

PennantPark Floating Rate Capital Ltd.  
Form 10-Q  
August 08, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934  
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

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)

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MARYLAND 27-3794690  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

590 Madison Avenue, 15<sup>th</sup> Floor

New York, N.Y. 10022  
(Address of principal executive offices) (Zip Code)

(212) 905-1000

(Registrant's Telephone Number, Including Area Code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of August 8, 2017 was 32,480,074.



PENNANTPARK FLOATING RATE CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017

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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 promulgated by the Securities and Exchange Commission, or the SEC. In this Report, except where the context suggests otherwise, the terms “Company,” “we,” “our” or “us” refer to PennantPark Floating Rate Capital Ltd. and its wholly-owned consolidated subsidiaries; “Funding I” refers to PennantPark Floating Rate Funding I, LLC; “Taxable Subsidiary” refers to PFLT Investment Holdings, LLC; “PSSL” refers to PennantPark Senior Secured Loan Fund I LLC, an unconsolidated joint venture; “PennantPark Investment Advisers” or “Investment Adviser” refers to PennantPark Investment Advisers, LLC; “PennantPark Investment Administration” or “Administrator” refers to PennantPark Investment Administration, LLC; “1940 Act” refers to the Investment Company Act of 1940, as amended; “Code” refers to the Internal Revenue Code of 1986, as amended; “RIC” refers to a regulated investment company under the Code; “BDC” refers to a business development company under the 1940 Act. 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.

## Item 1. Consolidated Financial Statements

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

|  | June 30, 2017<br>(unaudited) | September 30,<br>2016 |
|--|------------------------------|-----------------------|
| <b>Assets</b>  |                              |                       |
| <b>Investments at fair value</b>   |                              |                       |
| Non-controlled, non-affiliated investments (cost—\$661,580,331 and \$597,910,267, respectively)  | \$ 662,907,256               | \$ 598,887,525        |
| Controlled, affiliated investments (cost—\$36,000,000 and \$0, respectively)                     | 36,022,425                   | —                     |
| Total of investments (cost—\$697,580,331 and \$597,910,267, respectively)                        | 698,929,681                  | 598,887,525           |
| Cash and cash equivalents (cost—\$48,866,893 and \$28,903,359, respectively)                     | 48,951,746                   | 28,910,973            |
| Interest receivable  | 3,169,817                    | 2,480,406             |
| Receivable for investments sold  | 24,940,277                   | —                     |
| Prepaid expenses and other assets  | 1,262,233                    | 1,141,191             |
| Total assets   | 777,253,754                  | 631,420,095           |
| <b>Liabilities</b>   |                              |                       |
| Distributions payable  | 3,085,607                    | 2,539,357             |
| Payable for investments purchased  | 18,421,879                   | 14,935,970            |
| Credit Facility payable (cost—\$291,209,500 and \$232,907,500, respectively) (See Notes 5 and 9) | 293,663,760                  | 232,389,498           |
| Interest payable on Credit Facility  | 851,952                      | 531,926               |
| Base management fee payable (See Note 3)   | 1,790,695                    | 1,458,625             |
| Performance-based incentive fee payable (See Note 3)   | 3,036,941                    | 3,454,914             |
| Accrued other expenses   | 91,202                       | 202,977               |
| Total liabilities  | 320,942,036                  | 255,513,267           |
| <b>Commitments and contingencies (See Note 10)</b>   |                              |                       |
| <b>Net assets</b>  |                              |                       |
| Common stock, 32,480,074 and 26,730,074 shares issued and outstanding, respectively              |                              |                       |
| Par value \$0.001 per share and 100,000,000 shares authorized                                    | 32,480                       | 26,730                |
| Paid-in capital in excess of par value   | 451,705,066                  | 371,194,366           |
| Undistributed net investment income  | 2,009,837                    | 4,559,646             |
| Accumulated net realized gain (loss) on investments  | 3,584,392                    | (1,376,788 )          |
| Net unrealized appreciation on investments   | 1,434,203                    | 984,872               |
| Net unrealized (appreciation) depreciation on Credit Facility                                    | (2,454,260 )                 | 518,002               |
| Total net assets   | \$ 456,311,718               | \$ 375,906,828        |
| Total liabilities and net assets   | \$ 777,253,754               | \$ 631,420,095        |

|                           |          |          |
|---------------------------|----------|----------|
| Net asset value per share | \$ 14.05 | \$ 14.06 |
|---------------------------|----------|----------|

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

|   | Three Months Ended |               | Nine Months Ended |               |
|---|--------------------|---------------|-------------------|---------------|
|   | June 30,           |               | June 30,          |               |
|   | 2017               | 2016          | 2017              | 2016          |
| <b>Investment income:</b>   |                    |               |                   |               |
| From non-controlled, non-affiliated investments:  |                    |               |                   |               |
| Interest  | \$ 14,695,276      | \$ 10,555,165 | \$ 39,564,205     | \$ 28,794,610 |
| Other income  | 451,597            | 226,431       | 1,434,834         | 2,005,698     |
| From controlled, affiliated investments:  |                    |               |                   |               |
| Interest  | 43,962             | 21,429        | 43,962            | 105,502       |
| Total investment income   | 15,190,835         | 10,803,025    | 41,043,001        | 30,905,810    |
| Expenses:   |                    |               |                   |               |
| Base management fee (See Note 3)  | 1,790,695          | 1,297,595     | 5,117,839         | 3,556,451     |
| Performance-based incentive fee (See Note 3)  | 1,444,896          | 497,716       | 3,367,931         | 1,336,660     |
| Interest and expenses on the Credit Facility (See Note 9)                               | 2,398,520          | 1,276,288     | 6,197,592         | 3,338,863     |
| Administrative services expenses (See Note 3)   | 561,250            | 200,000       | 1,683,750         | 600,000       |
| Other general and administrative expenses   | 607,499            | 701,555       | 1,322,499         | 1,985,568     |
| Expenses before provision for taxes and amendment costs                                 | 6,802,860          | 3,973,154     | 17,689,611        | 10,817,542    |
| Provision for taxes   | 90,000             | —             | 205,000           | —             |
| Credit Facility amendment costs (See Notes 5 and 9)                                     | 112,736            | —             | 112,736           | 907,722       |
| Total expenses  | 7,005,596          | 3,973,154     | 18,007,347        | 11,725,264    |
| Net investment income   | 8,185,239          | 6,829,871     | 23,035,654        | 19,180,546    |
| Realized and unrealized gain (loss) on investments and Credit Facility:                 |                    |               |                   |               |
| Net realized gain (loss) on investments   | 2,451,169          | 189,623       | 4,961,180         | (1,974,097 )  |
| Net change in unrealized appreciation (depreciation) on:                                |                    |               |                   |               |
| Non-controlled, non-affiliated investments  | 625,872            | 6,082,410     | 426,906           | (136,573 )    |
| Controlled, affiliated investments  | 22,425             | —             | 22,425            | —             |
| Credit Facility (appreciation) depreciation (See Note 5 and 9)                          | (1,942,856 )       | 317,438       | (2,972,262 )      | 532,521       |
| Net change in unrealized (depreciation) appreciation on investments and Credit Facility | (1,294,559 )       | 6,399,848     | (2,522,931 )      | 395,948       |
| Net realized and unrealized gain (loss) from investments and Credit Facility            | 1,156,610          | 6,589,471     | 2,438,249         | (1,578,149 )  |
| Net increase in net assets resulting from operations                                    | \$ 9,341,849       | \$ 13,419,342 | \$ 25,473,903     | \$ 17,602,397 |
| Net increase in net assets resulting from operations per common share (See Note 6)      | \$ 0.29            | \$ 0.50       | \$ 0.86           | \$ 0.66       |
| Net investment income per common share  | \$ 0.25            | \$ 0.26       | \$ 0.78           | \$ 0.72       |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

|   | Nine Months Ended June 30, |               |
|---|----------------------------|---------------|
|   | 2017                       | 2016          |
| Net increase in net assets from operations:                             |                            |               |
| Net investment income   | \$23,035,654               | \$19,180,546  |
| Net realized gain (loss) on investments                                 | 4,961,180                  | (1,974,097 )  |
| Net change in unrealized appreciation (depreciation) on investments     | 449,331                    | (136,573 )    |
| Net change in unrealized (appreciation) depreciation on Credit Facility | (2,972,262 )               | 532,521       |
| Net increase in net assets resulting from operations                    | 25,473,903                 | 17,602,397    |
| Distributions to stockholders   | (25,585,463 )              | (22,854,213 ) |
| Capital transactions  |                            |               |
| Public offering (See Note 1)  | 80,986,450                 | —             |
| Offering costs  | (470,000 )                 | —             |
| Net increase in net assets resulting from capital transactions          | 80,516,450                 | —             |
| Net increase (decrease) in net assets                                   | 80,404,890                 | (5,251,816 )  |
| Net assets:   |                            |               |
| Beginning of period   | 375,906,828                | 372,890,449   |
| End of period   | \$456,311,718              | \$367,638,633 |
| Undistributed net investment income, end of period                      | \$2,009,837                | \$3,317,806   |
| Capital share activity:   |                            |               |
| Shares issued from public offering                                      | 5,750,000                  | —             |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

|   | Nine Months Ended June 30, |               |
|---|----------------------------|---------------|
|   | 2017                       | 2016          |
| Cash flows from operating activities:   |                            |               |
| Net increase in net assets resulting from operations  | \$25,473,903               | \$17,602,397  |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities: |                            |               |
| Net change in unrealized (appreciation) depreciation on investments   | (449,331 )                 | 136,573       |
| Net change in unrealized appreciation (depreciation) on Credit Facility   | 2,972,262                  | (532,521 )    |
| Net realized (gain) loss on investments   | (4,961,180 )               | 1,974,097     |
| Net accretion of discount and amortization of premium   | (1,375,901 )               | (1,263,787 )  |
| Purchases of investments  | (407,800,909)              | (257,653,704) |
| Payment-in-kind interest  | (389,796 )                 | (92,262 )     |
| Proceeds from dispositions of investments   | 314,807,488                | 97,092,286    |
| Increase in interest receivable   | (689,411 )                 | (1,242,098 )  |
| Increase in receivable for investments sold   | (24,940,277 )              | —             |
| Increase in prepaid expenses and other assets   | (121,042 )                 | (272,729 )    |
| Increase in payable for investments purchased   | 3,485,909                  | 466,411       |
| Increase in interest payable on Credit Facility   | 320,026                    | 224,266       |
| Increase in base management fee payable   | 332,070                    | 341,481       |
| (Decrease) increase in performance-based incentive fee payable  | (417,973 )                 | 494,780       |
| Decrease in accrued other expenses  | (111,775 )                 | (485,995 )    |
| Net cash used in operating activities   | (93,865,937 )              | (143,210,805) |
| Cash flows from financing activities:   |                            |               |
| Public offering   | 80,986,450                 | —             |
| Offering costs  | (470,000 )                 | —             |
| Distributions paid to stockholders  | (25,039,213 )              | (22,854,213 ) |
| Borrowings under Credit Facility (See Notes 5 and 9)  | 259,802,000                | 196,807,500   |
| Repayments under Credit Facility (See Notes 5 and 9)  | (201,500,000)              | (35,500,000 ) |
| Net cash provided by financing activities   | 113,779,237                | 138,453,287   |
| Net increase (decrease) in cash equivalents   | 19,913,300                 | (4,757,518 )  |
| Effect of exchange rate changes on cash   | 127,473                    | 119,406       |
| Cash and cash equivalents, beginning of period  | 28,910,973                 | 21,428,514    |
| Cash and cash equivalents, end of period  | \$48,951,746               | \$16,790,402  |
| Supplemental disclosure of cash flow information:   |                            |               |
| Interest paid   | \$5,990,302                | \$3,114,597   |
| Taxes paid  | \$256,575                  | \$308,795     |
| Non-cash exchanges and conversions  | \$35,659,395               | \$4,547,934   |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2017

(Unaudited)

| Name  | Maturity   | Industry                                    | Coupon | Current | Basis Point Spread | Abx / Par / | Ind Shares    | Cost          | Fair        |
|---|------------|---|--------|---------|--------------------|-------------|---------------|---------------|-------------|
|   |            |   |        |         |                    |             |               |               |             |
| Investments in Non-Controlled, Non-Affiliated Portfolio Companies | 145.3%     | (4)   |        |         |                    |             |               |               |             |
| Investments in Secured Debt                                       | 134.4%     |   |        |         |                    |             |               |               |             |
| Advanced Cable Communications, LLC                                | 08/09/2021 | Telecommunications                          | 7.05   | %       | L+514              | 1,406,250   | \$ 14,197,102 | \$ 14,197,102 |             |
| Advanced Cable Communications, LLC (8), (9)                       | 08/09/2021 | Telecommunications                          | —      |         | —                  | 2,000,000   | —             | —             | —           |
| Group Holdings, Inc.  | 12/30/2022 | Banking, Finance, Insurance and Real Estate | 6.56   | %       | L+590              | 1,024,755   | 8,943,194     | 9,000,000     | 9,000,000   |
| Group Holdings, Inc. (Revolver) (8)                               | 12/30/2021 | Banking, Finance, Insurance and Real Estate | 6.58   | %       | L+528              | 287,190     | 287,190       | 287,190       | 287,190     |
| Group Holdings, Inc. (Revolver) (8), (9)                          | 12/30/2021 | Banking, Finance, Insurance and Real Estate | —      |         | —                  | 1,484,772   | —             | —             | —           |
| Group Holdings, Inc. (8), (9)                                     | 12/30/2022 | Banking, Finance, Insurance and Real Estate | —      |         | —                  | 3,159,000   | —             | —             | —           |
| Advanced Auto Auction Group, LLC                                  | 11/30/2021 | Transportation: Consumer                    | 6.31   | %       | L+518              | 1,972,500   | 10,825,676    | 10,825,676    | 10,825,676  |
| Advanced Gilsonite Company (8)                                    | 12/31/2021 | Metals and Mining                           | 15.00  | %       | —                  | 131,472     | 127,767       | 138,000       | 138,000     |
|   |            |   |        |         |                    |             |               |               | (PIK 5.00%) |
| Advanced Scaffold   | 03/31/2022 | Aerospace and Defense                       | 7.80   | %       | L+648              | 1,081,500   | 4,750,646     | 4,750,646     | 4,750,646   |
| Advanced Teleconferencing Services, Ltd.                          | 12/08/2021 | Telecommunications                          | 7.72   | %       | L+650              | 727,462     | 6,538,725     | 6,538,725     | 6,538,725   |
| Advanced Bowling Centers, Inc.                                    | 09/19/2023 | Retail                                      | 8.25   | %       | P+404              | 1,887,500   | 14,752,431    | 14,752,431    | 14,752,431  |
| Advanced Aia Consulting & Management, LP                          | 10/31/2022 | Healthcare and Pharmaceuticals              | 6.55   | %       | L+509              | 980,000     | 3,943,523     | 3,943,523     | 3,943,523   |
| Advanced Aia Consulting & Management, LP (8), (9)                 | 10/31/2022 | Healthcare and Pharmaceuticals              | —      |         | —                  | 1,000,000   | —             | —             | —           |
| Advanced Technologies Corp.                                       | 04/22/2022 | Aerospace and Defense                       | 7.80   | %       | L+649              | 12,594      | 4,830,790     | 4,830,790     | 4,830,790   |
| Advanced Precision Systems & Space Company, Inc.                  | 04/28/2023 |   | 8.75   | %       | P+410              | 1,000,000   | 11,880,199    | 11,880,199    | 11,880,199  |

