PennantPark Floating Rate Capital Ltd.
Form 497
February 13, 2017
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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, February 13, 2017

Preliminary Prospectus Supplement

To the Prospectus dated January 19, 2017

5,000,000 Shares

Common Stock

We are offering for sale 5,000,000 shares of our common stock. Our common stock is traded on the NASDAQ Global Select Market under the symbol PFLT. The last reported closing sale price for our common stock on February 10, 2017 was $13.99 per share. The net asset value of our common stock on December 31, 2016 was $14.11 per share.

PennantPark Floating Rate Capital Ltd., a Maryland corporation, is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended.

Our investment objectives are to generate current income and capital appreciation while seeking to preserve capital 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. Floating Rate Loans or variable-rate investments pay interest at variable-rates, which are determined periodically, on the basis of a floating base lending rate such as the London Interbank Offered Rate, or LIBOR, with or without a floor plus a fixed spread. We can offer no assurances that we will achieve our investment objectives.

We are managed by PennantPark Investment Advisers, LLC. PennantPark Investment Administration, LLC provides the administrative services necessary for us to operate.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read them before you invest in our securities and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may also obtain such information free of charge or make stockholder inquiries by contacting us in writing at 590 Madison Avenue, New York, NY 10022, by calling us collect at (212) 905-1000 or by visiting our website at *www.pennantpark.com*. The information on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus. The SEC also maintains a website at *www.sec.gov* that contains such information free of charge.

Investing in our securities involves a high degree of risk, including the risk of leverage. Before buying any shares of our common stock, you should read the discussion of the material risks of investing in us in Risk Factors beginning on page 8 of the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	**Total**
Public offering price	$	$
Underwriting discounts and commissions (sales load) (1)	$	$
Proceeds to PennantPark Floating Rate Capital, Ltd. (before estimated expenses of $470,000)	$	$

(1) Our investment adviser, PennantPark Investment Advisers, LLC, has agreed to pay approximately $ million, or $ per share (or approximately $ million, or $ per share if the option to purchase additional shares is fully exercised) of the underwriting discounts and commissions in connection with this offering, which amount is not reflected in the above table. All other expenses of the offering, including the sales load not paid by our investment adviser, will be borne by us.

The underwriters may also purchase up to an additional 750,000 shares from us at the public offering price, within 30 days from the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price will be $ million, the underwriting discount and commissions (sales load) that will be paid by us will be $ million and the underwriting discount and commissions (sales load) paid by PennantPark Investment Advisers, LLC will be approximately $ million and our total proceeds, before estimated expenses, will be $ million.

The underwriters expect to deliver the shares on or about February , 2017.

gan Stanley Goldman, Sachs & Co. J.P. Morgan Keefe, Bruyette & Woods RBC Capital Markets SunTrust Robinson Hump

A Stifel Company

The date of this prospectus supplement is February , 2017.

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus when considering whether to purchase any securities offered by this prospectus supplement. We have not authorized anyone to provide you with additional information, or information different from that contained in this prospectus supplement and the accompanying prospectus. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers are permitted. The information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement and the accompanying prospectus. Our business, financial condition, results of operations and prospects may have changed since then. We will update these documents to reflect material changes only as required by law.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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SUPPLEMENTAL PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider in making an investment decision. References to our portfolio, our investments and our business include investments we make through our consolidated subsidiaries. Some of the statements in this prospectus supplement and accompanying prospectus constitute forward-looking statements, which apply to both us and our consolidated subsidiaries, as applicable, and relate to future events, future performance or future financial condition. The forward-looking statements involve risks and uncertainties on a consolidated basis and actual results could differ materially from those projected in the forward-looking statements for many reasons, including those factors discussed in Risk Factors and elsewhere in this prospectus supplement and accompanying prospectus. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement and accompanying prospectus. In this prospectus supplement and the accompanying prospectus except where the context suggests otherwise: the terms we, us, our and Company 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; PennantPark Investment Advisers or Investment Adviser refers to PennantPark Investment Advisers, LLC; PennantPark Investment Administration or Administrator refers to PennantPark Investment Administration, LLC; Code refers to the Internal Revenue Code of 1986, as amended; RIC refers to a regulated investment company under the Code; 1940 Act refers to the Investment Company Act of 1940, as amended; BDC refers to a business development company under the 1940 Act; MCG refers to MCG Capital Corporation; and Credit Facility refers to our multi-currency senior secured revolving credit facility, as amended and restated with SunTrust Bank and other lenders, or the Lenders.

General Business of PennantPark Floating Rate Capital Ltd.

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 geographic regions.

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. 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 securities 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. For a description of our Credit Facility, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

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 have elected to be treated, and intend to qualify annually, as a RIC under the Code.

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.

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In August 2015, we completed the acquisition of MCG pursuant to the Agreement and Plan of Merger, or the Merger Agreement, by and among MCG, our Investment Adviser and the Company. As a result of the transactions completed by the Merger Agreement, MCG was ultimately merged with and into PFLT Funding II, LLC with PFLT Funding II, LLC as the surviving company.

Our Investment Adviser and Administrator

We utilize the investing experience and contacts of PennantPark Investment Advisers in developing what we believe is an attractive and diversified portfolio. The senior investment professionals of the Investment Adviser have worked together for many years and average over 25 years of experience in the senior lending, mezzanine lending, leveraged finance, distressed debt and private equity businesses. In addition, our senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across changing economic and market cycles. We believe this experience and history has resulted in a strong reputation with financial sponsors, management teams, investment bankers, attorneys and accountants, which provides us with access to substantial investment opportunities across the capital markets. Our Investment Adviser has a rigorous investment approach, which is based upon intensive financial analysis with a focus on capital preservation, diversification and active management. Since our Investment Adviser s inception in 2007, it has raised about $3.0 billion in debt and equity capital and has invested $6.0 billion in 430 companies with over 170 different financial sponsors through its managed funds.

Our Administrator has experienced professionals with substantial backgrounds in finance and administration of registered investment companies. In addition to furnishing us with clerical, bookkeeping and record keeping services, the Administrator also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC. The Administrator assists in the determination and publication of our net asset value, or NAV, oversees the preparation and filing of our tax returns, and monitors the payment of our expenses as well as the performance of administrative and professional services rendered to us by others. Furthermore, our Administrator provides, on our behalf, managerial assistance to those portfolio companies to which we are required to offer such assistance. See Risk Factors Risks Relating to our Business and Structure There are significant potential conflicts of interest which could impact our investment returns in the accompanying prospectus for more information.

Market Opportunity

We believe that the limited amount of capital available to the middle-market companies, coupled with the desire of these companies for flexible sources of capital, creates an attractive investment environment for us.

We believe middle-market companies have faced difficulty in raising debt through the capital markets. Many middle-market companies look to raise funds by issuing high-yield bonds. We believe this approach to financing becomes difficult at times when institutional investors seek to invest in larger, more liquid offerings. We believe this has made it harder for middle-market companies to raise funds by issuing high-yield securities from time to time.

We believe middle-market companies have faced difficulty raising debt in private markets. From time to time, banks, finance companies, hedge funds and collateralized loan obligation, or CLO, funds have withdrawn, and may again withdraw, capital from the middle-market, resulting in opportunities for alternative funding sources.

We believe that credit market dislocation for middle-market companies improves the risk-reward on our investments. From time to time, market participants have reduced lending to middle-market and non-investment grade borrowers. As a result, we believe there is less competition in our market, more conservative capital structures, higher yields and stronger covenants.

We believe there is a large pool of uninvested private equity capital likely to seek to combine their capital with sources of debt capital to complete private investments. We expect that private equity firms will continue to be active investors in middle-market companies. These private equity funds generally seek to leverage their investments by combining their capital with senior secured debt and/or mezzanine debt provided by other sources, and we believe that our capital is well-positioned to partner with such equity investors.

We believe there is substantial supply of opportunities resulting from maturing loans that seek refinancing. A high volume of financings will come due in the next few years. Additionally, we believe that demand for debt financing from middle-market companies will remain strong because these companies will continue to require credit to refinance existing debt, to support growth initiatives and to finance acquisitions. We believe the combination of strong demand by middle-market companies and from time to time the reduced supply of credit described above should increase lending opportunities for us. We believe this supply of opportunities coupled with a lack of demand offers attractive risk-reward to investors.

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Competitive Advantages

We believe that we have the following competitive advantages over other capital providers to middle-market companies:

a. Experienced Management Team

The senior investment professionals of our Investment Adviser have worked together for many years and average over 25 years of experience in senior lending, mezzanine lending, leveraged finance, distressed debt and private equity businesses. These senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across changing economic and market cycles. We believe this extensive experience and history has resulted in a strong reputation across the capital markets.

