

PennantPark Floating Rate Capital Ltd.

Form 10-Q

February 06, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2018

OR

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

COMMISSION FILE NUMBER: 814-00891

PENNANTPARK FLOATING RATE CAPITAL LTD.

(Exact name of registrant as specified in its charter)

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

590 Madison Avenue, 15th Floor

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

(212) 905-1000

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

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

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of February 6, 2019 was 38,772,074.

PENNANTPARK FLOATING RATE CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2018

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PART I—CONSOLIDATED FINANCIAL INFORMATION

We are filing this Quarterly Report on Form 10-Q, or the Report, in compliance with Rule 13a-13 as promulgated by the Securities and Exchange Commission, or the SEC, under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In this Report, except where the context suggests otherwise, the terms “Company,” “we,” “our” or “us” refer to PennantPark Floating Rate Capital Ltd. and its wholly-owned consolidated subsidiaries; “Funding I” refers to PennantPark Floating Rate Funding I, LLC; “Taxable Subsidiary” refers to PFLT Investment Holdings, LLC; “PSSL” refers to PennantPark Senior Secured Loan Fund I LLC, an unconsolidated joint venture; “PennantPark Investment Advisers” or “Investment Adviser” refers to PennantPark Investment Advisers, LLC; “PennantPark Investment Administration” or “Administrator” refers to PennantPark Investment Administration, LLC; “Credit Facility” refers to our multi-currency, senior secured revolving credit facility, as amended and restated; “2023 Notes” refers to our 3.83% Series A notes due 2023; “1940 Act” refers to the Investment Company Act of 1940, as amended; “Code” refers to the Internal Revenue Code of 1986, as amended; “RIC” refers to a regulated investment company under the Code; and “BDC” refers to a business development company under the 1940 Act. References to our portfolio, our investments, our Credit Facility, and our business include investments we make through our subsidiaries.

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Item 1. Consolidated Financial Statements

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	December 31, 2018 (unaudited)	September 30, 2018
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$830,609,329 and \$856,893,017, respectively)	\$818,667,554	\$854,753,064
Controlled, affiliated investments (cost—\$161,875,000 and \$144,375,000, respectively)	160,995,761	145,860,229
Total of investments (cost—\$992,484,329 and \$1,001,268,017, respectively)	979,663,315	1,000,613,293
Cash and cash equivalents (cost—\$35,296,899 and \$72,231,801, respectively)	35,180,396	72,224,183
Interest receivable	3,182,120	2,813,808
Prepaid expenses and other assets	651,627	792,069
Total assets	1,018,677,458	1,076,443,353
Liabilities		
Distributions payable	3,683,347	3,683,347
Payable for investments purchased	161,625	59,587,222
Credit Facility payable (cost—\$350,907,500 and \$333,727,520, respectively) (See Notes 5 and 10)	345,867,658	332,128,815
2023 Notes payable (cost—\$138,579,858) (See Notes 5 and 10)	133,410,829	135,503,385
Interest payable on debt	1,621,060	2,638,504
Base management fee payable (See Note 3)	2,498,766	2,419,629
Performance-based incentive fee payable (See Note 3)	187,202	3,298,404
Accrued other expenses	1,460,249	1,342,479
Total liabilities	488,890,736	540,601,785
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 38,772,074 shares issued and outstanding		
Par value \$0.001 per share and 100,000,000 shares authorized	38,772	38,772
Paid-in capital in excess of par value	539,462,336	539,462,336
Distributions in excess of net investment income	(5,259,447)	(5,153,449)
Accumulated net realized loss on investments	(1,407,764)	(2,331,230)
Net unrealized depreciation on investments	(13,256,046)	(850,039)
Net unrealized depreciation on debt	10,208,871	4,675,178
Total net assets	\$529,786,722	\$535,841,568
Total liabilities and net assets	\$1,018,677,458	\$1,076,443,353

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Net asset value per share	\$13.66	\$13.82
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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,	
	2018	2017
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$18,169,998	\$13,867,420
Other income	621,189	433,180
From controlled, affiliated investments:		
Interest	2,818,045	535,760
Dividend	1,575,000	—
Total investment income	23,184,232	14,836,360
Expenses:		
Base management fee (See Note 3)	2,498,766	1,822,063
Performance-based incentive fee (See Note 3)	(1,192,409)	148,010
Interest and expenses on debt (See Note 10)	5,305,478	2,618,308
Administrative services expenses (See Note 3)	500,000	500,000
Other general and administrative expenses	616,075	618,751
Expenses before amendment costs, debt issuance costs and provision for taxes	7,727,910	5,707,132
Credit Facility amendment costs and debt issuance costs (See Notes 5 and 10)	4,512,279	10,869,098
Provision for taxes	—	200,000
Total expenses	12,240,189	16,776,230
Net investment income (loss)	10,944,043	(1,939,870)
Realized and unrealized (loss) gain on investments and debt:		
Net realized gain (loss) on investments	923,466	(2,786,551)
Net change in unrealized (depreciation) appreciation on:		
Non-controlled, non-affiliated investments	(10,041,539)	3,198,156
Controlled, affiliated investments	(2,364,468)	318,442
Debt depreciation (See Notes 5 and 10)	5,533,693	3,128,605
Net change in unrealized (depreciation) appreciation on investments and debt	(6,872,314)	6,645,203
Net realized and unrealized (loss) gain from investments and debt	(5,948,848)	3,858,652
Net increase in net assets resulting from operations	\$4,995,195	\$1,918,782
Net increase in net assets resulting from operations per common share (See Note 7)	\$0.13	\$0.05
Net investment income (loss) per common share	\$0.28	\$(0.05)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Three Months Ended	
	December 31,	
	2018	2017
Net increase in net assets resulting from operations:		
Net investment income (loss)	\$ 10,944,043	\$(1,939,870)
Net realized gain (loss) on investments	923,466	(2,786,551)
Net change in unrealized (depreciation) appreciation on investments	(12,406,007)	3,516,598
Net change in unrealized depreciation on debt	5,533,693	3,128,605
Net increase in net assets resulting from operations	4,995,195	1,918,782
Distributions to stockholders	(11,050,041)	(10,424,561)
Capital transactions		
Public offering (See Note 1)	—	89,031,800
Offering costs	—	(1,012,044)
Net increase in net assets resulting from capital transactions	—	88,019,756
Net (decrease) increase in net assets	(6,054,846)	79,513,977
Net assets:		
Beginning of period	535,841,568	457,906,274
End of period	\$529,786,722	\$537,420,251
Distribution in excess of net investment income, end of period	\$(5,259,447)	\$(9,200,786)
Capital share activity:		
Shares issued from public offering	—	6,292,000

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,	
	2018	2017
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$4,995,195	\$1,918,782
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized depreciation (appreciation) on investments	12,406,007	(3,516,598)
Net change in unrealized depreciation on debt	(5,533,693)	(3,128,605)
Net realized (gain) loss on investments	(923,466)	2,786,551
Net accretion of discount and amortization of premium	(416,480)	(382,250)
Purchases of investments	(180,731,899)	(176,867,446)
Payment-in-kind interest	(90,696)	(160,484)
Proceeds from dispositions of investments	190,294,479	149,082,954
Increase in interest receivable	(368,312)	(112,488)
Decrease in receivable for investments sold	—	2,995,802
Decrease in prepaid expenses and other assets	140,442	422,939
Decrease in payable for investments purchased	(59,425,597)	(16,131,273)
(Decrease) increase in interest payable on debt	(1,017,444)	495,481
Increase in base management fee payable	79,137	37,257
Decrease in performance-based incentive fee payable	(3,111,202)	(2,488,756)
Increase in accrued other expenses	117,770	438,632
Net cash used in operating activities	(43,585,759)	(44,609,502)
Cash flows from financing activities:		
Public offering	—	89,031,800
Offering costs	—	(1,012,044)
Distributions paid to stockholders	(11,050,041)	(9,826,821)
Proceeds from 2023 Notes issuance (See Notes 5 and 10)	—	138,579,858
Borrowings under Credit Facility (See Notes 5 and 10)	104,500,000	11,485,010
Repayments under Credit Facility (See Notes 5 and 10)	(87,320,020)	(74,900,000)
Net cash provided by financing activities	6,129,939	153,357,803
Net (decrease) increase in cash equivalents	(37,455,820)	108,748,301
Effect of exchange rate changes on cash	412,033	126,281
Cash and cash equivalents, beginning of period	72,224,183	18,910,756
Cash and cash equivalents, end of period	\$35,180,396	\$127,785,338
Supplemental disclosure of cash flow information:		
Interest paid	\$6,322,922	\$12,991,925
Taxes paid	\$—	\$2,984
Non-cash exchanges and conversions	\$—	\$—

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2018

(Unaudited)

Name	Maturity	Industry	Coupon	Current	Basis Point Spread	Abx / Par	Ind. Shares	Cost	Fair Value
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—154.5% ⁽⁴⁾									
Secured Debt—146.1%									
America, Inc.							3M		
	08/08/2022	Business Services	9.81	%	L+700		700,945,808	\$10,764,743	\$10,764,743
Auto Auction Group, LLC		Transportation:					3M		
	11/30/2021	Consumer	7.80	%	L+52		52,842,972	5,789,736	5,789,736
Insulated Glass, LLC ⁽⁷⁾		Building Products	7.98	%	L+51		51,000,000	14,702,107	14,702,107
Insulated Glass, LLC ^{(7), (8)}		Building Products	—		—		649,351	—	—
Scaffold		Aerospace and					3M		
	03/31/2022	Defense	9.30	%	L+63		63,043,500	4,396,345	4,396,345
Teleconferencing Services, Ltd.		Telecommunications					3M		
	12/08/2021	Telecommunications	8.93	%	L+69		69,062,564	9,852,697	9,852,697
Technologies Corp.		Aerospace and					1M		
	04/22/2024	Defense	8.27	%	L+57		57,962,500	4,904,626	4,904,626
Technologies Corp. (Revolver) ^{(7), (8)}		Aerospace and	—		—		—	—	—
	04/22/2024	Defense	—		—		1,968,504	—	(1,968,504)
tion Systems & Space Company, Inc.		Aerospace and					3M		
	04/28/2023	Defense	8.31	%	L+51		51,820,000	11,727,519	11,727,519
Professional IT Services, LLC		High Tech Industries					1M		
	05/16/2022	High Tech Industries	9.73	%	L+72		72,555,281	12,328,065	12,328,065
Professional IT Services, LLC (Revolver) ^{(7), (8)}		High Tech Industries	—		—		—	—	—
	05/16/2022	High Tech Industries	—		—		2,311,784	—	(2,311,784)
Aerospace, LLC		Aerospace and					3M		
	11/14/2023	Defense	9.11	%	L+61		61,890,000	10,801,992	10,801,992
alth, LLC ⁽⁷⁾		Healthcare and					1M		
	12/23/2021	Pharmaceuticals	8.55	%	L+61		61,525,698	1,511,407	1,511,407
Markets LLC		Beverage, Food and					1M		
	11/29/2023	Tobacco	8.27	%	L+53		53,864,458	3,871,349	3,871,349
Z Purchaser, Inc.		Consumer Goods:					3M		
	07/21/2023	Durable	8.80	%	L+60		60,119,920	15,833,996	15,833,996
dings, Inc. ⁽⁷⁾		Environmental					3M		
	04/10/2025	Industries	7.30	%	L+45		45,129,911	6,101,233	6,101,233

