

PENNANTPARK INVESTMENT CORP

Form 497

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**The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion, September 4, 2014**

## **Preliminary Prospectus Supplement**

**To the Prospectus dated January 30, 2014**

**11,000,000 Shares**

**Common Stock**

We are offering for sale 11,000,000 shares of our common stock. Our common stock is traded on the NASDAQ Global Select Market under the symbol PNNT. The last reported closing price for our common stock on September 3, 2014 was \$11.80 per share. The net asset value of our common stock on June 30, 2014 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$11.33 per share.

PennantPark Investment Corporation, a Maryland corporation, is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. Our investment objectives are to generate both current income and capital appreciation through debt and equity investments primarily in U.S. middle-market private companies in the form of senior secured loans, mezzanine debt and equity investments. We are externally managed by PennantPark Investment Advisers, LLC. PennantPark Investment Administration, LLC provides the administrative services necessary for us to operate.

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

website at [www.sec.gov](http://www.sec.gov) that contains such information free of charge.

**Investing in our securities involves a high degree of risk, including the risk of leverage. Before buying any shares of our common stock, you should read the discussion of the material risks of investing in us in Risk Factors beginning on page S-10 of this prospectus supplement and on page 8 of the accompanying prospectus.**

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

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions (sales load)	\$	\$
Proceeds to PennantPark Investment Corporation (before estimated expenses of \$500,000)	\$	\$

**The underwriters may also purchase up to an additional 1,650,000 shares from us at the public offering price, less the underwriting discounts, within 30 days from the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price will be \$ , the total underwriting discount and commissions (sales load) paid by us will be \$ , and total proceeds, before estimated expenses, will be \$ .**

**The underwriters expect to deliver the shares on or about September , 2014.**

**Morgan Stanley   Goldman, Sachs & Co.   J.P. Morgan   UBS Investment Bank   Keefe, Bruyette & Woods**  
*A Stifel Company*

**The date of this prospectus supplement is September , 2014.**

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

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**Table of Contents****SUPPLEMENTAL PROSPECTUS SUMMARY**

*This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider in making an investment decision. Some of the statements in this prospectus supplement and accompanying prospectus constitute forward-looking statements, which apply to both us and our consolidated Small Business Investment Company, or SBIC, subsidiaries and relate to future events, future performance or future financial condition. The forward-looking statements involve risks and uncertainties on a consolidated basis and actual results could differ materially from those projected in the forward-looking statements for many reasons, including those factors discussed in Risk Factors and elsewhere in this prospectus supplement and accompanying prospectus. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement and accompanying prospectus. In this prospectus supplement and the accompanying prospectus except where the context suggests otherwise: the terms we, us, our and Company refer to PennantPark Investment Corporation and its consolidated subsidiaries; PennantPark Investment refers to only PennantPark Investment Corporation; our SBIC Funds refers collectively to our consolidated subsidiaries, PennantPark SBIC LP, or SBIC LP, and its general partner, PennantPark SBIC GP, LLC, and PennantPark SBIC II LP, or SBIC II, and its general partner, PennantPark SBIC GP II, LLC; PennantPark Investment Advisers or Investment Adviser refers to PennantPark Investment Advisers, LLC; and PennantPark Investment Administration or Administrator refers to PennantPark Investment Administration, LLC; SBA refers to the Small Business Administration; Credit Facility refers to our multi-currency, senior secured revolving credit facility; 2025 Notes refers to our 6.25% senior notes due 2025; 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.*

**General Business of PennantPark Investment Corporation**

PennantPark Investment Corporation is a BDC whose objectives are to generate both current income and capital appreciation through debt and equity investments primarily in U.S. middle-market companies in the form of senior secured loans, mezzanine debt and equity investments.

We believe the middle-market offers attractive risk-reward to investors due to the limited amount of capital available for such companies. We seek to create a diversified portfolio that includes senior secured loans, mezzanine debt and equity investments by investing approximately \$10 million to \$50 million of capital, on average, in the securities of middle-market companies. We expect this investment size to vary proportionately with the size of our capital base. We use the term middle-market to refer to companies with annual revenues between \$50 million and \$1 billion. The companies in which we invest are typically highly leveraged, and, in most cases, are not rated by national rating agencies. If such companies were rated, we believe that they would typically receive a rating below investment grade (between BB and CCC under the Standard & Poor's system) from the national rating agencies. Our debt investments may generally range in maturity from three to ten years and are made to U.S. and to a limited extent, non-U.S. corporations, partnerships and other business entities which operate in various industries and geographic regions.

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

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### **Organization and Structure of PennantPark Investment Corporation**

PennantPark Investment Corporation was organized under the Maryland General Corporation Law in January 2007. We are a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC, under the 1940 Act. In addition, for federal income tax purposes we have elected to be treated, and intend to qualify annually, as a RIC under the Code.

Our wholly owned subsidiaries, SBIC LP and SBIC II, were organized as Delaware limited partnerships in May 2010 and July 2012, respectively. SBIC LP and SBIC II received licenses from the SBA to operate as SBICs, under Section 301(c) of the Small Business Investment Act of 1958, as amended, or the 1958 Act, in July 2010 and January 2013, respectively. Our SBIC Funds' objectives are to generate both current income and capital appreciation through debt and equity investments generally by investing with us in SBA eligible businesses that meet the investment criteria used by PennantPark Investment.

### **Our Investment Adviser and Administrator**

We utilize the investing experience and contacts of PennantPark Investment Advisers in developing what we believe is an attractive and diversified portfolio. The senior investment professionals of the Investment Adviser have worked together for many years, and average over 25 years of experience in the mezzanine lending, leveraged finance, distressed debt and private equity businesses. In addition, our senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across economic and market cycles. We believe this experience and history has resulted in a strong reputation with financial sponsors, management teams, investment bankers, attorneys and accountants, which provides us with access to substantial investment opportunities across the capital markets. Our Investment Adviser has a rigorous investment approach, which is based upon intensive financial analysis with a focus on capital preservation, diversification and active management. Since our Investment Adviser's inception in 2007, it has raised \$1.9 billion in debt and equity capital and has invested approximately \$3.8 billion in over 300 companies with 140 different financial sponsors through its managed funds.