Lending to middle-market companies requires in-depth diligence, credit expertise, restructuring experience and active portfolio management. For example, lending to middle-market companies in the United States is generally more labor intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of the information available with respect to such companies. We are able to provide value-added customized solutions to middle-market companies as a result of specialized due diligence, underwriting capabilities and more extensive ongoing monitoring required as lenders.

b. Disciplined Investment Approach with Strong Value Orientation

We employ a disciplined approach in selecting investments that meet the long-standing, consistent value-oriented investment selection criteria employed by our Investment Adviser. Our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to risk. When market conditions make it difficult for us to invest according to our criteria, we are highly selective in deploying our capital. We believe this approach continues to enable us to build an attractive investment portfolio that meets our return and value criteria over the long-term.

We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments we, through our Investment Adviser, conduct a rigorous due diligence process that draws from our Investment Adviser s experience, industry expertise and network of contacts. Among other things, our due diligence is designed to ensure that each prospective portfolio company will be able to meet its debt service obligations. See Investment Objectives and Policies Investment Selection Criteria in the accompanying prospectus for more information.

In addition to engaging in extensive due diligence, our Investment Adviser seeks to reduce risk by focusing on businesses with:

- strong competitive positions;
- positive cash flow that is steady and stable;
- experienced management teams with strong track records;

potential for growth and viable exit strategies; and

capital structures offering appropriate risk-adjusted terms and covenants.

c. Ability to Source and Evaluate Transactions through our Investment Adviser s Research Capability and Established Network

The management team of the Investment Adviser has long-term relationships with financial sponsors, management consultants and management teams that we believe enable us to evaluate investment opportunities effectively in numerous industries, as well as provide us access to substantial information concerning those industries. We identify potential investments both through active origination and through dialogue with numerous financial sponsors, management teams, members of the financial community and corporate partners with whom the professionals of our Investment Adviser have long-term relationships.

d. Flexible Transaction Structuring

We are flexible in structuring investments and tailor investments to meet the needs of a portfolio company while also generating attractive risk-adjusted returns. We can invest in all parts of a capital structure and our Investment Adviser has extensive experience in a wide variety of securities for leveraged companies throughout economic and market cycles.

Our Investment Adviser seeks to minimize the risk of capital loss without foregoing potential for capital appreciation. In making investment decisions, we seek to invest in companies that we believe can generate consistent positive risk-adjusted returns.

We believe that the in-depth experience of our Investment Adviser will enable us to invest throughout various stages of the economic and market cycles and to provide us with ongoing market insights in addition to a significant investment opportunity.

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Competition

Our primary competitors provide financing to middle-market companies and include other BDCs, commercial and investment banks, commercial finance companies, CLO funds and, to the extent they provide an alternative form of financing, private equity funds. Additionally, alternative investment vehicles, such as hedge funds, frequently invest in middle-market companies. As a result, competition for investment opportunities in middle-market companies can be intense. However, we believe that from time to time there has been a reduction in the amount of debt capital available to middle-market companies, which we believe has resulted in a less competitive environment for making new investments.

Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some competitors have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. See Risk Factors Risks Relating to our Business and Structure We operate in a highly competitive market for investment opportunities in the accompanying prospectus for more information.

Leverage

As of December 31, 2016 and September 30, 2016, we maintained a $350 million Credit Facility, which matures in August 2020, with the Lenders. During the Credit Facility s revolving period, which extends to August 2018, it 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. The Credit Facility is secured by all of the assets held by Funding I, under which we had $299.3 million and $232.9 million outstanding as of December 31, 2016 and September 30, 2016, respectively. The Credit Facility had an interest rate of 2.74% and 2.57%, as of December 31, 2016 and September 30, 2016, respectively, excluding the undrawn commitment fees of 0.375%. The annualized weighted average cost of debt for the three months ended December 31, 2016 and 2015, inclusive of the fee on the undrawn commitment on the Credit Facility but excluding amendment costs, was 2.91% and 5.95%, respectively. As of December 31, 2016 and September 30, 2016, we had $50.7 million and $117.1 million of unused borrowing capacity under our Credit Facility, respectively, subject to the regulatory restrictions. We believe that our capital resources provide us with the flexibility to take advantage of market opportunities when they arise. Our use of leverage, as calculated under the asset coverage ratio of the 1940 Act, may generally range between 70% and 90% of our net assets, or 40% to 50% of our Managed Assets. We cannot assure investors that our leverage will remain within the range. The amount of leverage that we employ will depend on our assessment of the market and other factors at the time of any proposed borrowing. See Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus for more information.

Operating and Regulatory Structure

Our investment activities are managed by PennantPark Investment Advisers. 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. Under our investment management agreement, or the Investment Management Agreement, we have agreed to pay our Investment Adviser an annual base management fee based on our average adjusted gross assets as well as an incentive fee based on our investment performance. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.

We have also entered into an administration agreement, or the 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. See Certain Relationships and Transactions Administration Agreement in the accompanying prospectus for more information.

As a BDC, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. See Regulation in the accompanying prospectus for more information. 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. See Material U.S. Federal Income Tax Considerations in the accompanying prospectus for more information.

Use of Proceeds

We may use the net proceeds from selling securities pursuant to this prospectus supplement to reduce outstanding debt obligations, to invest in new or existing portfolio companies, to capitalize a subsidiary or for other general corporate or strategic purposes. See Use of Proceeds in this prospectus supplement for information regarding our outstanding borrowings as of December 31, 2016, the corresponding interest rate charged on such borrowings as of that date and the length of time that it may take us to invest any proceeds in new or existing portfolio companies.

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Distributions on Common Stock

We intend to continue making monthly distributions to our stockholders. Our monthly distributions, if any, are ratified by the board of directors. See Distributions in the accompanying prospectus and Price Range of Common Stock in this prospectus supplement for more information.

Dividend Reinvestment Plan

We have adopted an opt-out dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distributions automatically reinvested in additional shares of our common stock rather than receiving the cash distribution. Registered stockholders must notify our transfer agent in writing if they wish to opt-out of the dividend reinvestment plan. See Dividend Reinvestment Plan in the accompanying prospectus for more information.

Our Corporate Information

Our administrative and principal executive offices are located at 590 Madison Avenue, 15th Floor, New York, NY 10022. Our common stock is quoted on the NASDAQ Global Select Market under the symbol PFLT. Our phone number is (212) 905-1000, and our Internet website address is *www.pennantpark.com*. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider information contained on our website to be part of this prospectus supplement or accompanying prospectus. We file periodic reports, proxy statements and other information with the SEC and make such reports available on our website free of charge as soon as reasonably practicable. You may read and copy the materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at *www.sec.gov* that contains material that we file with the SEC on the EDGAR Database.

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FEES AND EXPENSES

The following table will assist you in understanding the various costs and expenses that an investor in shares of our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary from actual results. The following table should not be considered a representation of our future expenses. Actual expenses may be greater or less than amounts shown below. Except where the context suggests otherwise, whenever this prospectus supplement and the accompanying prospectus contains a reference to fees or expenses paid by you or us or that we will pay, stockholders will indirectly bear such fees or expenses as investors in us.

Stockholder transaction expenses (as a percentage of offering price)	
Sales load	%(1)
Offering expenses	%(2)
Total stockholder expenses	%
Estimated annual expenses (as a percentage of average net assets attributable to common shares) (3)	
Management fees	1.62%(4)
Incentive fees	1.47%(5)
Interest on borrowed funds	1.80%(6)
Other expenses	0.94%(7)
Total estimated annual expenses	5.83%(8)

(1) Our Investment Adviser has agreed to pay approximately $ million, or $ per share (or approximately $ million, or $ per share if the option to purchase additional shares is fully exercised) of the underwriting discounts and commissions in connection with this offering, which is a one-time fee of % of the offering price, and is not reflected in the table above since it will be determined at pricing. We are not obligated to repay the sales load paid by our Investment Adviser.

(2) The offering expenses of this offering are estimated to be approximately $470,000.

(3) Net assets attributable to common shares equals average net assets as of December 31, 2016, plus net proceeds anticipated from this offering but excluding the underwriters option to purchase additional shares.

(4) The contractual management fee is calculated at an annual rate of 1.00% of our average adjusted gross assets. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.

(5) The portion of incentive fees paid with respect to net investment income and capital gain, if any, is based on actual amounts incurred during the three months ended December 31, 2016, annualized for a full year. Such incentive fees are based on performance, vary from period to period and are not paid unless our performance exceeds specified thresholds. Incentive fees in respect of net investment income do not include incentive fees in respect of net capital gains. The portion of our incentive fee paid in respect of net capital gains 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 20.0% 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 purposes of this chart and our Consolidated Financial Statements, our incentive fees on capital gains are calculated in accordance with U.S. generally accepted accounting principles, or GAAP. As we cannot predict our future net investment income or capital gains, the incentive fee paid in future years, if any, may be substantially different than the fee earned during the three months ended December 31, 2016. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.