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Buildings, Inc. (7), (8)	04/10/2025	Environmental Industries	—	—	—	—	—
er Performance Optimization, (Revolver) (7)	08/31/2023	Business Services	8.19	%	L+571,447	711,447	70
Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	7.80	%	L+500,727,205	17,693,756	15
onnet, Inc.	03/13/2023	High Tech Industries	7.99	%	L+550,427,733	11,352,364	11
onnet, Inc. (Revolver) (7), (8)	03/13/2023	High Tech Industries	—	—	1,000,000	—	—
ing, LLC (7)	02/03/2020	Business Services	15.00	%	— 562,820	562,820	56
ing, LLC	08/02/2021	Business Services	7.76	%	L+525,351,031	17,261,090	17
Buildings, Inc.	10/31/2023	Consumer Goods: Non-Durable	8.77	%	L+625,962,240	4,878,577	4,9
Buildings, Inc. (Revolver) (7), (8)	10/31/2022	Consumer Goods: Non-Durable	—	—	2,115,000	—	—
oom Holdings, Inc.	12/29/2023	Media: Advertising, Printing and Publishing	7.53	%	L+500 16,335,000	16,208,822	16
Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	8.56	%	L+574,449,632	14,231,369	14
Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	—	—	4,391,176	—	(32
er) (7), (8)	10/19/2022	Chemicals, Plastics and Rubber	8.56	%	L+595,890,893	9,817,055	9,8
Sewer Intermediate, LLC (7)	03/07/2022	Hotel, Gaming and Leisure	10.80	%	L+800,869,686	19,718,836	19
ey Tourist Development Authority	10/05/2023	Banking, Finance, Insurance & Real Estate	7.31	%	L+500 24,688,125	24,688,125	24
sion Financial Services, Inc. (9)	10/05/2023	Banking, Finance, Insurance & Real Estate	—	—	5,000,000	—	—
sion Financial Services, Inc. (Revolver) (7), (8),	05/06/2021	Telecommunications	9.53	%	L+700,473,106	20,386,651	20
Networks of America, Inc.	05/06/2021	Telecommunications	9.76	%	L+700,739,130	1,739,130	1,7
Networks of America, Inc. (Revolver) (7)	05/06/2021	Telecommunications	—	—	434,783	—	(2,
Networks of America, Inc. (Revolver) (7), (8)	06/15/2022	Media: Diversified and Production	9.56	%	L+615,435,771	15,347,010	15
Collaborative Retail Marketing Company, LLC	11/14/2022	High Tech Industries	9.98	%	L+750,800,412	5,171,752	5,3
oftware LLC	11/14/2022	High Tech Industries	11.00	%	P+550,466,667	1,466,667	1,4
oftware LLC (Revolver) (7)	11/14/2022	High Tech Industries	—	—	1,200,000	—	—
oftware LLC (Revolver) (7), (8)	11/18/2024	Beverages	6.88	%	L+425,500,000	7,425,790	7,4
ow LLC	11/16/2023	Beverages	6.88	%	L+435,370	313,700	31
ow LLC (Revolver) (7)	11/16/2023	Beverages	—	—	2,823,300	—	(28
ow LLC (Revolver) (7), (8)							

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Holdings, Inc. ⁽⁷⁾	06/03/2024	Consumer Goods: Durable	7.30	%	3M L+450,081,754	5,057,897	5,057,897
Holdings, Inc. (Revolver) ^{(7), (8)}	06/03/2024	Consumer Goods: Durable	—		— 4,751,000	—	—
Sleep Products, LLC	06/09/2023	Consumer Goods: Non-Durable	10.80	%	3M L+800,952,132	10,778,209	10,778,209
er Limited and Aptara, Inc. ^{(5), (9)}	05/01/2019	Business Services	8.53	%	1M L+600,091,434	5,085,308	5,085,308
Holdings, Inc. (Revolver) ^{(7), (8)}	10/28/2024	Aerospace and Defense	—		— 1,968,504	—	(9,600,000)
Group, LLC ⁽⁷⁾	06/27/2023	Wholesale	9.30	%	3M L+650,460,052	17,380,508	17,380,508
Medical Ophthalmics Inc. ^{(5), (9)}	04/13/2022	Capital Equipment	9.55	%	3M L+635,331,134	3,297,162	3,297,162
Medical Ophthalmics Inc. (Revolver) ^{(5), (7), (9)}	04/13/2022	Capital Equipment	11.00	%	P+550,796	70,796	70,796
Medical Ophthalmics Inc. (Revolver) ^{(5), (7), (8), (9)}	04/13/2022	Capital Equipment	—		— 460,177	—	(4,600,000)
e Nutrition, LLC	09/29/2023	Consumer Services	7.55	%	3M L+435,000,000	35,655,195	35,655,195
e Nutrition, LLC (Revolver) ^{(7), (8)}	09/29/2023	Consumer Services	—		— 5,000,000	—	(5,000,000)
Power, Inc.	04/30/2020	Consumer Goods: Durable	9.02	%	1M L+630,017,523	4,206,067	4,206,067
Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	7.84	%	1M L+520,000,000	19,701,838	19,701,838
Solutions NoCal, L.P. (Revolver) ^{(7), (8)}	12/20/2023	Chemicals, Plastics and Rubber	—		— 1,428,571	—	—
Holdings, Inc.	10/31/2022	Wholesale	8.80	%	3M L+600,099,514	11,970,606	11,970,606
Holdings, Inc. (Revolver) ⁽⁷⁾	10/30/2020	Wholesale	6.76	%	1M L+412,039,032	129,032	129,032
Holdings, Inc. (Revolver) ^{(7), (8)}	10/30/2020	Wholesale	—		— 1,080,645	—	—
ort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	12.30	%	3M L+950,072,500	9,949,417	9,949,417
er Holdings, Inc.	10/31/2024	Capital Equipment	8.30	%	3M L+550,896,825	5,345,403	5,345,403
er Holdings, Inc. ^{(7), (8)}	10/31/2024	Capital Equipment	—		— 3,015,873	—	(5,000,000)
er Holdings, Inc. (Revolver) ⁽⁷⁾	10/31/2024	Capital Equipment	8.30	%	3M L+520,396,968	253,968	253,968
er Holdings, Inc. (Revolver) ^{(7), (8)}	10/31/2024	Capital Equipment	—		— 1,333,333	—	(2,500,000)
Holdings LLC ⁽⁷⁾	11/30/2021	Healthcare and Pharmaceuticals	10.80	%	3M L+800,667,648	4,599,788	4,599,788
Brothers, Inc.	04/13/2022	Capital Equipment	9.55	%	3M L+695,228,329	9,130,981	9,130,981
Brothers, Inc. (Revolver) ⁽⁷⁾	04/13/2022	Capital Equipment	11.00	%	P+550,796	707,965	707,965
Brothers, Inc. (Revolver) ^{(7), (8)}	04/13/2022	Capital Equipment	—		— 530,973	—	(5,000,000)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

DECEMBER 31, 2018

(Unaudited)

Issuer Name	Maturity	Industry	Coupon	Basis Point		Shares	Cost	Fair Value ⁽²⁾
				Current	Spread			
					Abov	Par /		
Long Island Vision Management, LLC	09/11/2023	Healthcare and Pharmaceuticals	7.27	%	1M L+475	6,037,500	\$5,980,092	\$5,930,731
Long Island Vision Management, LLC ^{(7), (8)}	09/11/2023	Healthcare and Pharmaceuticals	—	—	—	3,947,368	—	(69,806)
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.51	%	2M L+500	9,975,000	9,894,185	9,925,125
Long's Drugs Incorporated (Revolver) ⁽⁷⁾	08/19/2022	Healthcare and Pharmaceuticals	9.50	%	3M L+400	675,000	675,000	661,500
Long's Drugs Incorporated (Revolver) ^{(7), (8)}	08/19/2022	Healthcare and Pharmaceuticals	—	—	—	2,325,000	—	(46,500)
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.38	%	1M L+600	13,956,250	13,846,900	13,258,438
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.46	%	1M L+600	7,433,333	7,363,747	7,276,453
Manna Pro Products, LLC ^{(7), (8)}	12/08/2023	Consumer Goods: Non-Durable	—	—	—	1,007,500	—	(21,263)
Marketplace Events LLC	01/27/2021	Media: Diversified and Production	8.05	%	3M L+525	3,334,793	3,307,858	3,318,119
Marketplace Events LLC ⁽¹⁰⁾	01/27/2021	Media: Diversified and Production	7.53	%	P+275	\$16,430,069	11,572,749	11,969,488
Marketplace Events LLC (Revolver) ^{(7), (8)}	01/27/2021	Media: Diversified and Production	—	—	—	1,703,163	—	(8,516)
Mission Critical Electronics, Inc.	09/28/2021	Capital Equipment	9.50	%	P+400	132,509	132,509	131,550

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(Revolver) ⁽⁷⁾								
Mission Critical Electronics, Inc.								
(Revolver) ⁽⁷⁾ , ⁽⁸⁾	09/28/2021	Capital Equipment				1,192,580		(8,630)
Montreign Operating Company, LLC		Hotel, Gaming and Leisure	10.96	%	3M L+825	26,097,660	26,433,847	24,357,729
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	8.80	%	3M L+600	20,370,174	20,025,534	20,166,472
New Trident HoldCorp, Inc.	08/01/2022	Healthcare and Pharmaceuticals	8.53	%	3M L+600 (PIK 3.00%)	7,057,310	6,988,201	3,458,081
NextiraOne Federal, LLC	08/27/2024	Aerospace and Defense	8.28	%	1M L+575	18,136,364	17,876,236	17,635,614
NextiraOne Federal, LLC (Revolver) ⁽⁷⁾	08/27/2024	Aerospace and Defense	8.28	%	1M L+575	4,011,364	4,011,364	3,900,609
NextiraOne Federal, LLC (Revolver) ⁽⁷⁾ , ⁽⁸⁾	08/27/2024	Aerospace and Defense	—		—	2,806,818	—	(77,497)
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.97	%	1M L+450	1,847,857	1,829,379	1,847,857
Olde Thompson, LLC - Revolver ⁽⁷⁾ , ⁽⁸⁾	05/14/2024	Beverage, Food and Tobacco	—		—	2,642,857	—	—
Ox Two, LLC	02/27/2023	Construction and Building	8.77	%	1M L+625	12,971,172	12,886,555	12,971,172
Ox Two, LLC (Revolver) ⁽⁷⁾	02/27/2023	Construction and Building	12.75	%	P+725	166,667	166,667	166,667
Ox Two, LLC (Revolver) ⁽⁷⁾ , ⁽⁸⁾	02/27/2023	Construction and Building	—		—	388,889	—	—
Peninsula Pacific Entertainment LLC	11/13/2024	Hotel, Gaming and Leisure	10.05	%	3M L+725	11,250,000	11,193,887	11,137,500
Peninsula Pacific Entertainment LLC ⁽⁷⁾ , ⁽⁸⁾	11/13/2024	Hotel, Gaming and Leisure	—		—	1,250,000	—	(12,500)
Pestell Minerals and Ingredients Inc. ⁽⁵⁾ , ⁽⁹⁾	06/01/2023	Beverage, Food and Tobacco	7.60	%	1M L+525	15,000,000	14,855,180	14,788,844
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	8.25	%	3M L+575	2,129,677	2,097,141	2,113,705
Questex, LLC	09/09/2024	Media: Diversified and Production	9.02	%	3M L+625	7,481,250	7,338,857	7,331,625

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Questex, LLC (Revolver) ⁽⁷⁾	09/09/2024	Media: Diversified and Production	9.02	%	3M L+625	199,468	199,468	195,479
Questex, LLC (Revolver) ⁽⁷⁾ , ⁽⁸⁾	09/09/2024	Media: Diversified and Production	—		—	997,340	—	(19,947)
Quick Weight Loss Centers, LLC	08/23/2021	Beverage, Food and Tobacco	7.15	%	3M L+475	9,375,000	9,296,186	7,781,250
Research Horizons, LLC	06/28/2022	Media: Advertising, Printing and Publishing	8.60	%	1M L+625	5,217,188	5,124,447	5,086,758
Research Horizons, LLC ⁽⁷⁾ , ⁽⁸⁾	06/28/2022	Media: Advertising, Printing and Publishing	—		—	2,128,378	—	(53,210)
Research Horizons, LLC (Revolver) ⁽⁷⁾	06/28/2022	Media: Advertising, Printing and Publishing	8.60	%	1M L+625	189,189	189,189	184,459
Research Horizons, LLC (Revolver) ⁽⁷⁾ , ⁽⁸⁾	06/28/2022	Media: Advertising, Printing and Publishing	—		—	756,757	—	(18,919)
Research Now Group, Inc. and Survey Sampling International LLC	12/20/2024	Business Services	8.02	%	1M L+550	24,750,000	23,650,118	24,224,063
Salient CRGT Inc.	02/28/2022	High Tech Industries	8.27	%	1M L+575	13,046,365	12,864,796	12,720,206
SFP Holding, Inc. ⁽⁷⁾	09/01/2022	Construction and Building	8.90	%	3M L+625	6,827,259	6,771,647	6,827,259
SFP Holding, Inc. ⁽⁷⁾ , ⁽⁸⁾	09/01/2022	Construction and Building	—		—	3,909,952	—	—
SFP Holding, Inc. (Revolver) ⁽⁷⁾	09/01/2022	Construction and Building	8.90	%	3M L+625	166,667	166,667	166,667
SFP Holding, Inc. (Revolver) ⁽⁷⁾ , ⁽⁸⁾	09/01/2022	Construction and Building	—		—	333,333	—	—
Smile Brands Inc. ⁽⁷⁾	10/14/2024	Healthcare and Pharmaceuticals	7.13	%	1M L+450	1,130,193	1,130,193	1,118,891
Smile Brands Inc. ⁽⁷⁾ , ⁽⁸⁾	10/14/2024	Healthcare and Pharmaceuticals	—		—	3,378,557	—	(33,786)
Smile Brands Inc. (Revolver) ⁽⁷⁾	10/14/2024	Healthcare and Pharmaceuticals	9.00	%	P+350	269,375	269,375	264,472
Smile Brands Inc. (Revolver) ⁽⁷⁾ , ⁽⁸⁾	10/14/2024	Healthcare and Pharmaceuticals	—		—	1,346,875	—	(24,513)
Snak Club, LLC (Revolver) ⁽⁷⁾	07/19/2021	Beverage, Food and Tobacco	8.35	%	1M L+600	483,333	483,333	406,000