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

### **Market Opportunity**

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

**We believe middle-market companies have faced difficulty in raising debt through the capital markets.** While many middle-market companies were formerly able to raise funds by issuing high-yield



bonds, we believe this approach to financing may be more difficult from time to time to the extent institutional investors seek to invest in larger, more liquid offerings. We believe this has periodically made it harder for middle-market companies to raise funds by issuing high-yield debt securities.

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

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

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

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

### **Competitive Advantages**

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

#### ***a. Experienced Management Team***

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

Lending to middle-market companies requires deep diligence, credit expertise, restructuring experience and active portfolio management. For example, lending to middle-market companies in the United States is generally more labor intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of the information available with respect to such companies. Specialized due diligence and underwriting capabilities, and more extensive ongoing monitoring are required by the lender.

#### ***b. Disciplined Investment Approach with Strong Value Orientation***

We employ a disciplined approach in selecting investments that meet the long-standing, consistent value-oriented investment criteria employed by our Investment Adviser. Our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to

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risk. When market conditions make it difficult for us to invest according to our criteria, we are highly selective in deploying our capital. We believe this approach continues to enable us to build an attractive investment portfolio that meets our return and value criteria over the long-term.

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

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

strong competitive positions;

positive cash flow that is steady and stable;

experienced management teams with strong track records;

potential for growth and viable exit strategies; and

capital structures offering appropriate risk-adjusted terms and covenants.

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

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

***d. Flexible Transaction Structuring***

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

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

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

### **Competition**

Our primary competitors provide financing to middle-market companies and include other BDCs, commercial and investment banks, commercial finance companies, CLO funds and, to the extent they provide an

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alternative form of financing, private equity funds. Additionally, alternative investment vehicles, such as hedge funds, frequently invest in middle-market companies. As a result, competition for investment opportunities in middle-market companies can be intense. However, we believe that from time to time there has been a reduction in the amount of debt capital available to middle-market companies. We believe this has resulted in a less competitive environment for making new investments.

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

## **Leverage**

We maintain a multi-currency \$545.0 million Credit Facility which matures in June 2019 and is secured by substantially all of our investment portfolio assets (excluding the assets of our SBIC Funds), under which we had \$255.9 million and \$145.5 million (including a \$28.0 million temporary draw) in outstanding borrowings with a weighted average interest rate of 2.52% and 3.33% as of June 30, 2014 and September 30, 2013, respectively. Pricing of borrowings under our Credit Facility was set at 225 basis points over the London Interbank Offered Rate, or LIBOR, as of June 30, 2014 and at 275 basis points over LIBOR as of September 30, 2013. As of June 30, 2014 and September 30, 2013, we had \$289.1 million and \$284.5 million, respectively, available to us under our Credit Facility. We believe that our capital resources will provide us with the flexibility to take advantage of market opportunities when they arise. Our use of leverage, as calculated under the asset coverage requirements of the 1940 Act, may generally range between 60% to 80% of our net assets.

As of June 30, 2014 and September 30, 2013, our SBIC Funds had \$225.0 million and \$150.0 million in debt commitments, respectively, and \$150.0 million was drawn for each period, with a weighted average interest rate of 3.70%. As of June 30, 2014 and September 30, 2013, we had \$75.0 million and no remaining borrowing capacity, respectively, under our SBIC debt commitments. SBA debentures offer competitive terms such as being non-recourse to us, semi-annual interest payments, not requiring principal payments prior to maturity and may be prepaid at any time without penalty. The SBA debentures are secured by all the investment portfolio assets of SBIC LP and have a priority claim over such assets. See **Regulation** in the accompanying prospectus for more information.

As of June 30, 2014 and September 30, 2013, we had \$71.3 million in aggregate principal amount of 2025 Notes. Interest on the 2025 Notes is paid quarterly on February 1, May 1, August 1 and November 1, at a rate of 6.25% per year. The 2025 Notes mature on February 1, 2025. We may redeem the 2025 Notes in whole or in part at any time or from time to time on or after February 1, 2016. The 2025 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 2025 Notes are structurally subordinated to our SBA debentures and the assets pledged or secured under our Credit Facility.

See **Management's Discussion and Analysis of Financial Condition and Results of Operations** **Liquidity and Capital Resources** in this prospectus supplement and in the accompanying prospectus for more information.



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### **Operating and Regulatory Structure**

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

We have also entered into an administration agreement, or the Administration Agreement, with the Administrator. Under our Administration Agreement, we have agreed to reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs. See **Certain Relationships and Transactions Administration Agreement** in the accompanying prospectus for more information.

As a BDC, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. See **Regulation** in the accompanying prospectus for more information. We have elected, and intend to qualify annually, to be treated for federal income tax purposes under the Code as a RIC. See **Material U.S. Federal Income Tax Considerations** in the accompanying prospectus for more information.

Our wholly-owned SBIC Funds received licenses from the SBA to operate as SBICs under Section 301(c) of the 1958 Act and is regulated by the SBA. The SBA regulates, among other matters, investing activities and periodically examines our SBIC Funds operations. We serve as the investment adviser and administrator to our SBIC Funds. See **Regulation** in the accompanying prospectus for more information.

### **Use of Proceeds**

We may use the net proceeds from selling securities pursuant to this prospectus supplement to reduce outstanding obligations under our Credit Facility, to invest in new or existing portfolio companies, or for other general corporate or strategic purposes. See **Use of Proceeds** in this prospectus supplement for information regarding our outstanding borrowings as of June 30, 2014, the corresponding interest rate charged on such borrowings as of that date and the length of time that it may take us to invest any proceeds in new or existing portfolio companies.