(6) As of December 31, 2016, we had $50.7 million unused borrowing capacity, subject to maintenance of the applicable total assets to debt ratio, under the 1940 Act, and $299.3 million in borrowings outstanding under our $350 million Credit Facility. We may use the net proceeds of this offering to repay outstanding obligations under our Credit Facility. After completing this offering, we may continue to borrow under our Credit Facility to finance our investment objectives. We have estimated the annual interest expense on borrowed funds and caution you that our actual interest expense will depend on prevailing interest rates and our rate of borrowing, which may be substantially higher than the estimate provided in this table. See Risk Factors Risks Relating To Our Business and Structure We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage in the accompanying prospectus for more information.

(7) Other expenses includes our general and administrative expenses, professional fees, directors fees, insurance costs, expenses of our dividend reinvestment plan, the expenses of the Investment Adviser reimbursable under our Investment Management Agreement and of the Administrator reimbursable under our Administration Agreement. Such expenses are based on actual other expenses for the three months ended December 31, 2016 annualized for a full year. See the Consolidated Statement of Operations in our Consolidated Financial Statements in this prospectus supplement and in the accompanying prospectus for more information.

(8) Total estimated annual expenses as a percentage of average net assets attributable to common shares, to the extent we borrow money to make investments, will be higher than the total annual expenses percentage for a company that is not leveraged. We may borrow money to leverage our net assets and increase our total assets. The SEC requires that the total estimated annual expenses percentage be calculated as a percentage of net assets (defined as total assets less liabilities) rather than total assets, which include assets that have been funded with borrowed money.

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Example

The following example illustrates the projected dollar amount of total cumulative expenses that you would pay on a $1,000 hypothetical investment in common shares, assuming (1) a % sales load (underwriting discounts and commissions) (see note 1 above) and included offering expenses totaling %, (2) total net estimated annual expenses of % of average net assets attributable to common shares as set forth in the table above (other than performance-based incentive fees) and (3) a 5% annual return:

You would pay the following expenses on a $1,000 common stock investment	1 Year	3 Years	5 Years	10 Years
Assuming a 5% annual return (assumes no return from net realized capital gains or net unrealized capital appreciation)	$	$	$	$
Assuming a 5% annual return (assumes return from only realized capital gains and thus subject to the capital gains incentive fee)	$	$	$	$

This example and the expenses in the table above should not be considered a representation of our future expenses. Actual expenses may be greater or less than those assumed. The table above is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. If we were to earn an annual return equal to or less than 5% from net investment income, the incentive fee under our Investment Management Agreement would not be earned or payable. If our returns on our investments, including the realized capital gains, result in an incentive fee, then our expenses would be higher. The example assumes that all distributions are reinvested at NAV. Reinvestment of distributions under our dividend reinvestment plan may occur at a price per share that differs from NAV. See Distributions and Dividend Reinvestment Plan in the accompanying prospectus for more information.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement 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 prospectus supplement 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 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;
- 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 markets;

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 expressio identify forward-looking statements. You should not place undue influence on the forward-looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in the accompanying prospectus under Risk Factors and elsewhere in this prospectus supplement and the accompanying prospectus.

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 prospectus supplement 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 prospectus supplement on information available to us on the date of this prospectus supplement, 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 prospectus supplement, 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-K/Q and current reports on Form 8-K.

You should understand that under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, or 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 connection with any offering of securities pursuant to this prospectus supplement or in periodic reports we file under the Exchange Act.

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USE OF PROCEEDS

We estimate that net proceeds we will receive from the sale of 5,000,000 shares of our common stock in this offering will be approximately $ million (or approximately $ million if the underwriters fully exercise their option to purchase additional shares), after deducting the underwriting discounts and commissions of approximately $ million (or approximately $ million if the underwriters fully exercise their option to purchase additional shares) and estimated offering expenses of approximately $470,000 payable by us. The Investment Adviser has agreed to bear $ million of underwriting discounts and commissions in connection with this offering (or approximately $ million if the underwriters fully exercise their option to purchase additional shares), which will be determined at pricing. The amount of net proceeds may be more or less than the amount described in this prospectus supplement, which will be determined at pricing.

We expect to use the net proceeds from selling securities pursuant to this prospectus supplement to reduce outstanding obligations under our Credit Facility, to invest in new or existing portfolio companies, to capitalize a subsidiary or for other general corporate or strategic purposes. Affiliates of certain of the underwriters serve as lenders under our Credit Facility and thereby may receive proceeds from this offering that are used to reduce our outstanding obligations under our Credit Facility.

As of December 31, 2016, we had $50.7 million of unused borrowing capacity, subject to maintenance of the applicable total assets to debt ratio, as set forth in the 1940 Act, and $299.3 million in borrowings outstanding under our $350 million Credit Facility. Borrowings under our Credit Facility bear interest at an annual rate equal to LIBOR plus 200 basis points per annum during the revolving period, and the rate resets to LIBOR plus 425 points per annum for the remaining two years. At December 31, 2016, the interest rate on the Credit Facility was 2.74%, excluding the undrawn commitment fee of 0.375%. The Credit Facility is a revolving facility maturing in August 2020 and is secured by all of the assets of Funding I. Amounts repaid under our Credit Facility remain available for future borrowings during the revolving period. See Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and the accompanying prospectus for more information.

We may invest the proceeds from an offering of securities in new or existing portfolio companies, and such investments may take up to a year from the closing of such offering, in part because privately negotiated investments in illiquid securities or private middle-market companies require substantial due diligence and structuring. During this period, we may use the net proceeds from our offering to reduce then-outstanding obligations under our Credit Facility or to invest such proceeds in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less. We expect to earn yields on such investments, if any, that are lower than the interest income that we anticipate receiving in respect of investments in non-temporary investments. As a result, any distributions we make during this investment period may be lower than the distributions that we would expect to pay when such proceeds are fully invested in non-temporary investments. See Regulation Temporary Investments in the accompanying prospectus for more information.

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CAPITALIZATION

The following table sets forth our cash and capitalization on December 31, 2016 (1) on an actual basis and (2) on an as-adjusted basis to reflect the effects of the sale of 5,000,000 shares of common stock in this offering at an offering price of $ per share, and estimated offering expenses of $470,000 payable by us. The as-adjusted information is illustrative only; our capitalization following the completion of this offering is subject to further adjustments. You should read this table together with Use of Proceeds set forth in this prospectus supplement and in the accompanying prospectus for more information. You should also read this table with our Consolidated Financial Statements and related notes thereto, in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus for more information.

	As of December 31, 2016 (unaudited)	
	Actual	**As-adjusted for the offering (1)**
Cash and cash equivalents	$ 24,203,565	$
Total assets	696,607,247	
Borrowings under the Credit Facility (cost $299,309,500)	299,859,712	
Stockholders Equity		
Common stock, 26,730,074 and 31,730,074 shares, as-adjusted, are issued and outstanding, respectively. Par value is $0.001 per share and 100,000,000 shares are authorized.	26,730	
Paid in capital in excess of par value	371,194,366	
Undistributed net investment income	3,763,272	
Accumulated net realized loss on investments	(827,387)	
Net unrealized appreciation on investments	3,530,897	
Net unrealized appreciation on Credit Facility	(550,212)	
Total net assets	377,137,666	
Total capitalization	$ 676,997,378	$

(1) Does not include the underwriters option to purchase additional shares in connection with this offering and any shares issued pursuant to our dividend reinvestment plan.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NASDAQ Global Select Market under the symbol PFLT. The following table lists the high and low closing sale price for our common stock, the closing sale prices as a premium or (discount) to our NAV per share and distributions per quarter per share since October 1, 2014. On February 10, 2017, the last reported closing sale price of our common stock was $13.99 per share.

		Closing Sales Price		Premium / (Discount) of High Sales Price to NAV (2)	Premium / (Discount) of Low Sales Price to NAV (2)	
Period	NAV (1)	High	Low			Distributions Declared
Fiscal Year Ending September 30, 2017						
Second quarter (through February 10, 2017)	$ N/A	$ 14.17	$ 13.99	N/A%	N/A%	$ 0.1900(3)
First quarter	14.11	14.17	12.44		(12)	0.2850
Fiscal Year Ended September 30, 2016						
Fourth quarter	14.06	13.26	12.54	(6)	(11)	0.2850
Third quarter	13.75	12.51	11.58	(9)	(16)	0.2850
Second quarter	13.54	11.70	10.09	(14)	(25)	0.2850
First quarter	13.73	12.42	10.79	(10)	(21)	0.2850
Fiscal Year Ended September 30, 2015						
Fourth quarter	13.95	14.30	11.35	3	(19)	0.2850
Third quarter	14.33	14.48	13.88	1	(3)	0.2850
Second quarter	14.30	14.16	13.25	(1)	(7)	0.2750
First quarter	14.16	14.23	12.98		(8)	0.2700

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period. See Determination of Net Asset Value in the accompanying prospectus for more information.