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Snak Club, LLC (Revolver) ⁽⁷⁾ , ⁽⁸⁾	07/19/2021	Beverage, Food and Tobacco	—	—	—	183,333		(29,333)
Snak Club, LLC (Revolver) ⁽⁷⁾ , ⁽⁸⁾	02/22/2019	Beverage, Food and Tobacco	—	—	—	133,333		(1,333)
TeleGuam Holdings, LLC	07/25/2023	Telecommunications	7.52	%	1M L+500	7,856,923	7,760,262	7,778,354
Tensar Corporation	07/09/2021	Construction and Building	7.55	%	3M L+475	22,620,696	22,486,967	21,998,627
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.95	%	3M L+525	6,446,313	6,406,628	6,349,618
The Original Cakerie, Co. ⁽⁵⁾ , ⁽⁹⁾	07/20/2022	Consumer Goods: Non-Durable	7.50	%	1M L+500	7,683,034	7,623,473	7,644,619
The Original Cakerie Ltd. ⁽⁵⁾ , ⁽⁹⁾	07/20/2022	Consumer Goods: Non-Durable	7.00	%	2M L+450	5,472,647	5,434,179	5,445,284
The Original Cakerie Ltd. (Revolver) ⁽⁵⁾ , ⁽⁷⁾ , ⁽⁹⁾	07/20/2022	Consumer Goods: Non-Durable	7.02	%	1M L+450	453,915	453,915	449,376
The Original Cakerie Ltd. (Revolver) ⁽⁵⁾ , ⁽⁷⁾ , ⁽⁸⁾ , ⁽⁹⁾	07/20/2022	Consumer Goods: Non-Durable	—	—	—	964,569		(9,646)
Triad Manufacturing, Inc.	12/28/2020	Capital Equipment	15.77	%	3M L+1,325	7,892,576	7,819,288	7,616,336
UBEO, LLC	04/03/2024	Capital Equipment	7.00	%	1M L+450	11,177,269	11,070,783	11,065,497
UBEO, LLC ⁽⁷⁾ , ⁽⁸⁾	04/03/2024	Capital Equipment	—	—	—	3,086,646		(30,866)
UBEO, LLC (Revolver) ⁽⁷⁾	04/03/2024	Capital Equipment	7.00	%	3M L+450	733,333	733,333	719,987
UBEO, LLC (Revolver) ⁽⁷⁾ , ⁽⁸⁾	04/03/2024	Capital Equipment	—	—	—	2,200,000		(40,040)
UniTek Global Services, Inc.	08/20/2024	Telecommunications	8.01	%	1M L+550	10,473,750	10,265,482	10,264,276
US Dominion, Inc.	07/15/2024	Capital Equipment	9.28	%	3M L+675	5,970,000	5,871,766	5,970,000
US Dominion, Inc. (Revolver) ⁽⁷⁾ , ⁽⁸⁾	07/15/2024	Capital Equipment	—	—	—	2,500,000		—
US Med Acquisition, Inc. ⁽⁷⁾	08/13/2021	Healthcare and Pharmaceuticals	11.80	%	1M L+900	3,019,531	3,019,531	2,868,555
Veterinary Specialists of North America, LLC	07/15/2021	Healthcare and Pharmaceuticals	7.99	%	1M L+550	16,696,749	16,629,095	16,769,788
	07/15/2021		—	—	—	756,953		3,311

Veterinary Specialists of North America, LLC ^{(7), (8)}		Healthcare and Pharmaceuticals					
Veterinary Specialists of North America, LLC (Revolver) ⁽⁷⁾	07/15/2021	Healthcare and Pharmaceuticals	7.97	%	183,333	183,333	184,135
Veterinary Specialists of North America, LLC (Revolver) ^{(7), (8)}	07/15/2021	Healthcare and Pharmaceuticals	—	—	696,667	—	3,046
Total First Lien Secured Debt						789,260,258	774,269,800
SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS							

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

DECEMBER 31, 2018

(Unaudited)

Issuer Name	Maturity	Industry	Coupon	Basis Point		Shares	Cost	Fair Value ⁽²⁾
				Current	Above Par / Spread			
Second Lien Secured Debt—4.0%								
Condor Borrower, LLC ⁽⁷⁾	04/25/2025	Tech Industries	11.28 %	—	3M L+875	2,000,000	\$ 1,964,477	\$ 1,990,000
DecoPac, Inc. ⁽⁷⁾	03/31/2025	Beverage, Food and Tobacco	11.05 %	—	3M L+825	11,341,463	11,142,133	11,341,463
MailSouth, Inc.	10/23/2024	Media: Advertising, Printing and Publishing	12.00 %	—	6M L+925	3,775,000	3,703,769	3,699,500
McAfee, LLC ⁽⁷⁾	09/29/2025	Tech Industries	11.01 %	—	1M L+850	2,291,667	2,259,295	2,268,750
PT Network, LLC ⁽⁷⁾	04/12/2025	Healthcare and Pharmaceuticals	12.43 %	—	3M L+1,000	1,666,667	1,639,569	1,641,667
Total Second Lien Secured Debt							20,709,243	20,941,380
Preferred Equity—0.5% ^{(6), (7)}								
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) ⁽¹¹⁾	—	Healthcare and Pharmaceuticals	—	—	—	1,458	21,870	23,385
Condor Holdings Limited ^{(5), (9)}	—	High Tech Industries	—	—	—	88,000	10,173	10,918
Condor Top Holdco Limited ^{(5), (9)}	—	High Tech Industries	—	—	—	88,000	77,827	83,521
NXOF Holdings, Inc. (NextiraOne Federal, LLC)	—	Aerospace and Defense	—	—	—	490	490,000	418,627
UniTek Global Services, Inc. - Super Senior Preferred Equity	—	Telecommunications	20.00 %	—	—	343,861	343,861	370,171
UniTek Global Services, Inc. - Senior	—	Telecommunications	18.00 %	—	—	448,851	448,851	598,490

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Preferred Equity						
UniTek Global Services, Inc.	— Telecommunications	13.50 %	—	1,047,317	670,283	1,057,330
Total Preferred Equity					2,062,865	2,562,442
Common Equity/Warrants—3.9% (6), (7)						
Affinion Group Holdings, Inc.	— Consumer Goods: Durable	—	—	99,029	3,514,573	1,936,142
Affinion Group Holdings, Inc., Series C and Series D	— Consumer Goods: Durable	—	—	4,298	1,186,649	1,916
AG Investco LP ⁽¹¹⁾	— Software	—	—	650,000	650,000	650,000
AG Investco LP ^{(8), (11)}	— Software	—	—	350,000	—	—
By Light Investco LP ⁽¹¹⁾	— High Tech Industries	—	—	21,908	2,190,771	4,005,419
By Light Investco LP ^{(8), (11)}	— High Tech Industries	—	—	5,592	—	—
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) ⁽¹¹⁾	— Business Services	—	—	112,001	1,153,614	1,312,852
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) ⁽¹¹⁾	— Healthcare and Pharmaceuticals	—	—	13,333	200,000	200,000
CI (Summit) Investment Holdings, LLC (SFP Holding, Inc.)	— Construction and Building	—	—	47,893	500,000	616,564
DecoPac Holdings Inc.	— Beverage, Food and Tobacco	—	—	1,633	1,632,744	2,467,943
eCommission Holding Corporation ⁽⁹⁾	— Banking, Finance, Insurance & Real Estate	—	—	20	251,156	253,021
Faraday Holdings, LLC	— Construction and Building	—	—	1,141	58,044	313,935
Gauge InfosoftCoInvest, LLC (The Infosoft Group, LLC)	— Media: Broadcasting and Subscription	—	—	500	500,000	720,053
GCOM InvestCo LP ⁽¹¹⁾	— High Tech Industries	—	—	1,281,433	1,281,433	1,992,167
GCOM InvestCo LP ^{(8), (11)}	— High Tech Industries	—	—	718,567	—	—
Go Dawgs Capital III, LP (American Insulated Glass, LLC) ⁽¹¹⁾	— Building Products	—	—	324,675	324,675	324,675
IIN Group Holdings, LLC	— Consumer Services	—	—	1,000	1,000,000	1,248,423

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(Integrative Nutrition, LLC) ⁽¹¹⁾							
ITC Rumba, LLC (Cano Health, LLC) ⁽¹¹⁾	— Healthcare and Pharmaceuticals	—	—	17,500	350,000	327,829	
JWC/UMA Holdings, L.P.	— Healthcare and Pharmaceuticals	—	—	1,000	1,000,000	1,081,804	
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC)	— Wholesale	—	—	1,381,741	1,381,741	1,381,740	
NXOF Holdings, Inc. (NextiraOne Federal, LLC)	— Aerospace and Defense	—	—	10,000	10,000	—	
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.)	— Capital Equipment	—	—	500	500,000	500,000	
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.)	— Capital Equipment	—	—	500	—	184,299	
TPC Broadband Investors, LP ⁽¹¹⁾	— Telecommunications	—	—	748,706	748,706	1,086,579	
TPC Broadband Investors, LP ^{(8), (11)}	— Telecommunications	—	—	251,294	—	—	
UniTek Global Services, Inc.	— Telecommunications	—	—	213,739	—	—	
UniTek Global Services, Inc. (Warrants)	— Telecommunications	—	—	23,889	—	—	
WBB Equity, LLC ⁽¹¹⁾	— Aerospace and Defense	—	—	142,857	142,857	288,571	
Total Common Equity/Warrants					18,576,963	20,893,932	
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies					830,609,329	818,667,554	
Investments in Controlled, Affiliated Portfolio Companies—30.4% ⁽⁴⁾							
First Lien Secured Debt—21.4%							
PennantPark Senior Secured Loan Fund I LLC ^{(7), (9)}	05/06/2024 Financial Services			3M L+800	113,312,500	113,312,500	113,312,500
			10.80 %				
Equity Interests—9.0%							
PennantPark Senior Secured Loan Fund I LLC ^{(7), (9)}	— Financial Services	—	—	—	48,562,500	47,683,261	
Total Investments in Controlled, Affiliated Portfolio Companies					161,875,000	160,995,761	

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Total	992,484,329	979,663,315
Investments—184.9%		
Cash and Cash		
Equivalents—6.6%		
BlackRock Federal FD	32,409,149	32,409,149
Institutional 30		
BNY Mellon Cash	2,887,750	2,771,247
Total Cash and Cash	35,296,899	35,180,396
Equivalents		
Total Investments and	\$ 1,027,781,228	\$ 1,014,843,711
Cash		
Equivalents—191.6%		
Liabilities in Excess of		(485,056,989)
Other Assets—(91.6)%		
Net Assets—100.0%		\$ 529,786,722