### **Recent Developments**

Since June 30, 2014 through August 31, 2014, we invested \$217.6 million in three new and eight existing portfolio companies with a weighted average yield on debt investments of 13.2%. Sales and repayments of investments for the same period totaled \$35.9 million. As of August 31, 2014, there was \$452.2 million in outstanding borrowings under our Credit Facility.

On September 3, 2014, we announced that we have asked J.P. Morgan, Morgan Stanley, Goldman, Sachs & Co. and SunTrust Robinson Humphrey to organize a series of fixed income investor meetings from September 8, 2014 through September 10, 2014. A debt capital markets transaction may follow, subject to market conditions. We cannot assure you of the timing of such a debt capital markets transaction, or that such a transaction will occur.



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### **Sales of Common Stock Below NAV**

We may offer and have in the past offered shares of our common stock at a discount from our most recently determined NAV per share pursuant to authority granted by our stockholders on February 4, 2014. Our board of directors has in the past determined that it would be in our and our stockholders' best interests to issue shares of our common stock below NAV. See "Risk Factors" on page 8 of the accompanying prospectus, "Management's Discussion and Analysis - Update to Determination of NAV Determinations In Connection With Offerings" in this prospectus supplement and "Sales of Common Stock Below Net Asset Value" on page 57 of the accompanying prospectus.

### **Distributions on Common Stock**

We intend to continue making quarterly distributions to our common stockholders. Our quarterly distributions, if any, are determined by our board of directors. See "Distributions" in the accompanying prospectus for more information.

### **Dividend Reinvestment Plan**

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

### **Our Corporate Information**

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

**Table of Contents****FEES AND EXPENSES**

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

<b>Stockholder transaction expenses (as a percentage of offering price)</b>	
Sales load	3.00% <sup>(1)</sup>
Offering expenses	0.39% <sup>(2)</sup>
<b>Total stockholder expenses</b>	<b>3.39%</b>
<b>Estimated annual expenses (as a percentage of average net assets attributable to common shares)<sup>(3)</sup></b>	
Management fees	3.04% <sup>(4)</sup>
Incentive fees	2.67% <sup>(5)</sup>
Interest on borrowed funds	2.98% <sup>(6)</sup>
Other expenses	0.94% <sup>(7)</sup>
<b>Total estimated annual expenses</b>	<b>9.63%<sup>(8)</sup></b>

- (1) The underwriting discounts and commissions with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.
- (2) Amount reflects the estimated offering costs of \$500,000 and is based on the offering of 11,000,000 shares in this offering at the last reported closing price of \$11.80 per share of our common stock on September 3, 2014.
- (3) Net assets attributable to common shares equals average net assets as of June 30, 2014, plus net proceeds from the anticipated proceeds from this offering.
- (4) The contractual management fee is calculated at an annual rate of 2.00% of our average adjusted gross total assets. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.
- (5) The portion of incentive fees paid with respect to net investment income is based on actual amounts incurred and payable during the three months ended June 30, 2014, annualized for a full year. Such incentive fees are based on performance, vary from year to year and are not paid unless our performance exceeds specified thresholds. Incentive fees in respect of net investment income do not include incentive fees in respect of net capital gains. The portion of our incentive fee paid in respect of net capital gains is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 20.0% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. For the three months ended June 30, 2014, our unrealized capital gains exceeded our cumulative realized and unrealized capital losses and we accrued a capital gains incentive fee of \$1.7 million in accordance with U.S. generally accepted accounting principles, or GAAP, which are not payable to the Investment Adviser. As we cannot predict our

- future net investment income or capital gains, the incentive fee paid in future years, if any, may be substantially different than the fee earned during the three months ended June 30, 2014. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.
- (6) As of June 30, 2014, we had \$289.1 million unused borrowing capacity, subject to maintenance of the applicable total assets to debt ratio, under the 1940 Act, and \$255.9 million in borrowings outstanding under our \$545.0 million Credit Facility and had \$71.3 million in aggregate principal of 2025 Notes at an annual interest rate of 6.25%. As of June 30, 2014, our SBIC Funds had a debenture commitments from the SBA in the amount of \$225.0 million, had \$150.0 million outstanding with a weighted average interest rate of

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- 3.70%, exclusive of the 3.43% of upfront fees, and had \$75.0 million remaining unused borrowing capacity subject to customary regulatory requirements. We may use the net proceeds of an offering of securities under this prospectus supplement to repay outstanding obligations under our Credit Facility. After completing this offering, we may continue to borrow under our Credit Facility to finance our investment objectives. We have estimated the annual interest expense on borrowed funds and caution you that our actual interest expense will depend on prevailing interest rates and our rate of borrowing, which may be substantially higher than the estimate provided in this table. See Risk Factors Risks Relating To Our Business and Structure We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage in the accompanying prospectus.
- (7) Other expenses includes our general and administrative expenses, professional fees, directors fees, insurance costs, expenses of our dividend reinvestment plan and the expenses of the Investment Adviser reimbursable under our Investment Management Agreement and of the Administrator reimbursable under our Administration Agreement. Such expenses are based on actual other expenses for the three months ended June 30, 2014 annualized for a full year. See the Consolidated Statement of Operations in our Consolidated Financial Statements in this prospectus supplement and in the accompanying prospectus for more information.
- (8) Total annual expenses as a percentage of average net assets attributable to common shares, to the extent we borrow money to make investments, are higher than the total annual expenses percentage would be for a company that is not leveraged. We may borrow money to leverage our net assets and increase our total assets. The SEC requires that the total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness) rather than total assets, which include assets that have been funded with borrowed money.