(2) Calculated as of the respective high or low closing sales price less NAV per share, divided by the quarter-end NAV per share.

(3) Includes a distribution of $0.0950 per share payable on March 1, 2017 to stockholders of record on February 17, 2017. Investors in this offering will be entitled to this distribution.

Shares of BDCs may trade at a market price both above and below the NAV that is attributable to those shares. Our shares have traded above and below our NAV. Our shares closed on the NASDAQ Global Select Market at $14.11 and $13.23 on December 31, 2016 and September 30, 2016, respectively. Our NAV per share was $14.11 and $14.06 for the same periods. The possibility that our shares of common stock will trade at a discount from NAV or at a premium that is unsustainable over the long term is separate and distinct from the risk that our NAV will decrease. It is not possible to predict whether our shares will trade at, above or below our NAV in the future.

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SELECTED FINANCIAL DATA

We have derived the data below from our audited and unaudited financial data. The Consolidated Statement of Operations data, Per share data, Consolidated Statement of Assets and Liabilities data and Total returns data presented are derived from our audited and unaudited Consolidated Financial Statements. These selected financial data should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations in both this prospectus supplement and the accompanying prospectus.

	(unaudited) For the Three Months Ended December 31,		(audited) For the Years Ended September 30,				
	2016	2015	2016	2015	2014	2013	2
mounts in thousands, except per share data)							
ated Statement of Operations data:							
estment income	$ 12,631	$ 8,756	$ 46,301	$ 30,355	$ 30,357	$ 18,867	$
enses	5,809	3,670	18,965	12,695	13,721	8,344	
tment income	6,822	5,086	27,336	17,660	16,636	10,523	
ed and unrealized gain (loss)	2,027	(3,339)	6,153	(5,156)	3,878	1,461	
ase in net assets resulting from operations	8,849	1,747	33,489	12,504	20,514	11,985	
data:							
value	14.11	13.73	14.06	13.95	14.40	14.10	
tment income [1]	0.26	0.19	1.02	1.08	1.12	1.10	
ed and unrealized gain (loss) [1]	0.07	(0.12)	0.23	(0.31)	0.26	0.15	
ase in net assets resulting from operations [1]	0.33	0.07	1.25	0.77	1.38	1.25	
ons declared [1],[2]	0.28	0.29	1.14	1.16	1.08	1.05	
ated Statements of Assets and Liabilities							
ts	696,607	477,856	631,420	416,120	372,874	328,802	1
estment portfolio	656,869	460,066	598,888	391,312	348,428	317,804	1
cility payable [3]	299,860	95,698	232,389	29,600	146,949	99,600	
asset value	377,138	367,019	375,907	372,890	214,528	210,066	
ta:							
rn [4]	8.90%	(3.48)%	21.77%	(6.01)%	8.05%	17.17%	
f portfolio companies [5]	98	83	98	76	72	83	
lebt portfolio [5]	7.9%	8.2%	7.8%	7.9%	8.2%	8.1%	

(1) Based on the weighted average shares outstanding for the respective periods.
(2) The tax status of our distributions is calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP and is reported on Form 1099-DIV each calendar year.
(3) At fair value.
(4) Not annualized for periods of less than a year. Based on change in market price per share during the periods and takes into account distributions, if any, reinvested in accordance with our dividend reinvestment plan.

(5) Unaudited.

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Selected Quarterly Data (Unaudited)

(dollar amounts in thousands, except per share data)

	2017
	Q1
Total investment income	$ 12,631
Net investment income	$ 6,822
Net realized and unrealized gain	$ 2,027
Net increase in net assets resulting from operations	$ 8,849
Net increase in net assets resulting from operations per common share*	$ 0.33
Net asset value per share at the end of the quarter	$ 14.11
Market value per share at the end of the quarter	$ 14.11

	2016			
	Q4	Q3	Q2	Q1
Total investment income	$ 15,396	$ 10,803	$ 11,346	$ 8,756
Net investment income	$ 8,155	$ 6,830	$ 7,265	$ 5,086
Net realized and unrealized gain (loss)	$ 7,732	$ 6,589	$ (4,829)	$ (3,339)
Net increase in net assets resulting from operations	$ 15,887	$ 13,419	$ 2,436	$ 1,747
Net increase in net assets resulting from operations per common share*	$ 0.59	$ 0.50	$ 0.09	$ 0.07
Net asset value per share at the end of the quarter	$ 14.06	$ 13.75	$ 13.54	$ 13.73
Market value per share at the end of the quarter	$ 13.23	$ 12.40	$ 11.70	$ 11.25

	2015			
	Q4	Q3	Q2	Q1
Total investment income	$ 7,791	$ 7,104	$ 7,983	$ 7,477
Net investment income	$ 3,639	$ 4,097	$ 4,456	$ 5,468
Net realized and unrealized (loss) gain	$ (2,424)	$ 630	$ 1,668	$ (5,030)
Net increase in net assets resulting from operations	$ 1,215	$ 4,727	$ 6,124	$ 438
Net increase in net assets resulting from operations per common share*	$ 0.06	$ 0.32	$ 0.41	$ 0.03
Net asset value per share at the end of the quarter	$ 13.95	$ 14.33	$ 14.30	$ 14.16
Market value per share at the end of the quarter	$ 11.94	$ 13.88	$ 14.03	$ 13.73

	2014			
	Q4	Q3	Q2	Q1
Total investment income	$ 8,221	$ 7,669	$ 7,623	$ 6,844
Net investment income	$ 5,320	$ 4,363	$ 3,725	$ 3,228
Net realized and unrealized (loss) gain	$ (3,043)	$ 579	$ 3,513	$ 2,829
Net increase in net assets resulting from operations	$ 2,278	$ 4,942	$ 7,237	$ 6,057
Net increase in net assets resulting from operations per common share*	$ 0.15	$ 0.33	$ 0.49	$ 0.41
Net asset value per share at the end of the quarter	$ 14.40	$ 14.52	$ 14.46	$ 14.24

Market value per share at the end of the quarter	$ 13.78	$ 14.29	$ 13.82	$ 13.73

* Based on weighted average shares outstanding for the respective periods.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 payment-in-kind, 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, original issue discount, or 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. We record prepayment penalties on loans and debt securities as income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts.

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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 NAV, 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 stock exchange listing fees;
- fees and expenses associated with independent audits and outside legal costs;
- federal, state, local taxes 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;

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

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

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

PORTFOLIO AND INVESTMENT ACTIVITY

As of December 31, 2016, our portfolio totaled $656.9 million and consisted of $600.1 million of senior secured debt, $36.9 million of second lien secured debt and $19.9 million of subordinated debt, preferred and common equity. Our debt portfolio consisted of 98% variable-rate investments (including 95% with a floor) and 2% fixed-rate investments. As of December 31, 2016, we had no companies on non-accrual. Overall, the portfolio had net unrealized appreciation of $3.5 million. Our overall portfolio consisted of 98 companies with an average investment size of $6.7 million, had a weighted average yield on debt investments of 7.9%, and was invested 91% in senior secured debt, 6% in second lien secured debt and 3% in subordinated debt, 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% with a 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.

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For the three months ended December 31, 2016, we invested $124.8 million in 12 new and 13 existing portfolio companies with a weighted average yield on debt investments of 7.6%. Sales and repayments of investments for the three months ended December 31, 2016 totaled $70.4 million.

For the three months ended December 31, 2015, we invested $99.2 million in ten new and five existing portfolio companies with a weighted average yield on debt investments of 8.4%. Sales and repayments of investments for the three months ended December 31, 2015 totaled $26.9 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 Accounting Standards Codification, 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. 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 prospectus supplement. 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 an investment. The independent valuation firms review management s preliminary valuations in light of its 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 expenses of zero and $0.9 million, respectively, relating to amendment fees on the Credit Facility during the three months ended December 31, 2016 and 2015. 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 months ended

December 31, 2016 and 2015, our Credit Facility had a net change in unrealized (appreciation) depreciation of $(1.1) million and $0.6 million, respectively. As of December 31, 2016 and September 30, 2016, the net unrealized (appreciation) depreciation on our Credit Facility totaled $(0.6) 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. We record prepayment penalties on loans and debt investments as income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts.

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.

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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 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.

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 months ended December 31, 2016 and 2015.

Investment Income

Investment income for the three months ended December 31, 2016 was $12.6 million and was attributable to $11.2 million from senior secured debt and $1.4 million from second lien secured debt and subordinated debt, respectively. Investment income for the three months ended December 31, 2015 was $8.8 million and was attributable to $7.3 million from senior secured debt and $1.5 million from second lien secured debt and subordinated debt, respectively. The increase in investment income compared to the same period in the prior year was primarily due to the growth of our portfolio.