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|  |            |   |       |   |      |            |            |            |
|--|------------|---|-------|---|------|------------|------------|------------|
|  |            | Aerospace and Defense                       |       |   |      |            |            |            |
| ros., Co., Tranche A                                       | 06/03/2021 | Consumer Goods: Non-Durable                 | 7.05  | % | L+52 | 2,220,630  | 2,220,630  | 2,220,630  |
| ros., Co., Tranche B                                       | 06/03/2021 | Consumer Goods: Non-Durable                 | 13.55 | % | L+12 | 2,299,729  | 2,299,729  | 2,299,729  |
| Professional IT Services, LLC                              | 05/16/2022 | High Tech Industries                        | 8.43  | % | L+7  | 15,312,666 | 15,312,666 | 15,312,666 |
| Professional IT Services, LLC (Revolver) <sup>(8)</sup>    | 05/16/2022 | High Tech Industries                        | —     |   | —    | 2,311,784  | —          | —          |
| argo Control, Inc.   | 06/30/2021 | Transportation: Cargo                       | 6.05  | % | L+4  | 2,432,577  | 2,432,577  | 2,432,577  |
| Valor Companies, Inc.                                      | 06/16/2023 | Media: Broadcasting and Subscription        | 7.23  | % | L+6  | 7,163,802  | 7,163,802  | 7,163,802  |
| Markets LLC  | 11/29/2023 | Beverage, Food and Tobacco                  | 7.05  | % | L+5  | 11,381,737 | 11,381,737 | 11,381,737 |
| Z Purchaser, Inc.  | 07/21/2023 | Consumer Goods: Durable                     | 7.30  | % | L+6  | 12,116,179 | 12,116,179 | 12,116,179 |
| g Charlie LLC  | 12/24/2019 | Retail                                      | 9.29  | % | L+8  | 3,919,170  | 3,919,170  | 3,919,170  |
| Soup for the Soul Publishing, LLC                          | 01/08/2019 | Media: Advertising, Printing and Publishing | 7.50  | % | L+6  | 4,595,942  | 4,595,942  | 4,595,942  |
| lassboards LLC   | 03/16/2023 | Construction and Building                   | 6.48  | % | L+5  | 5,679,513  | 5,679,513  | 5,679,513  |
| ndustries LLC  | 11/25/2020 | Aerospace and Defense                       | 10.80 | % | L+9  | 5,936,004  | 5,936,004  | 5,936,004  |
| ndustries LLC (Revolver) <sup>(8), (9)</sup>               | 11/25/2020 | Aerospace and Defense                       | —     |   | —    | 518,033    | —          | —          |
| Fresh Holdings, LLC  | 03/31/2023 | Beverage, Food and Tobacco                  | 6.73  | % | L+5  | 14,922,941 | 14,922,941 | 14,922,941 |
| ding, LLC  | 08/02/2021 | Business Services                           | 6.48  | % | L+5  | 9,837,782  | 9,837,782  | 9,837,782  |
| Business Services, Inc.                                    | 06/19/2018 | Business Services                           | 11.75 | % | L+1  | 1,659,754  | 1,659,754  | 1,659,754  |
| oom LLC  | 11/21/2022 | Media: Advertising, Printing and Publishing | 7.23  | % | L+6  | 6,699,323  | 6,699,323  | 6,699,323  |
| lobal Solutions, Inc.                                      | 12/09/2020 | Business Services                           | 5.40  | % | L+4  | 4,715,661  | 4,715,661  | 4,715,661  |
| Products and Packaging Company LLC                         | 06/30/2020 | Chemicals, Plastics and Rubber              | 6.05  | % | L+4  | 4,352,789  | 4,352,789  | 4,352,789  |
| erformance Brands, Inc. <sup>(8)</sup>                     | 09/10/2020 | Consumer Goods: Durable                     | 5.88  | % | L+4  | 7,821,185  | 7,821,185  | 7,821,185  |
| erformance Brands, Inc. (Revolver) <sup>(8), (9)</sup>     | 09/10/2020 | Consumer Goods: Durable                     | —     |   | —    | 1,000,000  | —          | —          |
| ey Tourist Development Authority                           | 03/07/2022 | Hotel, Gaming and Leisure                   | 9.30  | % | L+8  | 16,728,634 | 16,728,634 | 16,728,634 |
| n Networks of America, Inc.                                | 05/06/2021 | Telecommunications                          | 8.30  | % | L+7  | 7,625,631  | 7,625,631  | 7,625,631  |
| n Networks of America, Inc. (Revolver) <sup>(8), (9)</sup> | 05/06/2021 | Telecommunications                          | —     |   | —    | 1,304,348  | —          | —          |
| Collaborative Retail Marketing Company, LLC                | 06/15/2022 | Media: Diversified and Production           | 8.05  | % | L+6  | 10,457,509 | 10,457,509 | 10,457,509 |
| r Sleep Products, LLC                                      | 06/09/2023 | Consumer Goods: Non-Durable                 | 9.10  | % | L+8  | 12,251,111 | 12,251,111 | 12,251,111 |
| Defense Technologies, Inc. <sup>(8)</sup>                  | 08/05/2019 |   | 7.16  | % | L+6  | 5,841,452  | 5,841,452  | 5,841,452  |

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|   |            | Aerospace and<br>Defense                          |       |   |      |           |            |     |
|---|------------|---|-------|---|------|-----------|------------|-----|
| U.S. Acquisition Corp. <sup>(6), (10)</sup>                   | 11/04/2020 | Construction and<br>Building                      | 7.42  | % | L+63 | 3,936,032 | 5,863,862  | 5,7 |
| er Limited and Aptara, Inc. <sup>(6), (10)</sup>              | 05/01/2019 | Business Services                                 | 7.25  | % | L+60 | 387,547   | 7,345,801  | 7,3 |
| E1 B.V. <sup>(6), (10), (11)</sup>                            | 10/12/2021 | Chemicals, Plastics<br>and Rubber                 | 8.00  | % | E+80 | 2,204,689 | 12,685,554 | 13, |
| ales, LLC   | 12/30/2021 | Wholesale   | 8.30  | % | L+78 | 715,605   | 8,715,605  | 8,7 |
| ales, LLC <sup>(8), (9)</sup>                                 | 12/30/2021 | Wholesale   | —     | — | —    | 3,234,375 | —          | —   |
| Medical Ophthalmics Inc. <sup>(6), (10)</sup>                 | 04/13/2022 | Capital Equipment                                 | 8.05  | % | L+63 | 382,120   | 3,334,543  | 3,3 |
| Medical Ophthalmics Inc. (Revolver) <sup>(6), (8), (9),</sup> | 04/13/2022 | Capital Equipment                                 | —     | — | —    | 530,973   | —          | 2,6 |
| Web, LLC, Term Loan A   | 03/28/2019 | Media: Advertising,<br>Printing and<br>Publishing | 5.80  | % | L+45 | 600,388   | 7,444,676  | 7,6 |
| Web, LLC, Term Loan B   | 03/28/2019 | Media: Advertising,<br>Printing and<br>Publishing | 12.30 | % | L+14 | 600,000   | 4,471,686  | 4,5 |
| Specialists, Inc.   | 06/30/2020 | Construction and<br>Building                      | 9.06  | % | L+80 | 659,758   | 6,516,680  | 6,5 |
| Power, Inc.   | 04/30/2020 | Consumer Goods:<br>Durable                        | 7.73  | % | L+64 | 726,503   | 4,699,752  | 4,6 |
| Hewitt Inc.   | 07/30/2020 | Consumer Services                                 | 8.17  | % | L+70 | 800,000   | 4,736,178  | 4,5 |
| Solutions NoCal, L.P. <sup>(8)</sup>                          | 02/19/2021 | Chemicals, Plastics<br>and Rubber                 | 10.23 | % | L+90 | 1,002,471 | 3,934,642  | 3,9 |
| ldings, Inc.  | 10/31/2022 | Wholesale   | 7.30  | % | L+60 | 1,148,038 | 11,976,629 | 12, |
| ldings, Inc. (Revolver) <sup>(8), (9)</sup>                   | 10/30/2020 | Wholesale   | —     | — | —    | 1,209,677 | —          | —   |
| ort & Casino, LLC   | 03/07/2022 | Hotel, Gaming and<br>Leisure                      | 10.80 | % | L+95 | 1,200,000 | 10,029,464 | 10, |
| Holdings LLC <sup>(8)</sup>                                   | 11/30/2018 | Healthcare and<br>Pharmaceuticals                 | 6.55  | % | L+52 | 954,937   | 4,931,269  | 3,9 |
| Brothers, Inc.  | 04/13/2022 | Capital Equipment                                 | 8.05  | % | L+66 | 260,513   | 6,182,470  | 6,2 |
| Brothers, Inc. (Revolver) <sup>(8), (9)</sup>                 | 04/13/2022 | Capital Equipment                                 | —     | — | —    | 1,238,938 | —          | 6,1 |
| Drugs Incorporated  | 08/19/2021 | Healthcare and<br>Pharmaceuticals                 | 6.37  | % | L+52 | 238,073   | 4,203,102  | 4,1 |
| lantis Holdings, LLC  | 05/01/2023 | Retail  | 7.06  | % | L+60 | 1,000,000 | 13,861,925 | 14, |
| ace Events LLC  | 01/27/2021 | Media: Diversified<br>and Production              | 6.55  | % | L+53 | 385,888   | 3,341,710  | 3,3 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

|  |            |   |         |       | Basis Point |            |              |              |
|--|------------|---|---------|-------|-------------|------------|--------------|--------------|
|  |            |   |         |       | Spread      |            |              |              |
|  |            |   | Current |       | Above /     |            |              |              |
|  | Maturity   | Industry                                    | Coupon  | Index | Par /       | Shares     | Cost         | Fair         |
| Events LLC <sup>(11)</sup>                             | 01/27/2021 | Media: Diversified and Production           | 6.25    | %     | P+275       | 17,114,109 | \$12,001,661 | \$13,000,000 |
| Events LLC (Revolver) <sup>(8)</sup>                   | 01/27/2021 | Media: Diversified and Production           | 7.00    | %     | P+275       | 1,481,752  | 1,481,752    | 1,481,752    |
| Events LLC (Revolver) <sup>(8), (9)</sup>              | 01/27/2021 | Media: Diversified and Production           | —       | —     | —           | 221,411    | —            | —            |
| tical Electronics, Inc. (Revolver) <sup>(8), (9)</sup> | 09/28/2021 | Capital Equipment                           | —       | —     | —           | 883,392    | —            | (3,000,000)  |
| Operating Company, LLC                                 | 01/24/2023 | Hotel, Gaming and Leisure                   | 9.48    | %     | L+825       | 26,294,872 | 26,749,402   | 26,294,872   |
| C  | 02/10/2023 | Consumer Goods: Non-Durable                 | 7.30    | %     | L+600       | 14,812,500 | 14,409,755   | 14,812,500   |
| t HoldCorp, Inc.                                       | 07/31/2019 | Healthcare and Pharmaceuticals              | 7.05    | %     | L+575       | 8,742,647  | 8,708,704    | 7,000,000    |
| Over Ninety, LLC                                       | 03/03/2022 | Media: Advertising, Printing and Publishing | 10.51   | %     | L+925       | 2,750,000  | 2,697,575    | 2,750,000    |
| rtners Vet Management Company LLC <sup>(8)</sup>       | 08/19/2022 | Healthcare and Pharmaceuticals              | 6.23    | %     | L+500       | 9,950,148  | 9,894,285    | 9,950,148    |
| rtners Vet Management Company LLC <sup>(8), (9)</sup>  | 08/19/2022 | Healthcare and Pharmaceuticals              | —       | —     | —           | 10,000,000 | —            | —            |
| ucts LLC   | 01/31/2023 | Environmental Industries                    | 6.30    | %     | L+500       | 10,201,600 | 10,109,359   | 10,201,600   |
| ucts LLC <sup>(8), (9)</sup>                           | 01/31/2019 | Environmental Industries                    | —       | —     | —           | 573,770    | —            | —            |
| ucts LLC (Revolver) <sup>(8), (9)</sup>                | 01/31/2022 | Environmental Industries                    | —       | —     | —           | 2,459,016  | —            | —            |
| , LLC  | 11/30/2021 | Healthcare and Pharmaceuticals              | 7.70    | %     | L+650       | 8,469,900  | 8,399,989    | 8,469,900    |
| , LLC <sup>(8), (9)</sup>                              | 11/30/2021 | Healthcare and Pharmaceuticals              | —       | —     | —           | 2,291,100  | —            | —            |
| ht Loss Centers, LLC                                   | 08/23/2021 | Beverage, Food and Tobacco                  | 6.00    | %     | L+475       | 9,625,000  | 9,502,761    | 9,625,000    |

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|  |            |   |       |   |         |             |             |     |
|--|------------|---|-------|---|---------|-------------|-------------|-----|
| US Holding Corp.   | 06/18/2019 | Consumer Goods: Durable                     | 8.50  | % | L+700   | 1,168,389   | 4,154,540   | 4,  |
|  | 08/07/2020 | Business Services                           | 6.98  | % | L+575   | 3,727,698   | 3,689,176   | 3,  |
| GT Inc.  | 02/28/2022 | High Tech Industries                        | 6.98  | % | L+575   | 19,875,000  | 19,496,722  | 19, |
| LLC (Revolver) <sup>(8)</sup>                            | 07/19/2021 | Beverage, Food and Tobacco                  | 6.05  | % | L+500   | 416,667     | 416,667     | 4,  |
| LLC (Revolver) <sup>(8), (9)</sup>                       | 07/19/2021 | Beverage, Food and Tobacco                  | —     |   | —       | 83,333      | —           | —   |
| LLC  | 05/21/2021 | High Tech Industries                        | 6.73  | % | L+550   | 8,997,271   | 8,922,904   | 8,  |
| up Holdings LLC  | 10/19/2021 | Consumer Goods: Non-Durable                 | 7.49  | % | L+625   | 7,031,250   | 6,936,112   | 7,  |
| pling International, LLC                                 | 12/16/2020 | Business Services                           | 6.30  | % | L+500   | 5,394,946   | 5,369,066   | 5,  |
| Holdings, LLC  | 07/25/2023 | Telecommunications                          | 6.00  | % | L+500   | 8,000,000   | 7,880,000   | 7,  |
| poration   | 07/09/2021 | Construction and Building                   | 6.05  | % | L+475   | 4,631,234   | 4,601,977   | 4,  |
| t Group, LLC   | 12/02/2021 | Media: Broadcasting and Subscription        | 6.55  | % | L+525   | 8,850,236   | 8,770,433   | 8,  |
| l Cakerie, Co. <sup>(6), (10)</sup>                      | 07/20/2021 | Consumer Goods: Non-Durable                 | 6.67  | % | L+550   | 3,069,103   | 3,043,425   | 3,  |
| l Cakerie Ltd. <sup>(6), (10)</sup>                      | 07/20/2021 | Consumer Goods: Non-Durable                 | 6.17  | % | L+500   | 5,941,107   | 5,891,550   | 5,  |
| l Cakerie Ltd. (Revolver) <sup>(6), (8), (9), (10)</sup> | 07/20/2021 | Consumer Goods: Non-Durable                 | —     |   | —       | 1,418,484   | —           | —   |
| ufacturing, Inc.   | 12/28/2020 | Capital Equipment                           | 12.48 | % | L+1,125 | 1,049,123   | 8,912,584   | 9,  |
| bal Services, Inc. <sup>(8)</sup>                        | 01/14/2019 | Telecommunications                          | 9.80  | % | L+850   | 42,602      | 42,602      | 42, |
|  |            |   |       |   |         | (PIK 1.00%) |             |     |
| bal Services, Inc. <sup>(8)</sup>                        | 01/14/2019 | Telecommunications                          | 9.80  | % | L+850   | 599,702     | 573,809     | 6,  |
| bal Services, Inc. <sup>(8), (9)</sup>                   | 01/14/2019 | Telecommunications                          | —     |   | —       | 151,090     | —           | —   |
| quisition, Inc. <sup>(8)</sup>                           | 08/13/2021 | Healthcare and Pharmaceuticals              | 10.30 | % | L+900   | 3,066,406   | 3,066,406   | 3,  |
| Specialists of North America, LLC                        | 07/15/2021 | Healthcare and Pharmaceuticals              | 6.42  | % | L+525   | 11,403,377  | 11,301,289  | 11, |
| Specialists of North America, LLC <sup>(8), (9)</sup>    | 07/15/2021 | Healthcare and Pharmaceuticals              | —     |   | —       | 2,660,000   | —           | —   |
| Specialists of North America, LLC                        | 07/15/2021 | Healthcare and Pharmaceuticals              | —     |   | —       | 880,000     | —           | —   |
| <sup>(8), (9)</sup>                                      |            |   |       |   |         |             |             |     |
| a Holdings, Inc.   | 03/01/2023 | Consumer Goods: Durable                     | 7.30  | % | L+600   | 7,406,250   | 7,370,068   | 7,  |
| orldwide, Inc.   | 08/19/2021 | Media: Broadcasting and Subscription        | 6.73  | % | L+550   | 5,083,203   | 5,045,420   | 5,  |
| Electronics Corporation                                  | 06/30/2022 | Capital Equipment                           | 7.80  | % | L+650   | 7,715,141   | 7,653,253   | 7,  |
| Electronics Corporation <sup>(8), (9)</sup>              | 06/30/2022 | Capital Equipment                           | —     |   | —       | 708,333     | —           | 3,  |
| ms Services, LLC   | 10/30/2020 | Banking, Finance, Insurance and Real Estate | 9.21  | % | L+800   | 2,408,884   | 2,388,846   | 2,  |
| lien Secured Debt  |            |   |       |   |         |             | 610,806,604 | 6,  |
| lien Secured Debt—7.1%                                   |            |   |       |   |         |             |             |     |
| oducts and Packaging Company LLC                         | 12/31/2020 | Chemicals, Plastics and Rubber              | 11.80 | % | L+1,020 | 2,000,000   | 1,975,346   | 2,  |
| nger Co. LLC   | 09/30/2020 | Wholesale                                   | 11.30 | % | L+1,000 | 1,300,000   | 10,887,629  | 10, |

