close of business on the tenth day after the first date on which the Record Date Request Notice is received by the secretary.

(2) In order for any stockholder to request a special meeting, one or more written requests for a special meeting signed by stockholders of record (or their agents duly authorized in a writing accompanying the request) as of the Request Record Date entitled to cast not less than a majority (the "Special Meeting Percentage") of all of the votes entitled to be cast at such meeting (the "Special Meeting Request") shall be delivered to the secretary. In addition, the Special Meeting Request (a) shall set forth the purpose of the meeting and the matters proposed to be acted on at it (which shall be limited to those lawful matters set forth in the Record Date Request Notice received by the secretary), (b) shall bear the date of signature of each such stockholder (or such agent) signing the Special Meeting Request, (c) shall set forth the name and address, as they appear in the Corporation's books, of each stockholder signing such request (or on whose behalf the Special Meeting Request is signed) and the class, series and number of all shares of stock of the Corporation which are owned by each such stockholder, and the nominee holder for, and number of, shares owned by such stockholder beneficially but not of record, (d) shall be sent to the secretary by registered mail, return receipt requested, and (e) shall be received by the secretary within 60 days after the Request Record Date. Any requesting stockholder (or agent duly authorized in a writing accompanying the revocation or the Special Meeting Request) may revoke his, her or its request for a special meeting at any time by written revocation delivered to the secretary.

(3) The secretary shall inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the notice of meeting (including the Corporation's proxy materials). The secretary shall not be required to call a special meeting upon stockholder request and such meeting shall not be held unless, in addition to the documents required by paragraph (2) of this Section 3(b), the secretary receives payment of such reasonably estimated cost prior to the mailing of any notice of the meeting.

(4) Except as provided in the next sentence, any special meeting shall be held at such place, date and time as may be designated by the Chairman of the Board, the president or the Board of Directors, whoever has called the meeting. In the case of any special meeting called by the secretary upon the request of stockholders (a "Stockholder Requested Meeting"), such meeting shall be held at such place, date and time as may be designated by the Board of Directors; provided, however, that the date of any Stockholder Requested Meeting shall be not more than 90 days after the record date for such meeting (the "Meeting Record Date"); and provided further that if the Board of Directors fails to designate, within ten days after the date that a valid Special Meeting Request is actually received by the secretary (the "Delivery Date"),

a date and time for a Stockholder Requested Meeting, then such meeting shall be held at 2:00 p.m. local time on the 90th day after the Meeting Record Date or, if such 90th day is not a Business Day (as defined below), on the first preceding Business Day; and provided further that in the event that the Board of Directors fails to designate a place for a Stockholder Requested Meeting within ten days after the Delivery Date, then such meeting shall be held at the principal executive office of the Corporation. In fixing a date for any special meeting, the Chairman of the Board, the president or the Board of Directors may consider such factors as he, she or it deems relevant within the good faith exercise of business judgment, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for meeting and any plan of the Board of Directors to call an annual meeting or a special meeting. In the case of any Stockholder Requested Meeting, if the Board of Directors fails to fix a Meeting Record Date that is a date within 30 days after the Delivery Date, then the close of business on the 30th day after the Delivery Date shall be the Meeting Record Date. The Board of Directors may revoke the notice for any Stockholder Requested Meeting in the event that the requesting stockholders fail to comply with the provisions of paragraph (3) of this Section 3(b).

(5) If written revocations of requests for the special meeting have been delivered to the Secretary and the result is that stockholders of record (or their agents duly authorized in writing), as of the Request Record Date, entitled to cast less than the Special Meeting Percentage have delivered, and not revoked, requests for a special meeting to the Secretary, the Secretary shall: (i) if the notice of meeting has not already been mailed, refrain from mailing the notice of the meeting and send to all requesting stockholders who have not revoked such requests written notice of any revocation of a request for the special meeting, or (ii) if the notice of meeting has been mailed and if the Secretary first sends to all requesting stockholders who have not revoked requests for a special meeting written

notice of any revocation of a request for the special meeting and written notice of the Secretary's intention to revoke the notice of the meeting or for the chairman of the meeting to adjourn the meeting without action on the matter, (A) the Secretary may revoke the notice of the meeting at any time before ten days before the commencement of the meeting or (B) the chairman of the meeting may call the meeting to order and adjourn the meeting without acting on the matter. Any request for a special meeting received after a revocation by the Secretary of a notice of a meeting shall be considered a request for a new special meeting.