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable London Interbank Offered Rate, or LIBOR or “L” or Prime rate, or “P.” The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), at the borrower’s option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes payment-in-kind, or PIK, interest and other fee rates, if any.
 - (2) Valued based on our accounting policy (See Note 2). The value of all securities was determined using significant unobservable inputs (See Note 5).
 - (3) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally presumed to be “non-controlled” when we own 25% or less of the portfolio company’s voting securities and “controlled” when we own more than 25% of the portfolio company’s voting securities.
 - (4) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally deemed as “non-affiliated” when we own less than 5% of a portfolio company’s voting securities and “affiliated” when we own 5% or more of a portfolio company’s voting securities.
 - (5) Non-U.S. company or principal place of business outside the United States.
 - (6) Non-income producing securities.
 - (7) The securities, or a portion thereof, are not pledged as collateral under the Credit Facility. All other securities are pledged as collateral under the Credit Facility and held through Funding I.
 - (8) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.
 - (9) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2018, qualifying assets represent 22% of our total assets and non-qualifying assets represent 78% of our total assets.
 - (10) Par amount is denominated in Canadian Dollars (C\$) as denoted.
 - (11) Investment is held through our Taxable Subsidiary (See Note 1).
- SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

Name	Maturity	Industry	Coupon	Current	Basis Point Spread	Index	Par / Shares	Cost	Fair Value
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—159.5% ⁽⁴⁾									
Secured Debt—151.6%									
Sup Intermediate Holdings, Inc.	08/01/2025	Banking, Finance, Insurance and Real Estate	6.74	%	1M L+450	9,975,000	\$9,950,063	\$10,000,000	100.0%
America, Inc.	08/08/2022	Business Services	9.39	%	3M L+700	1,685,452	1,685,452	1,685,452	100.0%
Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	7.34	%	3M L+525	5,857,878	5,800,066	5,800,066	99.0%
Scaffold	03/31/2022	Aerospace and Defense	8.89	%	3M L+650	4,500,000	4,455,413	4,455,413	99.2%
Teleconferencing Services, Ltd.	12/08/2021	Telecommunications	8.84	%	3M L+650	10,107,368	9,986,139	9,986,139	99.7%
Technologies Corp.	04/22/2024	Aerospace and Defense	8.25	%	1M L+600	4,987,500	4,927,669	4,927,669	98.8%
Technologies Corp. (Revolver) ^{(7), (8)}	04/22/2024	Aerospace and Defense	—	%	—	1,968,504	—	—	(9.0%)
Industry Group Opco, LLC	04/06/2023	Consumer Goods: Non-Durable	7.00	%	1M L+475	33,047,995	32,717,900	32,717,900	99.0%
ision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	7.89	%	3M L+550	11,850,000	11,752,654	11,752,654	99.2%
Professional IT Services, LLC	05/16/2022	High Tech Industries	9.57	%	3M L+725	15,454,395	15,157,019	15,157,019	98.1%
Professional IT Services, LLC (Revolver) ⁽⁷⁾	05/16/2022	High Tech Industries	—	%	—	2,311,784	—	—	(0.0%)
Aerospace, LLC	11/14/2023	Aerospace and Defense	8.82	%	3M L+650	10,917,500	10,824,456	10,824,456	99.2%
argo Control, Inc.	06/30/2021	Transportation: Cargo	6.99	%	1M L+475	2,418,750	2,406,335	2,406,335	99.5%
Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.99	%	1M L+575	3,874,317	3,881,627	3,881,627	100.0%
Z Purchaser, Inc. ⁽⁷⁾	07/21/2023	Consumer Goods: Durable	8.39	%	3M L+600	16,161,170	15,861,453	15,861,453	98.2%
ldings, Inc. ⁽⁷⁾	04/10/2025	Environmental Industries	6.89	%	3M L+450	6,145,313	6,115,613	6,115,613	99.5%

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Holdings, Inc. (7), (8)	04/10/2025	Environmental Industries	—	—	—	1,339,286	—	6,6
Performance Optimization, (Revolver) (7)	08/31/2023	Business Services	7.89	%	L+575	426,868	426,868	42
Performance Optimization, (Revolver) (7), (8)	08/31/2023	Business Services	—	—	—	284,579	—	(2,
Group for the Soul Publishing, LLC	01/08/2019	Media: Advertising, Printing and Publishing	8.35	%	L+625	4,539,286	4,535,666	3,9
Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	7.39	%	L+500	17,727,205	17,691,760	17
onnet, Inc.	03/13/2023	High Tech Industries	8.52	%	L+600	26,713,426	26,527,311	26
onnet, Inc. (Revolver) (7), (8)	03/13/2023	High Tech Industries	—	—	—	1,000,000	—	—
ing, LLC	08/02/2021	Business Services	7.51	%	L+525	17,395,068	17,297,351	17
Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	7.74	%	L+550	7,344,001	7,214,912	7,3
Holdings, Inc. (Revolver) (7), (8)	10/31/2022	Consumer Goods: Non-Durable	—	—	—	2,115,000	—	—
oom Holdings, Inc. (7)	12/29/2023	Media: Advertising, Printing and Publishing	7.25	%	L+500	16,376,250	16,227,058	16
Products and Packaging Company LLC	03/29/2022	Chemicals, Plastics and Rubber	8.14	%	L+575	14,486,029	14,260,279	14
Products and Packaging Company LLC	03/29/2022	Chemicals, Plastics and Rubber	—	—	—	2,941,176	—	(2,
) (7), (8)								
Performance Brands, Inc.	09/30/2022	Consumer Goods: Durable	6.92	%	L+475	10,085,149	10,062,733	10
Performance Brands, Inc. (Revolver) (7), (8)	09/30/2022	Consumer Goods: Durable	—	—	—	1,000,000	—	—
ey Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	10.39	%	L+800	19,923,750	19,762,133	20
Networks of America, Inc.	05/06/2021	Telecommunications	9.24	%	L+700	20,742,489	20,646,931	20
Networks of America, Inc. (Revolver) (7)	05/06/2021	Telecommunications	9.19	%	L+700	1,304,348	1,304,348	1,3
Networks of America, Inc. (Revolver) (7), (8)	05/06/2021	Telecommunications	—	—	—	869,565	—	—
Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	9.14	%	L+675	9,331,620	9,268,771	9,2
ing Corporation (7), (8)	05/30/2025	Transportation: Cargo	—	—	—	628,571	—	(1,
oftware LLC (Revolver) (7), (8)	11/14/2022	High Tech Industries	—	—	—	2,666,667	—	—
Holdings, Inc. (7)	06/03/2024	Consumer Goods: Durable	6.86	%	L+450	5,097,491	5,072,239	5,0
Holdings, Inc. (Revolver) (7)	06/03/2024	Consumer Goods: Durable	6.87	%	L+450	1,187,750	1,187,750	1,1
Holdings, Inc. (Revolver) (7), (8)	06/03/2024	Consumer Goods: Durable	—	—	—	3,563,250	—	(1,
Sleep Products, LLC	06/09/2023		10.39	%		10,952,132	10,770,250	10

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		Consumer Goods: Non-Durable		3M L+800			
er Limited and Aptara, Inc. ^{(5), (9)}	05/01/2019	Business Services	8.25	%	L+600	5,445,988	5,434,106
roup, LLC ⁽⁷⁾	06/27/2023	Wholesale	8.64	%	L+625	12,482,923	12,364,105
roup, LLC ^{(7), (8)}	06/27/2023	Wholesale	—	—	—	12,491,009	—
Medical Ophthalmics Inc. ^{(5), (9)}	04/13/2022	Capital Equipment	9.14	%	L+675	3,339,631	3,303,281
Medical Ophthalmics Inc. (Revolver) ^{(5), (7), (9)}	04/13/2022	Capital Equipment	10.75	%	P+550	176,991	176,991
Medical Ophthalmics Inc. (Revolver) ^{(5), (7), (8), (9)}	04/13/2022	Capital Equipment	—	—	—	353,982	—
e Nutrition, LLC	09/29/2023	Consumer Services	7.15	%	L+475	36,000,000	35,640,000
e Nutrition, LLC (Revolver) ^{(7), (8)}	09/29/2023	Consumer Services	—	—	—	5,000,000	—
Inc.	11/14/2024	Business Services	6.25	%	L+400	14,451,316	14,384,410
Power, Inc.	04/30/2020	Consumer Goods: Durable	8.74	%	L+650	4,230,023	4,216,353
solutions NoCal, L.P. ⁽⁷⁾	02/19/2021	Chemicals, Plastics and Rubber	11.24	%	L+900	3,925,501	3,865,568
dings, Inc.	10/31/2022	Wholesale	8.39	%	L+600	12,109,261	11,972,865
dings, Inc. (Revolver) ⁽⁷⁾	10/30/2020	Wholesale	6.49	%	L+425	262,097	262,097
dings, Inc. (Revolver) ^{(7), (8)}	10/30/2020	Wholesale	—	—	—	947,581	—
ort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	11.89	%	L+950	10,098,000	9,966,385
al Software Pty Ltd ^{(5), (9), (10)}	09/12/2022	High Tech Industries	7.73	%	L+575	7,925,000	7,688,759
Holdings LLC ⁽⁷⁾	11/30/2021	Healthcare and Pharmaceuticals	10.33	%	L+800	4,596,389	4,528,529
Brothers, Inc.	04/13/2022	Capital Equipment	9.14	%	L+675	9,251,830	9,147,743
Brothers, Inc. (Revolver) ⁽⁷⁾	04/13/2022	Capital Equipment	10.75	%	P+550	619,469	619,469
Brothers, Inc. (Revolver) ^{(7), (8)}	04/13/2022	Capital Equipment	—	—	—	619,469	—
nd Vision Management, LLC	09/11/2023	Healthcare and Pharmaceuticals	7.14	%	L+475	5,052,632	5,992,433
nd Vision Management, LLC ^{(7), (8)}	09/11/2023	Healthcare and Pharmaceuticals	—	—	—	3,947,368	—
rugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.12	%	L+500	10,000,000	9,914,849
rugs Incorporated (Revolver) ^{(7), (8)}	08/19/2022	Healthcare and Pharmaceuticals	—	—	—	3,000,000	—
antis Holdings, LLC	05/01/2023	Retail	8.12	%	L+600	14,046,875	13,932,255
o Products, LLC ⁽⁷⁾	12/08/2023	Consumer Goods: Non-Durable	8.17	%	L+600	6,983,750	6,909,661
o Products, LLC ^{(7), (8)}	12/08/2023	Consumer Goods: Non-Durable	—	—	—	975,000	—
ce Events LLC	01/27/2021		7.64	%		3,343,309	3,313,221

		Media: Diversified and Production			3M L+525			
ce Events LLC ⁽¹⁰⁾	01/27/2021	Media: Diversified and Production	7.07	%	P+075 \$16,473,429	11,599,021	12	

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

SEPTEMBER 30, 2018

Issuer Name	Maturity	Industry	Coupon	Basis Point		Shares	Cost	Fair Value ⁽²⁾
				Current	Spread			
					Above Par /			
Marketplace Events LLC (Revolver) ⁽⁷⁾	01/27/2024	Media: Diversified and Production	8.00 %		P+275	425,791	\$425,791	\$425,791
Marketplace Events LLC (Revolver) ^{(7), (8)}	01/27/2024	Media: Diversified and Production	—		—	1,277,372	—	—
Mission Critical Electronics, Inc. (Revolver) ^{(7), (8)}	09/28/2024	Capital Equipment	—		—	883,392	—	(2,122)
Montreign Operating Company, LLC	01/24/2024	Hotel, Gaming and Leisure	10.59 %		3M L+825	26,163,397	26,518,501	23,350,832
Morphe, LLC	02/10/2024	Consumer Goods: Non-Durable	8.40 %		3M L+600	20,644,462	20,276,981	20,541,240
New Trident HoldCorp, Inc.	08/01/2024	Healthcare and Pharmaceuticals	8.24 % (PIK 3.00%)		1M L+600	7,068,161	6,998,756	5,654,528
NextiraOne Federal, LLC	08/27/2024	Aerospace and Defense	8.07 %		3M L+575	18,181,818	17,911,938	17,906,255
NextiraOne Federal, LLC (Revolver) ⁽⁷⁾	08/27/2024	Aerospace and Defense	8.07 %		3M L+575	2,647,727	2,647,727	2,607,599
NextiraOne Federal, LLC (Revolver) ^{(7), (8)}	08/27/2024	Aerospace and Defense	—		—	4,170,455	—	(63,207)
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.66 %		1M L+450	1,852,500	1,833,975	1,852,500
Olde Thompson, LLC - Revolver ^{(7), (8)}	05/14/2024	Beverage, Food and Tobacco	—		—	2,642,857	—	—
Ox Two, LLC	02/27/2024	Construction and Building	8.49 %		1M L+625	13,034,722	12,946,045	13,034,722
Ox Two, LLC (Revolver) ⁽⁷⁾	02/27/2024	Construction and Building	12.50 %		P+725	166,667	166,667	166,667
Ox Two, LLC (Revolver) ^{(7), (8)}	02/27/2024	Construction and Building	—		—	388,889	—	—