|                                    |            |   |       |       |                 |            |    | (PIK 5.25%) |
|------------------------------------|------------|---|-------|-------|-----------------|------------|----|-------------|
| Inc.                               | 10/22/2021 | Media: Advertising, Printing and Publishing | 11.65 | %     | L+1,030,775,000 | 3,712,030  | 3, |             |
| Acquisition, LLC                   | 07/07/2021 | Business Services                           | 12.32 | %     | L+1,100,900,000 | 11,776,681 | 1, |             |
| Oil Sands Ltd. (5), (6), (8), (10) | 08/01/2017 | Energy: Oil and Gas                         | —     | (7) — | 2,812,500       | 2,790,249  | 1, |             |
| Corp.                              | 01/30/2023 | Business Services                           | 10.30 | %     | L+900,690,625   | 2,621,313  | 2, |             |
| and Lien Secured Debt              |            |   |       |       |                 | 33,763,248 | 3, |             |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

| Issuer Name  | Maturity   | Industry                | Coupon       | Current Index | Basis Point Spread |           | Cost      | Fair Value <sup>(2)</sup> |
|--|------------|-------------------------|--------------|---------------|--------------------|-----------|-----------|---------------------------|
|  |            |                         |              |               | Above Par /        | Share /   |           |                           |
| <b>Subordinated Debt/Corporate Notes—1.6%</b>          |            |                         |              |               |                    |           |           |                           |
| American Gilsonite Company <sup>(5)</sup>              | 12/31/2021 | Metals and Mining       | 17.00        | %             | —                  | 370,370   | \$370,370 | \$379,630                 |
|  |            |                         | (PIK 17.00%) |               |                    |           |           |                           |
| Credit Infonet, Inc.                                   | 10/26/2020 | Tech Industries         | 13.00        | %             | —                  | 2,087,079 | 2,047,329 | 2,070,964                 |
|  |            |                         | (PIK 0.75%)  |               |                    |           |           |                           |
| Sonny's Enterprises, LLC                               | 06/01/2023 | Capital Equipment       | 11.00        | %             | —                  | 4,750,000 | 4,658,907 | 4,750,000                 |
| UniTek Global Services, Inc.                           | 07/15/2019 | Telecommunications      | 15.00        | %             | —                  | 164,293   | 164,293   | 167,579                   |
|  |            |                         | (PIK 15.00%) |               |                    |           |           |                           |
| Total Subordinated Debt/Corporate Notes                |            |                         |              |               |                    |           | 7,240,899 | 7,368,173                 |
| <b>Preferred Equity—0.4%</b>                           |            |                         |              |               |                    |           |           |                           |
| <sup>(7), (8)</sup>                                    |            |                         |              |               |                    |           |           |                           |
| UniTek Global Services, Inc. - Senior Preferred Equity | —          | Telecommunications      | 18.00        | %             | —                  | 448,851   | 448,851   | 450,939                   |
| UniTek Global Services, Inc.                           | —          | Telecommunications      | 13.50        | %             | —                  | 1,047,317 | 670,283   | 1,459,060                 |
| Total Preferred Equity                                 |            |                         |              |               |                    |           | 1,119,134 | 1,909,999                 |
| <b>Common Equity/Warrants—1.8%</b>                     |            |                         |              |               |                    |           |           |                           |
| <sup>(7), (8)</sup>                                    |            |                         |              |               |                    |           |           |                           |
| Affinion Group Holdings, Inc.                          | —          | Consumer Goods: Durable | —            |               | —                  | 99,029    | 3,514,572 | 2,341,398                 |
| Affinion Group Holdings, Inc., Series C and Series D   | —          | Consumer Goods: Durable | —            |               | —                  | 4,298     | 1,186,649 | 8,203                     |
|  | —          | Metals and Mining       | —            |               | —                  | 1,000     | 215,182   | 317,062                   |

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American Gilsonite  
Company

|  |   |   |   |        |           |           |
|--|---|---|---|--------|-----------|-----------|
| By Light Investco LP                                     | — High Tech Industries                    | — | — | 21,908 | 2,190,771 | 2,190,771 |
| By Light Investco LP<br>(9)                              | — High Tech Industries                    | — | — | 5,592  | —         | —         |
| Corfin InvestCo, L.P.                                    | — Aerospace and<br>Defense                | — | — | 3,000  | 300,000   | 318,665   |
| Corfin InvestCo, L.P.<br>(9)                             | — Aerospace and<br>Defense                | — | — | 3,000  | —         | —         |
| Faraday Holdings,<br>LLC (Interior<br>Specialists, Inc.) | — Construction and<br>Building            | — | — | 1,141  | 58,044    | 191,667   |
| Gauge<br>InfosoftCoInvest, LLC                           | — Media: Broadcasting<br>and Subscription | — | — | 500    | 500,000   | 613,596   |

(The Infosoft Group,  
LLC)

|                                |   |   |   |         |         |         |
|--------------------------------|---|---|---|---------|---------|---------|
| Patriot National, Inc.         | — Banking, Finance,<br>Insurance and Real<br>Estate | — | — | 11,867  | 27,995  | 25,158  |
| TPC Broadband<br>Investors, LP | — Telecommunications                                | — | — | 657,233 | 657,233 | 657,233 |

(Advanced Cable  
Communications,  
LLC) (12)

|                                |                      |   |   |         |   |   |
|--------------------------------|----------------------|---|---|---------|---|---|
| TPC Broadband<br>Investors, LP | — Telecommunications | — | — | 342,767 | — | — |
|--------------------------------|----------------------|---|---|---------|---|---|

(Advanced Cable  
Communications,  
LLC) (9), (12)

|   |                      |   |   |         |   |           |
|---|----------------------|---|---|---------|---|-----------|
| UniTek Global<br>Services, Inc.               | — Telecommunications | — | — | 213,739 | — | 1,307,001 |
| UniTek Global<br>Services, Inc.<br>(Warrants) | — Telecommunications | — | — | 23,889  | — | —         |

Total Common  
Equity/Warrants 8,650,446 7,970,754

Total Investments in Non-Controlled,  
Non-Affiliated Portfolio Companies 661,580,331 662,907,256

Investments in Controlled, Affiliated Portfolio  
Companies—7.9% (1), (2), (3)

Subordinated  
Debt/Corporate  
Notes—5.5%

PennantPark Senior 05/06/2014 Financial Services 6.28 % L+500 25,200,000 25,200,000 25,200,000  
Secured Loan Fund I  
LLC (8), (10)

Equity Interests—2.4%  
(7), (8)

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|   |   |                    |   |   |        |               |               |
|---|---|--------------------|---|---|--------|---------------|---------------|
| PennantPark Senior Secured Loan Fund I LLC <sup>(10)</sup>      | — | Financial Services | — | — | 10,800 | 10,800,000    | 10,822,425    |
| Total Investments in Controlled, Affiliated Portfolio Companies |   |                    |   |   |        | 36,000,000    | 36,022,425    |
| Total Investments—153.2%  |   |                    |   |   |        | 697,580,331   | 698,929,681   |
| Cash and Cash Equivalents—10.7%                                 |   |                    |   |   |        |               |               |
| BlackRock Federal FD Institutional 30                           |   |                    |   |   |        | 46,554,984    | 46,554,984    |
| BNY Mellon Cash   |   |                    |   |   |        | 2,311,909     | 2,396,762     |
| Total Cash and Cash Equivalents                                 |   |                    |   |   |        | 48,866,893    | 48,951,746    |
| Total Investments and Cash                                      |   |                    |   |   |        | \$746,447,224 | \$747,881,427 |
| Equivalents—163.9%  |   |                    |   |   |        |               |               |
| Liabilities in Excess of Other Assets—(63.9)%                   |   |                    |   |   |        |               | (291,569,709) |
| Net Assets—100.0%   |   |                    |   |   |        |               | \$456,311,718 |

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable London Interbank Offered Rate, or LIBOR or “L,” the Euro Interbank Offered Rate, or EURIBOR or “E,” or Prime rate, or “P.” 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).

(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) Security is exempt from registration under Rule 144A promulgated under the Securities Act of 1933, as amended, or the Securities Act. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

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

(7) Non-income producing securities.

(8) The securities, or a portion thereof, are not pledged as collateral under the Credit Facility. All other securities are pledged as collateral under the Credit Facility and held through Funding I.

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

(10) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of June 30, 2017, qualifying assets represent 90% of our total assets and non-qualifying assets represent 10% of our total assets.

(11) Par amount is denominated in Canadian Dollars (C\$) or in Euros (€) as denoted.

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2016

| Name   | Maturity   | Industry                         | Coupon  | Basis Point |           | Cost          | Fair Value    |
|--|------------|----------------------------------|---------|-------------|-----------|---------------|---------------|
|  |            |                                  |         | Current     | Abx / Par |               |               |
| Shares   |            |                                  |         |             |           |               |               |
| Investments in Non-Controlled, Non-Affiliated Portfolio Companies—159.3% |            |                                  |         |             |           |               |               |
| Foreign Secured Debt—145.9%  |            |                                  |         |             |           |               |               |
| Comcast Cable Communications, LLC  | 08/09/2021 | Telecommunications               | 6.75 %  | L+512       | 5,500,000 | \$ 12,255,990 | \$ 12,255,990 |
| Comcast Cable Communications, LLC <sup>(10)</sup>                        | 08/09/2021 | Telecommunications               | —       | —           | 4,000,000 | —             | (80,000)      |
| USA Holdings, LLC  | 02/28/2019 | Hotel, Gaming and Leisure        | 7.00 %  | L+512       | 1,064,454 | 12,037,105    | 12,064,454    |
| Amgen Pharma US, Inc. <sup>(6), (11)</sup>                               | 04/04/2022 | Healthcare and Pharmaceuticals   | 6.00 %  | L+500       | 943,925   | 3,925,777     | 3,946,925     |
| Accor Bath Group, LLC  | 10/02/2023 | Consumer Goods: Durable          | 6.75 %  | L+535       | 3,000,000 | 2,970,000     | 2,992,500     |
| Boeing Scaffolding   | 03/31/2022 | Aerospace and Defense            | 7.50 %  | L+640       | 1,037,500 | 4,866,801     | 4,888,500     |
| AMC Bowling Centers, Inc.  | 09/19/2023 | Retail                           | 6.00 %  | L+500       | 6,000,000 | 14,850,608    | 14,930,608    |
| Marriott International, Inc. - Operating I, LLC                          | 12/21/2020 | Hotel, Gaming and Leisure        | 9.25 %  | L+805       | 534,878   | 6,462,308     | 6,220,878     |
| Boeing Technologies Corp.  | 04/22/2022 | Aerospace and Defense            | 7.50 %  | L+690       | 975,000   | 9,787,810     | 9,825,000     |
| Midstream Energy LLC   | 11/15/2018 | Energy: Oil and Gas              | 7.50 %  | L+650       | 1,25,684  | 5,042,414     | 4,228,684     |
| Ford Motor Credit Company  | 06/29/2020 | Automotive                       | 6.50 %  | L+530       | 498,670   | 3,462,806     | 3,498,670     |
| Walmart Stores, Inc. - Tranche A   | 06/03/2021 | Consumer Goods: Non-Durable      | 7.00 %  | L+525       | 440,000   | 2,397,229     | 2,422,000     |
| Walmart Stores, Inc. - Tranche B   | 06/03/2021 | Consumer Goods: Non-Durable      | 13.50 % | L+1225      | 2,150,000 | 2,415,653     | 2,442,000     |
| United Parcel Services of America, Inc. - Parcel                         | 06/30/2021 | Transportation: Cargo            | 5.75 %  | L+425       | 468,750   | 2,448,157     | 2,370,750     |
| Amgen, Inc.  | 07/08/2021 | Healthcare and Pharmaceuticals   | 6.00 %  | L+500       | 950,000   | 4,847,215     | 4,863,000     |
| Marriott International, Inc. - Operating I, LLC                          | 07/02/2020 | Hotel, Gaming and Leisure        | 8.25 %  | L+700       | 962,500   | 4,930,912     | 4,850,500     |
| AMC Bowling Centers, Inc. - Operating I, LLC                             | 07/21/2023 | Consumer Goods: Durable          | 7.00 %  | L+600       | 2,500,000 | 12,179,928    | 12,340,000    |
| AMC Bowling Charlie LLC  | 12/24/2019 | Retail                           | 9.00 %  | L+800       | 998,750   | 4,061,551     | 3,750,750     |
| AMC Bowling Charlie Publishing, LLC                                      | 01/08/2019 | Media: Advertising, Printing and | 7.50 %  | L+625       | 528,571   | 4,801,254     | 4,732,571     |



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|   |            |   |         |      |             |            |            |
|---|------------|---|---------|------|-------------|------------|------------|
|   |            | Publishing                                  |         |      |             |            |            |
| Industries LLC  | 11/25/2020 | Aerospace and Defense                       | 10.75 % | L+9% | \$272,600   | 6,163,749  | 6,272,000  |
| Industries LLC (Revolver) <sup>(10)</sup>                 | 11/25/2020 | Aerospace and Defense                       | —       | —    | 518,033     | —          | —          |
| Inc.  | 12/21/2020 | High Tech Industries                        | 7.50 %  | L+6% | \$1,531,671 | 10,451,145 | 10,500,000 |
| Health Services Holdings, Inc.                            | 02/07/2022 | Healthcare and Pharmaceuticals              | 6.50 %  | L+5% | \$970,000   | 1,953,997  | 1,970,000  |
| olding LLC  | 08/02/2021 | Business Services                           | 6.25 %  | L+5% | \$1,000,000 | 9,900,163  | 9,900,000  |
| Business Services, Inc.                                   | 03/19/2018 | Business Services                           | 8.75 %  | L+7% | \$237,139   | 2,225,615  | 2,237,000  |
| Global Solutions, Inc.                                    | 12/09/2020 | Business Services                           | 5.50 %  | L+4% | \$925,000   | 4,889,096  | 4,875,000  |
| as Products and Packaging Company LLC                     | 06/30/2020 | Chemicals, Plastics and Rubber              | 5.75 %  | L+4% | \$587,500   | 4,659,016  | 4,687,000  |
| Performance Brands, Inc. <sup>(8)</sup>                   | 09/10/2020 | Consumer Goods: Durable                     | 5.75 %  | L+4% | \$550,000   | 8,513,835  | 8,507,000  |
| Performance Brands, Inc. (Revolver) <sup>(8), (10)</sup>  | 09/10/2020 | Consumer Goods: Durable                     | —       | —    | 1,000,000   | —          | —          |
| tion Networks of America, Inc.                            | 05/06/2021 | Telecommunications                          | 8.00 %  | L+7% | \$641,304   | 8,599,431  | 8,598,000  |
| tion Networks of America, Inc. (Revolver)                 | 05/06/2021 | Telecommunications                          | 8.00 %  | L+7% | \$44,783    | 434,783    | 434,700    |
| tion Networks of America, Inc. (Revolver) <sup>(10)</sup> | 05/06/2021 | Telecommunications                          | —       | —    | 869,565     | —          | —          |
| nt Collaborative Retail Marketing Company, LLC            | 06/15/2022 | Media: Diversified and Production           | 7.75 %  | L+6% | \$1,972,500 | 10,864,398 | 10,970,000 |
| ing Markets Communications, LLC                           | 07/01/2021 | Telecommunications                          | 6.75 %  | L+5% | \$937,500   | 4,875,844  | 4,702,000  |
| Health Systems, Inc.                                      | 12/23/2021 | Healthcare and Pharmaceuticals              | 5.00 %  | L+4% | \$925,000   | 4,884,041  | 4,798,000  |
| Logic Holdings, Inc.                                      | 05/31/2019 | High Tech Industries                        | 6.25 %  | L+5% | \$890,000   | 3,867,640  | 3,880,000  |
| way Health, LLC   | 11/04/2020 | High Tech Industries                        | 6.00 %  | L+5% | \$807,500   | 6,765,938  | 6,620,000  |
| Valor Companies, Inc.                                     | 06/16/2023 | Media: Broadcasting and Subscription        | 7.00 %  | L+6% | \$481,250   | 7,191,975  | 7,116,000  |
| rtouch Payments, LLC                                      | 05/31/2022 | Banking, Finance, Insurance and Real Estate | 7.00 %  | L+6% | \$956,250   | 6,889,369  | 7,025,000  |
| ne Aftermarket Acquisition, LLC                           | 04/01/2022 | Wholesale                                   | 5.75 %  | L+4% | \$312,500   | 7,244,146  | 7,275,000  |
| a DYK Prime Acquisition, LLC)                             |            |   |         |      |             |            |            |
| nder Sleep Products, LLC                                  | 10/21/2020 | Consumer Goods: Non-Durable                 | 9.00 %  | L+8% | \$165,886   | 1,153,016  | 1,142,000  |
| ay Corporation  | 12/13/2019 | High Tech Industries                        | 6.00 %  | L+4% | \$524,730   | 2,610,592  | 2,183,000  |
| f Defense Technologies, Inc. <sup>(8)</sup>               | 08/05/2019 | Aerospace and Defense                       | 7.00 %  | L+6% | \$256,250   | 6,218,559  | 5,505,000  |
| e U.S. Acquisition Corp. <sup>(6), (11)</sup>             | 11/04/2020 | Construction and Building                   | 7.25 %  | L+6% | \$225,820   | 6,133,990  | 6,225,000  |
| Inc.  | 04/09/2021 | High Tech Industries                        | 6.50 %  | L+5% | \$942,494   | 7,293,179  | 7,684,000  |
| izer Limited and Aptara, Inc. <sup>(6), (11)</sup>        | 05/01/2019 | Business Services                           | 7.25 %  | L+6% | \$676,097   | 8,614,521  | 8,242,000  |
| ne! Print Solutions, LLC                                  | 03/30/2022 | Media: Advertising, Printing and Publishing | 7.00 %  | L+6% | \$974,987   | 5,914,562  | 6,027,000  |
| Web, LLC, Term Loan A                                     | 03/28/2019 | Media: Advertising, Printing and Publishing | 5.50 %  | L+4% | \$277,938   | 5,235,239  | 5,277,000  |
| Web, LLC, Term Loan B                                     | 03/28/2019 |   | 12.00 % | L+1% | \$600,000   | 4,460,571  | 4,500,000  |