(6) The Board of Directors, the Chairman of the Board or the president may appoint independent inspectors of elections to act as the agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported Special Meeting Request received by the secretary. For the purpose of permitting the inspectors to perform such review, no such purported request shall be deemed to have been delivered to the secretary until the earlier of (i) five Business Days after receipt by the secretary of such purported request and (ii) such date as the independent inspectors certify to the Corporation that the valid requests received by the secretary represent at least the Special Meeting Percentage. Nothing contained in this paragraph (6) shall in any way be construed to suggest or imply that the Corporation or any stockholder shall not be entitled to contest the validity of any request, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(7) For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or other day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

Section 4. **NOTICE OF MEETINGS.** Not less than ten nor more than 90 days before each meeting of stockholders, the secretary shall give to each stockholder entitled to vote at such meeting and to each stockholder not entitled to vote who is entitled to notice of the meeting notice in writing or by electronic transmission stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, by mail, by presenting it to such stockholder personally, by leaving it at the stockholder's residence or usual place of business, by electronic transmission or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at the stockholder's address as it appears on the records of the Corporation, with postage thereon prepaid. If transmitted electronically, such notice shall be deemed to be given when transmitted to the stockholder by an electronic transmission to any address or number of the stockholder at which the stockholder receives electronic transmissions. The Corporation may give a single notice to all stockholders who share an address, which single notice shall be effective as to any stockholder at such address, unless such stockholder objects to receiving such single notice or revokes a prior consent to receiving such single notice. Failure to give notice of any meeting to one or more stockholders, or any irregularity in such notice, shall not affect the validity of any meeting fixed in accordance with this Article II or the validity of any proceedings at any such meeting.

Subject to Section 11(a) of this Article II, any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice. The Corporation may postpone or cancel a meeting of stockholders by making a public announcement (as defined in Section 11(c)(3) of this Article II) of such postponement or cancellation prior to the meeting. Notice of the date, time and place to which the meeting is postponed shall be given not less than ten days prior to such date and otherwise in the manner set forth in this section.

Section 5. **ORGANIZATION AND CONDUCT.** Every meeting of stockholders shall be conducted by an individual appointed by the Board of Directors to be chairman of the meeting or, in the absence of such appointment, by the Chairman of the Board, if any, or, in the case of a vacancy in the office or absence of the Chairman of the Board, by one of the following officers present at the meeting: the Vice Chairman of the Board, if any, the president, any Vice president, the secretary, the Treasurer, the Chief Compliance Officer or, in the absence of such officers, a chairman chosen by the stockholders by the vote of a majority of the votes cast by stockholders present in person or by proxy. The secretary or, in the secretary's absence, an assistant secretary or, in the absence of both the secretary and assistant secretaries, an individual appointed by the Board of Directors or, in the absence of such appointment, an

individual appointed by the chairman of the meeting shall act as secretary. In the event that the secretary presides at a meeting of the stockholders, an assistant secretary, or, in the absence of assistant secretaries, an

individual appointed by the Board of Directors or the chairman of the meeting, shall record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of stockholders shall be determined by the chairman of the meeting. The chairman of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairman, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to stockholders of record of the Corporation, their duly authorized proxies and other such individuals as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies or other such individuals as the chairman of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) determining when the polls should be opened and closed; (f) maintaining order and security at the meeting; (g) removing any stockholder or any other individual who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairman of the meeting; and (h) concluding a meeting or recessing or adjourning the meeting to a later date and time and at a place announced at the meeting. Unless otherwise determined by the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 6. QUORUM. The presence in person or by proxy of the holders of shares of stock of the Corporation entitled to cast a majority of the votes entitled to be cast (without regard to class) shall constitute a quorum at any meeting of the stockholders, except with respect to any such matter that, under applicable statutes or regulatory requirements, requires approval by a separate vote of one or more classes of stock, in which case the presence in person or by proxy of the holders of shares entitled to cast a majority of the votes entitled to be cast by each such class on such a matter shall constitute a quorum. This section shall not affect any requirement under any statute or the charter of the Corporation for the vote necessary for the adoption of any measure.

