

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 814-00736

PENNANTPARK INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of incorporation or organization)

20-8250744

(I.R.S. Employer Identification No.)

590 Madison Avenue, 15th Floor

New York, N.Y.

(Address of principal executive offices)

10022

(Zip Code)

(212) 905-1000

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	PNNT	The Nasdaq Stock Market LLC
5.50% Notes due 2024	PNNTG	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of May 11, 2020 was 67,045,105.

PENNANTPARK INVESTMENT CORPORATION
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2020
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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 context suggest otherwise, the terms “Company,” “we,” “our” or “us” refer to PennantPark Investment Corporation and its consolidated subsidiaries; “PennantPark Investment” refers to only PennantPark Investment Corporation; our “SBIC Fund” refers collectively to our consolidated subsidiaries, PennantPark SBIC II LP, or SBIC II, and its general partner, PennantPark SBIC GP II, LLC; “Funding I” refers to PennantPark Investment Funding I, LLC; “Taxable Subsidiaries” refers to PNNT Cascade Environmental Holdings, LLC, PNNT CI (Galls) Prime Investment Holdings, LLC, PNNT ecoserve, LLC, PNNT Investment Holdings, LLC and PNNT New Gulf Resources, LLC; “PennantPark Investment Advisers” or “Investment Adviser” refer to PennantPark Investment Advisers, LLC; “PennantPark Investment Administration” or “Administrator” refer to PennantPark Investment Administration, LLC; “SBA” refers to the Small Business Administration; “SBIC” refers to a small business investment company under the Small Business Investment Act of 1958, as amended, or the “1958 Act”; “BNP Credit Facility” refers to our revolving credit facility with BNP Paribas; “Truist Credit Facility” refers to our multi-currency, senior secured revolving credit facility with Truist Bank (formerly SunTrust Bank), as amended and restated; “Credit Facilities” refers to the BNP Credit Facility and Truist Credit Facility collectively; “2019 Notes” refers to our 4.5% notes due 2019, which we redeemed in March 2019; “2024 Notes” refers to our 5.5% Notes due 2024; “BDC” refers to a business development company under the Investment Company Act of 1940, as amended, or the “1940 Act”; “SBCAA” refers to the Small Business Credit Availability Act; “Code” refers to the Internal Revenue Code of 1986, as amended; and “RIC” refers to a regulated investment company under the Code. References to our portfolio, our investments and our business include investments we make through SBIC II and our other consolidated subsidiaries.

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	March 31, 2020 (unaudited)	September 30, 2019
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$1,136,891,439 and \$922,304,099, respectively)	\$ 1,127,578,177	\$ 936,632,099
Non-controlled, affiliated investments (cost—\$77,628,920 and \$77,600,816, respectively)	26,648,548	49,349,338
Controlled, affiliated investments (cost—\$274,448,367 and \$257,117,800, respectively)	199,820,217	233,451,359
Total of investments (cost—\$1,488,968,726 and \$1,257,022,715, respectively)	1,354,046,942	1,219,432,796
Cash and cash equivalents (cost—\$25,174,710 and \$59,546,438, respectively)	25,127,515	59,516,236
Interest receivable	6,872,137	6,226,539
Prepaid expenses and other assets	1,071,214	662,442
Total assets	1,387,117,808	1,285,838,013
Liabilities		
Distributions payable	12,068,119	12,068,119
BNP Credit Facility payable, at fair value (cost—\$245,000,000 and \$171,000,000, respectively) (See Notes 5 and 10)	228,585,000	170,145,000
Truist Credit Facility payable, at fair value (cost—\$441,636,000 and \$301,636,000, respectively) (See Notes 5 and 10)	404,430,430	295,245,214
2024 Notes payable, net (par—\$86,250,000 and \$75,000,000, respectively) (See Notes 5 and 10)	83,504,809	72,256,607
SBA debentures payable, net (par—\$133,500,000 and \$150,000,000, respectively) (See Notes 5 and 10)	130,285,249	146,111,055
Base management fee payable, net (See Note 3)	4,880,699	4,641,480
Performance-based incentive fee payable, net (See Note 3)	1,913,047	—
Interest payable on debt	4,612,690	2,895,695
Accrued other expenses	158,528	569,175
Total liabilities	870,438,571	703,932,345
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 67,045,105 and 67,045,105 shares issued and outstanding, respectively Par value \$0.001 per share and 100,000,000 shares authorized	67,045	67,045
Paid-in capital in excess of par value	788,192,159	788,192,159
Accumulated distributable net loss	(271,579,967)	(206,353,536)
Total net assets	\$ 516,679,237	\$ 581,905,668
Total liabilities and net assets	\$ 1,387,117,808	\$ 1,285,838,013
Net asset value per share	\$ 7.71	\$ 8.68