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|  |            | Media: Advertising,<br>Printing and<br>Publishing |         |       |            |            |        |  |
|--|------------|---|---------|-------|------------|------------|--------|--|
| er Specialists, Inc.                               | 06/30/2020 | Construction and<br>Building                      | 9.00 %  | L+860 | 6,662,719  | 6,609,864  | 6,662, |  |
| us Power, Inc. (f/k/a ICC-Nexergy, Inc.)           | 04/30/2020 | Consumer Goods:<br>Durable                        | 6.50 %  | L+540 | 4,882,266  | 4,846,935  | 4,686, |  |
| n Hewitt Inc.                                      | 07/30/2020 | Consumer Services                                 | 8.00 %  | L+700 | 4,900,000  | 4,820,995  | 4,753, |  |
| re Solutions NoCal, L.P. <sup>(8)</sup>            | 02/19/2021 | Chemicals, Plastics<br>and Rubber                 | 10.00 % | L+900 | 3,002,471  | 3,932,760  | 3,925, |  |
| a Scott, LLC                                       | 07/17/2020 | Retail  | 7.00 %  | L+600 | 2,850,000  | 2,827,307  | 2,821, |  |
| Holdings, Inc.                                     | 10/31/2022 | Wholesale   | 7.00 %  | L+600 | 12,406,250 | 12,210,683 | 12,34, |  |
| Holdings, Inc. (Revolver) <sup>(8), (10)</sup>     | 10/30/2020 | Wholesale   | —       | —     | 1,209,677  | —          | —      |  |
| Resort & Casino, LLC                               | 03/07/2022 | Hotel, Gaming and<br>Leisure                      | 10.50 % | L+950 | 10,174,500 | 9,984,965  | 9,971, |  |
| n Solutions, Inc.                                  | 11/13/2020 | High Tech Industries                              | 5.50 %  | L+450 | 1,945,020  | 1,940,066  | 1,930, |  |
| re Holdings LLC <sup>(8)</sup>                     | 11/30/2018 | Healthcare and<br>Pharmaceuticals                 | 6.50 %  | L+535 | 5,407,864  | 5,371,524  | 5,272, |  |
| ad Expeditions, Inc. <sup>(6), (11)</sup>          | 05/10/2021 | Hotel, Gaming and<br>Leisure                      | 5.50 %  | L+420 | 2,186,607  | 2,177,539  | 2,186, |  |
| ad Maritime Enterprises, Ltd. <sup>(6), (11)</sup> | 05/10/2021 | Hotel, Gaming and<br>Leisure                      | 5.50 %  | L+420 | 282,143    | 280,973    | 282,1, |  |
| art Brothers, Inc.                                 | 04/13/2022 | Capital Equipment                                 | 7.75 %  | L+635 | 5,985,000  | 5,901,046  | 6,014, |  |
| art Brothers, Inc. (Revolver) <sup>(8)</sup>       | 04/13/2022 | Capital Equipment                                 | 7.75 %  | L+615 | 176,991    | 176,991    | 176,9, |  |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

SEPTEMBER 30, 2016

| Name   | Maturity   | Industry                   | Coupon | Basis Point Spread |             | Shares      | Cost       | Fair Value |
|--|------------|----------------------------|--------|--------------------|-------------|-------------|------------|------------|
|  |            |                            |        | Current            | Above Par / |             |            |            |
| Brothers, Inc. (Revolver) <sup>(8), (10)</sup>             | 04/03/2022 | Equipment                  | —      | —                  |             | 1,061,947   | \$—        | \$—        |
| Drugs Incorporated   | 08/18/2021 | Care and Pharmaceuticals   | 6.25   | %                  | L+52        | 55,000,000  | 4,951,874  | 4,950,000  |
| lantis Holdings, LLC                                       | 01/15/2021 | Equipment                  | 10.00  | %                  | L+90        | 9,542,392   | 9,417,467  | 9,542,392  |
| dings, Inc.  | 04/08/2022 | icals, Plastics and Rubber | 5.25   | %                  | L+42        | 55,431,250  | 4,973,326  | 5,254,375  |
| lace Events LLC  | 01/17/2021 | Diversified and Production | 6.25   | %                  | L+52        | 51,362,530  | 1,342,162  | 1,342,162  |
| lace Events LLC <sup>(12)</sup>                            | 01/17/2021 | Diversified and Production | 6.25   | %                  | P+27        | 517,244,188 | 12,065,652 | 13,075,000 |
| lace Events LLC (Revolver) <sup>(8)</sup>                  | 01/17/2021 | Diversified and Production | 6.25   | %                  | P+27        | 51,090,024  | 1,090,024  | 1,090,024  |
| lace Events LLC (Revolver) <sup>(8), (10)</sup>            | 01/17/2021 | Diversified and Production | —      |                    | —           | 613,139     | —          | —          |
| Critical Electronics, Inc. <sup>(8)</sup>                  | 09/23/2022 | Equipment                  | 6.00   | %                  | L+50        | 4,116,608   | 4,075,499  | 4,075,499  |
| Critical Electronics, Inc. (Revolver) <sup>(8), (10)</sup> | 09/23/2021 | Equipment                  | —      |                    | —           | 883,392     | —          | —          |
| dent HoldCorp, Inc.  | 07/11/2019 | Care and Pharmaceuticals   | 6.50   | %                  | L+52        | 58,817,647  | 8,767,669  | 8,288,000  |
| Partners Vet Management Company LLC <sup>(8)</sup>         | 08/18/2022 | Care and Pharmaceuticals   | 6.00   | %                  | L+50        | 6,268,657   | 6,205,970  | 6,205,970  |
| Partners Vet Management Company LLC <sup>(8), (10)</sup>   | 08/18/2022 | Care and Pharmaceuticals   | —      |                    | —           | 3,731,343   | —          | —          |
| , Inc.   | 09/27/2023 | munications                | 7.50   | %                  | L+65        | 6,000,000   | 5,760,000  | 5,775,000  |
| Acquisition Corp.  | 10/10/2022 | Care and Pharmaceuticals   | 6.50   | %                  | L+55        | 3,990,000   | 3,932,956  | 4,014,000  |
| Dental Services, Inc.                                      | 11/01/2018 | mer Services               | 7.50   | %                  | L+65        | 7,528,230   | 7,473,587  | 7,490,000  |
| roducts LLC  | 05/10/2021 | mental Industries          | 5.75   | %                  | L+47        | 57,281,762  | 7,222,561  | 7,281,762  |
| roducts LLC (Revolver) <sup>(8), (10)</sup>                | 05/10/2020 | mental Industries          | —      |                    | —           | 2,459,016   | —          | —          |
| eight Loss Centers, LLC                                    | 08/17/2021 | verage, Food and Tobacco   | 5.75   | %                  | L+47        | 510,000,000 | 9,852,456  | 9,900,000  |
| Now Group, Inc.  | 03/18/2021 | Tech Industries            | 5.50   | %                  | L+45        | 6,895,000   | 6,867,800  | 6,688,000  |
| aw US Holding Corp.  | 06/18/2019 |                            | 8.50   | %                  | L+70        | 4,252,830   | 4,233,671  | 4,258,000  |

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|  |            | Consumer Goods:                             |       |              |                            |             |             |
|--|------------|---|-------|--------------|----------------------------|-------------|-------------|
|  |            | Durable                                     |       |              |                            |             |             |
| LC   | 08/05/2020 | Services                                    | 6.75  | %            | L+5754,218,750             | 4,166,413   | 4,163,000   |
| USA, Inc.  | 04/05/2023 | Water                                       | 6.50  | %            | L+5509,975,000             | 9,692,511   | 9,999,000   |
| bb, LLC  | 07/07/2022 | Alcohol, Food and Tobacco                   | 6.00  | %            | L+5004,968,748             | 4,896,623   | 4,919,000   |
| bb, LLC (Revolver) <sup>(10)</sup>                               | 07/07/2022 | Alcohol, Food and Tobacco                   | —     |              | — 500,000                  | —           | —           |
| Paradigms International Group, LLC                               | 05/11/2017 | Tech Industries                             | 6.50  | %            | L+5509,875,000             | 9,781,596   | 9,825,000   |
| Defense Solutions, Inc.  | 04/26/2013 | Aerospace and Defense                       | 9.00  | %            | L+7505,668,843             | 5,614,696   | 5,640,000   |
| Group Holdings LLC   | 10/09/2021 | Consumer Goods: Non-Durable                 | 7.25  | %            | L+6257,312,500             | 7,200,786   | 7,312,000   |
| Sampling International, LLC                                      | 12/03/2020 | Services                                    | 6.00  | %            | L+5007,446,562             | 7,395,200   | 7,409,000   |
| Maintenance Services Holding, Inc.                               | 10/18/2019 | Tech Industries                             | 5.00  | %            | L+4005,850,000             | 5,834,217   | 5,733,000   |
| Corporation  | 07/09/2021 | Construction and Building                   | 5.75  | %            | L+4754,822,723             | 4,786,985   | 4,071,000   |
| Original Cakerie, Co. <sup>(6), (11)</sup>                       | 07/20/2021 | Consumer Goods: Non-Durable                 | 6.50  | %            | L+5503,092,295             | 3,062,366   | 3,061,000   |
| Original Cakerie Ltd. <sup>(6), (11)</sup>                       | 07/20/2021 | Consumer Goods: Non-Durable                 | 6.00  | %            | L+5005,986,002             | 5,928,120   | 5,928,000   |
| Original Cakerie Ltd. (Revolver) <sup>(6), (8), (10), (11)</sup> | 07/20/2021 | Consumer Goods: Non-Durable                 | —     |              | — 1,418,484                | —           | (7,099,000) |
| Shoes, LLC   | 11/02/2020 | Consumer Goods: Non-Durable                 | 6.50  | %            | L+5501,970,000             | 1,825,559   | 1,570,000   |
| Manufacturing, Inc.  | 12/23/2020 | Equipment                                   | 11.27 | %            | L+9,075,306,936            | 10,124,477  | 10,300,000  |
| Global Services, Inc. <sup>(8)</sup>                             | 01/14/2019 | Communications                              | 9.50  | %            | L+850256,971               | 256,971     | 256,900     |
|  |            |   |       | (PIK 1.00 %) |                            |             |             |
| Global Services, Inc. <sup>(8)</sup>                             | 01/14/2019 | Communications                              | 8.50  | %            | L+750599,702               | 562,432     | 590,700     |
| Global Services, Inc. <sup>(8), (10)</sup>                       | 01/14/2019 | Communications                              | —     |              | — 151,090                  | —           | —           |
| al Fiber Systems, LLC  | 10/04/2021 | Chemicals, Plastics and Rubber              | 6.50  | %            | L+5504,962,500             | 4,919,423   | 4,937,000   |
| esthesia Partners, Inc.  | 12/18/2019 | Care and Pharmaceuticals                    | 6.00  | %            | L+5009,900,000             | 9,818,407   | 9,850,000   |
| Acquisition, Inc. <sup>(8)</sup>                                 | 08/18/2011 | Care and Pharmaceuticals                    | 10.00 | %            | L+9003,089,844             | 3,089,844   | 3,089,000   |
| Worldwide, Inc.  | 08/19/2021 | Broadcasting and Subscription               | 6.50  | %            | L+5504,792,831             | 4,752,002   | 4,792,000   |
| ter Electronics Corporation                                      | 06/30/2022 | Equipment                                   | 7.50  | %            | L+6507,773,579             | 7,703,094   | 7,668,000   |
| ter Electronics Corporation <sup>(10)</sup>                      | 06/30/2022 | Equipment                                   | —     |              | — 708,333                  | —           | (9,600,000) |
| Claims Services, LLC   | 10/03/2021 | Banking, Finance, Insurance and Real Estate | 9.00  | %            | L+8007,316,440             | 7,259,010   | 7,316,000   |
| st Lien Secured Debt   |            |   |       |              |                            | 549,736,982 | 548,400,000 |
| st Lien Secured Debt—9.7%  |            |   |       |              |                            |             |             |
| Group, Inc. <sup>(8)</sup>                                       | 10/31/2018 | Consumer Goods: Durable                     | 8.50  | %            | L+7001,000,000             | 942,276     | 879,100     |
| n Gilsonite Company <sup>(5), (8)</sup>                          | 09/01/2017 | Oil and Mining                              | —     |              | <sup>(7)</sup> — 1,000,000 | 1,000,000   | 700,000     |
| Products and Packaging Company LLC                               | 12/31/2020 | Chemicals, Plastics and Rubber              | 11.34 | %            | L+9,000,000,000            | 1,971,030   | 2,020,000   |
| Berger Co. LLC   | 09/30/2020 | Wholesale                                   | 11.00 | %            | L+1,000,000,000            | 10,511,818  | 9,900,000   |

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|  |            |                                      |       |   |                 |            |            |
|--|------------|--------------------------------------|-------|---|-----------------|------------|------------|
| th, Inc.   | 10/15/2021 | Advertising, Printing and Publishing | 11.50 | % | L+1,050,000     | 3,703,724  | 3,775,000  |
| Acquisition, LLC   | 07/07/2021 | Business Services                    | 12.25 | % | L+1,100,000,000 | 10,914,618 | 11,000,000 |
| Media, Inc. <sup>(8)</sup>                               | 10/01/2020 | Diversified and Production           | 9.00  | % | L+775,872,042   | 4,826,926  | 4,850,000  |
| Oil Sands Ltd. <sup>(5), (6), (8), (11)</sup>            | 08/01/2017 | Oil and Gas                          | 12.50 | % | — 2,812,500     | 2,756,732  | 1,630,000  |
| er Acquisition Corp.                                     | 01/31/2023 | Business Services                    | 10.75 | % | L+975,837,500   | 1,777,304  | 1,830,000  |
| cond Lien Secured Debt                                   |            |                                      |       |   |                 | 38,404,428 | 36,500,000 |
| ated Debt/Corporate Notes—0.8%                           |            |                                      |       |   |                 |            |            |
| International Holdings Limited <sup>(5), (6), (11)</sup> | 07/30/2018 | Consumer Goods: Durable              | 7.50  | % | — 1,135,273     | 1,030,320  | 1,030,000  |
| fonet, Inc.  | 10/15/2018 | Tech Industries                      | 13.00 | % | — 2,069,078     | 2,050,767  | 1,975,000  |
| Global Services, Inc.                                    | 07/15/2019 | Communications                       | 15.00 | % | — 146,996       | 146,996    | 148,400    |
| ordinated Debt/Corporate Notes                           |            |                                      |       |   |                 | 3,228,083  | 3,160,000  |
| l Equity—0.4% <sup>(8)</sup>                             |            |                                      |       |   |                 |            |            |
| Global Services, Inc.                                    | —          | Telecommunications                   | 13.50 | % | — 1,047,317     | 670,283    | 1,319,000  |
| l Equity/Warrants—2.5% <sup>(8)</sup>                    |            |                                      |       |   |                 |            |            |
| Group Holdings, Inc.                                     | —          | Consumer Goods: Durable              | —     | % | — 99,029        | 3,514,572  | 3,700,000  |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