If, however, such quorum shall not be present at any meeting of the stockholders, the chairman of the meeting shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

The stockholders present either in person or by proxy, at a meeting which has been duly called and convened, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 7. VOTING. A nominee for director shall be elected as a director only if such nominee receives the affirmative vote of a majority of the total votes cast for and against such nominee at a meeting of stockholders duly called and at which a quorum is present. However, directors shall be elected by a plurality of votes cast at a meeting of stockholders duly called and at which a quorum is present for which (i) the secretary of the Corporation receives notice that a stockholder has nominated an individual for election as a director in compliance with the requirements of advance notice of stockholder nominees for director set forth in Article II, Section 11 of these Bylaws, and (ii) such nomination has not been withdrawn by such stockholder on or before the close of business on the tenth day before the date of filing of the definitive proxy statement of the Corporation with the Securities and Exchange Commission (the "Commission"), and, as a result of which, the number of nominees is greater than the number of directors to be elected at the meeting. Each share entitles the holder thereof to vote for as many individuals as there are directors to be elected and for whose election the holder is entitled to vote. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute or by the charter of the Corporation. Unless otherwise provided by statute or by the charter of the Corporation, each outstanding share of stock, regardless of class, entitles the holder thereof to cast one vote on each matter submitted to a vote at a meeting of stockholders. Voting on any question or in any election may be *viva voce* unless the chairman of the meeting shall order that voting be by ballot or otherwise. Section 8. PROXIES. A stockholder may cast the votes entitled to be cast by the shares of stock owned of record by the stockholder in person or by proxy executed by the stockholder or by the stockholder's duly authorized agent in any manner permitted by law. Such

proxy or evidence of authorization of such proxy shall be filed with the secretary of the Corporation before or at the meeting. No proxy shall be valid more than eleven months after its date unless otherwise provided in the proxy.

Section 9. VOTING OF STOCK BY CERTAIN HOLDERS. Stock of the Corporation registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such stock pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any director or other fiduciary may vote stock registered in his or her name as such fiduciary, either in person or by proxy.

Shares of stock of the Corporation directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder.

The resolution shall set forth the class of stockholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified stock in place of the stockholder who makes the certification.

Section 10. INSPECTORS. The Board of Directors, in advance of any meeting, may, but need not, appoint one or more individual inspectors or one or more entities that designate individuals as inspectors to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or

act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the chairman of the meeting. The inspectors, if any, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, and determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. Each such report shall be in writing and signed by him or her or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 11. ADVANCE NOTICE OF STOCKHOLDER NOMINEES FOR DIRECTOR AND OTHER STOCKHOLDER PROPOSALS.

(a) Annual Meetings of Stockholders. (1) Nominations of individuals for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice by the stockholder as provided for in this Section 11(a) and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with this Section 11(a).

(2) For any nomination or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 11, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and any such other business must otherwise be a proper matter for action by the stockholders. To be timely, a stockholder's notice shall set forth all information required under this Section 11 and shall be delivered to the secretary at the principal executive office of the Corporation not earlier than the 150th day nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the proxy statement (as defined in Section 11(c)(3) of this Article II) for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, in order for notice by the stockholder to be timely, such notice must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(3) Such stockholder's notice shall set forth:

(i) as to each individual whom the stockholder proposes to nominate for election or reelection as a director (each, a "Proposed Nominee"),

(A) all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a director in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act; and

(B) whether such stockholder believes any such Proposed Nominee is, or is not, an "interested person" of the Corporation, as defined in the Investment Company Act of 1940, as amended, and the rules promulgated thereunder (the "Investment Company Act") and information regarding such individual that is sufficient, in the discretion of the Board of Directors or any committee thereof or any authorized officer of the Corporation, to make such determination;

(ii) as to any other business that the stockholder proposes to bring before the meeting, a description of such business, the stockholder's reasons for proposing such business at the meeting and any material interest in such business of such stockholder or any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder or the Stockholder Associated Person therefrom;

(iii) as to the stockholder giving the notice, any Proposed Nominee and any Stockholder Associated Person,