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 22,748,529	\$ 22,938,612	\$ 43,133,443	\$ 46,447,193
Payment-in-kind	1,978,894	2,626,193	3,863,400	3,872,209
Other income	751,284	1,016,381	941,202	1,634,452
From non-controlled, affiliated investments:				
Interest	—	3,798	—	108,903
Payment-in-kind	—	—	—	108,625
From controlled, affiliated investments:				
Interest	559,934	2,048,653	1,204,624	3,837,256
Payment-in-kind	1,496,251	54,116	4,395,988	59,116
Total investment income	<u>27,534,892</u>	<u>28,687,753</u>	<u>53,538,657</u>	<u>56,067,754</u>
Expenses:				
Base management fee (See Note 3)	4,880,699	4,510,830	9,623,129	8,930,092
Performance-based incentive fee (See Note 3)	1,913,047	8,340	2,657,673	2,675,610
Interest and expenses on debt (See Note 10)	8,962,513	7,032,019	17,828,583	13,310,866
Administrative services expenses (See Note 3)	521,520	532,625	1,043,040	1,054,250
Other general and administrative expenses	648,881	692,177	1,292,841	1,310,544
Expenses before financing costs and provision for taxes	<u>16,926,660</u>	<u>12,775,991</u>	<u>32,445,266</u>	<u>27,281,362</u>
Debt issuance costs (See Notes 5 and 10)	—	2,696,498	—	2,696,498
Make-whole premium (See Notes 5 and 10)	—	2,162,526	—	2,162,526
Provision for taxes	300,000	300,000	600,000	600,000
Net expenses	<u>17,226,660</u>	<u>17,935,015</u>	<u>33,045,266</u>	<u>32,740,386</u>
Net investment income	<u>10,308,232</u>	<u>10,752,738</u>	<u>20,493,391</u>	<u>23,327,368</u>
Realized and unrealized (loss) gain on investments and debt:				
Net realized gain (loss) on investments on:				
Non-controlled, non-affiliated investments	1,424,778	972,448	(10,609,375)	4,710,367
Non-controlled and controlled, affiliated investments	—	—	—	4,792,067
Net realized gain (loss) on investments	<u>1,424,778</u>	<u>972,448</u>	<u>(10,609,375)</u>	<u>9,502,434</u>
Net change in unrealized (depreciation) appreciation on:				
Non-controlled, non-affiliated investments	(40,710,987)	(6,753,803)	(23,658,391)	(13,683,685)
Non-controlled and controlled, affiliated investments	(80,260,831)	(13,379,363)	(73,690,603)	(26,842,060)
Debt depreciation (See Notes 5 and 10)	48,946,105	3,661,483	46,374,785	9,727,635
Net change in unrealized (depreciation) appreciation on investments and debt	<u>(72,025,713)</u>	<u>(16,471,683)</u>	<u>(50,974,209)</u>	<u>(30,798,110)</u>
Net realized and unrealized (loss) gain from investments and debt	<u>(70,600,935)</u>	<u>(15,499,235)</u>	<u>(61,583,584)</u>	<u>(21,295,676)</u>
Net (decrease) increase in net assets resulting from operations	<u>\$ (60,292,703)</u>	<u>\$ (4,746,497)</u>	<u>\$ (41,090,193)</u>	<u>\$ 2,031,692</u>
Net (decrease) increase in net assets resulting from operations per common share (See Note 7)	<u>\$ (0.90)</u>	<u>\$ (0.07)</u>	<u>\$ (0.61)</u>	<u>\$ 0.03</u>
Net investment income per common share	<u>\$ 0.15</u>	<u>\$ 0.16</u>	<u>\$ 0.31</u>	<u>\$ 0.34</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net (decrease) increase in net assets resulting from operations:				
Net investment income	\$ 10,308,232	\$ 10,752,738	\$ 20,493,391	\$ 23,327,368
Net realized gain (loss) on investments	1,424,778	972,448	(10,609,375)	9,502,434
Net change in unrealized (depreciation) on investments	(120,971,818)	(20,133,166)	(97,348,994)	(40,525,745)
Net change in unrealized depreciation on debt	48,946,105	3,661,483	46,374,785	9,727,635
Net (decrease) increase in net assets resulting from operations	(60,292,703)	(4,746,497)	(41,090,193)	2,031,692
Distributions to stockholders	(12,068,119)	(12,068,119)	(24,136,238)	(24,313,076)
Capital transactions:				
Repurchase of common stock	—	(6,977,698)	—	(14,471,720)
Net decrease in net assets	(72,360,822)	(23,792,314)	(65,226,431)	(36,753,104)
Net assets:				
Beginning of period	589,040,059	615,941,105	581,905,668	628,901,895
End of period	\$ 516,679,237	\$ 592,148,791	\$ 516,679,237	\$ 592,148,791
Capital share activity:				
Shares of common stock repurchased	—	(982,432)	—	(2,008,853)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net (decrease) increase in net assets resulting from operations	\$ (41,090,193)	\$ 2,031,692
Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash used in operating activities:		
Net change in net unrealized depreciation on investments	97,348,994	40,525,745
Net change in unrealized depreciation on debt	(46,374,785)	(9,727,635)
Net realized loss (gain) on investments	10,609,375	(9,502,434)
Net accretion of discount and amortization of premium	(1,352,104)	(1,505,849)
Purchases of investments	(280,494,214)	(378,352,580)
Payment-in-kind income	(8,245,142)	(4,723,070)
Proceeds from dispositions of investments	47,535,202	240,886,539
Amortization of deferred financing costs	1,037,172	521,458
(Increase) decrease in interest receivable	(645,598)	669,626
(Decrease) increase in prepaid expenses and other assets	(408,772)	648,842
Increase in payable for investments purchased	—	4,480,173
Increase (decrease) in interest payable on debt	1,716,995	(4,133,108)
Increase in base management fee payable, net	239,219	423,998
Increase (decrease) in performance-based incentive fee payable, net	1,913,047	(2,955,925)
Decrease in accrued other expenses	(410,647)	(541,118)
Net cash used in operating activities	<u>(218,621,451)</u>	<u>(121,253,646)</u>
Cash flows from financing activities:		
Repurchase of common stock	—	(14,471,720)
Distributions paid to stockholders	(24,136,238)	(24,674,669)
Proceeds from 2024 Notes issuance	10,912,500	—
Repayments of 2019 Notes	—	(250,000,000)
Repayments under SBA debentures	(16,500,000)	(30,000,000)
Borrowings under BNP Credit Facility	90,000,000	142,500,000
Repayments under BNP Credit Facility	(16,000,000)	—
Borrowings under Truist Credit Facility	273,000,000	571,000,000
Repayments under Truist Credit Facility	(133,000,000)	(262,384,000)
Net cash provided by financing activities	<u>184,276,262</u>	<u>131,969,611</u>
Net (decrease) increase in cash equivalents	<u>(34,345,189)</u>	<u>10,715,965</u>
Effect of exchange rate changes on cash	(43,532)	84,910
Cash and cash equivalents, beginning of period	<u>59,516,236</u>	<u>19,506,154</u>
Cash and cash equivalents, end of period	<u>\$ 25,127,515</u>	<u>\$ 30,307,029</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 15,074,416</u>	<u>\$ 16,922,515</u>
Taxes paid	<u>\$ 805,976</u>	<u>\$ 516,156</u>
Non-cash exchanges and conversions	<u>\$ 91,204,799</u>	<u>\$ 12,697,510</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
MARCH 31, 2020
(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index (4)	Par / Shares	Cost	Fair Value (3)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—218.2 (1), (2)							
First Lien Secured Debt—151.1%							
18 Fremont Street Acquisition, LLC	08/11/2025	Hotels, Motels, Inns and Gaming	9.50%	1M L+800	8,302,303	\$ 7,487,422	\$ 7,721,142
Advantage Sales & Marketing (5)	07/23/2021	Grocery	4.70%	1M L+325	10,541,790	10,134,574	10,120,118
Altamira Technologies, LLC (5)	07/24/2025	Aerospace and Defense	7.78%	3M L+600	987,500	973,833	967,750
Altamira Technologies, LLC (Revolver) (7)	07/24/2025	Aerospace and Defense	—	—	187,500	—	(3,750)
American Insulated Glass, LLC (5)	12/21/2023	Building Materials	7.40%	3M L+550	30,888,073	30,404,870	29,652,550
Apex Service Partners, LLC	07/31/2025	Personal, Food and Miscellaneous Services	6.25%	1M L+500	6,191,490	6,130,578	6,145,054
Apex Service Partners, LLC (7)	07/31/2021	Personal, Food and Miscellaneous Services	—	—	1,792,953	—	(13,447)
Bazaarvoice, Inc. (5)	02/01/2024	Printing and Publishing	7.35%	1M L+575	14,701,965	14,591,077	13,966,867
Bottom Line Systems, LLC (5)	02/13/2023	Healthcare, Education and Childcare	6.57%	1M L+550	21,722,525	21,536,172	20,923,137
Broder Bros., Co.	12/02/2022	Consumer Products	9.77%	3M L+850	26,931,337	26,931,337	26,662,024
Cano Health, LLC (5)	12/23/2021	Healthcare, Education and Childcare	7.84%	1M L+625	38,433,140	38,125,379	38,433,140
Compex Legal Services, Inc.	02/09/2026	Business Services	7.34%	3M L+575	3,624,014	3,553,272	3,438,102
Compex Legal Services, Inc. (7)	02/09/2026	Business Services	—	—	1,549,743	—	(79,502)
Compex Legal Services, Inc. (Revolver)	02/09/2026	Business Services	6.82%	3M L+575	655,660	655,660	622,025
Datalot Inc.	01/24/2025	Insurance	6.25%	3M L+525	7,152,659	7,014,558	6,867,983
Datalot Inc. (Revolver)	01/24/2025	Insurance	6.25%	3M L+525	1,788,165	1,788,165	1,716,996
DermaRite Industries LLC	03/03/2022	Manufacturing / Basic Industries	8.07%	1M L+700	9,084,181	9,013,637	8,426,486
DRS Holdings III, Inc. (5)	11/03/2025	Consumer Products	7.20%	1M L+575	13,633,062	13,503,978	12,935,049
DRS Holdings III, Inc. (Revolver)	11/03/2025	Consumer Products	6.75%	1M L+575	1,222,482	1,222,482	1,159,891
DRS Holdings III, Inc. (Revolver) (7)	11/03/2025	Consumer Products	—	—	305,620	—	(15,648)
ECM Industries, LLC (5)	12/23/2025	Electronics	5.70%	1M L+450	2,887,628	2,858,827	2,728,808
ECM Industries, LLC (Revolver)	12/23/2025	Electronics	5.70%	1M L+450	517,594	517,594	483,950
Empire Resorts, Inc.	03/22/2021	Hotels, Motels, Inns and Gaming	3.25%	1M L+225	2,467,915	2,467,915	2,467,915
Holdco Sands Intermediate, LLC (5)	12/19/2025	Aerospace and Defense	7.45%	3M L+600	12,255,000	12,077,510	12,009,900
HW Holdco, LLC (5)	12/10/2024	Media	7.25%	3M L+625	17,392,742	17,243,974	16,870,960
HW Holdco, LLC (Revolver) (7)	12/10/2024	Media	—	—	3,387,097	—	(101,613)
Impact Group, LLC (5)	06/27/2023	Personal, Food and Miscellaneous Services	8.03%	1M L+650	19,995,193	19,905,512	17,095,889
Integrity Marketing Acquisition, LLC	08/27/2025	Insurance	7.26%	3M L+575	3,505,671	3,480,002	3,365,444
Integrity Marketing Acquisition, LLC (7)	08/27/2025	Insurance	—	—	21,185,543	—	(688,528)
Juniper Landscaping of Florida, LLC	12/22/2021	Personal, Food and Miscellaneous Services	10.09%	1M L+850	14,256,893	14,130,405	14,185,609
K2 Pure Solutions NoCal, L.P. (5)	12/20/2023	Chemicals, Plastics and Rubber	6.75%	1M L+575	26,794,167	26,478,428	25,513,406
K2 Pure Solutions NoCal, L.P. (Revolver)	12/20/2023	Chemicals, Plastics and Rubber	6.75%	1M L+575	1,938,095	1,938,095	1,845,454
Kentucky Downs, LLC (5)	03/07/2025	Hotels, Motels, Inns and Gaming	10.45%	1M L+900 (PIK 3.00%)	10,050,777	9,865,167	10,000,524
Kentucky Downs, LLC (7)	03/07/2025	Hotels, Motels, Inns and Gaming	—	—	827,586	—	(4,138)
Lash Opco, LLC - Term Loan (5)	12/12/2024	Consumer Products	8.75%	1M L+725	9,787,775	9,507,459	9,004,753
Lash Opco, LLC (Revolver)	12/12/2024	Consumer Products	8.39%	P+450	1,020,489	1,020,489	949,056
Lash Opco, LLC (Revolver) (7)	12/12/2024	Consumer Products	—	—	22,844	—	(1,599)
LAV Gear Holdings, Inc.	10/31/2024	Leisure, Amusement, Motion Pictures, Entertainment	6.95%	1M L+550	2,738,858	2,713,017	2,621,635
Lightspeed Buyer Inc. (5)	02/03/2026	Healthcare, Education and Childcare	6.75%	1M L+575	12,661,516	12,412,660	11,775,210
Lightspeed Buyer Inc. (7)	02/03/2026	Healthcare, Education and Childcare	—	—	2,450,209	—	(119,013)
Lightspeed Buyer Inc. (Revolver)	02/03/2026	Healthcare, Education and Childcare	6.75%	1M L+575	1,165,780	1,165,780	1,084,176
Lombart Brothers, Inc. (5)	04/13/2023	Healthcare, Education and Childcare	7.70%	1M L+625	17,004,111	16,833,307	15,813,823
Lombart Brothers, Inc. (Revolver)	04/13/2023	Healthcare, Education and Childcare	7.25%	1M L+625	1,769,912	1,769,912	1,663,717
MeritDirect, LLC (5)	05/23/2024	Media	6.95%	3M L+550	17,419,379	17,194,836	16,200,023
MeritDirect, LLC (Revolver) (7)	05/23/2024	Media	—	—	2,518,345	—	(151,101)
Ox Two, LLC	02/27/2023	Building Materials	7.85%	1M L+625	21,568,797	21,285,654	21,353,110
Ox Two, LLC (Revolver)	02/27/2023	Building Materials	8.51%	1M L+625	2,488,000	2,488,000	2,463,120
Ox Two, LLC (Revolver) (7)	02/27/2023	Building Materials	—	—	12,000	—	(120)
Peninsula Pacific Entertainment LLC	11/13/2024	Hotels, Motels, Inns and Gaming	8.55%	3M L+725	11,495,190	11,256,848	10,575,575
PlayPower, Inc. (5)	05/08/2026	Consumer Products	6.95%	3M L+550	4,168,500	4,129,610	4,043,445
PRA Events, Inc.	08/08/2022	Business Services	8.45%	3M L+700	19,180,820	18,976,897	18,893,108
PRA Events, Inc. (Revolver)	08/08/2022	Business Services	8.00%	3M L+700	2,000,000	2,000,000	2,000,000
Provation Medical, Inc.	03/11/2024	Electronics	8.85%	3M L+700	26,662,500	26,178,561	24,860,115
Questex, LLC	09/09/2024	Media	6.75%	3M L+575	22,162,500	21,810,995	21,054,376
Questex, LLC (Revolver)	09/09/2024	Media	6.75%	3M L+575	1,196,809	1,196,809	1,136,969
Questex, LLC (Revolver) (7)	09/09/2024	Media	—	—	2,393,617	—	(119,680)
Radius Aerospace, Inc. (5)	03/31/2025	Aerospace and Defense	7.15%	3M L+575	13,849,239	13,661,266	13,536,245
Radius Aerospace, Inc. (Revolver)	03/31/2025	Aerospace and Defense	7.32%	3M L+575	1,336,285	1,336,285	1,306,085
Radius Aerospace, Inc. (Revolver) (7)	03/31/2025	Aerospace and Defense	—	—	890,857	—	(20,133)
Research Horizons, LLC	06/28/2022	Media	7.84%	1M L+625	30,336,993	30,064,509	28,820,144
Research Now Group, Inc. and Survey Sampling International LLC (5)	12/20/2024	Business Services	7.26%	3M L+550	17,852,375	17,720,296	17,138,280
Riverpoint Medical, LLC (5)	06/20/2025	Healthcare, Education and Childcare	5.75%	3M L+500	1,985,000	1,966,997	1,897,064
Riverpoint Medical, LLC (Revolver)	06/20/2025	Healthcare, Education and Childcare	5.75%	3M L+475	181,818	181,818	173,764
Riverpoint Medical, LLC (Revolver) (7)	06/20/2025	Healthcare, Education and Childcare	—	—	181,818	—	(8,055)
Riverside Assessments, LLC	03/10/2025	Education	6.75%	3M L+575	15,750,000	15,438,109	14,568,750
Sargent & Greenleaf Inc.	12/20/2024	Electronics	7.00%	1M L+550	5,503,798	5,425,380	5,228,608
Sargent & Greenleaf Inc. (Revolver)	12/20/2024	Electronics	7.00%	1M L+550	597,943	597,943	565,057
Sales Benchmark Index LLC	01/03/2025	Business Services	7.87%	3M L+600	7,926,829	7,775,124	7,768,293
Sales Benchmark Index LLC (7)	06/03/2021	Business Services	—	—	1,829,268	—	(36,585)
Sales Benchmark Index LLC (Revolver) (7)	01/03/2025	Business Services	—	—	731,707	—	(14,634)
Schlesinger Global, Inc. (5)	07/14/2025	Business Services	7.44%	3M L+600	518,879	512,465	508,502
Schlesinger Global, Inc. (Revolver) (7)	07/14/2025	Business Services	—	—	38,040	—	(761)
Signature Systems Holding Company (5)	05/03/2024	Chemicals, Plastics and Rubber	7.57%	3M L+650	14,625,000	14,443,649	14,288,625
Signature Systems Holding Company (Revolver)	05/03/2024	Chemicals, Plastics and Rubber	7.50%	3M L+650	322,581	322,581	315,161
Signature Systems Holding Company (Revolver) (7)	05/03/2024	Chemicals, Plastics and Rubber	—	—	1,693,548	—	(38,952)
Solutionreach, Inc. (5)	01/17/2024	Communications	6.74%	3M L+575	13,186,800	12,973,324	12,747,681
Solutionreach, Inc. (Revolver)	01/17/2024	Communications	6.71%	3M L+575	1,248,750	1,248,750	1,207,167
Solutionreach, Inc. (Revolver) (7)	01/17/2024	Communications	—	—	416,250	—	(13,861)
Spear Education, LLC	02/26/2025	Education	6.90%	3M L+525	15,125,000	14,977,730	14,822,500
Spear Education, LLC (7)	02/26/2025	Education	—	—	6,875,000	—	(137,500)