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Pestell Minerals and Ingredients Inc. ^{(5), (9)}	06/01/2023	Beverage, Food and Tobacco	7.51	%	3M L+525	15,000,000	14,850,000	14,850,000
Profile Products LLC ⁽⁷⁾	01/31/2023	Environmental Industries	7.29	%	2M L+500	10,075,023	9,997,462	10,075,023
Profile Products LLC (Revolver) ^{(7), (8)}	01/31/2023	Environmental Industries	—		—	—	—	—
						2,459,016		
Questex, LLC	09/09/2024	Media: Diversified and Production	8.57	%	3M L+625	7,500,000	7,351,373	7,350,000
Questex, LLC (Revolver) ⁽⁷⁾	09/09/2024	Media: Diversified and Production	8.57	%	3M L+625	199,468	199,468	195,479
Questex, LLC (Revolver) ^{(7), (8)}	09/09/2024	Media: Diversified and Production	—		—	997,340	—	(19,947)
Quick Weight Loss Centers, LLC	08/23/2021	Beverage, Food and Tobacco	7.06	%	3M L+475	9,375,000	9,288,885	7,921,875
Research Horizons, LLC	06/28/2021	Media: Advertising, Printing and Publishing	8.36	%	1M L+625	5,250,000	5,150,977	5,145,000
Research Horizons, LLC ^{(7), (8)}	06/28/2021	Media: Advertising, Printing and Publishing	—		—	2,128,378	—	(42,568)
Research Horizons, LLC (Revolver) ⁽⁷⁾	06/28/2021	Media: Advertising, Printing and Publishing	8.36	%	1M L+625	416,216	416,216	407,892
Research Horizons, LLC (Revolver) ^{(7), (8)}	06/28/2021	Media: Advertising, Printing and Publishing	—		—	529,730	—	(10,595)
Research Now Group, Inc. and Survey Sampling International LLC	12/20/2014	Business Services	7.74	%	1M L+550	24,812,500	23,676,196	24,882,223
Salient CRGT Inc.	02/28/2021	High Tech Industries	7.99	%	1M L+575	18,136,905	17,867,722	18,318,274
SFP Holding, Inc. ⁽⁷⁾	09/01/2021	Construction and Building	8.59	%	3M L+625	5,985,000	5,898,822	5,985,000
SFP Holding, Inc. ^{(7), (8)}	09/01/2021	Construction and Building	—		—	4,125,000	—	—
SFP Holding, Inc. (Revolver) ^{(7), (8)}	09/01/2021	Construction and Building	—		—	500,000	—	—
Snak Club, LLC (Revolver) ⁽⁷⁾	07/19/2021	Beverage, Food and Tobacco	8.10	%	1M L+600	483,333	483,333	418,084
Snak Club, LLC (Revolver) ^{(7), (8)}	07/19/2021	Beverage, Food and Tobacco	—		—	183,333	—	(24,750)
Snak Club, LLC (Revolver) ^{(7), (8)}	02/22/2019	Beverage, Food and Tobacco	—		—	133,333	—	(667)
Softvision, LLC	05/21/2021	High Tech Industries	7.74	%	1M L+550	10,201,863	10,146,148	10,201,863
TeleGuam Holdings, LLC	07/25/2021	Telecommunications	7.24	%	1M L+500	7,920,000	7,818,453	7,939,800
	07/09/2021		7.14	%		22,620,696	22,474,697	22,281,386

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Tensor Corporation	Construction and Building			3M L+475			
The Infosoft Group, LLC	Media: Broadcasting and Subscription	7.56	%	3M L+525	6,689,308	6,644,404	6,622,415
The Original Cakerie, Co. ^{(5), (9)}	Consumer Goods: Non-Durable	7.20	%	2M L+500	7,721,739	7,658,431	7,721,739
The Original Cakerie Ltd. ^{(5), (9)}	Consumer Goods: Non-Durable	6.70	%	2M L+450	5,500,217	5,459,582	5,500,217
The Original Cakerie Ltd. (Revolver) ^{(5), (7), (9)}	Consumer Goods: Non-Durable	6.58	%	3M L+450		255,327	255,327
The Original Cakerie Ltd. (Revolver) ^{(5), (7), (8), (9)}	Consumer Goods: Non-Durable	—				1,163,157	—
Triad Manufacturing, Inc.	Capital Equipment	15.49	%	1M L+1,325	8,470,850	8,383,257	8,216,724
UBEO, LLC ⁽⁷⁾	Capital Equipment	6.60	%	1M L+450	1,995,000	1,976,435	1,995,000
UBEO, LLC (Revolver) ⁽⁷⁾	Capital Equipment	6.88	%	3M L+450	1,173,333	1,173,333	1,173,333
UBEO, LLC (Revolver) ^{(7), (8)}	Capital Equipment	—			1,026,667	—	—
UniTek Global Services, Inc. ⁽⁷⁾	Telecommunications	7.89	%	3M L+550	8,750,000	8,533,866	8,662,500
UniTek Global Services, Inc. ^{(7), (8)}	Telecommunications	—			1,750,000	—	(17,500)
US Dominion, Inc.	Capital Equipment	9.14	%	3M L+675	5,985,000	5,883,015	5,985,000
US Dominion, Inc. (Revolver) ^{(7), (8)}	Capital Equipment	—			2,500,000	—	—
US Med Acquisition, Inc. ⁽⁷⁾	Healthcare and Pharmaceuticals	11.39	%	1M L+900	3,027,344	3,027,344	2,875,976
Veterinary Specialists of North America, LLC ⁽⁷⁾	Healthcare and Pharmaceuticals	7.75	%	1M L+550	15,398,203	15,324,732	15,475,194
Veterinary Specialists of North America, LLC ^{(7), (8)}	Healthcare and Pharmaceuticals	—			2,094,671	—	10,473
Veterinary Specialists of North America, LLC (Revolver) ^{(7), (8)}	Healthcare and Pharmaceuticals	—			880,000	—	4,400
VIP Cinema Holdings, Inc.	Consumer Goods: Durable	8.25	%	1M L+600	6,937,500	6,910,133	6,954,844

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Walker Edison Furniture Company LLC ⁽⁷⁾	09/26/2024	Wholesale	8.88	%	3M L+650	16,307,500	15,981,904	15,981,350
Winchester Electronics Corporation	06/30/2024	Capital Equipment	8.74	%	1M L+650	11,724,183	11,675,472	11,724,182
Total First Lien Secured Debt							817,243,688	812,235,476
Second Lien Secured Debt—4.0%								
Condor Borrower, LLC ⁽⁷⁾	04/25/2025	High Tech Industries	11.09	%	3M L+875	2,000,000	1,963,478	2,000,000
DecoPac, Inc. ⁽⁷⁾	03/31/2025	Beverage, Food and Tobacco	10.64	%	3M L+825	11,341,463	11,136,261	11,341,463
MailSouth, Inc.	10/23/2024	Media: Advertising, Printing and Publishing	12.00	%	3M L+925	3,775,000	3,702,622	3,699,500
McAfee, LLC ⁽⁷⁾	09/29/2025	High Tech Industries	10.74	%	1M L+850	2,500,000	2,464,229	2,543,750
PT Network, LLC ⁽⁷⁾	04/12/2024	Healthcare and Pharmaceuticals	12.34	%	3M L+1,000	1,666,667	1,638,368	1,650,000
Total Second Lien Secured Debt							20,904,958	21,234,713
Preferred Equity—0.6% ⁽⁷⁾								
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) ⁽¹¹⁾	—	Healthcare and Pharmaceuticals	—	—	—	1,458	21,870	22,614
Condor Holdings Limited ^{(5), (9)}	—	High Tech Industries	—	—	—	88,000	10,173	10,173
Condor Top Holdco Limited ^{(5), (9)}	—	High Tech Industries	—	—	—	88,000	77,827	77,827

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

SEPTEMBER 30, 2018

Issuer Name	Maturity	Industry	Coupon	Basis Point		Shares	Cost	Fair Value ⁽²⁾
				Current	Above Par / Spread			
NXOF Holdings, Inc. (NextiraOne Federal, LLC)		Aerospace and Defense	—	—		490	\$490,000	\$453,077
UniTek Global Services, Inc. - Super Senior Preferred Equity	—	Telecommunications	20.00 %	—		343,861	343,861	351,752
UniTek Global Services, Inc. - Senior Preferred Equity	—	Telecommunications	18.00 %	—		448,851	448,851	570,762
UniTek Global Services, Inc. Total Preferred Equity	—	Telecommunications	13.50 %	—		1,047,317	670,283	1,726,920
Common Equity/Warrants—3.3% (6), (7)							2,062,865	3,213,125
Affinion Group Holdings, Inc.	—	Consumer Goods: Durable	—	—		99,029	3,514,571	2,089,710
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Goods: Durable	—	—		4,298	1,186,649	3,449
By Light Investco LP (11)	—	High Tech Industries	—	—		21,908	2,190,771	4,426,169
By Light Investco LP (8), (11)	—	High Tech Industries	—	—		5,592	—	—
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) (11)	—	Business Services	—	—		84,000	840,004	957,866
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (11)	—	Healthcare and Pharmaceuticals	—	—		13,333	200,000	200,000
CI (Summit) Investment Holdings, LLC	—	Construction and Building	—	—		47,893	500,000	596,660

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(SFP Holding, Inc.)						
DecoPac Holdings Inc.	— Beverage, Food and Tobacco	—	—	1,633	1,632,744	1,972,251
Faraday Holdings, LLC	— Construction and Building	—	—	1,141	58,044	305,907
Gauge InfosoftCoInvest, LLC (The Infosoft Group, LLC)	— Media: Broadcasting and Subscription	—	—	500	500,000	738,439
GCOM InvestCo LP (11)	— High Tech Industries	—	—	1,281,433	1,281,433	1,132,039
GCOM InvestCo LP (8), (11)	— High Tech Industries	—	—	718,567	—	(83,773)
IIN Group Holdings, LLC (Integrative Nutrition, LLC) (11)	— Consumer Services	—	—	1,000	1,000,000	1,000,000
JWC/UMA Holdings, L.P.	— Healthcare and Pharmaceuticals	—	—	1,000	1,000,000	1,000,000
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC)	— Wholesale	—	—	1,381,741	1,381,741	1,381,741
NXOF Holdings, Inc. (NextiraOne Federal, LLC)	— Aerospace and Defense	—	—	10,000	10,000	32,308
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.)	— Capital Equipment	—	—	500	500,000	500,000
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.)	— Capital Equipment	—	—	500	—	—
TPC Broadband Investors, LP (11)	— Telecommunications	—	—	742,692	742,692	1,024,002
TPC Broadband Investors, LP (8), (11)	— Telecommunications	—	—	257,308	—	—
UniTek Global Services, Inc.	— Telecommunications	—	—	213,739	—	524,411
UniTek Global Services, Inc. (Warrants)	— Telecommunications	—	—	23,889	—	—
WBB Equity, LLC (11)	— Aerospace and Defense	—	—	142,857	142,857	268,571
Total Common Equity/Warrants					16,681,506	18,069,750
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies					856,893,017	854,753,064

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Investments in Controlled, Affiliated Portfolio

Companies—27.2%,⁽⁴⁾

First Lien Secured							
Debt—18.9%							
PennantPark Senior Secured Loan Fund I LLC ^{(7), (9)}	05/06/2021	Financial Services		3M L+800	101,062,500	101,062,500	101,062,500
			10.39%				
Equity Interests—8.3%							
PennantPark Senior Secured Loan Fund I LLC ^{(7), (9)}	—	Financial Services	—	—	—	43,312,500	44,797,729
Total Investments in Controlled, Affiliated Portfolio Companies						144,375,000	145,860,229
Total Investments—186.7%						1,001,268,017	1,000,613,293
Cash and Cash Equivalents—13.5%							
BlackRock Federal FD Institutional 30						69,502,018	69,502,018
BNY Mellon Cash						2,729,783	2,722,165
Total Cash and Cash Equivalents						72,231,801	72,224,183
Total Investments and Cash						\$1,073,499,818	\$1,072,837,476
Equivalents—200.2%							
Liabilities in Excess of Other Assets—(100.2)%							(536,995,908)
Net Assets—100.0%							\$535,841,568

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

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

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

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

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

(6) Non-income producing securities.