**Example**

The following example illustrates the projected dollar amount of total cumulative expenses that you would pay on a \$1,000 hypothetical investment in common shares, assuming (1) a 3.00% sales load (underwriting discounts and commissions) (see note 1 above) and including offering expenses totaling 0.39%, (2) total net estimated annual expenses of 6.96% of average net assets attributable to common shares as set forth in the table above (other than performance-based incentive fees) and (3) a 5% annual return:

<b>You would pay the following expenses on a \$1,000 common stock investment</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Assuming a 5% annual return (assumes no return from net realized capital gains or net unrealized capital appreciation)	\$ 100	\$ 230	\$ 354	\$ 644
Assuming a 5% annual return (assumes return from only realized capital gains and thus subject to the capital gains incentive fee)	\$ 110	\$ 255	\$ 391	\$ 698

This example and the expenses in the table above should not be considered a representation of our future expenses. Actual expenses may be greater or less than those assumed. The table above is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Assuming a 5% annual return, the incentive fee under our Investment Management Agreement would not be earned or payable and is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. The example assumes that all dividends and distributions are reinvested at NAV. Depending upon the market value of our common stock, reinvestment of dividends and distributions under our dividend reinvestment plan may occur at a price per share that differs from, and which could be lower than, NAV. See Distributions and additional information regarding our dividend reinvestment plan in the accompanying prospectus for more information.

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**RISK FACTORS**

*Before you invest in our common stock, you should be aware of various risks, including those described below. You should carefully consider these risk factors and the risk factors beginning on page 8 of the accompanying prospectus, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may have a material adverse effect on our business, financial condition and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our NAV, the trading price of our common stock and 2025 Notes, or any securities we may issue, may decline.*

**RISKS RELATING TO OUR BUSINESS AND STRUCTURE**

*Regulations governing our operation as a business development company will affect our ability to, and the way in which we, raise additional capital.*

Our business requires a substantial amount of capital. We may acquire additional capital from the issuance of additional senior securities or other indebtedness, the issuance of additional shares of our common stock, the issuance of warrants or subscription rights to purchase certain of our securities, or from securitization transactions or through SBA debentures. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue additional debt securities or preferred securities, which we refer to collectively as senior securities, and we may borrow money from banks, through the SBA debenture program or other financial institutions, up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities or incur indebtedness only in amounts permissible under the asset coverage definition in the 1940 Act, exclusive of the SBA debentures pursuant to our SEC exemptive relief. Our ability to pay distributions or issue additional senior securities would be restricted if our asset coverage requirements were not met. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous, which could materially damage our business.

***Senior Securities.*** As a result of issuing senior securities, we are exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred securities, they would rank senior to common stock in our capital structure. Preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable than those of holders of our common stock. Furthermore, the issuance of preferred securities could have the adverse effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in your best interest. Our senior securities may include conversion features that cause them to bear risks more closely associated with an investment in our common stock.

***Additional Common Stock.*** Our board of directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a BDC, we are generally not able to issue our common stock at a price below NAV per share without first obtaining certain approvals from our stockholders and our board of directors. Also, subject to the requirements of the 1940 Act, we may issue rights to acquire our common stock at a price below the current NAV per share of the common stock if our board of directors determines that such sale is in our best interests and the best interests of our common

stockholders. In any such case, the price at which our securities are to be issued and sold may not be less than a price, that in the determination of our board of directors, closely approximates the market value of such securities. However, when required to be undertaken, the procedures used by the board of directors to determine the NAV per share of our common stock within 48 hours of each offering of our common stock may differ materially from and will necessarily be more abbreviated than the procedures used by the board of directors to determine the NAV per share of our common stock at the end of each quarter. Such procedures may yield a NAV that is less precise than the NAV determined at the end of each quarter. See Determination of Net Asset Value in the accompanying

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prospectus. We will not offer transferable subscription rights to our stockholders at a price equivalent to less than the then current NAV per share of common stock, excluding underwriting commissions, unless we first file a post-effective amendment that is declared effective by the SEC with respect to such issuance and the common stock to be purchased in connection with such rights represents no more than one-third of our outstanding common stock at the time such rights are issued. In addition, we note that for us to file a post-effective amendment to a registration statement on Form N-2, we must then be qualified to register our securities under the requirements of Form S-3. We may actually issue shares above or below a future NAV. If we raise additional funds by issuing more common stock or warrants or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our common stockholders at that time would decrease, and our common stockholders would experience voting dilution.

***Securitization.*** In addition to issuing securities to raise capital as described above, we anticipate that in the future, as market conditions permit, we may securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly-owned subsidiary, contribute a pool of loans to the subsidiary and have the subsidiary issue primarily investment grade debt securities to purchasers who we would expect to be willing to accept a substantially lower interest rate than the loans earn. Even though we expect the pool of loans that we contribute to any such securitization vehicle to be rated below investment grade, because the securitization vehicle's portfolio of loans would secure all of the debt issued by such vehicle, a portion of such debt may be rated investment grade, subject in each case to market conditions that may require such portion of the debt to be over collateralized and various other restrictions. If applicable accounting pronouncements or SEC staff guidance require us to consolidate the securitization vehicle's financial statements with our financial statements, any debt issued by it would be generally treated as if it were issued by us for purposes of the asset coverage ratio applicable to us. In such case, we would expect to retain all or a portion of the equity and/or subordinated notes in the securitization vehicle. Our retained equity would be exposed to any losses on the portfolio of loans before any of the debt securities would be exposed to such losses. Accordingly, if the pool of loans experienced a low level of losses due to defaults, we would earn an incremental amount of income on our retained equity but we would be exposed, up to the amount of equity we retained, to that proportion of any losses we would have experienced if we had continued to hold the loans in our portfolio. We may hold subordinated debentures in any such securitization vehicle and, if so, we would not consider such securities to be senior securities. An inability to successfully securitize our loan portfolio could limit our ability to grow our business and fully execute our business strategy and adversely affect our earnings, if any. Moreover, the successful securitization of a portion of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests will tend to be those that are riskier and less liquid.

***SBA Debentures.*** In addition to issuing securities and using securitizations to raise capital as described above, we have issued and may in the future issue, as permitted under SBA regulations and through our wholly owned subsidiaries, SBIC LP, SBIC II and any future SBIC subsidiary, SBA debentures to generate cash for funding new investments. To issue SBA debentures, we may request commitments for debt capital from the SBA. SBIC LP is and in the future SBIC II or any future SBIC subsidiary would be exposed to any losses on its portfolio of loans, however, such debentures are non-recourse to us.