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Expenses

Expenses for the three months ended December 31, 2016 totaled $5.8 million. Base management fee for the same period totaled $1.6 million, incentive fee totaled $1.5 million (including $0.6 million on unrealized gains accrued but not payable), Credit Facility expenses totaled $1.8 million and general and administrative expenses totaled $0.9 million. Expenses for the three months ended December 31, 2015 totaled $3.7 million. Base management fee for the same period totaled $1.1 million, incentive fee totaled zero, Credit Facility expenses totaled $1.8 million (including $0.9 million of Credit Facility amendment expenses) and general and administrative expenses totaled $0.8 million. The increase in expenses compared with the same period in the prior year was primarily due to increases in base management and incentive fees as a result of the growth of our portfolio.

Net Investment Income

Net investment income totaled $6.8 million, or $0.26 per share, for the three months ended December 31, 2016, and $5.1 million, or $0.19 per share, for the three months ended December 31, 2015. 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 months ended December 31, 2016 totaled $70.4 million and realized gains totaled $0.5 million. Sales and repayments of investments totaled $26.9 million and realized losses totaled $3.2 million for the three months ended December 31, 2015. 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 months ended December 31, 2016 and 2015, we reported net unrealized appreciation (depreciation) on investments of $2.5 million and $(0.7) million, respectively. As of December 31, 2016 and September 30, 2016, our net unrealized appreciation on investments totaled $3.5 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 months ended December 31, 2016 and 2015, we reported net unrealized (appreciation) depreciation on our Credit Facility of $(1.1) million and $0.6 million, respectively. The change compared to the same period in the prior year was primarily due to changes in the capital markets.

Net Change in Net Assets Resulting from Operations

Net change in net assets resulting from operations totaled $8.8 million, or $0.33 per share, for the three months ended December 31, 2016. This compares to a net change in net assets resulting from operations of $1.7 million, or $0.07 per share, for the three months ended December 31, 2015. The increase in the net change in net assets from operations compared to the same period in the prior year reflects the change in portfolio investment valuation during the reporting period and the change in net realized losses during the current period.

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 $350.0 million as of December 31, 2016, 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 December 31, 2016 and September 30, 2016, Funding I had $299.3 million and $232.9 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had an interest rate of 2.74% and 2.57%, as of December 31, 2016 and September 30, 2016, respectively, excluding the undrawn commitment fees of 0.375%. The annualized weighted average cost of debt for the three months ended December 31, 2016 and 2015, inclusive of the fee on the undrawn commitment on the Credit Facility but excluding amendment costs, was 2.91% and 5.95%, respectively. As of December 31, 2016 and September 30, 2016, we had $50.7 million and $117.1 million of unused borrowing capacity under our Credit Facility, respectively, subject to the regulatory restrictions.

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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 December 31, 2016, 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.

At December 31, 2016 and September 30, 2016, we had cash equivalents of $24.2 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 $63.5 million for the three months ended December 31, 2016, and our financing activities provided cash of $58.8 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.

Our operating activities used cash of $66.5 million for the three months ended December 31, 2015, and our financing activities provided cash of $59.1 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.

Contractual Obligations

A summary of our significant contractual payment obligations at cost as of December 31, 2016, 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**	**3-5 years**	**More than 5 years**
Credit Facility	$ 299.3	$	$	$ 299.3	$
Unfunded investments [1]	34.2		3.9	17.7	12.6
Total contractual obligations	$ 333.5	$	$ 3.9	$ 317.0	$ 12.6

(1) Unfunded investments are disclosed in the Consolidated Schedule of Investments and Note 10 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.

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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.

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 months ended December 31, 2016 and 2015, we declared distributions of $0.285 and $0.285 per share, respectively, for total distributions of $7.6 million and $7.6 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 ratified 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.

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Quantitative And Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. As of December 31, 2016, our debt portfolio consisted of 98% variable-rate investments (including 95% with a floor) and 2% fixed-rate investments. The variable-rate loans are usually based on a LIBOR rate and typically have durations of three months, after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In regards to variable-rate instruments with a floor, we do not benefit from increases in interest rates until such rates exceed the floor and thereafter benefit from market rates above any such floor. In contrast, our cost of funds, to the extent it is not fixed, will fluctuate with changes in interest rates since it has no floor.

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

Change In Interest Rates	Change In Interest Income, Net Of Interest Expense (In Thousands)		Change In Interest Income, Net Of Interest Expense Per Share	
Up 1%	$	1,435	$	0.05
Up 2%	$	4,916	$	0.18
Up 3%	$	8,397	$	0.31
Up 4%	$	11,878	$	0.44

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 prospectus supplement, we did not engage in interest rate hedging activities.

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UNDERWRITING

We intend to offer the shares through the underwriters named in the table below. Morgan Stanley & Co. LLC, Goldman, Sachs & Co., J.P. Morgan Securities LLC, Keefe, Bruyette & Woods, Inc., RBC Capital Markets, LLC and SunTrust Robinson Humphrey, Inc. are acting as joint bookrunners and representatives of the several underwriters. Subject to the terms and conditions described in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase from us, the number of shares set forth opposite the underwriter s name.

Underwriter Names	Number of Shares
Morgan Stanley & Co. LLC	
Goldman, Sachs & Co.	
J.P. Morgan Securities LLC	
Keefe, Bruyette & Woods, Inc.	
RBC Capital Markets, LLC	
SunTrust Robinson Humphrey, Inc.	
Total	5,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our independent registered public accounting firm. The underwriters are committed to purchase all shares included in this offering, other than those shares covered by the option to purchase additional shares described below, if they purchase any of the shares. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

Commissions and Discounts

The underwriters have advised us that they propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus supplement and to certain other Financial Industry Regulatory Authority (FINRA) members at that price less a concession not in excess of $ per share. After the public offering, the public offering price, concession and discount may be changed. No such change shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement.

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters option to purchase up to an additional 750,000 shares.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discounts and commissions (sales load) [(1)]	$	$	$
Proceeds to PennantPark Floating Rate Capital Ltd. (before offering expenses of $470,000)	$	$	$

(1) PennantPark Investment Advisers has agreed to pay approximately $ million, or $ per share (or approximately $ million, or $ per share if the option to purchase additional shares is fully exercised) of the underwriting discounts and commissions in connection with this offering, which amount is not reflected in the above table. All other expenses of the offering, including the sales load not paid by our Investment Adviser, will be borne by us.

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Option to Purchase Additional Shares

We have granted an option to the underwriters to purchase up to 750,000 additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus supplement. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase the additional shares approximately proportionate to that underwriter s initial purchase commitment.

No Sales of Similar Securities

We have agreed, with exceptions, not to sell or transfer any shares for 90 days after the date of this prospectus supplement without first obtaining the written consent of Morgan Stanley & Co. LLC.

Our executive officers and directors, PennantPark Investment Advisers, and Pennant Park Investment Administration have agreed, with exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus supplement without first obtaining the written consent of Morgan Stanley & Co. LLC. Specifically, we and these other individuals and entities have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- lend or otherwise dispose of or transfer any common stock;
- request or demand that we file a registration statement related to the common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of common stock or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Quotation on the NASDAQ Global Select Market

Our common stock is quoted on the NASDAQ Global Select Market under the symbol PFLT.

Price Stabilization and Short Positions

Until the distribution of the shares is completed, SEC rules may limit the underwriters from bidding for and purchasing our common stock. However, the underwriters may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering (i.e., if they sell more shares than are listed on the cover of this prospectus supplement), the underwriters may reduce that short position by purchasing shares in the open market. The underwriters may also elect to reduce any short position by exercising all or part of the option to purchase additional shares as described above. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the option to purchase additional shares. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Neither we nor any of the underwriters make any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Delivery

The underwriters may make prospectuses available in electronic (PDF) format. A prospectus in electronic (PDF) format may be made available on a web site maintained by the underwriters, and the underwriters may distribute such prospectuses electronically. The underwriters may allocate a limited number of shares for sale to their online brokerage customers.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and their affiliates have provided in the past to the Company and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to us for which they will be entitled to receive customary fees and expenses. In particular, the underwriters or their affiliates may execute transactions with or on behalf of the Company. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to us.

In the ordinary course of their various business activities, the underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other related financial instruments for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to us or any of the portfolio companies. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at the time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We may purchase securities of third parties from the underwriters or their affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if, among other things, we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of its business and not in connection with the offering of the common stock. In addition, after the offering period for the sale of our shares, the underwriters or their affiliates may develop analyses or opinions related to PennantPark Floating Rate Capital Ltd. or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding PennantPark Floating Rate Capital Ltd. to our stockholders.

Affiliates of certain of the underwriters serve as lenders under our Credit Facility and may serve as lenders under any future credit facilities. Some of the underwriters and their affiliates were underwriters in connection with our initial public offerings and follow-on public offering for which they received customary fees. Affiliates of the underwriters may receive part of the proceeds of the offering by reason of the repayment of certain amounts outstanding under our Credit Facility.