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

(8)

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

(9) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2018, qualifying assets represent 82% of our total assets and non-qualifying assets represent 18% of our total assets.

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

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Unaudited)

1. ORGANIZATION

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

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

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

Funding I, our wholly owned subsidiary and a special purpose entity, was organized in Delaware as a limited liability company in May 2011. We formed Funding I in order to establish our Credit Facility. The Investment Adviser serves as the collateral manager to Funding I and has irrevocably directed that the management fee owed with respect to such services is to be paid to us so long as the Investment Adviser remains the collateral manager. This arrangement does not increase our consolidated management fee. The Credit Facility allows Funding I to borrow up to \$520 million as of December 31, 2018 at LIBOR plus 200 basis points during the revolving period. The Credit Facility is secured by all of the assets held by Funding I. See Note 10.

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

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

In November 2017, we completed a follow-on public offering of 6,292,000 shares of common stock at a public offering price of \$14.15 per share resulting in net proceeds of approximately \$88.0 million. The Investment Adviser paid approximately \$2.1 million of the sales load payable to the underwriters. We are not obligated to repay the sales load paid by the Investment Adviser.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Our Consolidated Financial Statements are prepared in accordance with GAAP, consistent with ASC Topic 946, Financial Services – Investment Companies, and pursuant to the requirements for reporting on Form 10-K/Q and

Articles 6, 10 and 12 of Regulation S-X, as appropriate. In accordance with Article 6-09 of Regulation S-X, we have provided a Consolidated Statement of Changes in Net Assets in lieu of a Consolidated Statement of Changes in Stockholders' Equity.

Our significant accounting policies consistently applied are as follows:

(a) Investment Valuations

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

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (1) Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of the Investment Adviser responsible for the portfolio investment;
- (2) Preliminary valuation conclusions are then documented and discussed with the management of the Investment Adviser;
- (3) Our board of directors also engages independent valuation firms to conduct independent appraisals of our investments for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment. The independent valuation firms review management's preliminary valuations in light of their own independent assessment and also in light of any market quotations obtained from an independent pricing service, broker, dealer or market maker;
- (4) The audit committee of our board of directors reviews the preliminary valuations of the Investment Adviser and those of the independent valuation firms on a quarterly basis, periodically assesses the valuation methodologies of the independent valuation firms, and responds to and supplements the valuation recommendations of the independent valuation firms to reflect any comments; and
- (5) Our board of directors discusses these valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our Investment Adviser, the respective independent valuation firms and the audit committee.

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

which market quotations are not readily available.

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

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

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

Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more and/or if there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current.

(c) Income Taxes

We have complied with the requirements of Subchapter M of the Code and have qualified to be treated as a RIC for federal income tax purposes. In this regard, we account for income taxes using the asset and liability method prescribed by ASC Topic 740, Income Taxes, or ASC 740. Under this method, income taxes are provided for amounts currently payable and for amounts deferred as tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Based upon our qualification and

election to be treated as a RIC for federal income tax purposes, we typically do not incur any material federal income taxes. However, we may choose to retain a portion of our calendar year income, which may result in the imposition of an excise tax, or we may incur taxes through our taxable subsidiaries, including the Taxable Subsidiary. For the three months ended December 31, 2018 and 2017, we recorded a provision for taxes of zero million and \$0.2 million, respectively, pertaining to U.S. federal excise tax.

We recognize the effect of a tax position in our Consolidated Financial Statements in accordance with ASC 740 when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by the applicable tax authority. Tax positions not considered to satisfy the “more-likely-than-not” threshold would be recorded as a tax expense or benefit. Penalties or interest, if applicable, that may be assessed relating to income taxes would be classified as other operating expenses in the financial statements. As of December 31, 2018, there were no tax accruals relating to uncertain tax positions and no amounts accrued for any related interest or penalties with respect to the periods presented herein. The Company’s determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although the Company files both federal and state income tax returns, the Company’s major tax jurisdiction is federal.

Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and net realized gains recognized for financial reporting purposes. Differences between tax regulations and GAAP may be permanent or temporary. Permanent differences are reclassified

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among capital accounts in the Consolidated Financial Statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

(d) Distributions and Capital Transactions

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

Capital transactions, in connection with our dividend reinvestment plan, which was terminated on November 22, 2017, or through offerings of our common stock, are recorded when issued and offering costs are charged as a reduction of capital upon issuance of our common stock.

(e) Foreign Currency Translation

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

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

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

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

(f) Consolidation

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

(g) Asset Transfers and Servicing

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

(h) Recent Accounting Pronouncements

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

In August 2018, the SEC issued the Final Rule Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The amendments are intended to facilitate the disclosure of information to investors and simplify compliance. The final rule was effective on November 5, 2018. We do not anticipate the impact of this final rule to have a material impact on our consolidated financial statements.

3. AGREEMENTS AND RELATED PARTY TRANSACTIONS

The Investment Management Agreement with the Investment Adviser was reapproved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2019. Under the Investment Management Agreement, the Investment Adviser, subject to the overall supervision of our board of directors, manages the day-to-day operations of and provides investment advisory services to us. The Investment Adviser serves as the collateral manager to Funding I and has irrevocably directed that the management fee owed with respect to such services is to be paid to the Company so long as the Investment Adviser remains the collateral manager. This arrangement does not increase our consolidated management fee. For providing these services, the Investment Adviser receives a fee from us consisting of two components—a base management fee and an incentive fee.

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

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

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shares were outstanding. For the three months ended December 31, 2018 and 2017, the Investment Adviser earned a base management fee of \$2.5 million and \$1.8 million, respectively, from us.

The incentive fee has two parts, as follows:

One part is calculated and payable quarterly in arrears based on our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, dividend income and any other income, including any other fees (other than fees for providing managerial assistance), such as amendment, commitment, origination, prepayment penalties, structuring, diligence and consulting fees or other fees received from portfolio companies, accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement and any interest expense or amendment fees under any credit facility and distribution paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a percentage of the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7.00% annualized). We pay the Investment Adviser an incentive fee with respect to our Pre-Incentive Fee Net Investment Income in each calendar quarter as follows: (1) no incentive fee in any calendar

quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 1.75%, (2) 50% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.9167% in any calendar quarter (11.67% annualized) (we refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the hurdle but is less than 2.9167%) as the “catch-up,” which is meant

to provide our Investment Adviser with 20% of our Pre-Incentive Fee Net Investment Income, as if a hurdle did not apply, if this net investment income exceeds 2.9167% in any calendar quarter), and (3) 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.9167% in any calendar quarter. These calculations are pro-rated for any share issuances or repurchases during the relevant quarter, if applicable. For the three months ended December 31, 2018 and 2017, the Investment Adviser earned \$0.2 million and zero, respectively, in incentive fees on net investment income from us.

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. For the three months ended December 31, 2018 and 2017, the Investment Adviser reversed a prior accrual of incentive fee on capital gains of zero and \$(0.1) million, respectively, as calculated under the Investment Management Agreement (as described above).

Under GAAP, we are required to accrue a capital gains incentive fee based upon net realized capital gains and net unrealized capital appreciation and depreciation on investments held at the end of each period. In calculating the capital gains incentive fee accrual, we considered the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Management Agreement. This accrual is calculated using the aggregate cumulative realized capital gains and losses and cumulative unrealized capital appreciation or depreciation. If such amount is positive at the end of a period, then we record a capital gains incentive fee equal to 20% of such amount, less the aggregate amount of actual capital gains related to incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such year. There can be no assurance that such unrealized capital appreciation will be realized in the future. The incentive fee accrued but not payable for under GAAP on our unrealized and realized capital gains for the three months ended December 31, 2018 and 2017 was \$(1.4) million and \$0.2 million, respectively.

The Administration Agreement with the Administrator was reapproved by our board of directors, including a majority of the directors who are not interested persons of us, in February 2019. Under the Administration Agreement, the Administrator provides administrative services and office facilities to us. For providing these services, facilities and personnel, we have agreed to reimburse the Administrator for its allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs. The Administrator also offers, on our behalf, significant managerial assistance to portfolio companies to which we are required to offer such assistance. Reimbursement for certain of these costs is included in administrative services expenses in the Consolidated Statements of Operations. For the three months ended December 31, 2018 and 2017, we reimbursed the Investment Adviser approximately \$0.3 million and \$0.3 million, respectively, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above.

There were no transactions subject to Rule 17a-7 under the 1940 Act during both the three months ended December 31, 2018 and 2017.

For the three months ended December 31, 2018 and 2017, we sold \$38.0 million and \$27.3 million in investments, respectively, to PSSL at fair value and recognized \$0.2 million and less than \$0.1 million of net realized gains for the same periods, respectively.

4. INVESTMENTS

Purchases of investments, including PIK interest, for the three months ended December 31, 2018 and 2017 totaled \$180.8 million and \$177.0 million, respectively. Sales and repayments of investments for the same periods totaled \$190.3 million and \$149.1 million, respectively.

Investments, cash and cash equivalents consisted of the following:

Investment Classification	December 31, 2018		September 30, 2018	
	Cost	Fair Value	Cost	Fair Value
First lien	\$789,260,258	\$774,269,800	\$817,243,688	\$812,235,476
First lien in PSSL	113,312,500	113,312,500	101,062,500	101,062,500
Second lien	20,709,243	20,941,380	20,904,958	21,234,713
Equity	20,639,828	23,456,374	18,744,371	21,282,875
Equity interests in PSSL	48,562,500	47,683,261	43,312,500	44,797,729
Total investments	992,484,329	979,663,315	1,001,268,017	1,000,613,293
Cash and cash equivalents	35,296,899	35,180,396	72,231,801	72,224,183
Total investments and cash and cash equivalents	\$1,027,781,228	\$1,014,843,711	\$1,073,499,818	\$1,072,837,476

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

Industry Classification	December 31, 2018 (1)	September 30, 2018 (1)
Hotel, Gaming and Leisure	8	6
Aerospace and Defense	7	6
Beverage, Food and Tobacco	7	7
Business Services	7	8
Consumer Goods: Non-Durable	7	11
High Tech Industries	7	10
Chemicals, Plastics and Rubber	6	2
Healthcare and Pharmaceuticals	6	5
Telecommunications	6	6
Capital Equipment	5	5
Construction and Building	5	5
Media: Diversified and Production	5	4
Consumer Services	4	4
Wholesale	4	5
Banking, Finance, Insurance & Real Estate	3	—
Consumer Goods: Durable	3	5
Media: Advertising, Printing and Publishing	3	3
Retail	2	2
Media: Broadcasting and Subscription	1	1
All Other	4	5
Total	100	100

(1)Excludes investments in PSSSL.

PennantPark Senior Secured Loan Fund I LLC

In May 2017, we and Kemper formed PSSSL, an unconsolidated joint venture. PSSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSSL was formed as a Delaware limited liability company. As of December 31, 2018, PSSSL had total assets of \$513.7 million. As of the same date, we and Kemper had remaining commitments to fund first lien secured debt and equity interests in PSSSL in an aggregate amount of \$25.0 million. PSSSL invests in portfolio companies in the same industries in which we may directly invest.

We provide capital to PSSSL in the form of first lien secured debt and equity interests. As of December 31, 2018, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding first lien secured debt and equity interests. As of the same date, our investment in PSSSL consisted of first lien secured debt of \$113.3 million and equity interests of \$48.6 million. As of the same date, we had commitments to fund first lien secured debt to PSSSL of \$128.6 million, of which \$15.3 million was unfunded. As of December 31, 2018, we had commitments to fund equity interests in PSSSL of \$55.1 million, of which \$6.6 million was unfunded.