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
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(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index (4)	Par / Shares	Cost	Fair Value (3)
Spectacle Gary Holdings, LLC	12/23/2025	Hotels, Motels, Inns and Gaming	11.00%	1M L+900	20,478,378	\$ 19,760,203	19,454,459
Spectacle Gary Holdings, LLC (7)	12/23/2025	Hotels, Motels, Inns and Gaming	—	—	1,121,622	—	(56,081)
STV Group Incorporated (5)	12/11/2026	Transportation	6.24%	1M L+525	12,698,529	12,574,726	12,444,558
TeleGuam Holdings, LLC (5)	11/20/2025	Telecommunications	5.50%	1M L+450	5,141,864	5,092,144	4,936,190
Teneo Holdings LLC (5)	07/18/2025	Financial Services	6.25%	1M L+525	1,990,000	1,875,360	1,890,500
TPC Canada Parent, Inc. and TPC US Parent, LLC (5),(8),(11)	11/24/2025	Food	7.14%	3M L+525	7,476,732	7,419,947	7,255,421
Triad Manufacturing, Inc.	12/28/2020	Manufacturing / Basic Industries	12.24%	3M L+1,125	20,480,105	20,393,450	20,275,304
TVC Enterprises, LLC (5)	01/18/2024	Transportation	6.50%	1M L+550	32,794,325	32,271,869	32,138,439
TVC Enterprises, LLC (7)	01/18/2024	Transportation	—	—	4,053,227	—	(81,065)
TVC Enterprises, LLC (Revolver)	01/18/2024	Transportation	6.50%	1M L+550	1,519,709	1,519,709	1,489,315
TVC Enterprises, LLC (Revolver) (7)	01/18/2024	Transportation	—	—	1,182,443	—	(23,649)
TWS Acquisition Corporation (5)	06/16/2025	Education	7.25%	1M L+625	8,644,186	8,452,887	8,384,860
TWS Acquisition Corporation (Revolver)	06/16/2025	Education	7.25%	1M L+625	1,137,857	1,137,857	1,103,721
TWS Acquisition Corporation (Revolver) (7)	06/16/2025	Education	—	—	505,714	—	(15,171)
Tyto Athene, LLC	08/27/2024	Aerospace and Defense	6.75%	1M L+575	6,058,993	6,034,358	5,651,861
UBEO, LLC (5)	04/03/2024	Printing and Publishing	6.51%	3M L+450	4,782,541	4,740,338	4,734,715
US Med Acquisition, Inc.	08/13/2021	Healthcare, Education and Childcare	9.95%	1M L+850	8,345,313	8,345,313	8,220,133
Vision Purchaser Corporation (5)	06/10/2025	Media	7.33%	1M L+625	14,430,851	14,157,656	13,853,617
Walker Edison Furniture Company LLC	09/26/2024	Home and Office Furnishings	8.16%	3M L+650	21,796,875	21,448,103	21,796,875
Whitney, Bradley & Brown, Inc. (5)	10/18/2022	Aerospace and Defense	8.50%	1M L+750	14,573,065	14,365,290	14,427,335
Wildcat Buyerco, Inc.	02/27/2026	Electronics	7.14%	3M L+550	7,720,588	7,549,899	7,527,573
Wildcat Buyerco, Inc. (7)	02/27/2026	Electronics	—	—	4,044,118	—	(55,607)
Wildcat Buyerco, Inc. (Revolver) (7)	02/27/2026	Electronics	—	—	551,471	—	(13,787)
Total First Lien Secured Debt						801,756,592	780,453,206
Second Lien Secured Debt—41.8%							
Condor Borrower, LLC	04/25/2025	Business Services	10.53%	3M L+875	10,344,828	10,186,837	9,568,966
Confie Seguros Holding Co.	10/31/2025	Insurance	10.08%	3M L+850	14,500,000	14,263,221	13,775,000
DecoPac, Inc.	03/31/2025	Beverage, Food and Tobacco	9.25%	3M L+825	19,627,143	19,363,350	19,627,143
Halo Buyer, Inc.	07/06/2026	Consumer Products	9.25%	1M L+825	32,500,000	32,044,335	30,631,250
Infogroup, Inc.	04/03/2024	Other Media	10.70%	3M L+925	20,400,000	20,127,389	19,176,000
MailSouth, Inc.	10/23/2024	Printing and Publishing	12.00%	12M L+925	36,828,975	36,246,451	33,514,367
MBS Holdings, Inc.	01/02/2024	Telecommunications	10.09%	1M L+850	19,623,649	19,320,122	19,034,940
Shift4 Payments, LLC	11/28/2025	Financial Services	10.28%	3M L+850	27,000,000	26,953,193	26,190,000
VT Topco, Inc.	08/24/2026	Business Services	8.45%	3M L+700	10,000,000	9,954,729	9,700,000
Winter Park Intermediate, Inc.	04/06/2026	Auto Sector	9.57%	1M L+850	35,300,000	34,761,586	34,594,000
Total Second Lien Secured Debt						223,221,213	215,811,666
Subordinated Debt/Corporate Notes—12.5%							
Blackhawk Industrial Distribution, Inc.	03/17/2025	Distribution	12.00%	—	13,911,992	13,684,198	13,529,412
			(PIK 2.00%)				
Cascade Environmental LLC	08/20/2021	Environmental Services	15.00%	—	52,078,443	51,775,782	50,906,678
			(PIK 15.00%)				
Total Subordinated Debt/Corporate Notes						65,459,980	64,436,090
Preferred Equity/Partnership Interests—0.6% (6)							
AH Holdings, Inc.	—	Healthcare, Education and Childcare	6.00%	—	211	500,000	220,354
Condor Holdings Limited (8), (11)	—	Business Services	—	—	556,000	64,277	64,277
Condor Top Holdco Limited (8), (11)	—	Business Services	—	—	556,000	491,723	491,723
MeritDirect Holdings, LP (9)	—	Media	—	—	540	540,000	417,916
NXOF Holdings, Inc. (Tyto Athene, LLC)	—	Aerospace and Defense	—	—	107	106,823	92,712
Signature CR Intermediate Holdco, Inc.	—	Chemicals, Plastics and Rubber	12.00%	—	1,347	1,346,530	1,410,550
TPC Holding Company, LP (8),(11)	—	Food	—	—	219	219,012	225,670
Total Preferred Equity/Partnership Interests						3,268,365	2,923,202
Common Equity/Partnership Interests/Warrants—12.4% (6)							
Affinion Group Holdings, Inc. (Warrants)	04/10/2024	Consumer Products	—	—	77,190	2,126,399	—
AG Investco LP (9)	—	Business Services	—	—	805,164	805,164	805,164
AG Investco LP (7), (9)	—	Business Services	—	—	194,836	—	—
AH Holdings, Inc. (Warrants)	03/23/2021	Healthcare, Education and Childcare	—	—	753	—	—
Altamira Intermediate Company II, Inc.	—	Aerospace and Defense	—	—	125,000	125,000	115,374
ASP LCG Holdings, Inc. (Warrants)	05/05/2026	Education	—	—	933	586,975	2,159,885
Cascade Environmental LLC (9)	—	Environmental Services	—	—	33,901	2,852,080	404,429
CI (Allied) Investment Holdings, LLC	—	Business Services	—	—	120,962	1,243,217	960,839
(PRA Events, Inc.) (9)	—						
CI (Summit) Investment Holdings LLC	—	Buildings and Real Estate	—	—	122,870	1,270,646	1,396,869
(SFP Holdings, Inc.)	—						
Cowboy Parent LLC	—	Distribution	—	—	22,500	2,250,000	1,242,061
(Blackhawk Industrial Distribution, Inc.)	—						
DecoPac Holdings Inc.	—	Beverage, Food and Tobacco	—	—	3,449	3,448,658	6,602,971
ECM Investors, LLC (9)	—	Electronics	—	—	136,209	136,209	120,865
eCommission Holding Corporation (11)	—	Financial Services	—	—	80	1,004,625	1,524,017
Faraday Holdings, LLC	—	Building Materials	—	—	4,277	217,635	701,603
Gauge Lash Coinvest LLC	—	Consumer Products	—	—	652,084	652,084	369,747
Gauge Schlesinger Coinvest, LLC	—	Business Services	—	—	8	8,197	13,754
Gauge TVC Coinvest, LLC	—	Transportation	—	—	810,645	810,645	795,588
(TVC Enterprises, LLC)	—						
Go Dawgs Capital III, LP	—	Building Materials	—	—	675,325	675,325	310,649
(American Insulated Glass, LLC) (9)	—						
Green Veracity Holdings, LP - Class A	—	Business Services	—	—	15,000	1,500,000	2,189,011
(VT Topco, Inc.)	—						
Infogroup Parent Holdings, Inc.	—	Other Media	—	—	181,495	2,040,000	498,366
ITC Rumba, LLC (Cano Health, LLC) (9)	—	Healthcare, Education and Childcare	—	—	292,903	4,317,307	9,548,384
ITC Rumba, LLC (Cano Health, LLC) (7), (9)	—	Healthcare, Education and Childcare	—	—	15,931	—	—
JWC-WE Holdings, L.P.	—	Home and Office Furnishings	—	—	1,906,433	1,906,433	5,539,996
(Walker Edison Furniture Company LLC) (9)	—						
Kadmon Holdings, Inc. (12)	—	Healthcare, Education and Childcare	—	—	252,014	2,265,639	1,055,939

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
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MARCH 31, 2020
(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index (4)	Par / Shares	Cost	Fair Value (3)
Kentucky Racing Holdco, LLC (Warrants)	—	Hotels, Motels, Inns and Gaming	—	—	161,252	\$ —	\$ 348,037
Lariat ecoserv Co-Invest Holdings, LLC (9)	—	Environmental Services	—	—	363,656	363,656	545,484
Lightspeed Investment Holdco LLC	—	Healthcare, Education and Childcare	—	—	273,143	273,143	180,572
MeritDirect Holdings, LP (9)	—	Media	—	—	540	—	—
NXOF Holdings, Inc. (Tyto Athene, LLC)	—	Aerospace and Defense	—	—	2,180	2,180	—
OceanSound Discovery Equity, LP (Holdco Sands Intermediate, LLC) (9)	—	Aerospace and Defense	—	—	98,286	982,857	861,895
SBI Holdings Investments LLC (Sales Benchmark Index LLC)	—	Business Services	—	—	36,585	365,854	300,356
Signature CR Intermediate Holdco, Inc.	—	Chemicals, Plastics and Rubber	—	—	71	70,870	—
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.)	—	Electronics	—	—	1,500	1,500,000	1,620,000
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.)	—	Electronics	—	—	1,500	—	3,318,691
TPC Holding Company, LP (8)	—	Food	—	—	11,527	11,527	28,241
U.S. Well Services, Inc. - Class A (11), (12)	—	Oil and Gas	—	—	1,261,201	3,021,880	378,360
WBB Equity, LLC (Whitney, Bradley & Brown, Inc.) (9)	—	Aerospace and Defense	—	—	628,571	628,571	2,080,571
Wheel Pros Holdings, L.P. (Winter Park Intermediate, Inc.)	—	Auto Sector	—	—	3,778,704	4,450,000	15,665,658
Wildcat Parent, LP (Wildcat Buyerco, Inc.)	—	Electronics	—	—	2,163	216,263	181,825
ZS Juniper L.P. (Juniper Landscaping of Florida, LLC) (9)	—	Personal, Food and Miscellaneous Services	—	—	1,056	1,056,250	2,088,812
Total Common Equity/Partnership Interests/Warrants						43,185,289	63,954,013
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						1,136,891,439	1,127,578,177
Investments in Non-Controlled, Affiliated Portfolio Companies—5.2% (1), (2)							
Preferred Equity/Partnership Interests—5.2% (6)							
ETX Energy, LLC	—	Oil and Gas	—	—	61,732	6,173,200	9,957,372
MidOcean JF Holdings Corp.	—	Distribution	—	—	153,922	15,392,189	16,691,176
Total Preferred Equity/Partnership Interests						21,565,389	26,648,548
Common Equity/Partnership Interests/Warrants—0.0% (6)							
ETX Energy, LLC (9)	—	Oil and Gas	—	—	1,658,389	29,711,576	—
ETX Energy Management Company, LLC	—	Oil and Gas	—	—	1,754,104	1,562,020	—
MidOcean JF Holdings Corp.	—	Distribution	—	—	65,933	24,789,935	—
Total Common Equity/Partnership Interests/Warrants						56,063,531	—
Total Investments in Non-Controlled, Affiliated Portfolio Companies						77,628,920	26,648,548
Investments in Controlled, Affiliated Portfolio Companies—38.7% (1), (2)							
First Lien Secured Debt—6.7%							
AKW Holdings Limited (8), (10), (11)	03/13/2024	Healthcare, Education and Childcare	6.25%	3M L+575	£ 28,000,000	39,051,600	34,718,600
Total First Lien Secured Debt						39,051,600	34,718,600
Second Lien Secured Debt—8.9%							
PT Network Intermediate Holdings, LLC	11/30/2024	Healthcare, Education and Childcare	12.00% (PIK 12.00%)	3M L+1,000	49,550,171	49,134,447	45,833,908
Total Second Lien Secured Debt						49,134,447	45,833,908
Preferred Equity—2.3% (6)							
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (9)	—	Healthcare, Education and Childcare	—	—	36,450	546,750	4,758
PT Network Intermediate Holdings, LLC (9)	—	Healthcare, Education and Childcare	11.94%	3M L+1,000	833	10,725,000	11,676,223
Total Preferred Equity						11,271,750	11,680,981
Common Equity—20.8% (6)							
AKW Holdings Limited (8), (10), (11)	—	Healthcare, Education and Childcare	—	—	£ 950	132,497	1,747,090
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (9)	—	Healthcare, Education and Childcare	—	—	333,333	5,000,000	—
PT Network Intermediate Holdings, LLC (9)	—	Healthcare, Education and Childcare	—	—	621	7,150,000	9,536,976
RAM Energy Holdings LLC	—	Energy and Utilities	—	—	180,805	162,708,073	96,302,662
Total Common Equity						174,990,570	107,586,728
Total Investments in Controlled, Affiliated Portfolio Companies						274,448,367	199,820,217
Total Investments—262.1%						1,488,968,726	1,354,046,942
Cash and Cash Equivalents—4.9%							
BlackRock Federal FD Institutional 30						14,178,392	14,178,392
BNY Mellon Cash Reserve and Cash						10,996,318	10,949,123
Total Cash and Cash Equivalents						25,174,710	25,127,515
Total Investments and Cash Equivalents—266.9%						\$ 1,514,143,436	\$ 1,379,174,457
Liabilities in Excess of Other Assets—(166.9%)							(862,495,220)
Net Assets—100.0%							\$ 516,679,237