SEPTEMBER 30, 2016

| Issuer Name  | Maturity | Industry                                    | Coupon | Basis Point |                    | Shares      | Cost        | Fair Value <sup>(2)</sup> |
|--|----------|---|--------|-------------|--------------------|-------------|-------------|---------------------------|
|  |          |   |        | Current     | Above Par / Spread |             |             |                           |
| Affinion Group Holdings, Inc., Series C and Series D                                   | —        | Consumer Goods: Durable                     | —      | —           | 4,298              | \$1,186,649 | \$20,096    |                           |
| Corfin InvestCo, L.P.  | —        | Aerospace and Defense                       | —      | —           | 3,000              | 300,000     | 621,550     |                           |
| Corfin InvestCo, L.P. <sup>(10)</sup>  | —        | Aerospace and Defense                       | —      | —           | 3,000              | —           | —           |                           |
| e.l.f. Beauty, Inc. (f/k/a J.A. Cosmetics US, Inc.)                                    | —        | Consumer Goods: Durable                     | —      | —           | 110,399            | 295,670     | 2,957,767   |                           |
| Faraday Holdings, LLC (Interior Specialists, Inc.)                                     | —        | Construction and Building                   | —      | —           | 1,141              | 58,044      | 94,560      |                           |
| Patriot National, Inc.   | —        | Banking, Finance, Insurance and Real Estate | —      | —           | 11,867             | 27,995      | 106,922     |                           |
| TPC Broadband Investors, LP<br>(Advanced Cable Communications, LLC)                    | —        | Telecommunications                          | —      | —           | 430,666            | 430,666     | 430,666     |                           |
| TPC Broadband Investors, LP<br>(Advanced Cable Communications, LLC)<br><sup>(10)</sup> | —        | Telecommunications                          | —      | —           | 569,334            | —           | —           |                           |
| UniTek Global Services, Inc.   | —        | Telecommunications                          | —      | —           | 149,617            | —           | 892,276     |                           |
| Vestcom Parent Holdings, Inc.  | —        | Media: Advertising, Printing and Publishing | —      | —           | 15,179             | 56,895      | 577,005     |                           |
| Total Common Equity/Warrants   |          |   |        |             |                    | 5,870,491   | 9,401,058   |                           |
| Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies                |          |   |        |             |                    | 597,910,267 | 598,887,525 |                           |
| Cash and Cash Equivalents—7.7%   |          |   |        |             |                    |             |             |                           |
| BlackRock Liquidity Funds, Temp Cash and Temp Fund, Institutional Shares               |          |   |        |             |                    | 28,212,041  | 28,212,041  |                           |

|   |               |               |
|---|---------------|---------------|
| BNY Mellon Cash Reserve and Cash              | 691,318       | 698,932       |
| Total Cash and Cash Equivalents               | 28,903,359    | 28,910,973    |
| Total Investments and Cash Equivalents—167.0% | \$626,813,626 | \$627,798,498 |
| Liabilities in Excess of Other Assets—(67.0)% |               | (251,891,670) |
| Net Assets—100.0%                             |               | \$375,906,828 |

- (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.” All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes PIK interest and other fee rates, if any.
- (2) Valued based on our accounting policy (See Note 2).
- (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) Security is exempt from registration under Rule 144A promulgated under the Securities Act. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (6) Non-U.S. company or principal place of business outside the United States.
- (7) Non-income producing securities.
- (8) The securities, or a portion thereof, are not pledged as collateral under the Credit Facility. All other securities are pledged as collateral under the Credit Facility and held through Funding I.
- (9) Coupon is not subject to a LIBOR or Prime rate floor.
- (10) 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.
- (11) 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.
- (12) Par amount is denominated in Canadian Dollars.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(Unaudited)

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 current income and capital appreciation while seeking to preserve capital. We seek to achieve our investment objective by investing primarily in loans bearing a variable-rate of interest, or Floating Rate Loans, and other investments made to U.S. middle-market companies whose debt is rated below investment grade. Floating Rate Loans pay interest at variable rates, which are 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 senior secured debt, or first lien loans, 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 mezzanine debt, which we define as second lien secured and 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 our 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 \$375 million at



LIBOR plus 200 basis points during the revolving period. The Credit Facility is secured by all of the assets held by Funding I. See Note 10.

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

In February 2017, we completed a follow-on public offering of 5,750,000 shares of common stock, which resulted in proceeds to us of \$14.08 per share, including the exercise of the underwriters' option to purchase additional shares, for gross proceeds of \$81.0 million and net proceeds of \$80.5 million after offering expenses. Our Investment Adviser paid \$5.0 million in connection with this offering, which included the sales load and an additional supplemental payment.

In May 2017, we and Trinity Universal Insurance Company, or Trinity, a subsidiary of Kemper Corporation (NYSE: KMPR), or 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. See Note 4.

## 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 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 946, Financial Services – Investment Companies, and pursuant to the requirements for reporting on Form 10-K/Q and Article 6 or 10 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 our 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 our Investment Adviser responsible for the portfolio investment;
- (2) Preliminary valuation conclusions are then documented and discussed with the management of our Investment Adviser;

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

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

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

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

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.

#### (c) Income Taxes

We have complied with the requirements of Subchapter M of the Code and expect to be treated as a RIC for federal income tax purposes. As a result, we account for income taxes using the asset and liability method prescribed by ASC 740, Income Taxes. Under this method, income taxes are provided for amounts currently payable and for amounts deferred as tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Based upon our qualification and election to be treated as a RIC for federal income tax purposes, we typically do not incur any material level of federal income taxes. Although we generally do not incur federal income taxes as a RIC, we may elect to retain a portion of our calendar year income, which may result in the imposition of an excise tax, or we may incur taxes through our Taxable Subsidiaries. For the three and nine months ended June 30, 2017, 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 nine months ended June 30, 2016, we did not record a provision for taxes.

We recognize the effect of a tax position in our Consolidated Financial Statements 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. We did not have any material uncertain tax positions or any unrecognized tax benefits that met the recognition or measurement criteria of ASC 740-10-25 as of the periods presented herein.

Because federal income tax regulations differ from GAAP, distributions 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 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 qualified dividends and/or a return of capital.

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

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

(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 946-810-45, PennantPark Floating Rate Capital Ltd. will generally not consolidate its investment in a company other than a wholly-owned 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 in our Consolidated Financial Statements. We do not consolidate our non-controlling interest 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 860, Transfers and Servicing, requirements for sale accounting treatment are reflected in the Consolidated Statement of Assets and Liabilities 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 the creditors of PennantPark Floating Rate Capital Ltd. or any of its affiliates.

### 3. AGREEMENTS AND RELATED PARTY TRANSACTIONS

The Investment Management Agreement with the Investment Adviser was reapproved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2017. 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 (net 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 adjusted to exclude cash, cash equivalents and unfunded commitments, if any) and is payable quarterly in arrears. The base management fee is calculated based on the average adjusted gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. For example, if we sold shares on the 45th day of a quarter and did not use the proceeds from the sale to repay outstanding indebtedness, our gross assets for such quarter would give effect to the net proceeds of the issuance for only 45 days of the quarter during which the additional shares were outstanding. For the three and nine months ended June 30, 2017, the Investment Adviser earned base management fees of \$1.8 million and \$5.1 million, respectively, from us. For the three and nine months ended June 30, 2016, the Investment Adviser earned base management fees of \$1.3 million and \$3.6 million, respectively, from us.

The incentive fee has two parts, as follows:

One part is calculated and payable quarterly in arrears based on our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest

income, dividend income and any other income, including any other fees (other than fees for providing managerial assistance), such as amendment, commitment, origination, prepayment penalties, structuring, diligence and consulting fees or other fees received from portfolio companies, accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement and any interest expense or amendment fees under any credit facility and distribution paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a percentage of the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7.00% annualized). We pay the Investment Adviser an incentive fee with respect to our Pre-Incentive Fee Net Investment Income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 1.75%, (2) 50% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.9167% in any calendar quarter (11.67% annualized) (we refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the hurdle but is less than 2.9167%) as the “catch-up,” which is meant to provide our Investment Adviser with 20% of our Pre-Incentive Fee Net Investment Income, as if a hurdle did not apply, if this net investment income exceeds 2.9167% in any calendar quarter), and (3) 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.9167% in any calendar quarter. These calculations are pro-rated for any share issuances or repurchases during the relevant quarter, if applicable. For the three and nine months ended June 30, 2017, the Investment Adviser earned an incentive fee on net investment income as calculated under the Investment Management Agreement of \$0.8 million and \$2.3 million, respectively, from us. For the three and nine months ended June 30, 2016, the Investment Adviser earned an incentive fee on net investment income as calculated under the Investment Management Agreement of \$0.5 million and \$1.3 million, respectively, from us.

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. For both the three and nine months ended June 30, 2017, the Investment Adviser earned an incentive fee on capital gains of \$0.2 million, as calculated under the



PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

Investment Management Agreement. For the three and nine months ended June 30, 2016, the Investment Adviser did not earn 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 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, if any, will be realized in the future. For the three and nine months ended June 30, 2017, the Investment Adviser accrued an incentive fee on our unrealized and realized capital gains as calculated under GAAP of \$0.4 million and \$0.9 million, respectively. For the three and nine months ended June 30, 2016, the Investment Adviser did not accrue an incentive fee on our unrealized and realized capital gains as calculated under GAAP.

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 2017. Under the Administration Agreement, the Administrator provides administration services and office facilities to us. For providing these services, facilities and personnel, 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 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, managerial assistance to portfolio companies to which we are required to offer such assistance. Reimbursement for certain of these costs is included in administrative services expenses in the Consolidated Statements of Operations. For the three and nine months ended June 30, 2017, the Investment Adviser was reimbursed approximately \$0.3 million and \$1.3 million, respectively, from us, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above. For the three and nine months ended June 30, 2016, the Investment Adviser was reimbursed approximately \$0.1 million and \$0.6 million, respectively, from us, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above.

For the three and nine months ended June 30, 2017, the Company purchased zero and \$38.1 million, respectively, and sold zero and \$5.0 million in total investments, respectively, 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 gains on those sales amounted to zero and less than \$0.1 million, respectively.

For both the three and nine months ended June 30, 2017, we sold \$71.0 million investments to PSSSL at fair value and recognized \$0.4 million of net realized gains.

#### 4. INVESTMENTS

Purchases of investments, including PIK interest, for the three and nine months ended June 30, 2017 totaled \$136.9 million and \$408.2 million, respectively. For the same periods in the prior year, purchases of investments, including PIK interest, totaled \$101.2 million and \$257.7 million, respectively. Sales and repayments of investments for the three and nine months ended June 30, 2017 totaled \$172.9 million and \$314.8 million, respectively. For the same periods in the prior year, sales and repayments of investments totaled \$40.3 million and \$97.1 million, respectively.

Investments, cash and cash equivalents consisted of the following:

| Investment Classification                    | June 30, 2017 |               | September 30, 2016 |               |
|--|---------------|---------------|--------------------|---------------|
|  | Cost          | Fair Value    | Cost               | Fair Value    |
| First lien                                   | \$610,806,604 | \$613,273,017 | \$549,736,982      | \$548,410,095 |
| Second lien                                  | 33,763,248    | 32,385,313    | 38,404,428         | 36,596,692    |
| Subordinated debt / corporate notes          | 7,240,899     | 7,368,173     | 3,228,083          | 3,160,372     |
| Subordinated debt in PSSSL                   | 25,200,000    | 25,200,000    | —                  | —             |
| Equity                                       | 9,769,580     | 9,880,753     | 6,540,774          | 10,720,366    |
| Equity interests in PSSSL                    | 10,800,000    | 10,822,425    | —                  | —             |
| Total investments                            | 697,580,331   | 698,929,681   | 597,910,267        | 598,887,525   |
| Cash and cash equivalents                    | 48,866,893    | 48,951,746    | 28,903,359         | 28,910,973    |
| Total investments, cash and cash equivalents | \$746,447,224 | \$747,881,427 | \$626,813,626      | \$627,798,498 |

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

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

| Industry Classification                     | June<br>30,<br>2017<br>(1) |   | September 30,<br>2016 |   |
|---|----------------------------|---|-----------------------|---|
| Healthcare and Pharmaceuticals              | 8                          | % | 10                    | % |
| Hotel, Gaming and Leisure                   | 8                          |   | 6                     |   |
| Business Services                           | 7                          |   | 8                     |   |
| Consumer Goods: Non-Durable                 | 7                          |   | 4                     |   |
| High Tech Industries                        | 7                          |   | 10                    |   |
| Consumer Goods: Durable                     | 6                          |   | 7                     |   |
| Telecommunications                          | 6                          |   | 6                     |   |
| Aerospace and Defense                       | 5                          |   | 5                     |   |
| Beverage, Food and Tobacco                  | 5                          |   | 2                     |   |
| Capital Equipment                           | 5                          |   | 5                     |   |
| Media: Advertising, Printing and Publishing | 5                          |   | 4                     |   |
| Retail                                      | 5                          |   | 5                     |   |
| Wholesale                                   | 5                          |   | 5                     |   |
| Chemicals, Plastics and Rubber              | 4                          |   | 3                     |   |
| Media: Diversified and Production           | 4                          |   | 5                     |   |
| Construction and Building                   | 3                          |   | 3                     |   |
| Media: Broadcasting and Subscription        | 3                          |   | 2                     |   |
| Banking, Finance, Insurance and Real Estate | 2                          |   | 2                     |   |
| Consumer Services                           | 1                          |   | 2                     |   |
| Utilities: Water                            | —                          |   | 2                     |   |
| All Other                                   | 4                          |   | 4                     |   |
| Total                                       | 100                        | % | 100                   | % |

(1) Excludes investments in PSSSL.

PennantPark Senior Secured Loan Fund I LLC

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In May 2017, we and Trinity, a subsidiary of Kemper, formed PSSSL, an unconsolidated joint venture. PSSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSSL was formed as a Delaware limited liability company. As of June 30, 2017, PSSSL had total assets of \$77.8 million. PSSSL's portfolio consisted of debt investments in 14 portfolio companies as of June 30, 2017. As of June 30, 2017, at fair value, the largest investment in a single portfolio company in PSSSL was \$6.1 million and the five largest investments totaled \$29.8 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 subordinated notes and equity interests. The subordinated notes are junior in right of payment to the repayment of temporary contributions made by us to fund investments of PSSSL. As of June 30, 2017, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding subordinated notes and equity interests. Our investment in PSSSL consisted of equity interests of \$10.8 million and subordinated notes of \$25.2 million as of June 30, 2017. As of the same date, we had commitments to fund subordinated notes to PSSSL of \$61.3 million, of which \$36.1 million was unfunded. As of June 30, 2017, we had commitments to fund equity interests in PSSSL of \$26.2 million, of which \$15.4 million was unfunded.

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

Additionally, PSSSL has entered into a senior secured revolving credit facility, or the PSSSL Credit Facility, with Capital One, N.A. through its wholly-owned subsidiary PennantPark Senior Secured Loan Facility LLC, or PSSSL Subsidiary, which as of June 30, 2017 allowed PSSSL Subsidiary to borrow up to \$100.0 million at any one time outstanding, subject to leverage and borrowing base restrictions.

Below is a summary of PSSSL's portfolio:

|  | June 30,<br>2017 |
|--|------------------|
| Total investments <sup>(1)</sup>   | \$70,707,374     |
| Weighted average cost yield on income producing investments <sup>(2)</sup> | 7.5 %            |
| Number of portfolio companies in PSSSL                                     | 14               |
| Largest portfolio company investment <sup>(1)</sup>                        | \$6,055,020      |
| Total of five largest portfolio company investments <sup>(1)</sup>         | \$29,764,646     |

(1) At fair value.

(2) The weighted average cost yield on income producing investments is computed based upon a combination of the cash flows to date and the contractual interest payments, principal amortization and principal due at maturity without giving effect to closing fees received, base management fees, incentive fees or general fund related expenses.

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

Below is a listing of PSSSL's individual investments as of June 30, 2017:

## PennantPark Senior Secured Loan Fund I LLC

## Schedule of Investments

June 30, 2017

(Unaudited)

| Issuer Name  | Maturity   | Industry                       | Coupon | Basis Point |              | Par        | Cost        | Fair Value <sup>(2)</sup> |
|--|------------|--------------------------------|--------|-------------|--------------|------------|-------------|---------------------------|
|  |            |                                |        | Current     | Above Spread |            |             |                           |
| Investments in Non-Controlled, Non-Affiliated Portfolio Companies—571.7% |            |                                |        |             |              |            |             |                           |
| First Lien Secured Debt—571.7%   |            |                                |        |             |              |            |             |                           |
| Alvogen Pharma US, Inc. <sup>(3)</sup>                                   | 04/04/2022 | Healthcare and Pharmaceuticals | 6.23 % | L+500       |              | 3,766,541  | \$3,725,241 | \$3,700,626               |
| API Technologies Corp.   | 04/22/2022 | Aerospace and Defense          | 7.80 % | L+650       |              | 4,987,406  | 4,937,654   | 4,912,595                 |
| By Light Professional IT Services, LLC                                   | 05/16/2022 | High Tech Industries           | 8.43 % | L+725       |              | 5,987,234  | 5,838,216   | 5,927,362                 |
| Country Fresh Holdings, LLC  | 03/31/2023 | Beverage, Food and Tobacco     | 6.73 % | L+550       |              | 4,937,500  | 4,863,654   | 4,889,647                 |
| IGM RFE1 B.V. <sup>(3)</sup> , <sup>(4)</sup>                            | 10/12/2021 | Chemicals, Plastics and Rubber | 8.00 % | E+800       |              | €4,968,553 | 5,666,884   | 5,666,884                 |
| Impact Sales, LLC  | 12/30/2021 | Wholesale                      | 8.15 % | L+700       |              | 2,992,481  | 2,977,543   | 2,992,481                 |
| LSF9 Atlantis Holdings, LLC  | 05/01/2023 | Retail                         | 7.06 % | L+600       |              | 6,000,000  | 6,071,161   | 6,055,020                 |
| Mission Critical Electronics, Inc.                                       | 09/28/2022 | Capital Equipment              | 6.30 % | L+500       |              | 4,085,733  | 4,060,081   | 4,067,531                 |
| Morphe, LLC  | 02/10/2023 | Consumer Goods: Non-Durable    | 7.30 % | L+600       |              | 4,937,500  | 4,869,692   | 4,863,438                 |

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|  |            |  |         |       |           |              |              |
|--|------------|--|---------|-------|-----------|--------------|--------------|
| One Sixty Over<br>Ninety, LLC  | 03/03/2022 | Media:<br>Advertising,<br>Printing and<br>Publishing | 10.51 % | L+921 | 6,000,000 | 5,880,288    | 5,940,000    |
| Snak Club, LLC   | 07/19/2021 | Beverage, Food<br>and Tobacco                        | 6.00 %  | L+500 | 4,874,995 | 4,874,995    | 4,874,995    |
| The Infosoft Group,<br>LLC   | 12/02/2021 | Media:<br>Broadcasting and<br>Subscription           | 6.55 %  | L+525 | 5,962,264 | 5,962,264    | 5,962,264    |
| VIP Cinema<br>Holdings, Inc.   | 03/01/2023 | Consumer Goods:<br>Durable                           | 7.06 %  | L+600 | 4,937,500 | 5,008,226    | 4,974,531    |
| Worley Claims<br>Services, LLC   | 10/30/2020 | Banking, Finance,<br>Insurance and Real<br>Estate    | 9.21 %  | L+800 | 6,000,000 | 5,940,231    | 5,880,000    |
| Total First Lien<br>Secured Debt                                       |            |  |         |       |           | 70,676,130   | 70,707,374   |
| Total Investments in Non-Controlled, Affiliated<br>Portfolio Companies |            |  |         |       |           | 70,676,130   | 70,707,374   |
| Cash and Cash<br>Equivalents—48.9%                                     |            |  |         |       |           |              |              |
| BlackRock Federal<br>FD Institutional 30                               |            |  |         |       |           | 6,046,864    | 6,046,864    |
| Total Investments and<br>Cash<br>Equivalents—620.6%                    |            |  |         |       |           | \$76,722,994 | \$76,754,238 |
| Liabilities in Excess<br>of Other<br>Assets—(520.6)%                   |            |  |         |       |           |              | (64,385,753) |
| Members'<br>Equity—100.0%  |            |  |         |       |           |              | \$12,368,485 |

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR, EURIBOR or Prime rate. 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 PSSSL's accounting policy.