(A) the class, series and number of all shares of stock or other securities of the Corporation or any affiliate thereof (collectively, the "Company Securities"), if any, which are owned (beneficially or of record) by such stockholder, Proposed Nominee or Stockholder Associated Person, the date on which each such Company Security was acquired and the investment intent of such acquisition, and any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such stock or other security) in any Company Securities of any such person,

(B) the nominee holder for, and number of, any Company Securities owned beneficially but not of record by such stockholder, Proposed Nominee or Stockholder Associated Person,

(C) whether and the extent to which such stockholder, Proposed Nominee or Stockholder Associated Person, directly or indirectly (through brokers, nominees or otherwise), is subject to or during the last six months has engaged in any hedging, derivative or other transaction or series of transactions or entered into any other agreement, arrangement or understanding (including any short interest, any borrowing or lending of securities or any proxy or voting agreement), the effect or intent of which is to (I) manage risk or benefit of changes in the price of Company Securities for such stockholder, Proposed Nominee or Stockholder Associated Person or (II) increase or decrease the

voting power of such stockholder, Proposed Nominee or Stockholder Associated Person in the Corporation or any affiliate thereof disproportionately to such person's economic interest in the Company Securities; and

(D) any substantial interest, direct or indirect (including, without limitation, any existing or prospective commercial, business or contractual relationship with the Corporation), by security holdings or otherwise, of such stockholder, Proposed Nominee or Stockholder Associated Person, in the Corporation or any affiliate thereof, other than an interest arising from the ownership of Company Securities where such stockholder, Proposed Nominee or Stockholder Associated Person receives no extra or special benefit not shared on a *pro rata* basis by all other holders of the same class or series;

(iv) as to the stockholder giving the notice, any Stockholder Associated Person with an interest or ownership referred to in clauses (ii) or (iii) of this paragraph (3) of this Section 11(a) and any Proposed Nominee,

(A) the name and address of such stockholder, as they appear on the Corporation's stock ledger, and the current name and business address, if different, of each such Stockholder Associated Person and any Proposed Nominee and

(B) the investment strategy or objective, if any, of such stockholder and each such Stockholder Associated Person who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such stockholder and each such Stockholder Associated Person;

(v) the name and address of any person who contacted or was contacted by the stockholder giving the notice or any Stockholder Associated Person about the Proposed Nominee or other business proposal prior to the date of such stockholder's notice; and

(vi) to the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the nominee for election or reelection as a director or the proposal of other business on the date of such stockholder's notice.

(4) Such stockholder's notice shall, with respect to any Proposed Nominee, be accompanied by a certificate executed by the Proposed Nominee (i) certifying that such Proposed Nominee (a) is not, and will not become, a party to any agreement, arrangement or understanding with any person or entity other than the Corporation in connection with service or action as a director that has not been disclosed to the Corporation and (b) will serve as a director of the Corporation if elected; and (ii) attaching a completed Proposed Nominee questionnaire (which questionnaire shall be provided by the Corporation, upon request, to the stockholder providing the notice and shall include all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a director in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder, or would be required pursuant to the rules of any national securities exchange on which any securities of the Corporation are listed or over-the-counter market on which any securities of the Corporation are traded).

(5) Notwithstanding anything in this subsection (a) of this Section 11 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased, and there is no public announcement of such action at least 130 days prior to the first anniversary of the date of the proxy statement (as defined in Section 11(c)(3) of this Article II) for the preceding year's annual meeting, a stockholder's notice required by this Section 11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive office of the Corporation not later than 5:00 p.m., Eastern Time, on the tenth day following the day on which such public announcement is first made by the Corporation.