The principal business addresses of the underwriters are: Morgan Stanley & Co. LLC, 180 Varick Street, 2nd Floor, New York, NY 10014; Goldman, Sachs & Co., 200 West Street, New York, NY 10282; J.P. Morgan Securities LLC, 383 Madison Avenue, New York, NY 10179; Keefe, Bruyette & Woods, Inc., 787 Seventh Avenue, New York, NY 10019; RBC Capital Markets, LLC, 200 Vesey Street, New York, NY 10281; and SunTrust Robinson Humphrey, Inc., 3333 Peachtree Road NE, Atlanta, GA 30326.

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Notice to Prospective Investors in Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1)), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

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LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus supplement will be passed upon for PennantPark Floating Rate Capital Ltd. by Dechert LLP, Washington, D.C., and Venable LLP, Baltimore, Maryland. Dechert LLP has from time to time represented the underwriters, PennantPark Floating Rate Capital Ltd. and the Investment Adviser on unrelated matters. Certain legal matters in connection with the offering will be passed upon for the underwriters by Freshfields Bruckhaus Deringer US LLP, New York, NY.

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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 December 31, 2016, and the consolidated statements of operations, changes in net assets and cash flows for the three months ended December 31, 2016 and 2015. 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 review, 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 financial statements. In our opinion, the information set forth in the accompanying consolidated statements of assets and liabilities as of December 31, 2016, is fairly stated, in all material respects, in relation to the consolidated statements of assets and liabilities.

/s/ RSM US LLP

New York, New York

February 9, 2017

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	December 31, 2016 (unaudited)	September 30, 2016
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost $653,340,297 and $597,910,267, respectively)	$ 656,868,887	$ 598,887,525
Cash and cash equivalents (cost $24,201,258 and $28,903,359, respectively)	24,203,565	28,910,973
Interest receivable	3,088,719	2,480,406
Receivable for investments sold	11,357,601	
Prepaid expenses and other assets	1,088,475	1,141,191
Total assets	696,607,247	631,420,095
Liabilities		
Distributions payable	2,539,357	2,539,357
Payable for investments purchased	11,827,362	14,935,970
Credit Facility payable (cost $299,309,500 and $232,907,500, respectively) (See Notes 5 and 9)	299,859,712	232,389,498
Interest payable on Credit Facility	672,625	531,926
Management fee payable (See Note 3)	1,595,726	1,458,625
Performance-based incentive fee payable (See Note 3)	2,602,140	3,454,914
Accrued other expenses	372,659	202,977
Total liabilities	319,469,581	255,513,267
Commitments and contingencies (See Note 10)		
Net assets		
Common stock, 26,730,074 shares issued and outstanding Par value $0.001 per share and 100,000,000 shares authorized	26,730	26,730
Paid-in capital in excess of par value	371,194,366	371,194,366
Undistributed net investment income	3,763,272	4,559,646
Accumulated net realized loss on investments	(827,387)	(1,376,788)
Net unrealized appreciation on investments	3,530,897	984,872
Net unrealized (appreciation) depreciation on Credit Facility	(550,212)	518,002
Total net assets	$ 377,137,666	$ 375,906,828
Total liabilities and net assets	$ 696,607,247	$ 631,420,095
Net asset value per share	$ 14.11	$ 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 December 31,	
	2016	**2015**
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	$ 11,951,835	$ 8,612,862
Other income	679,433	102,685
From controlled, affiliated investments:		
Interest		40,933
Total investment income	12,631,268	8,756,480
Expenses:		
Base management fee (See Note 3)	1,595,727	1,077,741
Performance-based incentive fee (See Note 3)	1,469,369	(2,936)
Interest and expenses on Credit Facility (See Note 9)	1,800,725	939,682
Administrative services expenses (See Note 3)	561,250	200,000
Other general and administrative expenses	357,500	548,313
Expenses before provision for taxes and amendment costs	5,784,571	2,762,800
Provision for taxes	25,000	
Credit Facility amendment costs (See Notes 5 and 9)		907,722
Total expenses	5,809,571	3,670,522
Net investment income	6,821,697	5,085,958
Realized and unrealized gain (loss) on investments and Credit Facility:		
Net realized gain (loss) on investments	549,401	(3,232,008)
Net change in unrealized appreciation (depreciation) on:		
Non-controlled, non-affiliated investments	2,546,025	(708,946)
Credit Facility (appreciation) depreciation (See Notes 5 and 9)	(1,068,214)	601,875
Net change in unrealized appreciation (depreciation) on investments and Credit Facility	1,477,811	(107,071)
Net realized and unrealized gain (loss) from investments and Credit Facility	2,027,212	(3,339,079)
Net increase in net assets resulting from operations	$ 8,848,909	$ 1,746,879

Net increase in net assets resulting from operations per common share (See Note 6)	$	0.33	$	0.07
Net investment income per common share	$	0.26	$	0.19

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Three Months Ended December 31, 2016	2015
Net increase in net assets from operations:		
Net investment income	$ 6,821,697	$ 5,085,958
Net realized gain (loss) on investments	549,401	(3,232,008)
Net change in unrealized appreciation (depreciation) on investments	2,546,025	(708,946)
Net change in unrealized (appreciation) depreciation on Credit Facility	(1,068,214)	601,875
Net increase in net assets resulting from operations	8,848,909	1,746,879
Distributions to stockholders	(7,618,071)	(7,618,071)
Net increase (decrease) in net assets	1,230,838	(5,871,192)
Net assets:		
Beginning of period	375,906,828	372,890,449
End of period	$ 377,137,666	$ 367,019,257
Undistributed net investment income, end of period	$ 3,763,272	$ 4,459,360

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended December 31, 2016	2015
Cash flows from operating activities:		
Net increase in net assets resulting from operations	$ 8,848,909	$ 1,746,879
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	(2,546,025)	708,946
Net change in unrealized appreciation (depreciation) on Credit Facility	1,068,214	(601,875)
Net realized (gain) loss on investments	(549,401)	3,232,008
Net accretion of discount and amortization of premium	(425,722)	(337,666)
Purchases of investments	(124,826,238)	(99,199,653)
Payment-in-kind interest	(39,085)	(18,135)
Proceeds from dispositions of investments	70,405,217	26,860,815
Increase in interest receivable	(608,313)	(314,572)
Increase in receivable for investments sold	(11,357,601)	
Decrease (increase) in prepaid expenses and other assets	52,716	(59,486)
(Decrease) increase in payable for investments purchased	(3,108,608)	1,435,162
Increase in interest payable on Credit Facility	140,699	115,221
Increase in management fee payable	137,101	121,626
Decrease in performance-based incentive fee payable	(852,774)	(2,936)
Increase (decrease) in accrued other expenses	169,682	(160,831)
Net cash used in operating activities	(63,491,229)	(66,474,497)
Cash flows from financing activities:		
Distributions paid to stockholders	(7,618,071)	(7,618,071)
Borrowings under Credit Facility (See Notes 5 and 9)	91,902,000	69,300,000
Repayments under Credit Facility (See Notes 5 and 9)	(25,500,000)	(2,600,000)
Net cash provided by financing activities	58,783,929	59,081,929
Net decrease in cash equivalents	(4,707,300)	(7,392,568)
Effect of exchange rate changes on cash	(108)	
Cash and cash equivalents, beginning of period	28,910,973	21,428,514
Cash and cash equivalents, end of period	$ 24,203,565	$ 14,035,946
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,660,026	$ 824,461

Taxes paid	$		$	1,190
Non-cash exchanges and conversions	$	709,685	$	4,547,934

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2016

(Unaudited)

Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index [(1)]	Par / Shares		Cost		Fair Va
ents in Non-Controlled, Non-Affiliated Portfolio Companies			**174.2%[(3), (4)]**						
en Secured Debt 159.1%									
ed Cable nications,	08/09/2021	Telecommunications	6.75%	L+575	12,468,750	$	12,236,628	$	12,34
ed Cable nications, (10)	08/09/2021	Telecommunications			4,000,000				(4
roup s, Inc.	12/30/2022	Banking, Finance, Insurance and Real Estate	8.25%	P+450	8,696,374		8,609,642		8,60
roup s, Inc. er) (10)	12/30/2021	Banking, Finance, Insurance and Real Estate			1,771,962				
roup s, Inc. (10)	12/30/2022	Banking, Finance, Insurance and Real Estate			3,510,000				
SA s, LLC	02/28/2019	Hotel, Gaming and Leisure	7.00%	L+575	12,064,454		12,041,216		12,06
Pharma (6), (11)	04/04/2022	Healthcare and Pharmaceuticals	6.00%	L+500	3,890,867		3,873,800		3,7
an Auto Group,	11/30/2021	Transportation: Consumer	6.25%	L+525	11,000,000		10,838,502		10,83
an Bath LLC	10/02/2023	Consumer Goods: Durable	6.75%	L+575	2,992,500		2,963,304		2,98
an e ny (8)	12/31/2021	Metals and Mining	15.00% (PIK 5.00%)		128,248		124,139		12
an l	03/31/2022	Aerospace and Defense	7.50%	L+650	4,906,250		4,838,361		4,85
an ferencing s, Ltd.	12/08/2021	Telecommunications	7.50%	L+650	6,997,280		6,787,362		6,80
owling Inc.	09/19/2023	Retail	6.00%	L+500	14,962,500		14,818,503		14,91
	10/31/2022	Healthcare and Pharmaceuticals	6.00%	L+500	4,000,000		3,960,604		3,97