- (1) 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.
- (2) 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 (See Note 6).
- (3) Valued based on our accounting policy (See Note 2).
- (4) 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, 90-day or 180-day LIBOR rate (1M 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 includes payment-in-kind, or PIK, interest and other fee rates, if any.
- (5) The securities, or a portion thereof, are pledged as collateral under the BNP Credit Facility and held through Funding I.
- (6) Non-income producing securities.
- (7) 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.
- (8) Non-U.S. company or principal place of business outside the United States.
- (9) Investment is held through our Taxable Subsidiaries (See Note 1).
- (10) Par / shares amount is denominated in British Pounds (£) as denoted.

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- (11) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2020, qualifying assets represent 97% of the Company's total assets and non-qualifying assets represent 3% of the Company's total assets.
- (12) The security was not valued using significant unobservable inputs. The value of all other securities was determined using significant unobservable inputs (See Note 5).

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
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SEPTEMBER 30, 2019

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index (4)	Par / Shares	Cost	Fair Value (3)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—161.0 (1), (2)							
First Lien Secured Debt—100.7%							
Altamira Technologies, LLC (5)	07/24/2025	Aerospace and Defense	8.28%	3M L+600	1,000,000	\$ 985,250	\$ 1,000,000
Altamira Technologies, LLC (Revolver) (7)	07/24/2025	Aerospace and Defense	—	—	187,500	—	—
American Insulated Glass, LLC (5)	12/21/2023	Building Materials	8.10%	3M L+550	31,044,000	30,504,462	30,578,340
American Insulated Glass, LLC (7)	12/21/2023	Building Materials	—	—	1,350,649	—	(20,260)
Bazaarvoice, Inc. (5)	02/01/2024	Printing and Publishing	7.79%	1M L+575	14,775,844	14,652,557	14,628,085
Bottom Line Systems, LLC (5)	02/13/2023	Healthcare, Education and Childcare	8.04%	1M L+600	21,722,525	21,510,208	21,718,181
Broder Bros., Co.	12/02/2022	Consumer Products	10.60%	3M L+850	27,218,672	27,219,280	27,218,672
Cano Health, LLC (5)	12/23/2021	Healthcare, Education and Childcare	8.36%	1M L+625	29,073,557	28,790,688	29,073,557
DermaRite Industries LLC	03/03/2022	Manufacturing / Basic Industries	9.04%	1M L+700	9,750,000	9,663,494	9,255,675
Deva Holdings, Inc. (5)	10/31/2023	Consumer Products	7.54%	3M L+550	4,486,071	4,421,743	4,486,071
Deva Holdings, Inc. (7)	10/31/2022	Consumer Products	—	—	385,000	—	—
HW Holdco, LLC (5)	12/10/2024	Media	8.39%	3M L+625	17,480,806	17,317,655	17,480,806
HW Holdco, LLC (Revolver)	12/10/2024	Media	8.39%	3M L+625	487,742	487,742	487,742
HW Holdco, LLC (Revolver) (7)	12/10/2024	Media	—	—	2,899,355	—	—
Impact Group, LLC (5)	06/27/2023	Personal, Food and Miscellaneous Services	8.72%	1M L+650	20,101,907	20,001,084	19,900,888
Juniper Landscaping of Florida, LLC	12/22/2021	Personal, Food and Miscellaneous Services	10.61%	1M L+850	14,627,202	14,463,765	14,627,202
K2 Pure Solutions NoCal, L.P. (5)	12/20/2023	Chemicals, Plastics and Rubber	7.33%	1M L+475	26,929,833	26,577,555	26,603,982
K2 Pure Solutions NoCal, L.P. (Revolver)	12/20/2023	Chemicals, Plastics and Rubber	7.30%	1M L+525	678,333	678,333	670,125
K2 Pure Solutions NoCal, L.P. (Revolver) (7)	12/20/2023	Chemicals, Plastics and Rubber	—	—	1,259,762	—	(15,243)
Kentucky Downs, LLC (5)	03/07/2025	Hotels, Motels, Inns and Gaming	10.60%	1M L+850	10,024,046	9,831,274	10,024,046
Kentucky Downs, LLC (7)	03/07/2025	Hotels, Motels, Inns and Gaming	—	—	2,482,759	—	—
Lombart Brothers, Inc. (5)	04/13/2023	Healthcare, Education and Childcare	8.35%	3M L+625	17,093,818	16,900,562	16,922,880
Lombart Brothers, Inc. (Revolver)	04/13/2023	Healthcare, Education and Childcare	10.00%	P+500	624,675	624,675	621,551
Lombart Brothers, Inc. (Revolver) (7)	04/13/2023	Healthcare, Education and Childcare	—	—	1,145,237	—	(5,726)
MeritDirect, LLC (5)	05/23/2024	Media	8.06%	3M L + 550	19,539,663	19,263,565	19,246,568
MeritDirect, LLC (Revolver) (7)	05/23/2024	Media	—	—	2,518,345	—	(37,775)
Ox Two, LLC	02/27/2023	Building Materials	8.29%	1M L+625	21,785,448	21,461,501	21,785,448
Ox Two, LLC (Revolver)	02/27/2023	Building Materials	12.25%	P+725	2,288,000	2,288,000	2,288,000
Ox Two, LLC (Revolver) (7)	02/27/2023	Building Materials	—	—	212,000	—	—
Peninsula Pacific Entertainment LLC	11/13/2024	Hotels, Motels, Inns and Gaming	9.35%	3M L+725	8,495,190	8,480,683	8,495,190
Pestell Minerals and Ingredients Inc. (5), (8), (11)	06/01/2023	Beverage, Food and Tobacco	7.57%	3M L+525	5,458,750	5,411,313	5,404,163
PlayPower, Inc. (5)	05/08/2026	Consumer Products	7.60%	3M L+550	4,189,500	4,148,451	4,184,263
PRA Events, Inc.	08/08/2022	Business Services	9.11%	3M L+700	19,380,021	19,137,807	19,380,021
PRA Events, Inc. (Revolver) (7)	08/08/2022	Business Services	—	—	2,000,000	—	—
Provation Medical, Inc.	03/11/2024	Electronics	9.34%	3M L+700	26,797,500	26,265,386	26,422,335
Quantum Spatial, Inc. (5)	09/04/24	Aerospace and Defense	7.32%	1M L+525	15,000,000	14,777,156	14,775,000
Questex, LLC	09/09/2024	Media	7.11%	3M L+500	22,275,000	21,892,186	22,052,250
Questex, LLC (Revolver) (7)	09/09/2024	Media	—	—	3,590,426	—	(35,904)
Radius Aerospace, Inc. (5)	03/31/2025	Aerospace and Defense	7.85%	3M L+575	8,528,572	8,408,418	8,464,608
Radius Aerospace, Inc. (Revolver)	03/31/2025	Aerospace and Defense	8.61%	3M L+575	428,571	428,571	425,358
Radius Aerospace, Inc. (Revolver) (7)	03/31/2025	Aerospace and Defense	—	—	1,000,000	—	(7,498)
Research Horizons, LLC	06/28/2022	Media	8.36%	1M L+625	31,036,318	30,707,239	30,415,591
Research Now Group, Inc. and Survey Sampling International LLC (5)	12/20/2024	Business Services	7.75%	3M L+550	9,924,242	9,782,674	9,939,724
Riverpoint Medical, LLC (5)	06/20/2025	Healthcare, Education and Childcare	7.39%	3M L+500	1,995,000	1,975,739	1,984,626
Riverpoint Medical, LLC (Revolver) (7)	06/20/2025	Healthcare, Education and Childcare	—	—	363,636	—	(1,891)
Schlesinger Global, Inc.	07/14/2025	Business Services	7.10%	3M L+500	371,318	365,869	371,318
Schlesinger Global, Inc. (7)	07/14/2025	Business Services	—	—	81,514	—	—
Schlesinger Global, Inc. (Revolver)	07/14/2025	Business Services	7.82%	3M L+500	13,586	13,586	13,586
Schlesinger Global, Inc. (Revolver) (7)	07/14/2025	Business Services	—	—	24,454	—	—
Signature Systems Holding Company (5)	05/03/2024	Chemicals, Plastics and Rubber	8.60%	P+650	14,906,271	14,699,927	14,906,271
Signature Systems Holding Company (Revolver) (7)	05/03/2024	Chemicals, Plastics and Rubber	—	—	2,016,129	—	—
Solutionreach, Inc. (5)	01/17/2024	Communications	7.79%	3M L+575	13,253,400	13,015,745	13,082,432
Solutionreach, Inc. (Revolver) (7)	01/17/2024	Communications	—	—	1,665,000	—	(21,478)
Triad Manufacturing, Inc.	12/28/2020	Manufacturing / Basic Industries	13.29%	3M L+1,125	21,589,610	21,447,963	21,373,714
TVC Enterprises, LLC (5)	01/18/2024	Transportation	7.55%	1M L+550	32,960,373	32,378,623	32,960,373
TVC Enterprises, LLC (7)	01/18/2024	Transportation	—	—	4,053,227	—	—
TVC Enterprises, LLC (Revolver)	01/18/2024	Transportation	7.61%	1M L+550	967,902	967,902	967,902
TVC Enterprises, LLC (Revolver) (7)	01/18/2024	Transportation	—	—	1,734,249	—	—
TWS Acquisition Corporation (5)	06/16/2025	Education	8.28%	1M L+625	8,850,000	8,640,294	8,673,000
TWS Acquisition Corporation (Revolver)	06/16/2025	Education	8.28%	1M L+625	505,714	505,714	495,600
TWS Acquisition Corporation (Revolver) (7)	06/16/2025	Education	—	—	1,137,857	—	(22,757)
Tyto Athene, LLC	08/27/2024	Aerospace and Defense	7.80%	1M L+575	6,203,031	6,175,004	6,018,180
UBEO, LLC (5)	04/03/2024	Printing and Publishing	6.78%	3M L+450	2,300,400	2,279,160	2,277,396
US Med Acquisition, Inc.	08/13/2021	Healthcare, Education and Childcare	11.10%	1M L+900	8,389,063	8,389,063	8,389,063
Vision Purchaser Corporation (5)	06/10/2025	Media	8.30%	1M L+625	3,440,998	3,374,373	3,406,588
Walker Edison Furniture Company LLC	09/26/2024	Home and Office Furnishings	8.83%	3M L+650	22,078,125	21,695,009	22,243,711
Whitney, Bradley & Brown, Inc. (5)	10/18/2022	Aerospace and Defense	9.55%	1M L+750	10,204,866	10,061,266	10,204,866
Total First Lien Secured Debt						583,068,514	585,776,415

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS – (Continued)
SEPTEMBER 30, 2019