(6) For purposes of this Section 11, "Stockholder Associated Person" of any stockholder shall mean (i) any person acting in concert with such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder (other than a stockholder that is a depository) and (iii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such stockholder or such Stockholder Associated Person.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of individuals for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected only (i) by or at the direction of the Board of Directors or (ii) provided that the special meeting has been called in accordance with Section 3(a) of this Article II for the purpose of electing directors, by any stockholder of the Corporation who is a stockholder of record both at the time of giving of notice provided for in this Section 11 and at the time of the special meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the notice procedures set forth in this Section 11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more individuals to the Board of Directors, any stockholder may nominate an individual or individuals (as the case may be) for election as a director as specified in the Corporation's notice of meeting, if the stockholder's notice, containing the information required by paragraphs (a)(3) and (4) of this Section 11, is delivered to the secretary at the principal executive office of the Corporation not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., Eastern Time, on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(c) General. (1) If information submitted pursuant to this Section 11 by any stockholder proposing a nominee for election as a director or any proposal for other business at a meeting of stockholders shall be inaccurate in any material respect, such information may be deemed not to have been provided in accordance with this Section 11. Any such stockholder shall notify the Corporation of any inaccuracy or change (within two Business Days of becoming aware of such inaccuracy or change) in any such information. Upon written request by the

secretary or the Board of Directors, any such stockholder shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), (A) written verification, satisfactory, in the discretion of the Board of Directors or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 11, and (B) a written update of any information (including, if requested by the Corporation, written confirmation by such stockholder that it continues to intend to bring such nomination or other business proposal before the meeting) submitted by the stockholder pursuant to this Section 11 as of an earlier date. If a stockholder fails to provide such written verification or written update within such period, the information as to which written verification or a written update was requested may be deemed not to have been provided in accordance with this Section 11.

(2) Only such individuals who are nominated in accordance with this Section 11 shall be eligible for election by stockholders as directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with this Section 11. The chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 11.

(3) For purposes of this Section 11, "the date of the proxy statement" shall have the same meaning as "the date of the company's proxy statement released to shareholders" as used in Rule 14a-8(e) promulgated under the Exchange Act, as interpreted by the Commission from time to time. "Public announcement" shall mean disclosure (A) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or other widely circulated news or wire service or (B) in a document publicly filed by the Corporation with the Commission pursuant to the Exchange Act.

(4) Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 11. Nothing in this Section 11 shall be deemed to affect any right of a stockholder to request inclusion of a proposal in, or the right of the Corporation to omit a proposal from, any proxy statement filed by the Corporation with the Commission pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act. Nothing in this Section 11 shall require disclosure of revocable proxies received by the stockholder or Stockholder Associated Person pursuant to a solicitation of proxies after the filing of an effective Schedule 14A by

such stockholder or Stockholder Associated Person under Section 14(a) of the Exchange Act or the Investment Company Act.

Section 12. **VOTING BY BALLOT**. Voting on any question or in any election may be viva voce unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

Section 13. **CONTROL SHARE ACQUISITION ACT**. Notwithstanding any other provision of the charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law (the "MGCL"), or any successor statute, shall not apply to any acquisition by any person of shares of stock of the Corporation. This section may be repealed, in

whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE III

DIRECTORS

Section 1. **GENERAL POWERS**. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

Section 2. **NUMBER, TENURE AND RESIGNATION**. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Directors may establish, increase or decrease the number of directors, provided that the number thereof shall never be less than four nor more than eight, and further provided that the tenure of office of a director shall not be affected by any decrease in the number of directors. Any director of the Corporation may resign at any time by delivering his or her resignation to the Board of Directors, the chairman of the board or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation.

Section 3. **ANNUAL AND REGULAR MEETINGS**. An annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors. Regular meetings of the Board of Directors shall be held from time to time at such places and times as provided by the Board of Directors by resolution, without notice other than such resolution.

Section 4. **SPECIAL MEETINGS**. Special meetings of the Board of Directors may be called by or at the request of the chairman of the Board of Directors, the president or by a majority of the directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place as the place for holding any special meeting of the Board of Directors called by them. The Board of Directors may provide, by resolution, the time and place for the holding of special meetings of the Board of Directors without notice other than such resolution.

Section 5. **NOTICE**. Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each director at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the director or his or her agent is personally given such notice in a telephone call to which the director or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to

the Corporation by the director. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the director and receipt of a completed

answer-back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. A majority of the directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to applicable law, the charter of the Corporation or these Bylaws, the vote of a majority of a particular group of directors is required for action, a quorum must also include a majority of such group.

The directors present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 7. VOTING. The action of the majority of the directors present at a meeting at which a quorum is present shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute or the charter of the Corporation. If enough directors have withdrawn from a meeting to leave less than a quorum but the meeting is not adjourned, the action of the majority of that number of the directors necessary to constitute a quorum at such meeting shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute or the charter of the Corporation.