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**FORWARD-LOOKING STATEMENTS**

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

our future operating results;

our business prospects and the prospectus of our prospective portfolio companies;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the impact of a protracted decline in the liquidity of credit markets on our business;

the impact of investments that we expect to make;

the impact of fluctuations in interest and foreign exchange rates on our business and our portfolio companies;

our contractual arrangements and relationships with third parties;

the valuation of our investments in portfolio companies, particularly those having no liquid trading market;

the ability of our prospective portfolio companies to achieve their objectives;

our expected financings and investments;

the adequacy of our cash resources and working capital;

the timing of cash flows, if any, from the operations of our prospective portfolio companies;

the ability of our Investment Adviser to locate suitable investments for us and to monitor and administer our investments;

the impact of future legislation and regulation on our business and our portfolio companies; and

the impact of European sovereign debt issues.

We use words such as anticipates, believes, expects, intends, seeks, plans, estimates and similar expressions to identify forward-looking statements. You should not place undue influence on the forward-looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in this prospectus supplement and elsewhere in the accompanying prospectus entitled Risk Factors.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement should not be regarded as a representation by us that our plans and objectives will be achieved.

We have based the forward-looking statements included in this prospectus supplement on information available to us on the date of this prospectus supplement, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking

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statements in this prospectus supplement, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future that we may file with SEC including annual and quarterly reports on Form 10-K/Q and current reports on Form 8-K.

You should understand that under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E(b)(2)(B) of the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, do not apply to forward-looking statements made in connection with any offering of securities pursuant to this prospectus supplement or in periodic reports we file under the Exchange Act.

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**USE OF PROCEEDS**

We estimate that net proceeds we will receive from the sale of the 11,000,000 shares of our common stock in this offering will be approximately \$125.4 million (or approximately \$144.3 million if the underwriters fully exercise their option to purchase additional shares), in each case based on a public offering price of \$11.80 per share, which was the last reported closing price of our common stock on September 3, 2014, including the underwriting discounts and commissions of approximately \$3.9 million (or approximately \$4.5 million if the underwriters fully exercise their option to purchase additional shares) and estimated offering expenses of \$500,000 payable by us. The amount of net proceeds may be more or less than the amount described in this prospectus supplement depending on the public offering price of the common stock and the actual number of shares of common stock we sell in this offering, both of which will be determined at pricing.

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

As of June 30, 2014, we had \$289.1 million of unused borrowing capacity, subject to maintenance of the applicable total assets to debt ratio, as set forth in the 1940 Act, and \$255.9 million in outstanding borrowings under our \$545.0 million Credit Facility. Borrowings under our Credit Facility bear interest at an annual rate equal to LIBOR plus 225 basis points per annum. At June 30, 2014, the weighted average interest rate on the Credit Facility was 2.52%. The Credit Facility is a revolving facility with a stated maturity date of June 25, 2019 and is secured by substantially all of the assets in our investment portfolio, excluding assets of our SBIC Funds. Amounts repaid under our Credit Facility remain available for future borrowings. See Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and the accompanying prospectus for more information.

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

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and capitalization on June 30, 2014 (1) on an actual basis and (2) on an as-adjusted basis to reflect the effects of the sale of 11,000,000 shares of common stock in this offering at an offering price of \$11.80 per share, which was the last reported closing price of our common stock on September 3, 2014, and estimated offering expenses of \$500,000 payable by us. The as-adjusted information is illustrative only; our capitalization following the completion of this offering is subject to further adjustments. You should read this table together with Use of Proceeds set forth in this prospectus supplement and in the accompanying prospectus for more information. You should also read this table with our Consolidated Financial Statements and related notes thereto, in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus for more information.

	<b>As of June 30, 2014</b>	
	<b>(unaudited)</b>	
	<b>Actual</b>	<b>As adjusted for the offering<sup>(1)</sup></b>
Cash and Cash equivalents (cost \$64,349,609 and \$189,755,609)	\$ 64,390,787	\$ 189,796,787
Total assets	1,290,174,604	1,415,580,604
Borrowings under the Credit Facility (cost \$255,898,700)	257,187,294	257,187,294
Borrowings under SBA debentures (cost \$150,000,000)	150,000,000	150,000,000
2025 Notes (cost \$71,250,000)	72,532,500	72,532,500
<b>Net Assets</b>		
Common stock, 66,569,036 and 77,569,036 shares, as-adjusted, are issued and outstanding, respectively. Par value is \$0.001 per share and 100,000,000 shares are authorized.	66,569	77,569
Paid in capital in excess of par value	756,809,951	882,204,951
Distributions in excess of net investment income	(9,406,519)	(9,406,519)
Accumulated net realized loss on investments	(14,454,032)	(14,454,032)
Net unrealized appreciation on investments	24,027,916	24,027,916
Net unrealized appreciation on debt	(2,571,092)	(2,571,092)
Total net assets	754,472,793	879,878,793
Total capitalization	\$ 1,234,192,587	\$ 1,359,598,587

- (1) Does not include the underwriters' option to purchase additional shares in connection with this offering and any shares issued pursuant to our dividend reinvestment plan. Assumes the net proceeds from this offering are invested in Cash and Cash equivalents.

Table of Contents**PRICE RANGE OF COMMON STOCK**

Our common stock is traded on the NASDAQ Global Select Market under the symbol PNNT. The following table lists the high and low closing sale price for our common stock, the closing sale price as a premium or (discount) to our NAV and quarterly distributions per share since September 30, 2012. On September 3, 2014, the last reported closing price of our common stock was \$11.80 per share.