sia ing & ment, LP							
sia ing & ment, LP	10/31/2022	Healthcare and Pharmaceuticals			1,000,000		
hing I,	12/21/2020	Hotel, Gaming and Leisure	9.25%	L+825	6,518,078	6,444,893	6,47
chnologies	04/22/2022	Aerospace and Defense	7.50%	L+650	9,950,000	9,770,591	9,80
Bros., Co., A	06/03/2021	Consumer Goods: Non-Durable	7.00%	L+575	2,425,000	2,384,579	2,42
Bros., Co., B	06/03/2021	Consumer Goods: Non-Durable	13.50%	L+1,225	2,450,000	2,407,862	2,45
Cargo Inc.	06/30/2021	Transportation: Cargo	5.75%	L+475	2,462,500	2,442,994	2,36
s Markets	11/29/2023	Beverage, Food and Tobacco	6.75%	L+575	7,500,000	7,425,830	7,50
Borrower,	07/02/2020	Hotel, Gaming and Leisure	8.25%	L+700	4,950,000	4,921,411	4,93
TZ er, Inc.	07/21/2023	Consumer Goods: Durable	7.00%	L+600	12,468,750	12,158,895	12,53
ng Charlie	12/24/2019	Retail	9.00%	L+800	3,948,750	3,916,040	3,47
Soup for ng, LLC	01/08/2019	Media: Advertising, Printing and Publishing	7.50%	L+625	4,757,143	4,732,576	4,56
ndustries	11/25/2020	Aerospace and Defense	10.75%	L+975	6,256,800	6,153,773	6,25
ndustries evolver)	11/25/2020	Aerospace and Defense			518,033		
nc.	12/21/2020	High Tech Industries	7.50%	L+650	9,712,731	9,642,729	9,68
ealth s s, Inc.	02/07/2022	Healthcare and Pharmaceuticals	6.50%	L+550	1,965,000	1,949,694	1,97
lding LLC	08/02/2021	Business Services	6.25%	L+525	9,975,000	9,879,526	9,97
siness s, Inc.	03/19/2018	Business Services	8.75%	L+725	1,971,104	1,962,737	1,97
lobal ns, Inc.	12/09/2020	Business Services	5.50%	L+450	4,912,500	4,878,704	4,86
Room	11/21/2022	Media: Advertising, Printing and Publishing	7.00%	L+600	7,000,000	6,861,733	6,86
Products kaging ny LLC	06/30/2020	Chemicals, Plastics and Rubber	5.75%	L+475	4,625,000	4,598,277	4,62
 ance Inc. (8)	09/10/2020	Consumer Goods: Durable	5.75%	L+475	8,437,500	8,403,778	8,43
	09/10/2020	Consumer Goods: Durable			1,000,000		

ance Inc. er) [8], [10]							
on ks of a, Inc.	05/06/2021	Telecommunications	8.00%	L+700	8,586,957	8,546,784	8,54
on ks of a, Inc. er) [8], [10]	05/06/2021	Telecommunications			1,304,348		
t rative Marketing ay, LLC	06/15/2022	Media: Diversified and Production	7.75%	L+675	10,548,335	10,449,705	10,54
ng nications,	07/01/2021	Telecommunications	6.75%	L+575	4,925,000	4,866,496	4,80
ealth , Inc.	12/23/2021	Healthcare and Pharmaceuticals	5.00%	L+400	2,917,576	2,894,365	2,83
ay Health,	11/04/2020	High Tech Industries	6.00%	L+500	6,618,092	6,577,992	6,55
Valor nies, Inc.	06/16/2023	Media: Broadcasting and Subscription	7.00%	L+600	7,462,500	7,182,715	7,37
e rket tion, LLC	04/01/2022	Wholesale	5.75%	L+475	7,218,750	7,154,171	7,23
er Sleep s, LLC	10/21/2020	Consumer Goods: Non-Durable	9.00%	L+800	1,165,886	1,153,558	1,14
y tion	12/13/2019	High Tech Industries	8.00%	L+675	2,587,871	2,573,570	2,20
Defense ogies, Inc.	08/05/2019	Aerospace and Defense	7.00%	L+600	6,125,000	6,093,462	5,51
U.S. tion Corp.	11/04/2020	Construction and Building	7.25%	L+625	6,208,320	6,121,045	6,20
nc.	04/09/2021	High Tech Industries	6.50%	L+550	7,922,492	7,305,337	7,90
ter and Inc. [6], [11]	05/01/2019	Business Services	7.25%	L+600	8,321,542	8,268,965	7,98
FE1 B.V. 2)	10/12/2021	Chemicals, Plastics and Rubber	8.00%	E+000	17,390,625	18,075,816	18,34
! Print ns, LLC	03/30/2022	Media: Advertising, Printing and Publishing	7.00%	L+600	5,959,975	5,902,236	6,04
Sales,	12/30/2021	Wholesale	8.00%	L+700	11,250,000	11,250,000	11,25
Sales,	12/31/2018	Wholesale			3,750,000		
	03/28/2019		5.50%	L+450	5,256,439	5,218,146	5,25

Web, erm Loan		Media: Advertising, Printing and Publishing					
Web, erm Loan	03/28/2019	Media: Advertising, Printing and Publishing	12.00%	L+1,100	4,500,000	4,464,349	4,50
sts, Inc.	06/30/2020	Construction and Building	9.00%	L+800	6,628,398	6,579,255	6,62
s Power,	04/30/2020	Consumer Goods: Durable	6.50%	L+550	4,882,266	4,849,446	4,63
Hewitt	07/30/2020	Consumer Services	8.00%	L+700	4,900,000	4,825,770	4,69
Solutions L.P. (8)	02/19/2021	Chemicals, Plastics and Rubber	10.00%	L+900	4,002,471	3,934,894	3,92
Scott,	07/17/2020	Retail	7.00%	L+600	2,812,500	2,791,567	2,78
oldings,	10/31/2022	Wholesale	7.00%	L+600	12,375,000	12,186,813	12,37

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2016

(Unaudited)

Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares		Cost	Fair Va
oldings, volver)	10/30/2020	Wholesale			1,209,677	$		$
sort & LLC	03/07/2022	Hotel, Gaming and Leisure	10.50%	L+950	10,200,000		10,017,217	10,2
e s LLC	11/30/2018	Healthcare and Pharmaceuticals	6.50%	L+525	5,392,148		5,356,439	5,2
t , Inc.	04/13/2022	Capital Equipment	7.50%	L+650	5,970,000		5,889,619	5,9
t , Inc. er) (8),	04/13/2022	Capital Equipment			1,238,938			
Drugs rated	08/19/2021	Healthcare and Pharmaceuticals	6.25%	L+525	4,987,500		4,941,570	4,9
lantis s, LLC	01/15/2021	Retail	10.00%	L+900	9,420,054		9,301,704	9,4
lace LLC	01/27/2021	Media: Diversified and Production	6.25%	L+525	3,402,920		3,353,135	3,3
lace LLC (12)	01/27/2021	Media: Diversified and Production	6.25%	P+275	C$ 17,200,829		12,043,641	12,7
lace LLC er) (8),	01/27/2021	Media: Diversified and Production			1,703,163			
Critical ics, Inc.	09/28/2022	Capital Equipment	6.00%	L+500	4,106,316		4,067,156	4,0
Critical ics, Inc. er)	09/28/2021	Capital Equipment			883,392			(
dent rp, Inc.	07/31/2019	Healthcare and Pharmaceuticals	7.00%	L+575	8,792,647		8,748,099	7,8