Section 8. ORGANIZATION. At each meeting of the Board of Directors, the chairman of the board or, in the absence of the chairman, the vice chairman of the board, if any, shall act as Chairman. In the absence of both the chairman and vice chairman of the board, the chief executive officer or in the absence of the chief executive officer, the president or in the absence of the president, a director chosen by a majority of the directors present, shall act as Chairman. The secretary or, in his or her absence, an assistant secretary of the Corporation, or in the absence of the secretary and all assistant secretaries, a person appointed by the Chairman, shall act as secretary of the meeting.

Section 9. TELEPHONE MEETINGS. Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time; provided however, this Section 9 does not apply to any action of the directors pursuant to the Investment Company Act, that requires the vote of the directors to be cast in person at a meeting. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 10. WRITTEN CONSENT BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each director and is filed with the minutes of proceedings of the Board of Directors; provided however, this Section 10 does not apply to any action of the directors pursuant to the Investment Company Act, that requires the vote of the directors to be cast in person at a meeting.

Section 11. VACANCIES. If for any reason any or all the directors cease to be directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining directors hereunder. Subject to applicable requirements of the Investment Company Act, and except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any vacancy on the Board of Directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum. Any director elected to fill a vacancy shall serve for the remainder of the full term of the class in which the vacancy occurred and until a successor is elected and qualifies.

Section 12. COMPENSATION. Directors shall not receive any stated salary for their services as directors but, by resolution of the Board of Directors, may receive compensation per year and/or per meeting and/or per visit to real property or other facilities owned or leased by the Corporation and for any service or activity they performed or engaged in as directors. Directors may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof and for their expenses, if any, in connection with each property visit and any other service or activity they performed or engaged in as directors; but nothing

herein contained shall be construed to preclude any directors from serving the Corporation in any other capacity and receiving compensation therefore.

Section 13. LOSS OF DEPOSITS. No director shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or stock have been deposited.

Section 14. SURETY BONDS. Unless required by law, no director shall be obligated to give any bond or surety or other security for the performance of any of his or her duties.

Section 15. RELIANCE. Each director, officer, employee and agent of the Corporation shall, in the performance of his or her duties with respect to the Corporation, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Corporation, upon an opinion of counsel or upon reports made to the Corporation by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Board of Directors or officers of the Corporation, regardless of whether such counsel or expert may also be a director.

Section 16. RATIFICATION. The Board of Directors or the stockholders may ratify and make binding on the Corporation any action or inaction by the Corporation or its officers to the extent that the Board of Directors or the stockholders could have originally authorized the matter. Moreover, any action or inaction questioned in any stockholders' derivative proceeding or any other proceeding on the ground of lack of authority, defective or irregular execution,

adverse interest of a director, officer or stockholder, non-disclosure, miscomputation, the application of improper principles or practices of accounting or otherwise, may be ratified, before or after judgment, by the Board of Directors or by the stockholders, and if so ratified, shall have the same force and effect as if the questioned action or inaction had been originally duly authorized, and such ratification shall be binding upon the Corporation and its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned action or inaction.

ARTICLE IV

COMMITTEES

Section 1. NUMBER, TENURE AND QUALIFICATIONS. The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Nominating Committee and other committees, composed of one or more directors, to serve at the pleasure of the Board of Directors.

Section 2. POWERS. The Board of Directors may delegate to committees appointed under Section 1 of this Article any of the powers of the Board of Directors, except as prohibited by law.

Section 3. MEETINGS. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee. The Board of Directors may designate a chairman of any committee, and such chairman or, in the absence of a chairman, any two members of any committee (if there are at least two members of the Committee) may fix the time and place of its meeting unless the Board shall otherwise provide. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another director to act in the place of such absent member. Each committee shall keep minutes of its proceedings.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. WRITTEN CONSENT BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each member of the committee and is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to

designate alternate members to replace any absent or disqualified member or to dissolve any such committee. Subject to the power of the Board of Directors, the members of the committee shall have the power to fill any vacancies on the committee.