Period	NAV <sup>(1)</sup>	Closing Sales Price		Premium (Discount) of High Sales Price to NAV <sup>(2)</sup>	Premium (Discount) of Low Sales Price to NAV <sup>(2)</sup>	Distributions Declared
		High	Low			
<b>Fiscal year ending September 30, 2014</b>						
Fourth quarter (as of September 3, 2014)	\$ N/A	\$ 11.91	\$ 11.04	N/A%	N/A%	\$ 0.28 <sup>(3)</sup>
Third quarter	11.33	11.49	10.46	1	(8)	0.28
Second quarter	11.13	11.65	10.89	5	(2)	0.28
First quarter	10.80	12.17	10.83	13	0	0.28
<b>Fiscal year ended September 30, 2013</b>						
Fourth quarter	10.49	11.83	10.97	13	5	0.28
Third quarter	10.43	11.83	10.45	13	0	0.28
Second quarter	10.50	12.18	11.01	16	5	0.28
First quarter	10.38	11.10	10.07	7	(3)	0.28
<b>Fiscal year ended September 30, 2012</b>						
Fourth quarter	10.22	11.44	10.36	12	1	0.28
Third quarter	10.16	10.70	9.27	5	(9)	0.28
Second quarter	10.38	11.23	10.31	8	(1)	0.28
First quarter	10.19	11.02	8.57	8	(16)	0.28

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

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

(3) Distribution payable October 1, 2014 to stockholders of record September 26, 2014.

Shares of BDCs may trade at a market price that is less than the NAV that is attributable to those shares. Our shares have traded above and below our NAV. Our shares traded on the NASDAQ Global Select Market at \$11.46 and \$11.28 as of June 30, 2014 and September 30, 2013, respectively. Our NAV per share was \$11.33 and \$10.49, as of June 30, 2014 and September 30, 2013, respectively. The possibility that our shares of common stock will trade at a discount from NAV or at a premium that is unsustainable over the long term is separate and distinct from the risk that our NAV will decrease. It is not possible to predict whether our shares will trade at, above or below NAV in the

future.

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**Table of Contents****SELECTED FINANCIAL DATA**

We have derived the financial information below from our audited and unaudited financial data and, in the opinion of management, such information reflects all adjustments (consisting of normal recurring adjustments) that are necessary to present fairly the results of such years. The Consolidated Statement of Operations data, Per share data and Consolidated Statement of Assets and Liabilities data for the nine months ended June 30, 2014 are derived from our Consolidated Financial Statements which have been reviewed by McGladrey LLP, an independent registered public accounting firm. The Consolidated Statement of Operations data, Per share data and Consolidated Statement of Assets and Liabilities data for the prior five fiscal years are derived from our Consolidated Financial Statements which have been audited by KPMG LLP, an independent registered public accounting firm for those periods. These selected financial data should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and the accompanying prospectus.

	<b>For the Nine Months Ended June 30,</b>			<b>For the Years Ended September 30,</b>			
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>						
<b>(Dollar amounts in thousands, except per share data)</b>							
<b>Consolidated Statement of Operations data:</b>							
Total investment income	\$ 107,793	\$ 97,740	\$ 129,187	\$ 113,392	\$ 91,738	\$ 60,140	\$ 45,119
Total expenses	56,612	47,841	62,189	56,323	39,093	28,065	22,400
Net investment income	51,180	49,899	66,998	57,069	52,645	32,075	22,719
Net realized and unrealized gain (loss)	60,905	19,400	24,780	6,284	(42,382)	(15,539)	13,083
Net increase in net assets resulting from operations	112,085	69,299	91,778	63,353	10,263	16,535	35,802
<b>Per share data:</b>							
NAV (at period end)	11.33	10.43	10.49	10.22	10.13	10.69	11.85
Net investment income <sup>(1)</sup>	0.77	0.76	1.01	1.08	1.25	1.09	1.08
	0.91	0.29	0.38	0.12	(1.01)	(0.53)	0.62

Net realized and unrealized gain (loss) <sup>(1)</sup>							
Net increase in net assets resulting from operations <sup>(1)</sup>	1.68	1.05	1.39	1.20	0.24	0.56	1.70
Distributions declared <sup>(1),(2)</sup>	0.84	0.84	1.12	1.13	1.10	1.09	0.96

**Consolidated Statement of Assets and Liabilities**

**data:**

Total assets	1,290,175	1,101,994	1,153,327	1,018,968	928,738	711,494	512,381
Total investment portfolio	1,198,408	1,066,265	1,078,176	990,480	827,549	664,724	469,760
Borrowings outstanding <sup>(3)</sup>	479,720	335,750	363,900	294,452	388,792	233,641	175,475
Total NAV	754,473	693,103	697,506	669,717	462,657	386,575	300,580

**Other data:**

Total return <sup>(4)</sup>	9.30%	12.20%	17.37%	28.71%	(7.37)%	44.79%	30.39%
Number of portfolio companies <sup>(5)</sup>	66	57	61	54	48	43	42
Yield on debt portfolio <sup>(5)</sup>	12.3%	13.1%	13.0%	13.2%	13.3%	12.7%	11.4%

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

(2) Based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP.

(3) At fair value.

(4) Based on the change in market price per share during the periods and takes into account distributions, if any, reinvested in accordance with our dividend reinvestment plan.

(5) Unaudited.

**Table of Contents****Selected Quarterly Data (Unaudited)****(dollar amounts in thousands, except per share data)**

	<b>2014</b>		
	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 35,475	\$ 37,879	\$ 34,439
Net investment income	\$ 13,196	\$ 20,029	\$ 17,955
Net realized and unrealized gain (loss)	\$ 18,753	\$ 20,652	\$ 21,500
Net increase in net assets resulting from operations	\$ 31,949	\$ 40,681	\$ 39,455
Net increase in net assets resulting from operations per common share	\$ 0.48	\$ 0.61	\$ 0.59
NAV per share at the end of the quarter	\$ 11.33	\$ 11.13	\$ 10.80
Market value per share at the end of the quarter	\$ 11.46	\$ 11.05	\$ 11.60