Vet ment y LLC	08/19/2022	Healthcare and Pharmaceuticals	6.00%	L+500	6,463,433	6,402,888	6,4
Vet ment y (10)	08/19/2022	Healthcare and Pharmaceuticals			3,520,896		
n, Inc.	09/27/2023	Telecommunications	7.50%	L+650	5,802,500	5,575,908	5,8
ion	10/20/2022	Healthcare and Pharmaceuticals	6.50%	L+550	4,977,494	4,910,610	5,0
Dental , Inc.	11/01/2018	Consumer Services	7.50%	L+650	7,528,230	7,474,965	7,4
Products	05/20/2021	Environmental Industries	5.75%	L+475	7,234,631	7,178,888	7,2
Products evolver)	05/20/2020	Environmental Industries			2,459,016		
vork,	11/30/2021	Healthcare and Pharmaceuticals	7.50%	L+650	7,800,000	7,723,967	7,7
vork, (10)	11/30/2021	Healthcare and Pharmaceuticals			3,000,000		(
Veight nters,	08/23/2021	Beverage, Food and Tobacco	5.75%	L+475	10,000,000	9,858,256	9,9
n Now nc.	03/18/2021	High Tech Industries	5.50%	L+450	6,877,500	6,851,967	6,7
haw US	06/18/2019	Consumer Goods: Durable	8.50%	L+700	4,245,684	4,228,328	4,1
LC	08/07/2020	Business Services	6.75%	L+575	4,162,500	4,114,022	4,1
ub,	07/19/2021	Beverage, Food and Tobacco	6.00%	L+500	4,937,495	4,868,948	4,9
ub, evolver)	07/19/2021	Beverage, Food and Tobacco	6.00%	L+500	350,000	350,000	3
ub, evolver)	07/19/2021	Beverage, Food and Tobacco			150,000		
on, LLC ftware ns onal LLC)	05/21/2021	High Tech Industries	6.50%	L+550	9,750,000	9,661,870	9,7
efense s, Inc.	04/21/2017	Aerospace and Defense	9.00%	L+750	5,668,843	5,639,737	5,5
Group s LLC	10/19/2021	Consumer Goods: Non-Durable	7.25%	L+625	7,218,750	7,112,700	7,2

g onal,	12/16/2020	Business Services	6.00%	L+500	7,427,655	7,379,369	7,3
tion	07/09/2021	Construction and Building	5.75%	L+475	4,822,723	4,788,808	4,3
osoft LLC	12/02/2021	Media: Broadcasting and Subscription	6.25%	L+525	15,000,000	14,853,374	14,8
ginal Co. (6),	07/20/2021	Consumer Goods: Non-Durable	6.50%	L+550	3,084,564	3,056,154	3,0
ginal Ltd. (6),	07/20/2021	Consumer Goods: Non-Durable	6.00%	L+500	5,971,037	5,916,117	5,9
ginal Ltd. er) (6), 1)	07/20/2021	Consumer Goods: Non-Durable			1,418,484		
Shoes,	11/02/2020	Consumer Goods: Non-Durable	6.50%	L+550	1,965,000	1,828,667	1,4
cturing,	12/28/2020	Capital Equipment	12.02%	L+1,125(9)	9,655,810	9,493,124	9,6
Global , Inc. (8)	01/14/2019	Telecommunications	9.50% (PIK 1.00%)	L+850	257,621	257,621	2
Global , Inc. (8)	01/14/2019	Telecommunications	8.50%	L+750	599,702	566,344	5
Global , Inc.	01/14/2019	Telecommunications			151,090		
al Fiber , LLC	10/04/2021	Chemicals, Plastics and Rubber	6.50%	L+550	8,939,921	8,889,413	8,9
esthesia , Inc.	12/31/2019	Healthcare and Pharmaceuticals	6.00%	L+500	12,368,750	12,268,500	12,3
ion,	08/13/2021	Healthcare and Pharmaceuticals	10.00%	L+900	3,082,031	3,082,031	3,0
ide, Inc.	08/19/2021	Media: Broadcasting and Subscription	6.50%	L+550	5,092,831	5,051,051	5,1
ter ics tion	06/30/2022	Capital Equipment	7.50%	L+650	7,754,100	7,686,604	7,8
ter ics tion (8),	06/30/2022	Capital Equipment			708,333		
Claims , LLC	10/30/2020	Banking, Finance, Insurance and Real Estate	9.00%	L+800	7,297,877	7,243,917	7,1
rst cured						599,327,868	600,0

Lien **8%**							
Group,	10/31/2018	Consumer Goods: Durable	8.50%	L+700	1,000,000	948,800	9
s and ng y LLC	12/31/2020	Chemicals, Plastics and Rubber	11.34%	L+1,050(9)	2,000,000	1,972,437	2,0
Berger C	09/30/2020	Wholesale	11.00%	L+1,000	11,000,000	10,537,088	9,7
th, Inc.	10/22/2021	Media: Advertising, Printing and Publishing	11.50%	L+1,050	3,775,000	3,706,653	3,7
ion,	07/07/2021	Business Services	12.25%	L+1,100	11,900,000	11,763,956	11,9
e s Ltd. (11)	08/01/2017	Energy: Oil and Gas	12.50%		2,812,500	2,772,451	1,5
er ion	01/30/2023	Business Services	10.75%	L+975	1,837,500	1,778,941	1,8
lverine s, LLC	10/17/2024	Healthcare and Pharmaceuticals	10.50%	L+950	5,250,000	5,040,000	5,0
econd **cured**						38,520,326	36,9

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENST (Continued)

DECEMBER 31, 2016

(Unaudited)

ssuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index [1]	Par / Shares	Cost	Fair Value [2]
ubordinated Debt/Corporate Notes 2.2%[8]							
ffinion International Ioldings Limited [5], [6], 1)	07/30/2018	Consumer Goods: Durable	7.50% (PIK 4.00%)		1,157,978	$ 1,067,044	$ 1,111,659
merican Gilsonite ompany [5]	12/31/2021	Metals and Mining	17.00% (PIK 17.00%)		370,370	370,370	370,370
redit Infonet, Inc.	10/26/2018	High Tech Industries	13.25% (PIK 2.00%)		2,079,296	2,039,546	2,023,013
onny s Enterprises, LC	06/01/2023	Capital Equipment	11.00%		4,750,000	4,656,141	4,655,000
niTek Global Services, nc.	07/15/2019	Telecommunications	15.00% (PIK 15.00%)		152,509	152,509	154,797
otal Subordinated Debt/Corporate Notes						8,285,610	8,314,839
referred Equity 0.4%), (8)							
niTek Global Services, nc.		Telecommunications	13.50%		1,047,317	670,283	1,364,841
ommon quity/Warrants 2.7%), (8)							
ffinion Group Ioldings, Inc.		Consumer Goods: Durable			99,029	3,514,572	3,889,552
ffinion Group Ioldings, Inc., Series C nd Series D		Consumer Goods: Durable			4,298	1,186,649	28,641
merican Gilsonite ompany		Metals and Mining			1,000	215,182	215,182
orfin InvestCo, L.P.		Aerospace and Defense			3,000	300,000	694,987
		Aerospace and Defense			3,000		

orfin InvestCo, L.P. 0)				
l.f. Beauty, Inc.	Consumer Goods: Durable	110,399	295,670	3,102,473
araday Holdings, LLC nterior Specialists, nc.)	Construction and Building	1,141	58,044	110,766
auge InfosoftCoInvest, LC The Infosoft Group, LC)	Media: Broadcasting and Subscription	500	500,000	500,000
atriot National, Inc.	Banking, Finance, Insurance and Real Estate	11,867	27,995	55,182
PC Broadband nvestors, LP Advanced Cable ommunications, LLC) 3)	Telecommunications	438,098	438,098	438,098
PC Broadband nvestors, LP Advanced Cable ommunications, LLC) 0), (13)	Telecommunications	561,902		
niTek Global Services, nc.	Telecommunications	149,617		1,188,670
otal Common quity/Warrants			6,536,210	10,223,551
otal Investments in Non-Controlled, Non-Affiliated Portfolio ompanies			653,340,297	656,868,887
ash and Cash quivalents 6.4%				
lackRock Federal FD nstl 30			22,526,563	22,526,563
NY Mellon Cash			1,674,695	1,677,002
otal Cash and Cash quivalents			24,201,258	24,203,565
otal Investments and Cash Equivalents 180.6%			$ 677,541,555	$ 681,072,452
iabilities in Excess of ther Assets (80.6)%				(303,934,786
et Assets 100.0%				$ 377,137,666

(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) 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 (C$) or in Euros ( ) as denoted.

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

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2016

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies 159.3% (3), (4)							
First Lien Secured Debt 145.9%							
Advanced Cable Communications, LLC	08/09/2021	Telecommunications	6.75%	L+575	12,500,000	$ 12,255,990	$ 12,250,000
Advanced Cable Communications, LLC (10)	08/09/2021	Telecommunications			4,000,000		(80,000)
ALG USA Holdings, LLC	02/28/2019	Hotel, Gaming and Leisure	7.00%	L+575	12,064,454	12,037,105	12,064,454
Alvogen Pharma US, Inc. (6), (11)	04/04/2022	Healthcare and Pharmaceuticals	6.00%	L+500	3,943,925	3,925,777	3,946,410
American Bath Group, LLC	10/02/2023	Consumer Goods: Durable	6.75%	L+575	3,000,000	2,970,000	2,992,500
American Scaffold	03/31/2022	Aerospace and Defense	7.50%	L+650	4,937,500	4,866,801	4,888,125
AMF Bowling Centers, Inc.							