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

Additionally, PSSSL has entered into a senior secured revolving credit facility, or the PSSSL Credit Facility, with Capital One, N.A. through its wholly-owned subsidiary PennantPark Senior Secured Loan Facility LLC, or PSSSL Subsidiary, which as of December 31, 2018 allowed PSSSL Subsidiary to borrow up to \$420.0 million at any one time outstanding, subject to leverage and borrowing base restrictions.

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

	December 31, 2018	September 30, 2018
Total investments	\$493,498,304	\$425,420,881
Weighted average cost yield on income producing investments	8.2	% 7.8
Number of portfolio companies in PSSSL	43	42
Largest portfolio company investment	\$22,238,204	\$21,152,781
Total of five largest portfolio company investments	\$101,748,191	\$95,941,790

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Below is a listing of PSSSL's individual investments as of December 31, 2018:

PennantPark Senior Secured Loan Fund I LLC
 Schedule of Investments
 December 31, 2018
 (Unaudited)

Issuer Name	Maturity	Industry	Coupon	Index	Basis	Cost	Fair Value ⁽²⁾
					Point		
				Current	Above		
				Spread			
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—905.5%							
First Lien Secured Debt—905.5%							
American Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	7.80	% L+525	3M	\$4,901,256	\$4,862,972
API Technologies Corp.	04/22/2024	Aerospace and Defense	8.27	% L+575	1M	19,618,504	19,552,250
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	9.73	% L+725	1M	10,477,301	10,685,318
Cadence Aerospace, LLC	11/14/2023	Aerospace and Defense	9.02	% L+650	3M	11,719,714	11,739,860
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	8.27	% L+575	1M	7,363,839	7,294,458
Challenger Performance Optimization, Inc.	08/31/2023 03/31/2023	Business Services	8.09 7.80	% L+575 %	1M	10,287,442 4,348,465	10,231,319 3,696,195

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Country Fresh Holdings, LLC		Beverage, Food and Tobacco			3M L+500			
		High Tech Industries	7.99	%	3M L+550	4,634,146	14,634,146	14,634,146
Credit Infonet, Inc.	03/13/2023	Business Services			—			
DBI Holding, LLC (15.00% PIK)	02/03/2020	Services	15.00	%	(PIK 15.00%)	402,237	402,237	402,237
		Business Services			1M L+525	2,406,250	12,311,780	12,282,187
DBI Holding, LLC	08/02/2021	Consumer Goods: Non-Durable	7.76	%	3M L+625	19,899,497	19,899,498	19,899,497
		Media: Advertising, Printing and Publishing			1M L+500	16,539,192	16,384,932	16,456,496
Deva Holdings, Inc.	10/31/2023	Chemicals, Plastics and Rubber	8.77	%	3M L+575	12,406,250	12,218,867	12,313,203
Digital Room Holdings, Inc.	12/29/2023	Rubber	8.56	%	3M L+575	8,228,307	8,166,880	8,166,594
Douglas Products and Packaging Company LLC	10/19/2022	Chemicals, Plastics and Rubber	8.56	%	A			
Douglas Sewer Intermediate, LLC	10/19/2022	Banking, Finance, Insurance and Real Estate	7.26	%	3M L+525	10,000,000	7,355,762	6,828,819
Douglas Sewer Intermediate, LLC	10/19/2022	High Tech Industries	9.98	%	1M L+750	17,845,267	17,696,789	17,845,267
Findex Group Limited ^{(3), (4)}	05/31/2024	Beverages	6.88	%	3M L+425	2,500,000	12,376,317	12,375,000
GCOM Software LLC	11/14/2022	Beverage, Food and Tobacco	8.80	%	3M L+600	4,743,125	14,604,136	14,211,145
Good2Grow LLC	11/18/2024	Consumer Goods: Durable	7.30	%	3M L+450	7,318,136	17,167,090	17,318,136
Good Source Solutions, Inc.	06/29/2023	Aerospace and Defense	7.30	%	3M L+450	2,500,000	12,438,299	12,375,000
GSM Holdings, Inc.	06/03/2024	Wholesale	9.30	%	3M L+650	9,950,000	9,839,206	9,900,250
IMIA Holdings, Inc.	10/28/2024	Wholesale	6.32	%	A			
Impact Group, LLC	06/27/2023	Wholesale	6.32	%	1M L+425	15,000,000	10,949,943	10,452,106
Infrastructure Supply Operations Pty Ltd. ^{(3), (4)}	12/12/2023	Capital Equipment	8.30	%	3M L+550	10,000,000	9,901,831	9,808,745
LAV Gear Holdings, Inc.	10/31/2024	High Tech Industries	7.80	%	A			
Leap Legal Software Pty Ltd ^{(3), (4)}	09/12/2022	Healthcare and Pharmaceuticals	7.51	%	3M L+575	14,900,000	10,595,172	10,384,733
Long's Drugs Incorporated	08/19/2022	Pharmaceuticals	7.51	%	2M L+500	7,955,000	17,796,181	17,865,225
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.38	%	1M L+600	7,218,750	7,269,670	6,857,813
	12/08/2023	Retail	8.46	%		6,930,000	6,839,059	6,783,742

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Manna Pro Products, LLC		Consumer Goods: Non-Durable			1M L+600			
Marketplace Events LLC (4)	01/27/2021	Media: Diversified and Production	7.53	%	P+2755,805,254	4,479,619	4,229,192	
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	7.80	%	L+5006,037,775	5,998,782	5,994,081	
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	8.80	%	L+6007,129,826	17,011,267	16,958,528	
New Milani Group LLC	06/06/2024	Consumer Goods: Non-Durable	6.77	%	L+42514,925,000	14,787,621	14,738,438	
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.97	%	L+45013,930,000	13,790,700	13,930,000	
Output Services Group, Inc.	03/27/2024	Business Services	6.77	%	L+4257,943,419	7,974,366	7,685,258	
Pestell Minerals and Ingredients Inc.	06/01/2023	Beverage, Food and Tobacco	7.68	%	L+52510,000,000	9,900,678	9,859,229	
PH Beauty Holdings III, Inc.	09/29/2025	Wholesale	7.52	%	L+50010,972,500	10,864,573	10,533,600	
Plant Health Intermediate, Inc.	10/19/2022	Chemicals, Plastics and Rubber	8.25	%	L+5751,771,693	1,744,623	1,758,407	
Smile Brands Inc.	10/14/2024	Healthcare and Pharmaceuticals	7.06	%	L+4501,375,000	11,263,781	11,261,250	
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	8.35	%	L+6004,624,995	4,624,995	3,931,246	
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	6.77	%	L+42515,341,053	15,344,147	15,264,348	
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	7.79	%	L+52510,134,044	10,083,386	9,982,033	
UBEO, LLC	04/03/2024	Capital Equipment	7.00	%	L+45022,417,187	22,208,627	22,193,015	
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	7.52	%	L+5008,478,750	8,335,698	8,478,750	
US Dominion, Inc.	07/15/2024	Capital Equipment	9.28	%	L+6753,980,000	3,914,773	3,980,000	
Walker Edison Furniture Company LLC	09/26/2024	Wholesale	8.87	%	L+65016,307,500	15,992,767	15,981,350	
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	11.53	%	L+9004,918,750	4,839,795	4,918,750	
Xebec Global Holdings, LLC	02/12/2024	Aerospace and Defense	8.28	%	L+5506,732,771	6,705,425	6,598,116	
Total First Lien Secured Debt						497,429,939	493,498,304	
						497,429,939	493,498,304	

Total Investments in Non-Controlled,
Non-Affiliated Portfolio Companies

Cash and Cash Equivalents—13.6%		
BlackRock Federal FD Institutional 30	5,762,918	5,762,918
US Bank Cash	1,643,778	1,628,015
Total Cash and Cash Equivalents	7,406,696	7,390,933
Total Investments and Cash Equivalents—919.1%	\$504,836,635	\$500,889,237
Liabilities in Excess of Other Assets—(819.1)%		(446,394,081)
Members' Equity—100.0%		\$54,495,156

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

(2) Valued based on PSSSL’s accounting policy.

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

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

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2018

(Unaudited)

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

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

Issuer Name	Maturity	Industry	Coupon	Basis Point		Par	Cost	Fair Value ⁽²⁾
				Current	Above			
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—830.9%								
First Lien Secured Debt—830.9%								
Alvogen Pharma US, Inc. ⁽³⁾	04/04/2022	Healthcare and Pharmaceuticals	6.99 %	1M	L+475	5,424,261	\$5,370,876	\$5,464,943
American Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	7.34 %	3M	L+525	4,949,622	4,910,720	4,875,378
Anvil International, LLC	08/01/2024	Construction and Building	6.70 %	2M	L+450	5,944,975	5,900,529	5,985,876
API Technologies Corp.	04/22/2024	Aerospace and Defense	8.25 %	1M	L+600	19,950,000	19,710,688	19,750,500
Beauty Industry Group Opco, LLC	04/06/2023	Consumer Goods: Non-Durable	7.00 %	1M	L+475	21,259,078	21,057,494	21,152,781
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	9.57 %	3M	L+725	10,761,235	10,538,732	10,761,235
	11/14/2023		8.83 %			11,854,375	11,745,013	11,875,641

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Cadence Aerospace, LLC		Aerospace and Defense			3M L+650			
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.99 %		L+575	7,424,433	7,381,442	7,424,433
Challenger Performance Optimization, Inc.	08/31/2023	Business Services	7.85 %		L+575	10,387,126	10,284,272	10,283,255
Country Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	7.39 %		L+500	4,348,465	4,348,465	4,218,011
DBI Holdings, LLC	08/02/2021	Business Services	7.51 %		L+525	12,437,500	12,334,446	12,437,500
Deva Holdings, Inc.	10/31/2023	Consumer Goods: Non-Durable	7.74 %		L+550	19,949,749	19,949,749	19,949,749
Digital Room Holdings, Inc.	12/29/2023	Media: Advertising, Printing and Publishing	7.25 %		L+500	9,925,000	9,832,647	9,813,344
Douglas Products and Packaging Company LLC	03/29/2022	Chemicals, Plastics and Rubber	8.14 %		L+575	12,437,500	12,243,681	12,313,125
Driven Performance Brands, Inc.	09/30/2022	Consumer Goods: Durable	6.86 %		L+475	4,750,000	4,712,239	4,750,000
ENC Holding Corporation	05/30/2025	Transportation: Cargo	6.64 %		L+425	10,345,500	10,320,383	10,319,636
Findex Group Limited ^{(3), (4)}	05/31/2024	Banking, Finance, Insurance and Real Estate	7.23 %		L+525	\$ 10,000,000	7,348,975	7,018,455
GCOM Software LLC	11/14/2022	High Tech Industries	9.67 %		L+750	14,666,667	14,597,068	14,666,667
Good Source Solutions, Inc.	06/29/2023	Beverage, Food and Tobacco	8.39 %		L+600	14,871,563	14,724,626	14,670,097
GSM Holdings, Inc.	06/03/2024	Consumer Goods: Durable	6.87 %		L+450	15,461,250	15,313,430	15,383,940
Impact Group, LLC	06/27/2023	Wholesale	8.64 %		L+625	9,975,000	9,860,343	9,925,125
Infrastructure Supply Operations Pty Ltd. ^{(3), (4)}	12/12/2023	Wholesale	6.64 %		L+475	\$ 15,000,000	10,941,545	10,810,400
Long's Drugs Incorporated	08/19/2022	Healthcare and Pharmaceuticals	7.12 %		L+500	18,000,000	17,831,930	17,820,000
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	8.12 %		L+600	7,265,625	7,319,871	7,002,246
Manna Pro Products, LLC	12/08/2023	Consumer Goods: Non-Durable	8.15 %		L+600	6,947,500	6,853,205	6,894,684
Marketplace Events LLC ⁽⁴⁾	01/27/2021	Media: Diversified and Production	7.08 %		P+275	\$ 5,820,254	4,486,587	4,502,752
Maytex Mills, Inc.	12/27/2023		6.71 %			8,761,452	8,721,691	8,783,355