	<b>2013</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 31,447	\$ 33,725	\$ 31,057	\$ 32,958
Net investment income	\$ 17,099	\$ 17,655	\$ 14,063	\$ 18,181
Net realized and unrealized gain (loss)	\$ 5,379	\$ (3,869)	\$ 12,910	\$ 10,360
Net increase in net assets resulting from operations	\$ 22,479	\$ 13,786	\$ 26,972	\$ 28,541
Net increase in net assets resulting from operations per common share	\$ 0.33	\$ 0.21	\$ 0.41	\$ 0.44
NAV per share at the end of the quarter	\$ 10.49	\$ 10.43	\$ 10.50	\$ 10.38
Market value per share at the end of the quarter	\$ 11.28	\$ 11.05	\$ 11.30	\$ 11.00

	<b>2012</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 30,806	\$ 29,385	\$ 26,362	\$ 26,839
Net investment income	\$ 16,742	\$ 15,571	\$ 9,759	\$ 14,997
Net realized and unrealized gain (loss)	\$ 948	\$ (12,151)	\$ 16,638	\$ 849
Net increase in net assets resulting from operations	\$ 17,690	\$ 3,420	\$ 26,397	\$ 15,846
Net increase in net assets resulting from operations per common share	\$ 0.31	\$ 0.06	\$ 0.50	\$ 0.34
NAV per share at the end of the quarter	\$ 10.22	\$ 10.16	\$ 10.38	\$ 10.19
Market value per share at the end of the quarter	\$ 10.61	\$ 10.35	\$ 10.40	\$ 10.09

	<b>2011</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 26,139	\$ 22,908	\$ 22,712	\$ 19,979
Net investment income	\$ 15,095	\$ 13,220	\$ 13,159	\$ 11,171
Net realized and unrealized (loss) gain	\$ (46,260)	\$ (10,901)	\$ 428	\$ 14,351
Net (decrease) increase in net assets resulting from operations	\$ (31,165)	\$ 2,319	\$ 13,587	\$ 25,522
Net (decrease) increase in net assets resulting from operations per common share	\$ (0.68)	\$ 0.05	\$ 0.33	\$ 0.71
NAV per share at the end of the quarter	\$ 10.13	\$ 11.08	\$ 11.30	\$ 11.14

Market value per share at the end of the quarter	\$ 8.92	\$ 11.21	\$ 11.92	\$ 12.25
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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**Overview**

PennantPark Investment Corporation is a BDC whose objectives are to generate both current income and capital appreciation through debt and equity investments primarily in U.S. middle-market companies in the form of senior secured loans, mezzanine debt and equity investments.

We believe middle-market companies offer attractive risk-reward to investors due to the limited amount of capital available for such companies. We seek to create a diversified portfolio that includes senior secured loans, mezzanine debt and equity investments by investing approximately \$10 million to \$50 million of capital, on average, in the securities of middle-market companies. We expect this investment size to vary proportionately with the size of our capital base. We use the term "middle-market" to refer to companies with annual revenues between \$50 million and \$1 billion. The companies in which we invest are typically highly leveraged, and, in most cases, are not rated by national rating agencies. If such companies were rated, we believe that they would typically receive a rating below investment grade (between BB and CCC under the Standard & Poor's system) from the national rating agencies. Our debt investments may generally range in maturity from three to ten years and are made to U.S. and, to a limited extent, non-U.S. corporations, partnerships and other business entities which operate in various industries and geographical regions.

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

**Organization and Structure of PennantPark Investment Corporation**

PennantPark Investment Corporation, a Maryland corporation organized in January 2007, is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for federal income tax purposes we have elected to be treated, and intend to qualify annually, as a RIC under the Code.

Our wholly owned subsidiaries, SBIC LP and SBIC II, were organized as Delaware limited partnerships in May 2010 and July 2012, respectively. SBIC LP and SBIC II received licenses from the SBA to operate as SBICs, under Section 301(c) of the 1958 Act, in July 2010 and January 2013, respectively. Our SBIC Funds' objectives are to generate both current income and capital appreciation through debt and equity investments generally by investing with us in SBA eligible businesses that meet the investment criteria used by PennantPark Investment.

Our investment activities are managed by the Investment Adviser. Under our Investment Management Agreement, we have agreed to pay our Investment Adviser an annual base management fee based on our average adjusted gross assets as well as an incentive fee based on our investment performance. PennantPark Investment, through the Investment Adviser, provides similar services to our SBIC Funds under their investment management agreements. Our SBIC Funds' investment management agreements do not affect the management and incentive fees on a consolidated basis. We have also entered into an Administration Agreement with the Administrator. Under our Administration Agreement, we have agreed to reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief

Financial Officer and their respective staffs. PennantPark Investment, through the Administrator, provides similar services to our SBIC Funds under their

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administration agreements with us. Our board of directors, a majority of whom are independent of us, supervises our activities, and the Investment Adviser manages our day-to-day activities.

## **Revenues**

We generate revenue in the form of interest income on the debt securities we hold and capital gains and distributions, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of senior secured loans or mezzanine debt, typically have terms of three to ten years and bear interest at a fixed or a floating rate. Interest on debt securities is generally payable quarterly or semiannually. In some cases, some of our investments provide for deferred interest payments and payment-in-kind, or PIK, interest. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of amendment, commitment, origination, structuring or diligence fees, fees for providing managerial assistance and possibly consulting fees. Loan origination fees, original issue discount, or OID, and market discount or premium are capitalized, and we accrete or amortize such amounts as income. We record prepayment penalties on loans and debt securities as income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts.