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

(4) Par amount is denominated in Euros (€) as denoted.

Below is the financial information for PSSSL:

PennantPark Senior Secured Loan Fund I LLC  
Statement of Assets and Liabilities

June 30,  
2017  
(Unaudited)

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Assets

|  |              |
|--|--------------|
| Investments at fair value                                      |              |
| Non-controlled, non-affiliated investments (cost—\$70,676,130) | \$70,707,374 |
| Cash and cash equivalents (cost—\$6,046,864)                   | 6,046,864    |
| Prepaid expenses and other assets                              | 1,047,384    |
| Total assets   | 77,801,622   |
| Liabilities  |              |
| Payable for investments purchased                              | 10,541,879   |
| PSSL Credit Facility payable                                   | 26,000,000   |
| Subordinated debt payable                                      | 28,800,000   |
| Accrued other expenses   | 91,258       |
| Total liabilities  | 65,433,137   |
| Members' equity  | 12,368,485   |
| Total liabilities and members' equity                          | \$77,801,622 |



## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

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

|   | For the<br>period             |
|---|-------------------------------|
|   | May 4,<br>2017<br>(inception) |
|   | through<br>June 30,<br>2017   |
| Investment income:  |                               |
| From non-controlled, non-affiliated investments:          |                               |
| Interest  | \$ 93,441                     |
| Total investment income                                   | 93,441                        |
| Expenses:   |                               |
| Interest and expenses on PSSL Credit Facility             | 35,680                        |
| Interest expense on subordinated debt                     | 50,242                        |
| Other general and administrative expenses                 | 13,136                        |
| Total expenses  | 99,058                        |
| Net investment loss                                       | (5,617 )                      |
| Net unrealized gain from investments                      | 31,244                        |
| Net increase in members' equity resulting from operations | \$ 25,627                     |

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value, as defined under ASC 820, Fair Value Measurement, or 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 date.

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

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments and our Credit Facility are classified as Level 3. 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 was 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 senior secured debt, but also may include second lien, high yield, mezzanine and distressed debt securities and equity investments. The transaction price, excluding transaction costs, is typically the best estimate of fair value at inception. Ongoing reviews by our Investment Adviser and independent valuation firms are based on an assessment of each underlying investment, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information including comparable transactions, performance multiples and yields, among other factors. These non-public investments valued using unobservable inputs are included in Level 3 of the fair value hierarchy.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in our ability to observe valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the end of the quarter in which the reclassifications occur. During the nine months ended June 30, 2017 and 2016, our ability to observe valuation inputs resulted in no reclassifications and one reclassification of an asset from Level 2 to 1, respectively.

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

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

The remainder of our 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 EBITDA multiple will result in an increase in the valuation of an investment, while a decrease in an EBITDA will have the opposite effect.

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

| Asset Category                         | Fair Value at |                         | Unobservable Input           | Range of Input        |
|--|---------------|-------------------------|------------------------------|-----------------------|
|  | June 30, 2017 | Valuation Technique     |                              | (Weighted Average)    |
| First lien                             | \$278,386,014 | Market Comparable       | Broker/Dealer bids or quotes | N/A                   |
| Second lien                            | 13,180,750    | Market Comparable       | Broker/Dealer bids or quotes | N/A                   |
| First lien                             | 334,887,003   | Market Comparable       | Market Yield                 | 5.6% – 23.3% (8.5%)   |
| Second lien                            | 19,204,563    | Market Comparable       | Market Yield                 | 12.0% – 14.3% (13.4%) |
| Subordinated debt /<br>corporate notes | 32,568,173    | Market Comparable       | Market Yield                 | 6.3% – 17.7% (7.8%)   |
| Equity <sup>(1)</sup>                  | 9,855,595     | Enterprise Market Value | EBITDA multiple              | 5.4x – 9.0x (7.7x)    |
| Total Level 3<br>investments           | \$688,082,098 |                         |                              |                       |
| Long-Term Credit<br>Facility           | \$293,663,760 | Market Comparable       | Market Yield                 | 3.6%                  |

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(1) Excludes \$10.8 million of equity interests in PSSL at fair value, which the Company valued using PSSL's net asset value.

| Asset Category                      | Fair Value at      |                         | Unobservable Input           | Range of Input        |
|-------------------------------------|--------------------|-------------------------|------------------------------|-----------------------|
|                                     | September 30, 2016 | Valuation Technique     |                              | (Weighted Average)    |
| First lien                          | \$ 264,299,729     | Market Comparable       | Broker/Dealer bids or quotes | N/A                   |
| Second lien                         | 8,064,192          | Market Comparable       | Broker/Dealer bids or quotes | N/A                   |
| Subordinated debt / corporate notes | 1,035,937          | Market Comparable       | Broker/Dealer bids or quotes | N/A                   |
| First lien                          | 284,110,366        | Market Comparable       | Market Yield                 | 5.3% – 13.9% (8.3%)   |
| Second lien                         | 28,532,500         | Market Comparable       | Market Yield                 | 10.2% – 15.9% (13.7%) |
| Subordinated debt / corporate notes | 2,124,435          | Market Comparable       | Market Yield                 | 15.7% – 16.5% (15.8%) |
| Equity                              | 7,655,677          | Enterprise Market Value | EBITDA multiple              | 4.3x–9.0x (7.2x)      |
| Total Level 3 investments           | \$ 595,822,836     |                         |                              |                       |
| Long-Term Credit Facility           | \$ 232,389,498     | Market Comparable       | Market Yield                 | 3.4%                  |

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

| Description                                  | Fair Value at June 30, 2017 |              |         |               |
|--|-----------------------------|--------------|---------|---------------|
|  | Fair Value                  | Level 1      | Level 2 | Level 3       |
| First lien                                   | \$613,273,017               | \$—          | \$—     | \$613,273,017 |
| Second lien                                  | 32,385,313                  | —            | —       | 32,385,313    |
| Subordinated debt / corporate notes          | 32,568,173                  | —            | —       | 32,568,173    |
| Equity                                       | 20,703,178                  | 25,158       | —       | 20,678,020    |
| Total investments                            | 698,929,681                 | 25,158       | —       | 698,904,523   |
| Cash and cash equivalents                    | 48,951,746                  | 48,951,746   | —       | —             |
| Total investments, cash and cash equivalents | \$747,881,427               | \$48,976,904 | \$—     | \$698,904,523 |
| Long-Term Credit Facility                    | \$293,663,760               | \$—          | \$—     | \$293,663,760 |

  

| Description                                  | Fair Value at September 30, 2016 |              |             |               |
|--|----------------------------------|--------------|-------------|---------------|
|  | Fair Value                       | Level 1      | Level 2     | Level 3       |
| First lien                                   | \$548,410,095                    | \$—          | \$—         | \$548,410,095 |
| Second lien                                  | 36,596,692                       | —            | —           | 36,596,692    |
| Subordinated debt / corporate notes          | 3,160,372                        | —            | —           | 3,160,372     |
| Equity                                       | 10,720,366                       | 106,922      | 2,957,767   | 7,655,677     |
| Total investments                            | 598,887,525                      | 106,922      | 2,957,767   | 595,822,836   |
| Cash and cash equivalents                    | 28,910,973                       | 28,910,973   | —           | —             |
| Total investments, cash and cash equivalents | \$627,798,498                    | \$29,017,895 | \$2,957,767 | \$595,822,836 |
| Long-Term Credit Facility                    | \$232,389,498                    | \$—          | \$—         | \$232,389,498 |



## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

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

| Description  | Nine Months Ended June 30, 2017 |   |               |
|--|---------------------------------|---|---------------|
|  | First Lien                      | Second lien,<br>subordinated<br>debt and<br>equity<br>investments | Totals        |
| Beginning Balance  | \$548,410,095                   | \$47,412,741  | \$595,822,836 |
| Net realized gains   | 1,930,863                       | 385,791   | 2,316,654     |
| Net unrealized appreciation (depreciation)   | 3,793,301                       | (677,348 )  | 3,115,953     |
| Purchases, PIK interest, net discount accretion and non-cash exchanges   | 357,904,860                     | 51,661,748  | 409,566,608   |
| Sales, repayments and non-cash exchanges   | (298,766,102)                   | (13,151,426)  | (311,917,528) |
| Transfers in and/or out of Level 3   | —                               | —   | —             |
| Ending Balance   | \$613,273,017                   | \$85,631,506  | \$698,904,523 |
| Net change in unrealized appreciation (depreciation) reported within the net change in unrealized (depreciation) appreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date. | \$3,084,852                     | \$(487,881 )  | \$2,596,971   |

  

| Description  | Nine Months Ended June 30, 2016 |   |                |
|--|---------------------------------|---|----------------|
|  | First Lien                      | Second lien,<br>subordinated<br>debt and<br>equity<br>investments | Totals         |
| Beginning Balance  | \$334,957,341                   | \$56,163,940  | \$391,121,281  |
| Net realized gains (losses)  | 373,407                         | (2,443,779 )  | (2,070,372 )   |
| Net unrealized (depreciation) appreciation   | (1,497,426 )                    | 1,431,253   | (66,173 )      |
| Purchases, PIK interest, net discount accretion and non-cash exchanges   | 250,398,992                     | 8,610,761   | 259,009,753    |
| Sales, repayments and non-cash exchanges   | (95,166,566)                    | (1,925,714 )  | (97,092,280 )  |
| Transfers in and/or out of Level 3   | —                               | —   | —              |
| Ending Balance   | \$489,065,748                   | \$61,836,461  | \$550,902,209  |
| Net change in unrealized depreciation reported within the net change in unrealized appreciation (depreciation) on investments in our | \$(1,117,456 )                  | \$(1,910,884 )  | \$(3,028,340 ) |

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Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date.

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

| Long-Term Credit Facility   | Nine Months Ended June 30, |                |
|---|----------------------------|----------------|
|   | 2017                       | 2016           |
| Beginning Balance (cost – \$232,907,500 and \$29,600,000, respectively)   | \$ 232,389,498             | \$ 29,600,000  |
| Net change in unrealized appreciation (depreciation) included in earnings | 2,972,262                  | (532,521 )     |
| Borrowings  | 259,802,000                | 196,807,500    |
| Repayments  | (201,500,000 )             | (35,500,000 )  |
| Transfers in and/or out of Level 3  | —                          | —              |
| Ending Balance (cost – \$291,209,500 and \$190,907,500, respectively)     | \$ 293,663,760             | \$ 190,374,979 |

As of June 30, 2017, we had outstanding non-U.S. dollar borrowings on our 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   | \$13,475,018  | July 5, 2017 | \$1,067,517          |
| Euro             | €18,000,000     | 18,702,000     | 20,529,900    | July 3, 2017 | 1,827,900            |
|                  |                 | \$31,109,501   | \$34,004,918  |              | \$2,895,417          |

As of September 30, 2016, we had outstanding non-U.S. dollar borrowings on our 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 | \$13,338,920 | October 3, 2016 | \$931,419 |
|-----------------|---------------|--------------|--------------|-----------------|-----------|

The carrying value of our consolidated financial liabilities approximates fair value. We adopted 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 our Credit Facility. We elected to use the fair value option for our Credit Facility 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 had \$0.1 million in expenses relating to amendment costs on the Credit Facility during both the three and nine months ended June 30, 2017, respectively. For the same periods in the prior year, we incurred expenses of zero and \$0.9 million, respectively, relating to amendment fees on the Credit Facility. 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

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

value of the Credit Facility are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities. For the three and nine months ended June 30, 2017, our Credit Facility had a net change in unrealized appreciation of \$1.9 million and \$3.0 million, respectively. For the three and nine months ended June 30, 2016, our Credit Facility had a net change in unrealized depreciation of \$0.3 million and \$0.5 million, respectively. As of June 30, 2017 and September 30, 2016, the net unrealized (appreciation) depreciation on our Credit Facility totaled \$(2.5) million and \$0.5 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of our Credit Facility in a manner consistent with the valuation process that the board of directors uses to value our investments.

## 6. TRANSACTIONS WITH AFFILIATED COMPANIES

An affiliated portfolio company is a company in which we have ownership of 5% or more of its voting securities. A portfolio company is generally presumed to be a non-controlled affiliate when we own at least 5% but 25% or less of its voting securities and a controlled affiliate when we own more than 25% of its voting securities. Transactions related to our funded investments with both controlled and non-controlled affiliates for the nine months ended June 30, 2017 were as follows:

| Name of Investment                              | Fair Value at<br>September<br>30, 2016 | Purchases of<br>/<br>Advances to<br>Affiliates | Sale of /<br>Distributions<br>from<br>Affiliates | Income<br>Accrued | Fair Value at<br>June 30,<br>2017 | Net<br>Realized<br>Gains<br>(Losses) |
|---|--|--|--|-------------------|-----------------------------------|--------------------------------------|
| <b>Controlled Affiliates</b>                    |  |  |  |                   |                                   |                                      |
| PennantPark Senior Secured Loan Fund I<br>LLC * | \$ —                                   | \$36,000,000                                   | \$ —   | \$43,962          | \$36,022,425                      | \$ —                                 |
| <b>Total Controlled Affiliates</b>              | <b>\$ —</b>                            | <b>\$36,000,000</b>                            | <b>\$ —</b>                                      | <b>\$43,962</b>   | <b>\$36,022,425</b>               | <b>\$ —</b>                          |

\*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 equity interests and subordinated debt, and all portfolio and other material decision regarding PSSSL must be submitted to PSSSL's board of directors or investment committee, both of which are comprised of two members appointed by each of PFLT 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 |              | Nine Months Ended |              |
|--|--------------------|--------------|-------------------|--------------|
|  | June 30,<br>2017   | 2016         | June 30,<br>2017  | 2016         |
| Numerator for net increase in net assets resulting from operations               | \$9,341,849        | \$13,419,342 | \$25,473,903      | \$17,602,397 |
| Denominator for basic and diluted weighted average shares                        | 32,480,074         | 26,730,074   | 29,531,356        | 26,730,074   |
| Basic and diluted net increase in net assets per share resulting from operations | \$0.29             | \$0.50       | \$0.86            | \$0.66       |

## 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 adjusted gross assets for purposes of computing the Investment Adviser's management fee. U.S. Treasury Bills with maturities greater than 60 days from the time of purchase are valued consistent with our valuation policy. As of June 30, 2017 and September 30, 2016, cash and cash equivalents consisted of money market funds in the amounts of \$49.0 million and \$28.9 million, respectively, at fair value.

## PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

## 9. FINANCIAL HIGHLIGHTS

Below are the financial highlights:

|  | Nine Months Ended June 30, |               |       |   |
|--|----------------------------|---------------|-------|---|
|  | 2017                       | 2016          |       |   |
| <b>Per Share Data:</b>   |                            |               |       |   |
| Net asset value, beginning of period   | \$ 14.06                   | \$ 13.95      |       |   |
| Net investment income <sup>(1)</sup>   | 0.78                       | 0.72          |       |   |
| Net change in realized and unrealized gain (loss) <sup>(1)</sup>               | 0.08                       | (0.06         | )     |   |
| Net increase in net assets resulting from operations <sup>(1)</sup>            | 0.86                       | 0.66          |       |   |
| Distributions to stockholders <sup>(1), (2)</sup>                              | (0.87                      | )             | (0.86 | ) |
| Net asset value, end of period   | \$ 14.05                   | \$ 13.75      |       |   |
| Per share market value, end of period  | \$ 14.11                   | \$ 12.40      |       |   |
| Total return* <sup>(3)</sup>   | 13.42                      | % 11.68       | %     |   |
| Shares outstanding at end of period  | 32,480,074                 | 26,730,074    |       |   |
| <b>Ratios** / Supplemental Data:</b>   |                            |               |       |   |
| Ratio of operating expenses to average net assets <sup>(4)</sup>               | 3.74                       | % 2.72        | %     |   |
| Ratio of Credit Facility related expenses to average net assets <sup>(5)</sup> | 2.01                       | % 1.46        | %     |   |
| Ratio of total expenses to average net assets <sup>(5)</sup>                   | 5.75                       | % 4.18        | %     |   |
| Ratio of net investment income to average net assets <sup>(5)</sup>            | 7.38                       | % 7.05        | %     |   |
| Net assets at end of period  | \$456,311,718              | \$367,638,633 |       |   |
| Weighted average debt outstanding  | \$277,085,083              | \$112,950,484 |       |   |
| Weighted average debt per share <sup>(1)</sup>                                 | \$9.38                     | \$4.23        |       |   |
| Asset coverage per unit <sup>(6)</sup>   | \$2,554                    | \$2,391       |       |   |
| Portfolio turnover ratio   | 62.21                      | % 26.66       | %     |   |

\*Not annualized for periods less than one year.

\*\* Annualized for periods less than one year.

<sup>(1)</sup>Based on the weighted average shares outstanding for the respective periods.<sup>(2)</sup>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.<sup>(3)</sup>Based on the change in market price per share during the period and takes into account distributions, if any, reinvested in accordance with our dividend reinvestment plan.<sup>(4)</sup>Excludes Credit Facility related costs.<sup>(5)</sup>Credit Facility amendment costs, if any, are not annualized.

<sup>(6)</sup>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. This asset coverage ratio is multiplied by \$1,000 to determine the asset coverage per unit.

## 10. CREDIT FACILITY

Funding I's multi-currency Credit Facility with affiliates of SunTrust Bank, or the Lenders, was \$375 million as of June 30, 2017, subject to satisfaction of certain conditions and the regulatory restrictions that the 1940 Act imposes on us as a BDC, has an interest rate spread above LIBOR of 200 basis points, a maturity date of August 2020 and a revolving period that ends in August 2018. As of June 30, 2017 and September 30, 2016, Funding I had \$291.2 million and \$232.9 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had an interest rate of 3.00% and 2.57%, as of June 30, 2017 and September 30, 2016, respectively, excluding the undrawn commitment fees of 0.375%. The annualized weighted average cost of debt for the nine months ended June 30, 2017 and 2016, inclusive of the fee on the undrawn commitment and amendment costs on the Credit Facility, was 3.02% and 5.01%, respectively.

During the revolving period, the Credit Facility bears interest at LIBOR plus 200 basis points and, after the revolving period, the rate sets to LIBOR plus 425 basis points for the remaining two years, maturing in August 2020. The Credit Facility is secured by all of the assets of Funding I. Both PennantPark Floating Rate Capital Ltd. and Funding I have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities.

The Credit Facility contains covenants, including, but not limited to, restrictions of loan size, industry requirements, average life of loans, geographic and individual portfolio concentrations, minimum portfolio yield and loan payment frequency. Additionally, the Credit Facility requires the maintenance of a minimum equity investment in Funding I and income ratio as well as restrictions on certain payments and issuance of debt. For instance, we must maintain at least \$25 million in equity and must maintain an interest coverage ratio of at least 125%. The Credit Facility compliance reporting is prepared on a basis of accounting other than GAAP. As of June 30, 2017, we were in compliance with the covenants relating to our Credit Facility.

We own 100% of the equity interest in Funding I and treat the indebtedness of Funding I as our leverage. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that we are in compliance with our asset coverage ratio after such borrowing. Our Investment Adviser serves as collateral manager to Funding I under the Credit Facility.

Our interest in Funding I (other than the management fee) is subordinate in priority of payment to every other obligation of Funding I and is subject to certain payment restrictions set forth in the Credit Facility. We may receive cash distributions on our equity interests in Funding I only after it has made all required payments of (1) cash interest and, if applicable, principal to the Lenders, (2) administrative expenses and (3) claims of other unsecured creditors of

Funding I. The Investment Adviser has irrevocably directed that any management fee owed with respect to such services is to be paid to the Company so long as the Investment Adviser remains the collateral manager.

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

JUNE 30, 2017

(Unaudited)

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 investments, if any, are disclosed in the Consolidated Schedules of Investments. As of June 30, 2017 and September 30, 2016, we had \$47.6 million and \$20.0 million, respectively, in commitments to fund investments. Additionally, as described in Note 4, the Company had commitments of up to \$51.5 million to PSSSL as of June 30, 2017, that may be contributed primarily for the purpose of funding new investments approved by the PSSSL board of directors or investment committee.

12. SUBSEQUENT EVENTS

Subsequent to quarter-end, we were awarded approximately 14 cents per share in a litigation settlement related to a former portfolio company of MCG Capital Corporation.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

PennantPark Floating Rate Capital Ltd. and its Subsidiaries

We have reviewed the accompanying consolidated statements of assets and liabilities of PennantPark Floating Rate Capital Ltd. and its Subsidiaries (collectively referred to as the “Company”), including the consolidated schedule of investments as of June 30, 2017, the related consolidated statements of operations for the three and nine months ended June 30, 2017 and 2016, and the related consolidated statements of changes in net assets and cash flows for the nine month periods ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data 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 Public Company Accounting Oversight Board, 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.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the consolidated statement of assets and liabilities of the Company, including the consolidated schedule of investments, as of September 30, 2016, 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 22, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statements of assets and liabilities as of September 30, 2016, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

/s/ RSM US LLP



New York, New York

August 8, 2017

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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;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of investments that we expect to make;
- the impact of fluctuations in interest rates and foreign exchange rates on our business and our portfolio companies;
- our contractual arrangements and relationships with third parties;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- the ability of our prospective portfolio companies to achieve their objectives;
  - our expected financings and investments and ability to fund capital commitments to PSSL;
- the adequacy of our cash resources and working capital;

- the timing of cash flows, if any, from the operations of our prospective portfolio companies;
- the impact of price and volume fluctuations in the stock market;
- the ability of our Investment Adviser to locate suitable investments for us and to monitor and administer our investments;
- the impact of future legislation and regulation on our business and our portfolio companies; and
- the impact of European sovereign debt, 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 Securities Exchange Act of 1934, as amended, or 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 current income and capital appreciation while seeking to preserve capital by investing primarily in Floating Rate Loans and other investments made to U.S. middle-market companies.

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

Under normal market conditions, we generally expect that at least 80% of the value of our Managed Assets will be invested in Floating Rate Loans and other investments bearing a variable-rate of interest. We generally expect that senior secured debt, or first lien loans, 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 mezzanine debt and, to a lesser extent, equity investments. We seek to create a diversified portfolio by generally targeting an investment size between \$3 million and \$15 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 Credit Facility, 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 total assets as well as an incentive fee based on our investment performance. We have also entered into an Administration Agreement with the Administrator. Under our Administration Agreement, we have agreed to reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs. Our board of directors, a majority of whom are independent of us, provides overall supervision of our activities, and the Investment Adviser supervises our day-to-day activities.

#### Revenues

We generate revenue in the form of interest income on the debt securities we hold and capital gains and dividends, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of senior secured debt or mezzanine debt, typically have a term of three to ten years and bear interest at a fixed or floating rate. Interest on debt securities is generally payable quarterly or semiannually. In some cases, our investments provide for deferred interest payments or PIK interest. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of amendment, commitment, origination, structuring or diligence fees, fees for providing managerial assistance and

possibly consulting fees. Loan origination fees, OID, 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 loan waiver and amendment fees, and are recorded as investment income when earned.

## 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 Credit Facility. We bear all other direct or indirect costs and expenses of our operations and transactions, including:

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence and reviews of prospective investments or complementary businesses;
- expenses incurred by the Investment Adviser in performing due diligence and reviews of investments;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees and any exchange listing fees;
- federal, state, local and foreign taxes;
- independent directors' fees and expenses;
- brokerage commissions;

• fidelity bond, directors and officers, errors and omissions liability insurance and other insurance premiums;

• direct costs such as printing, mailing, long distance telephone and staff;

• fees and expenses associated with independent audits and outside legal costs;

• costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws; and

• all other expenses incurred by either the Administrator or us in connection with administering our business, including payments under our Administration Agreement that will be based upon our allocable portion of overhead, and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs.

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

## PORTFOLIO AND INVESTMENT ACTIVITY

As of June 30, 2017, our portfolio totaled \$698.9 million and consisted of \$613.3 million of senior secured debt, \$32.4 million of second lien secured debt, \$32.5 million of subordinated debt and \$20.7 million of preferred and common equity. Our debt portfolio consisted of 99% variable-rate investments (including 9% where LIBOR was below the floor) and 1% fixed-rate investments. As of June 30, 2017, we had one company on non-accrual, representing 0.4% and 0.2% of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized appreciation of \$1.4 million. Our overall portfolio consisted of 86 companies with an average investment size of \$8.1 million, had a weighted average yield on debt investments of 8.2%, and was invested 88% in senior secured debt, 4% in second lien secured debt, 5% in subordinated debt and 3% in preferred and common equity.

As of September 30, 2016, our portfolio totaled \$598.9 million and consisted of \$548.4 million of senior secured debt, \$36.6 million of second lien secured debt and \$13.9 million of subordinated debt, preferred and common equity. Our debt portfolio consisted of 99% variable-rate investments (including 94% where LIBOR was below the floor) and 1% fixed-rate investments. As of September 30, 2016, we had one company on non-accrual, representing 0.2% and 0.1% of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized appreciation of \$1.0 million. Our overall portfolio consisted of 98 companies with an average investment size of \$6.1 million, had a weighted average yield on debt investments of 7.8%, and was invested 92% in senior secured debt, 6% in second lien secured debt and 2% in subordinated debt, preferred and common equity.

For the three months ended June 30, 2017, we invested \$136.7 million in four new and 14 existing portfolio companies with a weighted average yield on debt investments of 8.3%. Sales and repayments of investments for the three months ended June 30, 2017 totaled \$172.9 million. For the nine months ended June 30, 2017, we invested \$407.8 million in 25 new and 37 existing portfolio companies with a weighted average yield on debt investments of 7.8%. Sales and repayments of investments for the nine months ended June 30, 2017 totaled \$314.8 million.

For the three months ended June 30, 2016, we invested \$101.2 million in 14 new and six existing portfolio companies with a weighted average yield on debt investments of 7.4%. Sales and repayments of investments for the three months ended June 30, 2016 totaled \$40.3 million. For the nine months ended June 30, 2016, we invested \$257.7 million in 29 new and 16 existing portfolio companies with a weighted average yield on debt investments of 8.1%. Sales and repayments of investments for the nine months ended June 30, 2016 totaled \$97.1 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 the 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 our board of directors has a bona fide reason to believe any such market quote does not reflect the fair value of an investment, it may independently value such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available.

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

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

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments and our Credit Facility are classified as Level 3. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and those differences may be material.

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

The carrying value of our consolidated financial liabilities approximates fair value. We adopted 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 our Credit Facility. We elected to use the fair value option for our Credit

Facility 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 had \$0.1 million in expenses relating to amendment costs on the Credit Facility during both the three and nine months ended June 30, 2017, respectively. For the same periods in the prior year, we incurred expenses of zero and \$0.9 million, respectively, relating to amendment fees on the Credit Facility. 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 are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities. For the three and nine months ended June 30, 2017, our Credit Facility had a net change in unrealized appreciation of \$1.9 million and \$3.0 million, respectively. For the three and nine months ended June 30, 2016, our Credit Facility had a net change in unrealized depreciation of \$0.3 million and \$0.5 million, respectively. As of June 30, 2017 and September 30, 2016, the net unrealized (appreciation) depreciation on our Credit Facility totaled \$(2.5) million and \$0.5 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of our Credit Facility in a manner consistent with the valuation process that the board of directors uses to value our investments.

#### 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 collectible. 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. 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 the fair values of our portfolio investments and Credit Facility 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.

## Payment-in-Kind Interest or PIK

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 treated as a RIC for federal income tax purposes, 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 have not 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 net gain 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. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions in the manner described above, we have retained and may continue to retain such net capital gains or investment company taxable income, contingent on maintaining our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

Because federal income tax regulations differ from GAAP, distributions 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. The Taxable Subsidiary allows us to hold equity securities of certain portfolio companies treated as pass-through entities for U.S. federal income tax purposes while allowing us to maintain our ability to qualify as a RIC under the Code.

## RESULTS OF OPERATIONS

Set forth below are the results of operations for the three and nine months ended June 30, 2017 and 2016.

## Investment Income

Investment income for the three and nine months ended June 30, 2017 was \$15.2 million and \$41.0 million, respectively, and was attributable to \$13.9 million and \$37.1 million from senior secured loans and \$1.3 million and \$3.9 million from second lien secured debt and subordinated debt. This compares to investment income for the three and nine months ended June 30, 2016, which was \$10.8 million and \$30.9 million, respectively, and was attributable to \$9.0 million and \$26.0 million from senior secured loans and the remainder from second lien secured debt and subordinated debt. 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 nine months ended June 30, 2017 totaled \$7.0 million and \$18.0 million, respectively. Base management fee for the same periods totaled \$1.8 million and \$5.1 million, incentive fee totaled \$1.4 million (including \$0.2 million on realized gains and \$0.4 million on unrealized gains accrued but not payable) and \$3.4 million (including \$0.2 million on realized gains and \$0.9 million on unrealized gains accrued but not payable), Credit Facility expenses totaled \$2.5 million and \$6.3 million, general and administrative expenses totaled \$1.2 million and \$3.0 million and provision for taxes totaled \$0.1 million and \$0.2 million, respectively. This compares to expenses for the three and nine months ended June 30, 2016, which totaled \$4.0 million and \$11.7 million, respectively. Base management fee for the same periods totaled \$1.3 million and \$3.6 million, incentive fee totaled \$0.5 million and \$1.3 million, Credit Facility expenses totaled \$1.3 million and \$4.2 million (including \$0.9 million of amendment expenses) and general and administrative expenses totaled \$0.9 million and \$2.6 million, respectively. The increase in expenses compared with the same periods in the prior year was primarily due to increases in base management and incentive fees as a result from the growth of our portfolio.

## Net Investment Income

Net investment income totaled \$8.2 million and \$23.0 million, or \$0.25 and \$0.78 per share, for the three and nine months ended June 30, 2017, respectively. Net investment income totaled \$6.8 million and \$19.2 million, or \$0.26 and \$0.72 per share, for the three and nine months ended June 30, 2016, respectively. The increase in net investment income compared to the same period in the prior year was primarily due to the growth of our portfolio.

## Net Realized Gains or Losses

Sales and repayments of investments for the three and nine months ended June 30, 2017 totaled \$172.9 million and \$314.8 million and net realized gains totaled \$2.5 million and \$5.0 million, respectively. Sales and repayments of investments totaled \$40.3 million and \$97.1 million and realized gains (losses) totaled \$0.2 million and \$(2.0) million for the three and nine months ended June 30, 2016, 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 and Credit Facility

For the three and nine months ended June 30, 2017, we reported a net change in unrealized appreciation on investments of \$0.6 million and \$0.4 million, respectively. For the three and nine months ended June 30, 2016, we reported a net change in unrealized appreciation (depreciation) on investments of \$6.1 million and \$(0.1) million, respectively. As of June 30, 2017 and September 30, 2016, our net unrealized appreciation on investments totaled \$1.4 million and \$1.0 million, respectively. The net change in unrealized appreciation on our investments was driven primarily by changes in capital market conditions, the financial performance of certain portfolio companies and the reversal of unrealized depreciation (appreciation) on investments that were sold.

For the three and nine months ended June 30, 2017, our Credit Facility had a net change in unrealized appreciation of \$1.9 million and \$3.0 million, respectively. For the three and nine months ended June 30, 2016, our Credit Facility had a net change in unrealized depreciation of \$0.3 million and \$0.5 million, respectively. As of June 30, 2017 and September 30, 2016, net unrealized (appreciation) depreciation on our Credit Facility totaled \$(2.5) million and \$0.5 million, respectively. The change in net unrealized depreciation compared to the same periods in the prior year was primarily due to changes in the capital markets.