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index (4)	Par / Shares	Cost	Fair Value (3)
Second Lien Secured Debt—38.4%							
Condor Borrower, LLC	04/25/2025	Business Services	11.01 %	3M L+875	10,344,828	\$ 10,176,236	\$ 10,241,379
Confie Seguros Holding Co.	10/31/2025	Insurance	11.02%	3M L+850	14,500,000	14,244,005	13,593,750
DecoPac, Inc.	03/31/2025	Beverage, Food and Tobacco	10.35%	3M L+825	19,627,143	19,345,304	19,627,143
Halo Buyer, Inc.	07/06/2026	Consumer Products	10.29%	1M L+825	32,500,000	32,034,317	32,012,500
Infogroup, Inc.	04/03/2024	Other Media	11.35%	3M L+925	20,400,000	20,103,563	20,094,000
MailSouth, Inc.	10/23/2024	Printing and Publishing	12.00%	12M L+925	36,828,975	36,207,203	35,724,106
MBS Holdings, Inc.	01/02/2024	Telecommunications	10.60%	1M L+850	19,623,649	19,288,817	19,623,649
Shift4 Payments, LLC	11/28/2025	Financial Services	10.76%	3M L+850	27,000,000	26,945,207	27,000,000
VT Topco, Inc.	08/24/2026	Business Services	9.10%	3M L+700	10,000,000	9,953,252	9,950,000
Winter Park Intermediate, Inc.	04/06/2026	Auto Sector	10.54%	1M L+850	35,300,000	34,742,373	35,300,000
Total Second Lien Secured Debt						223,040,278	223,166,527
Subordinated Debt/Corporate Notes—10.5%							
Blackhawk Industrial Distribution, Inc.	03/17/2025	Distribution	12.00 % (PIK 2.00%)	—	13,773,533	13,529,203	13,773,533
Cascade Environmental LLC	08/20/2021	Environmental Services	15.00 % (PIK 15.00%)	—	48,381,773	47,992,863	47,414,137
Total Subordinated Debt/Corporate Notes						61,522,066	61,187,670
Preferred Equity/Partnership Interests—0.5% (6)							
AH Holdings, Inc.	—	Healthcare, Education and Childcare	6.00%	—	211	500,000	322,850
Condor Holdings Limited (8), (11)	—	Business Services	—	—	556,000	64,277	71,556
Condor Top Holdco Limited (8), (11)	—	Business Services	—	—	556,000	491,723	547,406
MeritDirect Holdings, LP	—	Media	—	—	540	540,000	563,657
NXOF Holdings, Inc. (Tyto Athene, LLC)	—	Aerospace and Defense	—	—	107	106,823	79,190
Signature CR Intermediate Holdco, Inc.	—	Chemicals, Plastics and Rubber	12.00%	—	1,347	1,346,530	1,413,300
Total Preferred Equity/Partnership Interests						3,049,353	2,997,959
Common Equity/Partnership Interests/Warrants—10.9% (6)							
Affinion Group Holdings, Inc. (Warrants)	04/10/2024	Consumer Products	—	—	77,190	2,126,399	817,028
AG Investco LP (9)	—	Business Services	—	—	714,652	714,652	714,652
AG Investco LP (7), (9)	—	Business Services	—	—	285,348	—	—
AH Holdings, Inc. (Warrants)	03/23/2021	Healthcare, Education and Childcare	—	—	753	—	—
Altamira Intermediate Company II, Inc.	—	Aerospace and Defense	—	—	125,000	125,000	125,000
ASP LCG Holdings, Inc. (Warrants)	05/05/2026	Education	—	—	933	586,975	2,260,044
Autumn Games, LLC	—	Broadcasting and Entertainment	—	—	1,333,330	3,000,000	—
Cascade Environmental LLC (9)	—	Environmental Services	—	—	33,901	2,852,080	469,430
CI (Allied) Investment Holdings, LLC (PRA Events, Inc.) (9)	—	Business Services	—	—	120,962	1,243,217	1,260,269
CI (Summit) Investment Holdings LLC (SFP Holdings, Inc.)	—	Buildings and Real Estate	—	—	114,646	1,171,206	1,504,587
Cowboy Parent LLC (Blackhawk Industrial Distribution, Inc.)	—	Distribution	—	—	22,500	2,250,000	2,278,089
DecoPac Holdings Inc.	—	Beverage, Food and Tobacco	—	—	3,449	3,448,658	6,651,822
eCommission Holding Corporation (11)	—	Financial Services	—	—	80	1,004,625	1,481,743
Faraday Holdings, LLC	—	Building Materials	—	—	4,277	217,635	1,243,208
Gauge Schlesinger Coinvest, LLC	—	Business Services	—	—	8	8,197	8,197
Gauge TVC Coinvest, LLC (TVC Enterprises, LLC)	—	Transportation	—	—	810,645	810,645	828,333
Go Dawgs Capital III, LP (American Insulated Glass, LLC) (9)	—	Building Materials	—	—	675,325	675,325	688,831
Green Veracity Holdings, LP - Class A (VT Topco, Inc.)	—	Business Services	—	—	15,000	1,500,000	2,367,746
Infogroup Parent Holdings, Inc.	—	Other Media	—	—	181,495	2,040,000	2,119,257
ITC Rumba, LLC (Cano Health, LLC) (9)	—	Healthcare, Education and Childcare	—	—	252,176	2,993,665	7,110,734
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC)	—	Home and Office Furnishings	—	—	1,906,433	1,906,433	4,961,006
Kadmon Holdings, Inc. (12)	—	Healthcare, Education and Childcare	—	—	252,014	2,265,639	635,075
Kentucky Racing Holdco, LLC (Warrants) (9)	—	Hotels, Motels, Inns and Gaming	—	—	161,252	—	307,888
Lariat ecoserv Co-Invest Holdings, LLC (9)	—	Environmental Services	—	—	363,656	363,656	451,341
MeritDirect Holdings, LP	—	Media	—	—	540	—	55,482
NXOF Holdings, Inc. (Tyto Athene, LLC)	—	Aerospace and Defense	—	—	2,180	2,180	—
Signature CR Intermediate Holdco, Inc.	—	Chemicals, Plastics and Rubber	—	—	71	70,870	34,484
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.)	—	Electronics	—	—	1,500	1,500,000	1,620,000
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.)	—	Electronics	—	—	1,500	—	2,185,803
U.S. Well Services, Inc. - Class A (11), (12)	—	Oil and Gas	—	—	72,833	728,330	159,504
USWS Holdings, LLC (9), (11)	—	Oil and Gas	—	—	1,188,368	11,883,680	2,472,400
WBB Equity, LLC (Whitney, Bradley & Brown, Inc.) (9)	—	Aerospace and Defense	—	—	628,571	628,571	2,193,714
Wheel Pros Holdings, L.P. (Winter Park Intermediate, Inc.)	—	Auto Sector	—	—	3,778,704	4,450,000	14,655,027
ZS Juniper L.P. (Juniper Landscaping of Florida, LLC) (9)	—	Personal, Food and Miscellaneous Services	—	—	1,056	1,056,250	1,842,833
Total Common Equity/Partnership Interests/Warrants						51,623,889	63,503,528
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						922,304,099	936,632,099

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS – (Continued)
SEPTEMBER 30, 2019

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index (4)	Par / Shares	Cost	Fair Value (3)
Investments in Non-Controlled, Affiliated Portfolio Companies—8.5% (1), (2)							
Preferred Equity/Partnership Interests—8.1% (6)							
ETX Energy, LLC	—	Oil and Gas	—	—	61,732	\$ 6,173,200	\$ 22,717,376
MidOcean JF Holdings Corp.	—	Distribution	—	—	153,922	15,392,188	24,549,408
Total Preferred Equity/Partnership Interests						<u>21,565,388</u>	<u>47,266,784</u>
Common Equity/Partnership Interests/Warrants—0.4% (6)							
ETX Energy, LLC (9)	—	Oil and Gas	—	—	1,658,389	29,711,576	—
ETX Energy Management Company, LLC	—	Oil and Gas	—	—	1,754,104	1,562,020	—
MidOcean JF Holdings Corp.	—	Distribution	—	—	65,933	24,761,831	2,082,554
Total Common Equity/Partnership Interests/Warrants						<u>56,035,427</u>	<u>2,082,554</u>
Investments in Non-Controlled, Affiliated Portfolio Companies							
Investments in Controlled, Affiliated Portfolio Companies—40.1% (1), (2)							
First Lien Secured Debt—18.8%							
AKW Holdings Limited (8), (10), (11)	03/13/2024	Healthcare, Education and Childcare	6.54%	3M L+575	£ 28,000,000	39,051,600	34,504,400
RAM Energy LLC	07/01/2022	Energy and Utilities	8.00%	—	35,000,000	35,000,000	35,000,000
RAM Energy LLC (Revolver)	07/01/2022	Energy and Utilities	8.00%	—	40,000,000	40,000,000	40,000,000
Total First Lien Secured Debt						<u>114,051,600</u>	<u>109,504,400</u>
Second Lien Secured Debt—7.9%							
PT Network Intermediate Holdings, LLC	11/30/2024	Healthcare, Education and Childcare	12.30% (PIK 12.30%)	3M L+1,000	46,610,223	46,163,881	46,144,120
Total Second Lien Secured Debt						<u>46,163,881</u>	<u>46,144,120</u>
Preferred Equity—1.6% (6)							
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (9)	—	Healthcare, Education and Childcare	—	—	36,450	546,750	11,251
PT Network Intermediate Holdings, LLC (9)	—	Healthcare, Education and Childcare	11.94%	3M L+1,000	833	8,975,000	9,264,347
Total Preferred Equity						<u>9,521,750</u>	<u>9,275,598</u>
Common Equity—11.8% (6)							
AKW Holdings Limited (8), (10), (11)	—	Healthcare, Education and Childcare	—	—	£ 950	132,497	2,554,804
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (9)	—	Healthcare, Education and Childcare	—	—	333,333	5,000,000	—
PT Network Intermediate Holdings, LLC (9)	—	Healthcare, Education and Childcare	—	—	621	5,983,333	17,014,720
RAM Energy Holdings LLC	—	Energy and Utilities	—	—	84,747	76,264,739	48,957,717
Total Common Equity						<u>87,380,569</u>	<u>68,527,241</u>
Total Investments in Controlled, Affiliated Portfolio Companies						<u>257,117,800</u>	<u>233,451,359</u>
Total Investments—209.6%						<u>1,257,022,715</u>	<u>1,219,432,796</u>
Cash and Cash Equivalents—10.2%							
BlackRock Federal FD Institutional 30						47,640,291	47,640,291.72
BNY Mellon Cash Reserve and Cash						11,906,147	11,875,944
Total Cash and Cash Equivalents						<u>59,546,438</u>	<u>59,516,236</u>
Total Investments and Cash Equivalents—219.8%						<u>\$ 1,316,569,153</u>	<u>\$ 1,278,949,032</u>
Liabilities in Excess of Other Assets—(119.8%)							(697,043,364)
Net Assets—100.0%							<u>\$ 581,905,668</u>

- (1) 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.
- (2) 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 (See Note 6).
- (3) Valued based on our accounting policy (See Note 2).
- (4) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the LIBOR “L” or Prime rate, or “P”. The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 90-day or 180-day LIBOR rate (1M 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 includes PIK interest and other fee rates, if any.
- (5) The securities, or a portion thereof, are pledged as collateral under the BNP Credit Facility and held through Funding I.
- (6) Non-income producing securities.
- (7) 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.
- (8) Non-U.S. company or principal place of business outside the United States.
- (9) Investment is held through our Taxable Subsidiaries (See Note 1).
- (10) Par / shares amount is denominated in British Pounds (£) as denoted.
- (11) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2019, qualifying assets represent 96% of the Company’s total assets and non-qualifying assets represent 4% of the Company’s total assets.
- (12) The security was not valued using significant unobservable inputs. The value of all other securities was determined using significant unobservable inputs (See Note 5).

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(Unaudited)

1. ORGANIZATION

PennantPark Investment Corporation was organized as a Maryland corporation 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. Our investment objectives are to generate both current income and capital appreciation while seeking to preserve capital through debt and equity investments. We invest primarily in U.S. middle-market companies in the form of first lien secured debt, second lien secured debt and subordinated debt and, to a lesser extent, equity investments. On April 24, 2007, we closed our initial public offering and our common stock trades on the Nasdaq Global Select Market under the symbol "PNNT."