## **Expenses**

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

the cost of calculating our NAV, including the cost of any third-party valuation services;

the cost of effecting sales and repurchases of shares of our common stock and other securities;

fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence and reviews of prospective investments or complimentary businesses;

expenses incurred by the Investment Adviser in performing due diligence and reviews of investments;

transfer agent and custodial fees;

fees and expenses associated with marketing efforts;

Federal, state and foreign registration fees and any exchange listing fees;

federal, state, local and foreign taxes;

independent directors' fees and expenses;

brokerage commissions;

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

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

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

costs associated with our reporting and compliance obligations under the 1940 Act, the 1958 Act and applicable federal and state securities laws; and

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

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

## **PORTFOLIO AND INVESTMENT ACTIVITY**

As of June 30, 2014, our portfolio totaled \$1,198.4 million and consisted of \$310.2 million of senior secured loans, \$486.1 million of second lien secured debt, \$282.4 million of subordinated debt and \$119.7 million of preferred and common equity investments. Our debt portfolio consisted of 39% fixed-rate and 61% variable-rate investments (including 53% with a LIBOR or prime floor). Our overall portfolio consisted of 66 companies with an average investment size of \$18.2 million, had a weighted average yield on debt investments of 12.3% and was invested 26% in senior secured loans, 40% in second lien secured debt, 24% in subordinated debt and 10% in preferred and common equity investments.

As of September 30, 2013, our portfolio totaled \$1,078.2 million and consisted of \$299.5 million of senior secured loans, \$357.5 million of second lien secured debt, \$302.5 million of subordinated debt and \$118.7 million of preferred and common equity investments. Our debt portfolio consisted of 52% fixed-rate and 48% variable-rate investments (including 44% with a LIBOR or prime floor). Our overall portfolio consisted of 61 companies with an average investment size of \$17.7 million, had a weighted average yield on debt investments of 13.0% and was invested 28% in senior secured loans, 33% in second lien secured debt, 28% in subordinated debt and 11% in preferred and common equity investments.

For the three months ended June 30, 2014, we invested \$191.8 million in three new and nine existing portfolio companies with a weighted average yield on debt investments of 11.7%. Sales and repayments of investments for the three months ended June 30, 2014 totaled \$273.6 million. For the nine months ended June 30, 2014, we invested \$561.8 million in 16 new and 22 existing portfolio companies with a weighted average yield on debt investments of 12.1%. Sales and repayments of investments for the nine months ended June 30, 2014 totaled \$534.4 million.

For the three months ended June 30, 2013, we invested \$73.3 million in two new and five existing portfolio companies with a weighted average yield on debt investments of 12.9%. Sales and repayments of investments for the three months ended June 30, 2013 totaled \$117.8 million. For the nine months ended June 30, 2013, we invested \$317.2 million in eight new and 19 existing portfolio companies with a weighted average yield on debt investments of 12.9%. Sales and repayments of investments for the nine months ended June 30, 2013 totaled \$271.2 million.

## **CRITICAL ACCOUNTING POLICIES**

The preparation of our Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of our assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of income and expenses during the reported periods. 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 reclassified certain prior period amounts to conform to the current period presentation. We have eliminated all intercompany

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balances and transactions. References to the Accounting Standards Codification, or ASC, serve as a single source of accounting literature. Subsequent events are evaluated and disclosed as appropriate for events occurring through the date the Consolidated Financial Statements are issued. In addition to the discussion below, we describe our critical accounting policies in the notes to our Consolidated Financial Statements.

### **Valuation of Portfolio Investments**

We expect that there may not be readily available market values for many of our investments which are or will be in our portfolio, and we value such investments at fair value as determined in good faith by or under the direction of our board of directors using a documented valuation policy described in this prospectus supplement and a consistently applied valuation process. 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 differ from our valuation and the differences could be material.

With respect to investments for which market quotations are not readily available, or for which market quotations are deemed not reflective of the fair value, our board of directors undertakes a multi-step valuation process each quarter, as described below:

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

Our board of directors discusses the valuations and determines the fair value of each investment in our portfolio in good faith, based on the input of our Investment Adviser, the independent valuation firms and the audit committee.

Our investments generally consist of illiquid securities, including debt and equity investments. 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/dealers, if available, or otherwise by a principal market maker or a primary market dealer. The Investment Adviser assesses the source and reliability of bids from brokers or dealers. If our board of directors has a bona fide reason to believe any such market quote does not reflect the fair value of an investment, it may independently value such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available. Investments of sufficient credit quality purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value.

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

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

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

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

In addition to using the above inputs in cash equivalents, investments, the 2025 Notes and our Credit Facility valuations, we employ the valuation policy approved by our board of directors that is consistent with ASC 820. Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

The carrying value of our consolidated financial liabilities approximates fair value. We adopted ASC 825-10, which provides companies with an option to report selected financial assets and liabilities at fair value and made an irrevocable election to apply ASC 825-10 to our Credit Facility and our 2025 Notes. We elected to use the fair value option for the Credit Facility and 2025 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 non-recurring expenses of \$3.9 million relating to debt issuance costs on the Credit Facility for the three and nine months ended June 30, 2014. 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 Statement of Assets and Liabilities and changes in fair value of the Credit Facility and 2025 Notes are reported in our Consolidated Statement of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including the SBA debentures. For the three and nine months ended June 30, 2014, our Credit Facility and 2025 Notes had a net change in unrealized appreciation of \$3.4 million and \$5.4 million, respectively. For the three and nine months ended June 30, 2013, our Credit Facility and 2025 Notes had a net change in unrealized

depreciation (appreciation) of \$0.4 million and \$(0.5) million, respectively. As of June 30, 2014 and September 30, 2013, net unrealized (appreciation) depreciation on our Credit Facility and 2025 Notes totaled \$(2.6) million and \$2.9 million, respectively. We use a nationally recognized independent valuation

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service to fair value our Credit Facility in a manner consistent with the valuation process that the board of directors approves to value investments. Our 2025 Notes trade on the New York Stock Exchange, or NYSE, and we use the closing price on the exchange to determine their fair value.

## **Revenue Recognition**

We record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt investments with contractual PIK interest which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we will generally not accrue PIK interest if the portfolio company valuation indicates that such PIK interest is not collectible. We do not accrue as a receivable interest on loans and debt investments if we determine that it is probable that we will not be able to collect such interest. Loan origination fees, OID, market discount or premium and deferred financing costs are capitalized and we then accrete or amortize such amounts as interest income or expense, as applicable, using the effective interest method. We record contractual prepayment penalties on loans and debt investments as income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts.

## **Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation**

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

## **Foreign Currency Translation**

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

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