### Net Change in Net Assets Resulting from Operations

Net change in net assets resulting from operations totaled \$9.3 million and \$25.5 million, or \$0.29 and \$0.86 per share, respectively, for the three and nine months ended June 30, 2017. This compares to a net change in net assets resulting from operations which totaled \$13.4 million and \$17.6 million, or \$0.50 and \$0.66 per share, respectively, for the three and nine months ended June 30, 2016. The decrease/increase in the change in net assets from operations compared to the same periods in the prior year was primarily due to changes in portfolio investment values during the reporting periods.

### LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are derived from public offerings, our Credit Facility, 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 Credit Facility, the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

Funding I's multi-currency Credit Facility with the Lenders was \$375 million as of June 30, 2017, subject to satisfaction of certain conditions and regulatory restrictions that the 1940 Act imposes on us as a BDC, has an interest rate spread above LIBOR of 200 basis points, a maturity date of August 2020 and a revolving period that ends in August 2018. As of June 30, 2017 and September 30, 2016, Funding I had \$291.2 million and \$232.9 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had an interest rate of 3.00% and 2.57%, as of June 30, 2017 and September 30, 2016, respectively, excluding the undrawn commitment fees of 0.375%. The annualized weighted average cost of debt for the nine months ended June 30, 2017 and 2016, inclusive of the fee on the undrawn commitment and amendment costs on the Credit Facility, was 3.02% and 5.01%, respectively. As of June 30, 2017 and September 30, 2016, we had \$83.8 million and \$117.1 million of unused borrowing capacity under our Credit Facility, respectively, subject to the regulatory restrictions.

During the revolving period, the Credit Facility bears interest at LIBOR plus 200 basis points and, after the revolving period, the rate sets to LIBOR plus 425 basis points for the remaining two years, maturing in August 2020. 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. For instance, we must maintain at least \$25 million in equity and must maintain an interest coverage ratio of at least 125%. The Credit Facility compliance reporting is prepared on a basis of accounting other than GAAP. As of June 30, 2017, we were in compliance with the covenants relating to our Credit Facility.

We own 100% of the equity interest in Funding I and treat the indebtedness of Funding I as our leverage. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that we are in compliance with our asset coverage ratio after such borrowing. 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.

We may raise equity or debt capital through both registered offerings and private offerings of securities, securitizing a portion of our investments among other considerations or mergers and acquisitions. Furthermore, our 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. In February 2017, we completed a follow-on public offering of 5,750,000 shares of common stock, which resulted in proceeds to us of \$14.08 per share, including the exercise of the underwriters' option to purchase additional shares, for gross proceeds of \$81.0 million and net proceeds of \$80.5 million after offering expenses. Our Investment Adviser paid \$5.0 million in connection with this offering, which included the sales load and an additional supplemental payment.

At June 30, 2017 and September 30, 2016, we had cash equivalents of \$49.0 million and \$28.9 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 \$93.9 million for the nine months ended June 30, 2017, and our financing activities provided cash of \$113.8 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from our recent equity offering and net borrowings under the Credit Facility.

Our operating activities used cash of \$143.2 million for the nine months ended June 30, 2016, and our financing activities provided cash of \$138.5 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from net borrowings under the Credit Facility.

## PennantPark Senior Secured Loan Fund I LLC

In May 2017, we and Trinity, a subsidiary of Kemper, formed PSSSL, an unconsolidated joint venture. PSSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSSL was formed as a Delaware limited liability company. As of June 30, 2017, PSSSL had total assets of \$77.8 million. PSSSL's portfolio consisted of debt investments in 14 portfolio companies as of June 30, 2017. As of June 30, 2017, at fair value, the largest investment in a single portfolio company in PSSSL was \$6.1 million and the five largest investments totaled \$29.8 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 subordinated notes and equity interests. The subordinated notes are junior in right of payment to the repayment of temporary contributions made by us to fund investments of PSSSL. As of June 30, 2017, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding subordinated notes and equity interests. Our investment in PSSSL consisted of equity interests of \$10.8 million and subordinated notes of \$25.2 million as of June 30, 2017. As of the same date, we had commitments to fund subordinated notes to PSSSL of \$61.3 million, of which \$36.1 million was unfunded. As of June 30, 2017, we had commitments to fund equity interests in PSSSL of \$26.2 million, of which \$15.4 million was unfunded.

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

Additionally, PSSSL has entered into the PSSSL Credit Facility with Capital One, N.A. through its wholly-owned subsidiary PSSSL Subsidiary, which as of June 30, 2017 allowed PSSSL Subsidiary to borrow up to \$100.0 million at any one time outstanding, subject to leverage and borrowing base restrictions.

Below is a summary of PSSSL's portfolio:

|  | June 30,<br>2017 |
|--|------------------|
| Total investments <sup>(1)</sup>   | \$70,707,374     |
| Weighted average cost yield on income producing investments <sup>(2)</sup> | 7.5 %            |

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|  |              |
|--|--------------|
| Number of portfolio companies in PSSL                              | 14           |
| Largest portfolio company investment <sup>(1)</sup>                | \$6,055,020  |
| Total of five largest portfolio company investments <sup>(1)</sup> | \$29,764,646 |

<sup>(1)</sup> At fair value.

<sup>(2)</sup> The weighted average cost yield on income producing investments is computed based upon a combination of the cash flows to date and the contractual interest payments, principal amortization and principal due at maturity without giving effect to closing fees received, base management fees, incentive fees or general fund related expenses.

Below is a listing of PSSL's individual investments as of June 30, 2017:

PennantPark Senior Secured Loan Fund I LLC  
 Schedule of Investments  
 June 30, 2017  
 (Unaudited)

| Issuer Name  | Maturity   | Industry                       | Coupon | Basis Point |              | Par        | Cost        | Fair Value <sup>(2)</sup> |
|--|------------|--------------------------------|--------|-------------|--------------|------------|-------------|---------------------------|
|  |            |                                |        | Current     | Above Spread |            |             |                           |
| Investments in Non-Controlled, Non-Affiliated Portfolio Companies—571.7% |            |                                |        |             |              |            |             |                           |
| First Lien Secured Debt—571.7%   |            |                                |        |             |              |            |             |                           |
| Alvogen Pharma US, Inc. <sup>(3)</sup>                                   | 04/04/2022 | Healthcare and Pharmaceuticals | 6.23 % | L+500       |              | 3,766,541  | \$3,725,241 | \$3,700,626               |
| API Technologies Corp.   | 04/22/2022 | Aerospace and Defense          | 7.80 % | L+650       |              | 4,987,406  | 4,937,654   | 4,912,595                 |
| By Light Professional IT Services, LLC                                   | 05/16/2022 | High Tech Industries           | 8.43 % | L+725       |              | 5,987,234  | 5,838,216   | 5,927,362                 |
| Country Fresh Holdings, LLC  | 03/31/2023 | Beverage, Food and Tobacco     | 6.73 % | L+550       |              | 4,937,500  | 4,863,654   | 4,889,647                 |
| IGM RFE1 B.V. <sup>(3)</sup> , <sup>(4)</sup>                            | 10/12/2021 | Chemicals, Plastics and Rubber | 8.00 % | E+800       |              | €4,968,553 | 5,666,884   | 5,666,884                 |
| Impact Sales, LLC  | 12/30/2021 | Wholesale                      | 8.15 % | L+700       |              | 2,992,481  | 2,977,543   | 2,992,481                 |
| LSF9 Atlantis Holdings, LLC  | 05/01/2023 | Retail                         | 7.06 % | L+600       |              | 6,000,000  | 6,071,161   | 6,055,020                 |
| Mission Critical Electronics, Inc.                                       | 09/28/2022 | Capital Equipment              | 6.30 % | L+500       |              | 4,085,733  | 4,060,081   | 4,067,531                 |
| Morphe, LLC  | 02/10/2023 | Consumer Goods: Non-Durable    | 7.30 % | L+600       |              | 4,937,500  | 4,869,692   | 4,863,438                 |

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|  |            |  |         |       |           |              |              |
|--|------------|--|---------|-------|-----------|--------------|--------------|
| One Sixty Over<br>Ninety, LLC  | 03/03/2022 | Media:<br>Advertising,<br>Printing and<br>Publishing | 10.51 % | L+921 | 6,000,000 | 5,880,288    | 5,940,000    |
| Snak Club, LLC   | 07/19/2021 | Beverage, Food<br>and Tobacco                        | 6.00 %  | L+500 | 4,874,995 | 4,874,995    | 4,874,995    |
| The Infosoft Group,<br>LLC   | 12/02/2021 | Media:<br>Broadcasting and<br>Subscription           | 6.55 %  | L+525 | 5,962,264 | 5,962,264    | 5,962,264    |
| VIP Cinema<br>Holdings, Inc.   | 03/01/2023 | Consumer Goods:<br>Durable                           | 7.06 %  | L+600 | 4,937,500 | 5,008,226    | 4,974,531    |
| Worley Claims<br>Services, LLC   | 10/30/2020 | Banking, Finance,<br>Insurance and Real<br>Estate    | 9.21 %  | L+800 | 6,000,000 | 5,940,231    | 5,880,000    |
| Total First Lien<br>Secured Debt                                       |            |  |         |       |           | 70,676,130   | 70,707,374   |
| Total Investments in Non-Controlled, Affiliated<br>Portfolio Companies |            |  |         |       |           | 70,676,130   | 70,707,374   |
| Cash and Cash<br>Equivalents—48.9%                                     |            |  |         |       |           |              |              |
| BlackRock Federal<br>FD Institutional 30                               |            |  |         |       |           | 6,046,864    | 6,046,864    |
| Total Investments and<br>Cash<br>Equivalents—620.6%                    |            |  |         |       |           | \$76,722,994 | \$76,754,238 |
| Liabilities in Excess<br>of Other<br>Assets—(520.6)%                   |            |  |         |       |           |              | (64,385,753) |
| Members'<br>Equity—100.0%  |            |  |         |       |           |              | \$12,368,485 |

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR, EURIBOR or Prime rate. 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 PSSSL's accounting policy.

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

(4) Par amount is denominated in Euros (€) as denoted.

Below is the financial information for PSSL:

PennantPark Senior Secured Loan Fund I LLC  
Statement of Assets and Liabilities

|  | June 30,<br>2017<br>(Unaudited) |
|--|---------------------------------|
| Assets   |                                 |
| Investments at fair value                                      |                                 |
| Non-controlled, non-affiliated investments (cost—\$70,676,130) | \$70,707,374                    |
| Cash and cash equivalents (cost—\$6,046,864)                   | 6,046,864                       |
| Prepaid expenses and other assets                              | 1,047,384                       |
| <b>Total assets</b>  | <b>77,801,622</b>               |
| Liabilities  |                                 |
| Payable for investments purchased                              | 10,541,879                      |
| PSSL Credit Facility payable                                   | 26,000,000                      |
| Subordinated debt payable                                      | 28,800,000                      |
| Accrued other expenses   | 91,258                          |
| <b>Total liabilities</b>                                       | <b>65,433,137</b>               |
| Members' equity  | 12,368,485                      |
| <b>Total liabilities and members' equity</b>                   | <b>\$77,801,622</b>             |

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

|  | For the<br>period<br><br>May 4,<br>2017<br>(inception)<br><br>through<br>June 30,<br>2017 |
|--|---|
| Investment income:                               |   |
| From non-controlled, non-affiliated investments: |   |
| Interest   | \$ 93,441   |
| <b>Total investment income</b>                   | <b>93,441</b>   |
| Expenses:  |   |
| Interest and expenses on PSSL Credit Facility    | 35,680  |
| Interest expense on subordinated debt            | 50,242  |
| Other general and administrative expenses        | 13,136  |
| <b>Total expenses</b>                            | <b>99,058</b>   |
| <b>Net investment loss</b>                       | <b>(5,617 )</b>   |

|   |           |
|---|-----------|
| Net unrealized gain from investments                      | 31,244    |
| Net increase in members' equity resulting from operations | \$ 25,627 |

## Contractual Obligations

A summary of our significant contractual payment obligations at cost as of June 30, 2017, including borrowings under our Credit Facility and other contractual obligations, is as follows:

|                                     | Payments due by period (millions) |                  |           |                     |
|-------------------------------------|-----------------------------------|------------------|-----------|---------------------|
|                                     | Total                             | Less than 1 year | 1-3 years | More than 3-5 years |
| Credit Facility                     | \$291.2                           | \$ —             | \$ —      | \$291.2             |
| Commitment to PSSL                  | 51.5                              | —                | —         | 51.5                |
| Unfunded investments <sup>(1)</sup> | 42.5                              | —                | 0.7       | 26.5                |
| Total contractual obligations       | \$385.2                           | \$ —             | \$0.7     | \$317.7             |

- (1) Unfunded 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 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 2017, 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 gross assets and (2) an incentive fee based on our performance.

Under our Administration Agreement, which was reapproved by our board of directors, including a majority of our directors who are not interested persons of us, in February 2017, the Administrator furnishes us with office facilities and administrative services necessary to conduct our day-to-day operations. If requested to provide managerial assistance to our portfolio companies, we or the Administrator will be paid an additional amount based on the services provided. Payment under our Administration Agreement is based upon our allocable portion of the Administrator's overhead in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of our Chief Compliance Officer, Chief Financial Officer and their respective staffs.

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



Agreement. Any new investment management agreement would also be subject to approval by our stockholders.

## Recent Developments

Subsequent to quarter-end, we were awarded approximately 14 cents per share in a litigation settlement related to a former portfolio company of MCG Capital Corporation.

## Off-Balance Sheet Arrangements

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

## Distributions

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

Although not required for us to maintain our RIC tax status, in order to preclude the imposition of a 4% nondeductible 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. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions in the manner described above, we have retained and may continue to retain such net capital gains or investment company taxable income, contingent on maintaining our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

During the three and nine months ended June 30, 2017, we declared distributions of \$0.285 and \$0.855 per share, respectively, for total distributions of \$9.3 million and \$25.6 million, respectively. For the same periods in the prior year, we declared distributions of \$0.285 and \$0.855 per share, respectively, for total distributions of \$7.6 million and \$22.9 million, respectively. We monitor available net investment income to determine if a tax return of capital 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, common 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 the 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 the board of directors quarterly.

We maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders’ cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash distributions.

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/or due to provisions in future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our ability to be subject to tax as a RIC. We cannot assure stockholders that they will receive any distributions at a particular level.

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

We are subject to financial market risks, including changes in interest rates. As of June 30, 2017, our debt portfolio consisted of 99% variable-rate investments (including 9% where LIBOR was below the floor) and 1% fixed-rate investments. The variable-rate loans are usually based on a LIBOR rate and typically have durations of three months, after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In regards to variable-rate instruments with a floor, we do not benefit from increases in interest rates until such rates exceed the floor and thereafter benefit from market rates above any such floor. In contrast, our cost of funds, to the extent it is not fixed, will fluctuate with changes in interest rates since it has no floor.

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

|                          | Change In<br>Interest<br>Income,<br><br>Net Of<br>Interest<br>Expense<br><br>(in<br>thousands) | Change<br>In<br>Interest<br>Income,<br><br>Net of<br>Interest<br>Expense<br><br>Per<br>Share |
|--------------------------|--|--|
| Change In Interest Rates |  |  |
| Up 1%                    | \$ 3,438   | \$ 0.11  |
| Up 2%                    | \$ 7,312   | \$ 0.23  |
| Up 3%                    | \$ 11,185  | \$ 0.34  |
| Up 4%                    | \$ 15,059  | \$ 0.46  |

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. During the periods covered by this Report, we did not engage in interest rate 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) of the Exchange Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic filings with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2017 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. MCG Capital Corporation, or MCG, was a party to certain legal proceedings, including the enforcement of its rights under contracts with its portfolio companies. We inherited this litigation upon the closing of our acquisition of MCG. 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, although we cannot assure you that amounts received in settlement may not be requested to be returned or that we may not be found liable in any such litigation.

### Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should consider carefully the factors discussed in Part I “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, which could materially affect our business, financial condition and/or operating results. The risks described 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.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not Applicable.

### Item 5. Other Information

None.



Item 6. Exhibits

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

- 3.1 Articles of Amendment and Restatement of the Registrant (Incorporated by reference to the Registrant's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-170243), filed on March 29, 2011).
- 3.2 Amended and Restated Bylaws of the Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 814-00891), filed on December 2, 2015).
- 4.1 Form of Share Certificate (Incorporated by reference to 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).
- 10.1\* Limited Liability Company Agreement of PennantPark Senior Secured Loan Fund I LLC, dated as of May 4, 2017, by and between PennantPark Floating Rate Capital Ltd. and Trinity Universal Insurance Company.
- 11 Computation of Per Share Earnings (included in the notes to the Consolidated Financial Statements contained in this Report).
- 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 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: August 8, 2017 By: /s/ Arthur H. Penn  
Arthur H. Penn  
Chief Executive Officer and Chairman of the Board of Directors  
  
(Principal Executive Officer)

Date: August 8, 2017 By: /s/ Aviv Efrat  
Aviv Efrat  
Chief Financial Officer and Treasurer  
  
(Principal Financial and Accounting Officer)