We have 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. PennantPark Investment, through the Investment Adviser, manages the day-to-day operations of and provides investment advisory services to SBIC II under a separate investment management agreement. We have also entered into an administration agreement, or the Administration Agreement, with the Administrator, which provides the administrative services necessary for us to operate. PennantPark Investment, through the Administrator, also provides similar services to our SBIC Fund under a separate administration agreement. See Note 3.

SBIC II, our wholly owned subsidiary, was organized as a Delaware limited partnership in 2012. SBIC II received a license from the SBA to operate as a SBIC, under Section 301(c) of the 1958 Act. SBIC II's 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 selection criteria used by PennantPark Investment.

Funding I, our wholly owned subsidiary and a special purpose entity, was organized in Delaware as a limited liability company in February 2019. We formed Funding I in order to establish the BNP Credit Facility. The Investment Adviser serves as the servicer to Funding I and has irrevocably directed that the management fee owed to it with respect to such services be paid to us so long as the Investment Adviser remains the servicer. This arrangement does not increase our consolidated management fee. The BNP Credit Facility allows Funding I to borrow up to \$250 million at LIBOR plus 260 basis points during the reinvestment period. The BNP 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, 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Our Consolidated Financial Statements are prepared in accordance with GAAP, consistent with ASC Topic 946, Financial Services – Investment Companies, and pursuant to the requirements for reporting on Form 10-K/Q and Articles 6, 10 and 12 of Regulation S-X, as appropriate. In accordance with Article 6-09 of Regulation S-X, we have provided a Consolidated Statement of Changes in Net Assets in lieu of a Consolidated Statement of Changes in Stockholders' Equity.

Our significant accounting policies consistently applied are as follows:

(a) *Investment Valuations*

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

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

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

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

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

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

Security transactions are recorded on a trade-date basis. We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized, but considering prepayment penalties. Net change in unrealized appreciation or depreciation reflects, as applicable, the change in the fair values of our portfolio investments, the Credit Facilities and, prior to their redemption, the 2019 Notes during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

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

Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more and/or if there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. As of March 31, 2020 and September 30, 2019, we had no portfolio companies on non-accrual.

(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, we do not anticipate incurring 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 a U.S. federal excise tax. Additionally, certain of the Company's consolidated subsidiaries are subject to U.S. federal and state income taxes. For the three and six months ended March 31, 2020, we recorded a provision for taxes of \$0.3 million (which consisted of \$0.1 million for U.S. federal excise tax and the remainder for U.S. federal and state income taxes and franchise taxes related to the Taxable Subsidiaries) and \$0.6 million (which consisted of \$0.2 million for U.S. federal excise tax and the remainder for U.S. federal and state income taxes and franchise taxes related to the Taxable Subsidiaries), respectively. For both the three and six months ended March 31, 2019, we recorded a provision for taxes of \$0.3 million (which consisted of \$0.2 million for U.S. federal excise tax and the remainder for U.S. federal and state income taxes and franchise taxes related to the Taxable Subsidiaries) and \$0.6 million (which consisted of \$0.4 million for U.S. federal excise tax and the remainder for U.S. federal and state income taxes and franchise taxes related to the Taxable Subsidiaries), respectively.

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

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

(d) Distributions and Capital Transactions

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

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

(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 Investment 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 SBIC Fund and our Taxable Subsidiaries in our Consolidated Financial Statements.

(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 Investment or any of its affiliates.

3. AGREEMENTS AND RELATED PARTY TRANSACTIONS

The Investment Management Agreement with the Investment Adviser was reapproved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2020. Under the Investment Management Agreement, the Investment Adviser, subject to the overall supervision of our board of directors, manages the day-to-day operations of and provides investment advisory services to us. The Investment Adviser serves as the servicer to Funding I and has irrevocably directed that the management fee owed to it with respect to such services be paid to the Company so long as the Investment Adviser remains the servicer. Our SBIC Fund's investment management agreement does not affect the management or incentive fees that we pay to the Investment Adviser on a consolidated basis. For providing these services, the Investment Adviser receives a fee from us, consisting of two components—a base management fee and an incentive fee or, collectively, Management Fees.

The base management fee is calculated at an annual rate of 1.50% 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. In addition, on November 13, 2018, in connection with our board of directors' approval of the application of the modified asset coverage requirements under the 1940 Act to the Company, our board of directors also approved an amendment to the Investment Advisory Agreement reducing the Investment Adviser's annual base management fee from 1.50% to 1.00% on gross assets that exceed 200% of the Company's total net assets as of the immediately preceding quarter-end. This amendment became effective on February 5, 2019 with the amendment and restatement of the Investment Management Agreement on April 12, 2019. The base management fee is calculated based on the average adjusted gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. For example, if we sold shares on the 45th day of a quarter and did not use the proceeds from the sale to repay outstanding indebtedness, our gross assets for such quarter would give effect to the net proceeds of the issuance for only 45 days of the quarter during which the additional shares were outstanding. For the three and six months ended March 31, 2020, the Investment Adviser earned a base management fee of \$4.9 million and \$9.6 million, respectively, from us. For the three and six months ended March 31, 2019, the Investment Adviser earned a base management fee of \$4.5 million and \$8.9 million, respectively, from us.

The incentive fee has two parts, as follows:

One part is calculated and payable quarterly in arrears based on our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, dividend income and any other income, including any other fees (other than fees for providing managerial assistance), such as amendment, commitment, origination, prepayment penalties, structuring, diligence and consulting fees or other fees received from portfolio companies, accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement and any interest expense or amendment fees under any credit facility and distribution paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a percentage of the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7.00% annualized). We pay the 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) 100% 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 2.1212% in any calendar quarter (8.4848% annualized), and (3) 17.5% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1212% in any calendar quarter. These calculations are pro-rated for any share issuances or repurchases during the relevant quarter, if applicable. For the three and six months ended March 31, 2020, the Investment Adviser earned \$1.9 million and \$2.7 million, respectively, in incentive fees on net investment income from us. For the three and six months ended March 31, 2019, the Investment Adviser earned less than \$0.1 million and \$2.7 million, respectively, in incentive fees on net investment income from us.

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 17.5% 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 each of the three and six months ended March 31, 2020 and 2019, the Investment Adviser did not accrue an incentive fee on capital gains as calculated under the Investment Management Agreement (as described above).

Under GAAP, we are required to accrue a capital gains incentive fee based upon net realized capital gains and net unrealized capital appreciation and depreciation on investments held at the end of each period. In calculating the capital gains incentive fee accrual, we considered the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Management Agreement. This accrual is calculated using the aggregate cumulative realized capital gains and losses and cumulative unrealized capital appreciation or depreciation. If such amount is positive at the end of a period, then we record a capital gains incentive fee equal to 17.5% 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

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year. There can be no assurance that such unrealized capital appreciation will be realized in the future. For each of the three and six months ended March 31, 2020 and 2019, the Investment Adviser did not accrue an incentive fee on capital gains as calculated under GAAP.

The Administration Agreement with the Administrator was reapproved by our board of directors, including a majority of our directors who are not interested persons of us, in February 2020. Under the Administration Agreement, the Administrator provides administrative services and office facilities to us. The Administrator provides similar services to our SBIC Fund under its administration agreement with PennantPark Investment. For providing these services, facilities and personnel, we have agreed to reimburse the Administrator for its allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs. The Administrator also offers, on our behalf, significant managerial assistance to portfolio companies to which we are required to offer such assistance. Reimbursement for certain of these costs is included in administrative services expenses in the Consolidated Statements of Operations. For the three and six months ended March 31, 2020, we reimbursed the Investment Adviser approximately \$0.5 million and \$0.8 million, respectively, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above. For the three and six months ended March 31, 2019, we reimbursed the Investment Adviser approximately \$0.8 million and \$1.1 million, respectively, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above.

For the three and six months ended March 31, 2020, the Company purchased \$15.0 million in total investments from an affiliated fund managed by our Investment Adviser in accordance with, and pursuant to, procedures adopted under Rule 17a-7 of the 1940 Act. There were no transactions subject to Rule 17a-7 under the 1940 Act during both the three and six months ended March 31, 2019.

4. INVESTMENTS

Purchases of investments, including PIK interest, for the three and six months ended March 31, 2020 totaled \$110.3 million and \$288.7 million, respectively. For the same periods in the prior year, purchases of investments, including PIK interest, totaled \$186.7 million and \$383.1 million, respectively. Sales and repayments of investments for the three and six months ended March 31, 2020 totaled \$16.4 million and \$47.5 million, respectively. For the same periods in the prior year, sales and repayments of investments totaled \$115.1 million and \$240.9 million, respectively.

Investments and cash and cash equivalents consisted of the following:

Investment Classification	March 31, 2020		September 30, 2019	
	Cost	Fair Value	Cost	Fair Value
First lien	\$ 840,808,192	\$ 815,171,806	\$ 697,120,114	\$ 695,280,815
Second lien	272,355,660	261,645,574	269,204,159	269,310,647
Subordinated debt / corporate notes	65,459,980	64,436,090	61,522,066	61,187,670
Equity	310,344,894	212,793,472	229,176,376	193,653,664
Total investments	1,488,968,726	1,354,046,942	1,257,022,715	1,219,432,796
Cash and cash equivalents	25,174,710	25,127,515	59,546,438	59,516,236
Total investments and cash and cash equivalents	\$ 1,514,143,436	\$ 1,379,174,457	\$ 1,316,569,153	\$ 1,278,949,032

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 as of:

Industry Classification	March 31, 2020		September 30, 2019	
Healthcare, Education and Childcare	16	%	16	%
Energy and Utilities	7		10	
Media	7		8	
Business Services	6		4	
Consumer Products	6		6	
Aerospace and Defense	4		4	
Auto Sector	4		4	
Building Materials	4		5	
Environmental Services	4		4	
Hotels, Motels, Inns and Gaming	4		2	
Printing and Publishing	4		4	
Chemicals, Plastics and Rubber	3		4	
Education	3		1	
Electronics	3		2	
Personal, Food and Miscellaneous Services	3		3	
Transportation	3		3	
Beverage, Food and Tobacco	2		3	
Distribution	2		4	
Financial Services	2		2	
Home and Office Furnishings	2		2	
Insurance	2		1	
Manufacturing / Basic Industries	2		3	
Telecommunications	2		2	
Other	5		3	
Total	100	%	100	%

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments, our Credit Facilities and our SBA debentures are classified as Level 3. Our 2019 Notes were, and our 2024 Notes are, classified as Level 2, as they are financial instruments with readily observable market inputs. 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 debt and equity investments in the form of first lien secured debt, second lien secured debt, subordinated debt and equity investments. The transaction price, excluding transaction costs, is typically the best estimate of fair value at inception. Ongoing reviews by our Investment Adviser and independent valuation firms are based on an assessment of each underlying investment, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information including comparable transactions, performance multiples and yields, among other factors. These non-public investments valued using unobservable inputs are included in Level 3 of the fair value hierarchy.

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

In addition to using the above inputs to value cash equivalents, investments, our 2019 Notes, our SBA debentures, our 2024 Notes and our Credit Facilities 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.