ARTICLE V

OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Corporation shall include a president, a secretary and a treasurer and may include a chief executive officer, one or more vice presidents, a chief operating officer, a chief financial officer, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of Directors may from time to time elect such other officers with such powers and duties as it shall deem necessary or desirable. The Board of Directors may designate a Chairman of the Board and a Vice Chairman of the Board, who shall not be officers of the Corporation but shall have such powers and duties as determined by the Board of Directors from time to time. The officers of the Corporation shall be elected annually by the Board of Directors, except that the chief executive officer or president may from time to time appoint one or more vice presidents, assistant secretaries, assistant treasurers or other officers. Each officer shall hold office until his or her successor is elected and qualifies or until death, resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. Election of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Corporation may be removed, with or without cause, by the Board of Directors if in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors, the chairman of the board, the president or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the notice of resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

Section 3. VACANCIES. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

Section 4. CHIEF EXECUTIVE OFFICER. The Board of Directors may designate a chief executive officer. In the absence of such designation, the president shall be the chief executive officer of the Corporation. The chief executive officer shall have general responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the management of the business and affairs of the Corporation. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5. CHIEF OPERATING OFFICER. The Board of Directors may designate a chief operating officer. The chief operating officer shall have the responsibilities and duties as set forth by the Board of Directors or the chief executive officer.

Section 6. CHIEF FINANCIAL OFFICER. The Board of Directors may designate a chief financial officer. The chief financial officer shall have the responsibilities and duties as set forth by the Board of Directors or the chief executive officer.

Section 7. PRESIDENT. In the absence of a designation of a chief executive officer by the Board of Directors, the president shall be the chief executive officer. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

Section 8. VICE PRESIDENTS. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to such vice president by the president or by the Board of Directors. The Board of Directors may designate one or more vice presidents as executive vice president or as vice president for particular areas of responsibility.

Section 9. SECRETARY. The secretary shall (a) keep the minutes of the proceedings of the stockholders, the Board of Directors and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to him by the chief executive officer, the president or by the Board of Directors.

Section 10. TREASURER. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. In the absence of a designation of a chief financial officer by the Board of Directors, the treasurer shall be the chief financial officer of the Corporation.

The treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and Board of Directors, at the regular meetings of the Board of Directors or whenever it may so require, an account of all his or her transactions as treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

Section 11. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Directors. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Board of Directors, the Executive Committee or another committee of the Board of Directors within the scope of its delegated authority, may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Corporation when authorized or ratified by action of the Board of Directors or the Executive Committee or such other committee and executed by an authorized person.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may designate.

ARTICLE VII

STOCK

Section 1. CERTIFICATES; REQUIRED INFORMATION. Except as may be otherwise provided by the Board of Directors, stockholders of the Corporation are not entitled to certificates representing the shares of stock held by them. In the event that the Corporation issues shares of stock represented by certificates, such certificates shall be signed by the officers of the Corporation in the manner permitted by the MGCL and contain the statements and information required by the MGCL. In the event that the Corporation issues shares of stock without certificates, the Corporation shall provide to record holders of such shares a written statement of the information required (if any) by the MGCL to be included on stock certificates.

Section 2. TRANSFERS WHEN CERTIFICATES ISSUED. Subject to any determination of the Board of Directors pursuant to Section 1 of this Article, upon surrender to the Corporation or the transfer agent of the Corporation of a stock certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. The issuance of a new certificate upon the transfer of certificated shares is subject to the determination of the Board of Directors that such shares shall no longer be represented by certificates.

The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of any class of stock will be subject in all respects to the charter of the Corporation and all of the terms and conditions contained therein.

Section 3. REPLACEMENT CERTIFICATE. Subject to any determination of the Board of Directors pursuant to Section 1 of this Article, the president, the secretary, the treasurer or any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed; provided, however, if such shares have ceased to be certificated, no new certificate shall be issued unless requested in writing by such stockholder and the Board of Directors has determined that such certificates may be issued. When authorizing the issuance of a new certificate, an officer designated by the Board of Directors may, in his or her discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he or she shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. FIXING OF RECORD DATE. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any

meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

When a record date for the determination of stockholders entitled to notice of and to vote at any meeting of stockholders has been set as provided in this section, such record date shall continue to apply to the meeting if adjourned or postponed, except if the meeting is adjourned or postponed to a date more than 120 days after the record date originally fixed for the meeting, in which case a new record date for such meeting may be determined as set forth herein.