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		Consumer Goods: Durable		1M				
		High Tech		1M				
McAfee, LLC	09/30/2024	Industries	6.74 %	L+450	7,425,000	7,359,161	7,482,024	
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	7.20 %	L+500	4,005,973	3,986,058	3,996,350	
		Consumer Goods:		3M				
Morphe, LLC	02/10/2023	Non-Durable	8.40 %	L+600	17,355,538	17,229,100	17,268,760	
		Consumer Goods:		1M				
New Milani Group LLC	06/06/2024	Non-Durable	6.37 %	L+425	15,000,000	14,856,552	14,925,000	
Olde Thompson, LLC	05/14/2024	Beverage, Food and Tobacco	6.66 %	L+450	13,965,000	13,825,350	13,965,000	
Output Services Group, Inc.	03/27/2024	Business Services	6.49 %	L+425	7,983,419	8,015,803	8,023,336	
		Beverage, Food and Tobacco		1M				
Snak Club, LLC	07/19/2021	Capital Equipment	8.10 %	L+600	4,687,495	4,687,495	4,054,683	
Sonny's Enterprises, LLC	12/01/2022	Capital Equipment	6.49 %	L+425	15,379,790	15,382,892	15,379,790	
		Media:		3M				
The Infosoft Group, LLC	12/02/2021	Broadcasting and Subscription	7.58 %	L+525	10,516,049	10,459,746	10,410,888	
		Capital Equipment		1M				
UBEO, LLC	04/03/2024	Equipment	6.60 %	L+450	12,468,750	12,352,721	12,468,750	
Urology Management Associates, LLC	08/30/2024	Healthcare and Pharmaceuticals	7.24 %	L+500	8,500,000	8,352,305	8,351,250	
		Capital Equipment		3M				
US Dominion, Inc.	07/15/2024	Equipment	9.14 %	L+675	3,990,000	3,921,923	3,990,000	
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	8.25 %	L+600	4,625,000	4,678,730	4,636,563	
Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	11.25 %	L+900	4,950,000	4,866,299	4,950,000	
Xebec Global Holdings, LLC	02/12/2024	Aerospace and Defense	7.84 %	L+550	6,749,730	6,721,428	6,665,359	
Total First Lien Secured Debt						425,336,210	425,420,881	
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						425,336,210	425,420,881	
Cash and Cash Equivalents—26.4%								
BlackRock Federal FD Institutional 30						12,510,098	12,510,098	
US Bank Cash						1,010,029	1,010,662	
Total Cash and Cash Equivalents						13,520,127	13,520,760	
Total Investments and Cash Equivalents—857.3%						\$438,856,337	\$438,941,641	(387,744,237)

Liabilities in Excess
of Other

Assets—(757.3)%

Members'

Equity—100.0%

\$51,197,404

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

(2) Valued based on PSSSL’s accounting policy.

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

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

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2018

(Unaudited)

Below is the financial information for PSSL:

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

	December 31, 2018 (Unaudited)	September 30, 2018
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$497,429,939 and \$425,336,210, respectively)	\$493,498,304	\$425,420,881
Cash and cash equivalents (cost—\$7,406,696 and \$13,520,127, respectively)	7,390,933	13,520,760
Interest receivable	2,205,506	1,670,053
Receivable for investments sold	8,264,315	—
Prepaid expenses and other assets	2,350,815	2,784,477
Total assets	513,709,873	443,396,171
Liabilities		
PSSL Credit Facility payable	328,141,911	275,285,900
Notes payable to members	129,500,000	115,500,000
Interest payable on PSSL Credit Facility	1,340,014	1,065,306
Interest payable on notes to members	38,861	99,966
Accrued other expenses	193,931	247,595
Total liabilities	459,214,717	392,198,767
Commitments and contingencies ⁽¹⁾	—	—
Members' equity	54,495,156	51,197,404
Total liabilities and members' equity	\$513,709,873	\$443,396,171

⁽¹⁾PSSL had no unfunded commitments to fund investments as of December 31, 2018 or September 30, 2018.

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

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$9,541,567	\$1,973,655
Other income	157,913	—
Total investment income	9,699,480	1,973,655
Expenses:		
Interest and expenses on PSSSL Credit Facility	4,087,476	651,537
Interest expense on notes to members	3,220,623	612,297
Administrative services expenses	250,000	75,000
Other general and administrative expenses ⁽¹⁾	113,650	351,786
Total expenses	7,671,749	1,690,620
Net investment income	2,027,731	283,035
Realized and unrealized (loss) gain on investments and credit facility foreign currency translations:		
Net realized gain (loss) on investments	258,233	(49,176)
Net change in unrealized (depreciation) appreciation on:		
Non-controlled, non-affiliated investments	(4,035,710)	454,362
Credit facility depreciation (appreciation) on foreign currency translations	847,498	(324,288)
Net change in unrealized (depreciation) appreciation on investments and credit facility foreign currency translations	(3,188,212)	130,074
Net realized and unrealized (loss) gain from investments and credit facility foreign currency translations	(2,929,979)	80,898
Net (decrease) increase in members' equity resulting from operations	\$(902,248)	\$363,933

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

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2018

(Unaudited)

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in our ability to observe valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the end of the quarter in which the reclassifications occur. During both the three months ended December 31, 2018 and 2017, our ability to observe valuation inputs resulted in no reclassifications.

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

As outlined in the table below, some of our Level 3 investments using a market approach valuation technique are valued using the average of the bids from brokers or dealers. The bids include a disclaimer, may not have corroborating evidence, may be the result of a disorderly transaction and may be the result of consensus pricing. The Investment Adviser assesses the source and reliability of bids from brokers or dealers. If the board of directors has a bona fide reason to believe any such bids do not reflect the fair value of an investment, it may independently value such investment by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available. We have adopted ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

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

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2018

(Unaudited)

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

Asset Category	Fair Value at		Unobservable Input	Range of Input
	December 31, 2018	Valuation Technique		(Weighted Average)
First lien	\$280,635,472	Market Comparable	Broker/Dealer bids or quotes	N/A
Second lien	2,268,750	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	606,946,828	Market Comparable	Market Yield	6.8% – 20.7% (9.8%)
Second lien	18,672,630	Market Comparable	Market Yield	11.1% – 14.1% (11.9%)
Equity	23,456,374	Enterprise Market Value	EBITDA multiple	6.3x – 11.7x (9.1x)
Total Level 3 investments	\$931,980,054			
Long-Term Credit Facility	\$345,867,658	Market Comparable	Market Yield	5.56%

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

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

Fair Value at December 31, 2018

Description	Fair Value	Level 1	Level		Measured at Net Asset Value ⁽¹⁾
			2	Level 3	
First lien	\$887,582,300	\$—	\$ —	\$887,582,300	\$—
Second lien	20,941,380	—	—	20,941,380	—
Equity	71,139,635	—	—	23,456,374	47,683,261
Total investments	979,663,315	—	—	931,980,054	47,683,261
Cash and cash equivalents	35,180,396	35,180,396	—	—	—
Total investments and cash and cash equivalents	\$1,014,843,711	\$35,180,396	\$ —	\$931,980,054	\$47,683,261
Long-Term Credit Facility	\$345,867,658	\$—	\$ —	\$345,867,658	\$—
2023 Notes	133,410,829	133,410,829	—	—	—
Total debt	\$479,278,487	\$133,410,829	\$ —	\$345,867,658	\$—

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

Fair Value at September 30, 2018

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

⁽¹⁾In accordance with ASC 820-10, certain investments that are measured using the net asset value per share (or its equivalent) as a practical expedient for fair value, have not been classified in the fair value hierarchy.

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2018

(Unaudited)

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

Description	Three Months Ended December 31, 2018		
	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	\$913,297,976	\$42,517,588	\$955,815,564
Net realized gains	271,716	—	271,716
Net unrealized (depreciation) appreciation	(9,982,247)	180,425	(9,801,822)
Purchases, PIK interest, net discount accretion and non-cash exchanges	174,081,000	1,908,075	175,989,075
Sales, repayments and non-cash exchanges	(190,086,145)	(208,334)	(190,294,479)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	\$887,582,300	\$44,397,754	\$931,980,054
Net change in unrealized (depreciation) appreciation reported within the net change in unrealized (depreciation) appreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date.	\$(10,488,442)	\$ 180,425	\$(10,308,017)

Description	Three Months Ended December 31, 2017		
	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	\$609,668,554	\$100,814,208	\$710,482,762
Net realized (losses) gains	(2,986,899)	120,604	(2,866,295)
Net unrealized appreciation	2,117,000	1,368,645	3,485,645
	151,260,150	26,150,027	177,410,177

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Purchases, PIK interest, net discount accretion and non-cash exchanges			
Sales, repayments and non-cash exchanges	(140,711,004)	(8,371,950)	(149,082,954)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	\$619,347,801	\$120,081,534	\$739,429,335
Net change in unrealized appreciation reported within the net change in unrealized appreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date.	\$1,423,429	\$1,455,982	\$2,879,411

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

	Three Months Ended December 31,	
Long-Term Credit Facility	2018	2017
Beginning Balance (cost – \$333,727,520 and \$253,783,301, respectively)	\$332,128,815	\$256,858,457
Net change in unrealized depreciation included in earnings	(3,441,137)	(634,168)
Borrowings	104,500,000	11,485,010
Repayments	(87,320,020)	(74,900,000)
Transfers in and/or out of Level 3	—	—
Ending Balance (cost – \$350,907,500 and \$190,368,311, respectively)	\$345,867,658	\$192,809,299

As of December 31, 2018, we had outstanding non-U.S. dollar borrowings on our Credit Facility. Net change in fair value from foreign currency translation on outstanding borrowings is listed below:

	Amount Borrowed	Borrowing Cost	Current Value	Reset Date	Change in Fair Value
Foreign Currency					
Canadian Dollar	C\$17,500,000	12,407,500	12,813,010	January 1, 2019	405,510

As of September 30, 2018, we had outstanding non-U.S. dollar borrowings on our Credit Facility. Net change in fair value from foreign currency translation on outstanding borrowings is listed below:

	Amount Borrowed	Borrowing Cost	Current Value	Reset Date	Change in Fair Value
Foreign Currency					
Australian Dollar A	\$9,900,000	\$7,720,020	\$7,163,165	October 1, 2018	\$(556,855)
Canadian Dollar C	\$17,500,000	12,407,500	13,538,612	October 1, 2018	1,131,112
		\$20,127,520	\$20,701,777		\$574,257

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2018

(Unaudited)

The carrying value of our consolidated financial liabilities approximates fair value. We have adopted the principles under ASC Subtopic 825-10, Financial Instruments, or ASC 825-10, which provides companies with an option to report selected financial assets and liabilities at fair value, and made an irrevocable election to apply ASC 825-10 to our Credit Facility and the 2023 Notes. We elected to use the fair value option for the Credit Facility and the 2023 Notes to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Due to that election and in accordance with GAAP, we incurred expenses of \$4.5 million and \$10.9 million, respectively, relating to amendment costs on the Credit Facility and debt issuance costs on the 2023 Notes during the three months ended December 31, 2018 and 2017. ASC 825-10 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect on earnings of a company's choice to use fair value. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statements of Assets and Liabilities and changes in fair value of the Credit Facility and the 2023 Notes are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities. For the three months ended December 31, 2018 and 2017, our Credit Facility and the 2023 Notes had a net change in unrealized depreciation of \$5.5 million and \$3.1 million, respectively. As of December 31, 2018 and September 30, 2018, the net unrealized depreciation on our Credit Facility and the 2023 Notes totaled \$10.2 million and \$4.7 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. Our 2023 Notes trade on the TASE and we use the closing price on the exchange to determine the fair value.

6. TRANSACTIONS WITH AFFILIATED COMPANIES

An affiliated portfolio company is a company in which we have ownership of 5% or more of its voting securities. A portfolio company is generally presumed to be a non-controlled affiliate when we own at least 5% but 25% or less of its voting securities and a controlled affiliate when we own more than 25% of its voting securities. Transactions related to our funded investments with both controlled and non-controlled affiliates for the three months ended December 31, 2018 were as follows:

Name of Investment	Fair Value at September 30, 2018	Purchases of / Advances to Affiliates	Sale of / Distributions from	Interest Income	Dividend Income	Net Change in Depreciation	Fair Value at December 31, 2018	Net Realized Gains (Losses)
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Affiliates

Controlled Affiliates									
PennantPark Senior Secured Loan Fund I LLC *	\$ 145,860,229	\$ 17,500,000	\$ —	\$ 2,818,045	\$ 1,575,000	\$(2,364,468)	\$ 160,995,761	\$ —	
Total Controlled Affiliates	\$ 145,860,229								