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

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

Asset Category	Fair Value at March 31, 2020	Valuation Technique	Unobservable Input	Range of Input (Weighted Average) (1)
First lien	\$ 23,310,880	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	791,860,926	Market Comparable	Market Yield	6.8% – 14.6% (9.1%)
Second lien	261,645,574	Market Comparable	Market Yield	9.2% – 14.2% (11.7%)
Subordinated debt / corporate notes	64,436,090	Market Comparable	Market Yield	12.8% – 16.8% (15.9%)
Equity	211,359,173	Enterprise Market Value	EBITDA multiple	5.3x – 14.6x (12.0x)
Total Level 3 investments	<u>\$ 1,352,612,643</u>			
Long-Term Credit Facilities	<u>\$ 633,015,430</u>	Market Comparable	Market Yield	4.7% – 5.0% (4.8%)

Asset Category	Fair value at September 30, 2019	Valuation Technique	Unobservable Input	Range of Input (Weighted Average) (1)
First lien	\$ 30,300,736	Market Comparable	Broker/Dealer bids or quotes	N/A
Second lien	55,556,250	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	664,980,079	Market Comparable	Market Yield	6.7% – 15.8% (8.7%)
Second lien	213,754,397	Market Comparable	Market Yield	10.3% – 12.7% (11.4%)
Subordinated debt / corporate notes	61,187,670	Market Comparable	Market Yield	12.0% – 16.1% (15.2%)
Equity	192,859,084	Enterprise Market Value	EBITDA multiple	0.6x – 17.3x (12.1x)
Total Level 3 investments	<u>\$ 1,218,638,216</u>			
Long-Term Credit Facilities	<u>\$ 465,390,214</u>	Market Comparable	Market Yield	3.9% – 4.2% (4.1%)

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

Our investments, cash and cash equivalents, Credit Facilities, SBA debentures and 2024 Notes were categorized as follows in the fair value hierarchy for ASC 820 purposes:

Description	Fair Value at March 31, 2020			
	Fair Value	Level 1	Level 2	Level 3
Debt investments	\$ 1,141,253,470	\$ —	\$ —	1,141,253,470
Equity investments	212,793,472	1,434,299	—	211,359,173
Total investments	1,354,046,942	1,434,299	—	1,352,612,643
Cash and cash equivalents	25,127,515	25,127,515	—	—
Total investments and cash and cash equivalents	<u>\$ 1,379,174,457</u>	<u>\$ 26,561,814</u>	<u>\$ —</u>	<u>\$ 1,352,612,643</u>
BNP Credit Facility	\$ 228,585,000	\$ —	\$ —	\$ 228,585,000
Truist Credit Facility	404,430,430	—	—	404,430,430
SBA Debentures(1)	130,285,249	—	—	130,285,249
2024 Notes(1)	62,100,000	—	62,100,000	—
Total debt	<u>\$ 825,400,679</u>	<u>\$ —</u>	<u>\$ 62,100,000</u>	<u>\$ 763,300,679</u>

Description	Fair Value at September 30, 2019			
	Fair Value	Level 1	Level 2	Level 3
Debt investments	\$ 1,025,779,132	\$ —	\$ —	1,025,779,132
Equity investments	193,653,664	794,580	—	192,859,084
Total investments	1,219,432,796	794,580	—	1,218,638,216
Cash and cash equivalents	59,516,236	59,516,236	—	—
Total investments and cash and cash equivalents	<u>\$ 1,278,949,032</u>	<u>\$ 60,310,816</u>	<u>\$ —</u>	<u>\$ 1,218,638,216</u>
BNP Credit Facility	\$ 170,145,000	\$ —	\$ —	\$ 170,145,000
Truist Credit Facility	295,245,214	—	—	295,245,214
SBA Debentures(1)	146,111,055	—	—	146,111,055
2024 Notes(1)	72,256,607	—	72,256,607	—
Total debt	<u>\$ 683,757,876</u>	<u>\$ —</u>	<u>\$ 72,256,607</u>	<u>\$ 611,501,269</u>

(1) We elected not to apply ASC 825-10 to the SBA debentures or the 2024 Notes and thus the balance reported in the Consolidated Statement of Assets and Liabilities represents the carrying value. As of March 31, 2020 and September 30, 2019, the carrying value of the SBA debentures approximates the fair value. As of September 30, 2019, the carrying value of the 2024 Notes approximates the fair value.

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

Description	Six Months Ended March 31, 2020		
	Debt investments	Equity investments	Totals
Beginning Balance	\$ 1,025,779,134	\$ 192,859,082	1,218,638,216
Net realized gain (loss)	1,516,979	(12,127,225)	(10,610,246)
Net change in unrealized depreciation	(35,303,152)	(60,374,875)	(95,678,027)
Purchases, PIK interest, net discount accretion and non-cash exchanges	196,332,806	91,465,096	287,797,902
Sales, repayments and non-cash exchanges	(47,072,297)	(462,905)	(47,535,202)
Transfers in/out of Level 3	—	—	—
Ending Balance	<u>\$ 1,141,253,470</u>	<u>\$ 211,359,173</u>	<u>\$ 1,352,612,643</u>
Net change in unrealized depreciation reported within the net change in unrealized depreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date	<u>\$ (35,303,154)</u>	<u>\$ (69,768,488)</u>	<u>\$ (105,071,642)</u>

Description	Six Months Ended March 31, 2019		
	Debt investments	Equity investments	Totals
Beginning Balance	\$ 970,587,703	\$ 160,656,044	\$ 1,131,243,747
Net realized gains	1,695,602	7,766,612	9,462,214
Net unrealized depreciation	(4,414,639)	(35,819,057)	(40,233,696)
Purchases, PIK interest, net discount accretion and non-cash exchanges	354,143,193	29,624,474	383,767,667
Sales, repayments and non-cash exchanges	(235,568,012)	(5,246,231)	(240,814,243)
Transfers in/out of Level 3	—	—	—
Ending Balance	<u>\$ 1,086,443,847</u>	<u>\$ 156,981,842</u>	<u>\$ 1,243,425,689</u>
Net change in unrealized depreciation reported within the net change in unrealized depreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date	<u>\$ (4,016,698)</u>	<u>\$ (27,186,365)</u>	<u>\$ (31,203,063)</u>

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

Credit Facilities	Six Months Ended March 31,	
	2020	2019
Beginning Balance (cost – \$472,636,000 and \$80,520,000, respectively)	\$ 465,390,214	\$ 77,645,830
Net change in unrealized depreciation included in earnings	(46,374,784)	(8,405,135)
Borrowings (1)	267,000,000	713,500,000
Repayments (1)	(53,000,000)	(262,384,000)
Transfers in and/or out of Level 3	—	—
Ending Balance (cost – \$686,636,000 and \$531,636,000, respectively)	<u>\$ 633,015,430</u>	<u>\$ 520,356,695</u>
Temporary draws outstanding, at cost	—	—
Ending Balance (cost – \$686,636,000 and \$531,636,000, respectively)	<u>\$ 633,015,430</u>	<u>\$ 520,356,695</u>

(1) Excludes temporary draws.

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

Foreign Currency	Amount Borrowed	Borrowing Cost	Current Value	Reset Date	Change in Fair Value
British Pound	£ 29,000,000	\$ 40,136,000	\$ 35,958,550	June 17, 2020	\$ (4,177,450)

As of September 30, 2019, we had outstanding non-U.S. dollar borrowings on our Credit Facilities. Net change in fair value on foreign currency translation on outstanding borrowings is listed below:

Foreign Currency	Amount Borrowed	Borrowing Cost	Current Value	Reset Date	Change in Fair Value
British Pound	£ 29,000,000	\$ 40,136,000	\$ 35,736,700	December 13, 2019	\$ (4,399,300)

Generally, the carrying value of our consolidated financial liabilities approximates fair value. We have adopted the principles under 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 Facilities and, prior to their redemption, the 2019 Notes. We elected to use the fair value option for the Credit Facilities and, prior to their redemption, the 2019 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 no expenses for both the three and six months ended March 31, 2020. During both the three and six months ended March 31, 2019, we incurred expenses of \$4.9 million relating to debt issuance costs on the BNP Credit Facility and the prepayment of the 2019 Notes. 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 Facilities and the 2019 Notes are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including the 2024 Notes and the SBA debentures.

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For the three and six months ended March 31, 2020, our Credit Facilities had a net change in unrealized depreciation of \$48.9 million and \$46.4 million, respectively. For the three and six months ended March 31, 2019, our Credit Facilities and the 2019 Notes had a net change in unrealized depreciation of \$3.7 million and \$9.7 million, respectively. As of March 31, 2020 and September 30, 2019, the net unrealized depreciation on our Credit Facilities totaled \$53.6 million and \$7.2 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of our Credit Facilities and the 2019 Notes in a manner consistent with the valuation process that the board of directors uses to value our investments.

6. TRANSACTIONS WITH AFFILIATED COMPANIES

An affiliated portfolio company is a company in which we have ownership of 5% or more of its voting securities. A portfolio company is generally presumed to be a non-controlled affiliate when we own at least 5% but 25% or less of its voting securities and a controlled affiliate when we own more than 25% of its voting securities. Transactions related to our funded investments with both controlled and non-controlled affiliates for the six months ended March 31, 2020 were as follows:

Name of Investment	Fair Value at September 30, 2019	Gross Additions ⁽¹⁾	Gross Reductions	Net Change in Appreciation / (Depreciation)	Fair Value at March 31, 2020	Interest Income	PIK Income	Net Realized Gains (Losses)
Controlled Affiliates								
AKW Holdings Limited	\$ 37,059,204	\$ —	\$ —	\$ (593,514)	\$ 36,465,690	\$ 1,174,006	\$ —	\$ —
PT Networks, LLC	72,434,438	5,887,233	—	(11,269,806)	67,051,865	30,618	2,969,322	—
RAM Energy LLC	123,957,717	11,443,334	—	(39,098,389)	96,302,662	—	1,426,666	—
Total Controlled Affiliates	\$ 233,451,359	\$ 17,330,567	\$ —	\$ (50,961,709)	\$ 199,820,217	\$ 1,204,624	\$ 4,395,988	\$ —
Non-Controlled Affiliates								
ETX Energy, LLC	\$ 22,717,376	\$ —	\$ —	\$ (12,760,004)	\$ 9,957,372	\$ —	\$ —	\$ —
MidOcean JF Holdings Corp.	26,631,962	28,104	—	(9,968,890)	16,691,176	—	—	—
Total Non-Controlled Affiliates	\$ 49,349,338	\$ 28,104	\$ —	\$ (22,728,894)	\$ 26,648,548	\$ —	\$ —	\$ —
Total Controlled and Non-Controlled Affiliates	\$ 282,800,697	\$ 17,358,671	\$ —	\$ (73,690,603)	\$ 226,468,765	\$ 1,204,624	\$ 4,395,988	\$ —

(1) Includes PIK.

7. CHANGE IN NET ASSETS FROM OPERATIONS PER COMMON SHARE

The following information sets forth the computation of basic and diluted per share net increase in net assets resulting from operations:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Numerator for net (decrease) increase in net assets resulting from operations	\$ (60,292,703)	\$ (4,746,497)	\$ (41,090,193)	\$ 2,031,692
Denominator for basic and diluted weighted average shares	67,045,105	67,831,051	67,045,105	68,375,908
Basic and diluted net (decrease) increase in net assets per share resulting from operations	\$ (0.90)	\$ (0.07)	\$ (0.61)	\$ 0.03

8. CASH AND CASH EQUIVALENTS

Cash equivalents represent cash in money market funds pending investment in longer-term portfolio holdings. Our portfolio may consist of temporary investments in U.S. Treasury Bills (of varying maturities), repurchase agreements, money market funds or repurchase agreement-like treasury securities. These temporary investments with original maturities of 90 days or less are deemed cash equivalents and are included in the Consolidated Schedule of Investments. At the end of each fiscal quarter, we may take proactive steps to preserve investment flexibility for the next quarter by investing in cash equivalents, which is dependent upon the composition of our total assets at quarter-end. We may accomplish this in several ways, including purchasing U.S. Treasury Bills and closing out positions on a net cash basis after quarter-end, temporarily drawing down on the Credit Facilities, or utilizing repurchase agreements or other balance sheet transactions as are deemed appropriate for this purpose. These amounts are excluded from average adjusted gross assets for purposes of computing the Investment Adviser's management fee. U.S. Treasury Bills with maturities greater than 60 days from the time of purchase are valued consistent with our valuation policy. As of March 31, 2020 and September 30, 2019, cash and cash equivalents consisted of money market funds in the amounts of \$25.1 million and \$59.5 million at fair value, respectively.

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9. FINANCIAL HIGHLIGHTS

Below are the financial highlights:

	Six Months Ended March 31,	
	2020	2019
Per Share Data:		
Net asset value, beginning of period	\$ 8.68	\$ 9.11
Net investment income (1)	0.31	0.34
Net realized and change in unrealized loss (1)	(0.92)	(0.31)
Net (decrease) increase in net assets resulting from operations (1)	(0.61)	0.03
Distributions to stockholders (1), (2)	(0.36)	(0.36)
Repurchase of common stock (1)	—	0.05
Net asset value, end of period	\$ 7.71	\$ 8.83
Per share market value, end of period	\$ 2.59	\$ 6.91
Total return* (3)	(56.33)%	(2.55)%
Shares outstanding at end of period	67,045,105	67,045,105
Ratios**/ Supplemental Data:		
Ratio of operating expenses to average net assets (4)	5.26%	4.69%
Ratio of interest and expenses on debt to average net assets (5)	6.16%	5.07%
Ratio of total expenses to average net assets (5)	11.43%	9.76%
Ratio of net investment income to average net assets (5)	7.09%	8.29%
Net assets at end of period	\$ 516,679,237	\$ 592,148,791
Weighted average debt outstanding (6)	\$ 699,915,641	\$ 451,444,179
Weighted average debt per share (1), (6)	\$ 10.44	\$ 6.60
Asset coverage per unit (7)	\$ 1,608	\$ 2,119
Portfolio turnover ratio	7.14%	41.26%

* Not annualized for periods less than one year.