Section 5. STOCK LEDGER. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

Section 6. FRACTIONAL STOCK; ISSUANCE OF UNITS. The Board of Directors may issue fractional stock or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the charter of the Corporation or these Bylaws, the Board of Directors may issue units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board of Directors may provide that for a specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit.

ARTICLE VIII

ACCOUNTING YEAR

The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution.

ARTICLE IX

DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the stock of the Corporation may be authorized by the Board of Directors, subject to the provisions of law and the charter of the Corporation. Dividends and other distributions may be paid in cash, property or stock of the Corporation, subject to the provisions of law and the charter of the Corporation.

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute

discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine, and the Board of Directors may modify or abolish any such reserve.

ARTICLE X

SEAL

Section 1. SEAL. The Board of Directors may authorize the adoption of a seal by the Corporation. The seal shall contain the name of the Corporation and the year of its incorporation and the words "Incorporated Maryland." The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Corporation is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Corporation.

ARTICLE XI

INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law and the Investment Company Act, in effect from time to time, the Corporation shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity. The rights to indemnification and advance of expenses provided by the charter of the Corporation and these Bylaws shall vest immediately upon election of a director or officer. The Corporation may, with the approval of its Board of Directors or any duly authorized committee thereof, provide such indemnification and advance for expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation. The indemnification and payment of expenses provided in these Bylaws shall not be deemed exclusive of or limit in any way other rights to which any person seeking indemnification or payment of expenses may be or may become entitled under any bylaw, regulation, insurance, agreement or otherwise.

Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Bylaws or charter of the Corporation inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding paragraph with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

ARTICLE XII

WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the charter of the Corporation or these Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIII

INSPECTION OF RECORDS

A stockholder that is otherwise eligible under applicable law to inspect the Corporation's books of account, stock ledger, or other specified documents of the Corporation shall have no right to make such inspection if the Board of Directors determines that such stockholder has an improper purpose for requesting such inspection.

ARTICLE XIV

INVESTMENT COMPANY ACT

If and to the extent that any provision of the MGCL, including, without limitation, Subtitle 6 and, if then applicable, Subtitle 7, of Title 3 of the MGCL, or any provision of the charter of the Corporation or these Bylaws conflicts with any provision of the Investment Company Act, the applicable provision of the Investment Company Act shall control.

ARTICLE XV

EXCLUSIVE FORUM FOR CERTAIN LITIGATION

Unless the Corporation consents in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Northern Division, shall be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in Section 1-101(q) of the MGCL, or any successor provision thereof, (b) any derivative action or proceeding brought on behalf of the Corporation, other than actions arising under federal securities laws, (c) any action asserting a claim of breach of any duty owed by any director or officer or other agent of the Corporation to the Corporation or to the stockholders of the Corporation, (d) any action asserting a claim against the Corporation or any director or officer or other agent of the Corporation arising pursuant to any provision of the MGCL or the charter of the Corporation or these Bylaws, or (e) any other action asserting a claim against the Corporation or any director or officer or other agent of the Corporation that is governed by the internal affairs doctrine. None of the foregoing actions, claims or proceedings may be brought in any court sitting outside the State of Maryland unless the Corporation consents in writing to such court.

ARTICLE XVI

AMENDMENT OF BYLAWS

The Board of Directors shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws.

**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: May 11, 2020

/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: May 11, 2020

/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 six months ended March 31, 2020, or the Report, of PennantPark Floating Rate Capital Ltd., or the Registrant, as filed with the Securities and Exchange Commission on the date hereof, I, Arthur H. Penn, Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Arthur H. Penn

Name: Arthur H. Penn

Title: Chief Executive Officer

Date: May 11, 2020

**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 six months ended March 31, 2020, or the Report, of PennantPark Floating Rate Capital Ltd., or the Registrant, as filed with the Securities and Exchange Commission on the date hereof, I, Aviv Efrat, Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Aviv Efrat

Name: Aviv Efrat
Title: Chief Financial Officer
Date: May 11, 2020