** Annualized for periods less than one year.

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

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

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

(4) Excludes debt related costs.

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

(6) Includes SBA debentures outstanding.

(7) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by the senior securities representing indebtedness at par (changed from fair value). This asset coverage ratio is multiplied by \$1,000 to determine the asset coverage per unit. These amounts exclude SBA debentures from our asset coverage per unit computation pursuant to exemptive relief received from the SEC in June 2011.

10. DEBT

The annualized weighted average cost of debt for the six months ended March 31, 2020 and 2019, inclusive of the fee on the undrawn commitment under the Credit Facilities, debt issuance costs on the BNP Credit Facility, prepayment penalties on the 2019 Notes and amortized upfront fees on the 2024 Notes and SBA debentures, was 5.1% and 7.0%, respectively. As of March 31, 2020, in accordance with the 1940 Act, with certain limited exceptions, we were only allowed to borrow amounts such that we are in compliance with a 150% asset coverage ratio requirement after such borrowing, excluding SBA debentures, pursuant to exemptive relief from the SEC received in June 2011.

On February 5, 2019, our stockholders approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Consolidated Appropriations Act of 2018 (which includes the SBCAA), as approved by our board of directors on November 13, 2018. As a result, the asset coverage requirement applicable to us for senior securities was reduced from 200% (i.e., \$1 of debt outstanding for each \$1 of equity) to 150% (i.e., \$2 of debt outstanding for each \$1 of equity), subject to compliance with certain disclosure requirements. As of March 31, 2020 and September 30, 2019, our asset coverage ratio, as computed in accordance with the 1940 Act, was 161% and 207%, respectively.

BNP Credit Facility

On February 22, 2019, Funding I closed the BNP Credit Facility for up to \$250.0 million in borrowings with certain lenders and BNP Paribas, as administrative agent, and The Bank of New York Mellon Trust Company, N.A., as collateral agent. As of March 31, 2020 and September 30, 2019, Funding I had \$245.0 million and \$171.0 million in outstanding borrowings under the BNP Credit Facility, respectively. The BNP Credit Facility had a weighted average interest rate of 3.6% and 4.6%, respectively, exclusive of the fee on undrawn commitments, as of March 31, 2020 and September 30, 2019. The BNP Credit Facility is a five-year revolving facility with a stated maturity date of February 22, 2024 and pricing set at 260 basis points over LIBOR (or an alternative risk-free floating interest rate index). As of March 31, 2020 and September 30, 2019, Funding I had \$5.0 million and \$79.0 million of unused borrowing capacity under the BNP Credit Facility, respectively, subject to leverage and borrowing base restrictions. The BNP Credit Facility is secured by all of our assets held by Funding I. As of March 31, 2020, we were in compliance with the terms of the BNP Credit Facility.

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Truist Credit Facility

As of March 31, 2020, we had the multi-currency Truist Credit Facility for up to \$475.0 million in borrowings with certain lenders and Truist Bank (formerly SunTrust Bank), acting as administrative agent, and JPMorgan Chase Bank, N.A., acting as syndication agent for the lenders. As of March 31, 2020 and September 30, 2019, we had \$441.6 million and \$301.6 million (including a \$15.0 million temporary draw), respectively, in outstanding borrowings under the Truist Credit Facility. The Truist Credit Facility had a weighted average interest rate of 3.2% and 4.2%, respectively, exclusive of the fee on undrawn commitments, as of March 31, 2020 and September 30, 2019. The Truist Credit Facility is a revolving facility with a stated maturity date of September 4, 2024 (\$55.0 million of the \$475 million commitment will mature May 25, 2022), with a one-year term-out period and pricing set at 225 basis points over LIBOR (or an alternative risk-free floating interest rate index). As of March 31, 2020 and September 30, 2019, we had \$33.4 million and \$173.4 million of unused borrowing capacity under the Truist Credit Facility, respectively, subject to leverage and borrowing base restrictions. The Truist Credit Facility is secured by substantially all of our assets, excluding assets held by Funding I and SBIC II. As of March 31, 2020, we were in compliance with the terms of the Truist Credit Facility.

SBA Debentures

SBIC II is able to borrow funds from the SBA against regulatory capital (which approximates equity capital) that is paid-in and is subject to customary regulatory requirements including an examination by the SBA. We have funded SBIC II with \$75.0 million of equity capital and it had SBA debentures outstanding of \$133.5 million as of March 31, 2020. SBA debentures are non-recourse to us and may be prepaid at any time without penalty. The interest rate of SBA debentures is fixed at the time of issuance, often referred to as pooling, at a market-driven spread over 10-year U.S. Treasury Notes. Under current SBA regulations, a SBIC may individually borrow to a maximum of \$175.0 million, which is up to twice its potential regulatory capital, and as part of a group of SBICs under common control may borrow a maximum of \$350 million in the aggregate.

As of both March 31, 2020 and September 30, 2019, SBIC II had an initial \$150.0 million in debt commitments, all of which were drawn. During the three and six months ended March 31, 2020, zero and \$16.5 million in SBA debentures were repaid, respectively. As of March 31, 2020 and September 30, 2019, the unamortized fees on the SBA debentures were \$3.2 million and \$3.9 million, respectively. The SBA debentures' upfront fees of 3.4% consist of a commitment fee of 1.0% and an issuance discount of 2.4%, which are being amortized.

Our fixed-rate SBA debentures were as follows:

Issuance Dates	Maturity	Fixed All-in Coupon Rate (1)	As of March 31, 2020 Principal Balance
March 23, 2016	March 1, 2026	2.9%	\$ 22,500,000
September 21, 2016	September 1, 2026	2.4	25,000,000
September 20, 2017	September 1, 2027	2.9	27,500,000
March 21, 2018	March 1, 2028	3.5	58,500,000
Weighted Average Rate / Total		3.1%	\$ 133,500,000

Issuance Dates	Maturity	Fixed All-in Coupon Rate (1)	As of September 30, 2019 Principal Balance
March 23, 2016	March 1, 2026	2.9%	\$ 22,500,000
September 21, 2016	September 1, 2026	2.4	25,000,000
September 20, 2017	September 1, 2027	2.9	31,500,000
March 21, 2018	March 1, 2028	3.5	71,000,000
Weighted Average Rate / Total		3.1%	\$ 150,000,000

(1) Excluding 3.4% of upfront fees.

The SBIC program is designed to stimulate the flow of capital into eligible businesses. Under SBA regulations, our SBIC Fund is subject to regulatory requirements, including making investments in SBA eligible businesses, investing at least 25% of regulatory capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, prohibiting investment in certain industries and requiring capitalization thresholds that limit distributions to us, and is subject to periodic audits and examinations of its financial statements that are prepared on a basis of accounting other than GAAP (for example, fair value, as defined under ASC 820, is not required to be used for assets or liabilities for such compliance reporting). As of March 31, 2020, SBIC II was in compliance with its regulatory requirements.

2019 Notes

The 2019 Notes were redeemed on March 4, 2019 at a redemption price equal to \$1,008.65 for each \$1,000.00 of principal of notes outstanding, plus accrued and unpaid interest to March 4, 2019, pursuant to the indenture governing the 2019 Notes. Interest on the 2019 Notes was paid semi-annually on April 1 and October 1, at a rate of 4.5% per year. The 2019 Notes were scheduled to mature on October 1, 2019. The 2019 Notes were general, unsecured obligations and ranked equal in right of payment with all of our existing and future senior unsecured indebtedness. The 2019 Notes were structurally subordinated to our SBA debentures and the assets pledged or secured under our Credit Facilities.

2024 Notes

As of March 31, 2020 and September 30, 2019, we had \$86.3 million and \$75.0 million in aggregate principal amount of 2024 Notes outstanding, respectively. Interest on the 2024 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at a rate of 5.50% per year. The 2024 Notes mature on October 15, 2024. The 2024 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 2024 Notes are structurally subordinated to our SBA debentures and the assets pledged or secured under our Credit Facilities. The 2024 Notes may be repurchased from time to time in open market purchases and privately-negotiated transactions.

11. COMMITMENTS AND CONTINGENCIES

From time to time, we, the Investment Adviser or the Administrator may be a party to legal proceedings, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations. Unfunded debt and equity investments, if any, are disclosed in the Consolidated Schedules of Investments. Under these arrangements, we may be required to supply a letter of credit to a third party if the portfolio company were to request a letter of credit. As of March 31, 2020 and September 30, 2019, we had \$61.2 million and \$30.4 million, respectively, in commitments to fund investments.

12 UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

We determine which, if any, of our unconsolidated controlled portfolio companies is a "significant subsidiary" within the meaning of Regulation S-X. We have determined that, as of September 30, 2019, PT Networks, LLC and RAM Energy Holdings LLC triggered at least one of the significance tests. As a result and in accordance with Rule 10-01(b) of Regulation S-X under the Securities Act, presented below is summarized unaudited financial information for the three and six months ended March 31, 2020 and 2019.

a) PT Networks, LLC:

Income Statement (1)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Total revenue	\$ 51,993	\$ 51,597	\$ 108,646	\$ 91,140
Total expenses	(59,871)	(62,743)	(109,359)	(113,218)
Net loss	\$ (7,878)	\$ (11,146)	\$ (713)	\$ (22,078)

b) RAM Energy Holdings LLC:

Income Statement (1)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Total revenue	\$ 18,274	\$ 8,072	\$ 25,203	\$ 13,837
Total expenses	(13,449)	(9,336)	(23,911)	(16,276)
Net income (loss)	\$ 4,825	\$ (1,264)	\$ 1,292	\$ (2,439)

(1) All amounts are in thousands.

13. STOCK REPURCHASE PROGRAM

On May 9, 2018, we announced a share repurchase program which allowed us to repurchase up to \$30 million of our outstanding common stock in the open market at prices below our net asset value as reported in our then most recently published consolidated financial statements. The program expired on May 9, 2019. During the three and six months ended March 31, 2019, we repurchased 1.0 million and 2.0 million shares of common stock, respectively, in open market transactions for an aggregate cost (including transaction costs) of \$7.0 million and \$14.5 million, respectively. We repurchased 4.0 million shares of our common stock in open market transactions while the program was in effect for an aggregate cost (including transaction costs) of \$29.5 million.

To the Stockholders and Board of Directors of PennantPark Investment Corporation and its Subsidiaries

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated statement of assets and liabilities of PennantPark Investment Corporation and its Subsidiaries (collectively referred to as the "Company"), including the consolidated schedule of investments, as of March 31, 2020, the related consolidated statements of operations and the related consolidated statements of changes in net assets for the three and six months ended March 31, 2020 and 2019, and cash flows for the six months ended March 31, 2020 and 2019, and the related notes to the consolidated financial statements (collectively, the interim financial information or financial statements). Based on our reviews, we are not aware of any material modifications that should be made to the interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of assets and liabilities of the Company, including the consolidated schedule of investments, as of September 30, 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended (not presented herein), and in our report dated November 21, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities as of September 30, 2019, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

/s/ RSM US LLP
New York, New York
May 11, 2020

FORWARD-LOOKING STATEMENTS

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

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies, including as a result of the current pandemic caused by the novel coronavirus (commonly known as "COVID-19");
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets that could result in changes to the value of our assets, including changes from the impact of the current COVID-19 pandemic;
- our ability to continue to effectively manage our business due to the significant disruptions caused by the current COVID-19 pandemic;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of investments that we expect to make;
- the impact of fluctuations in interest rates and foreign exchange rates on our business and our portfolio companies;
- our contractual arrangements and relationships with third parties;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- the ability of our prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our prospective portfolio companies;
- the impact of price and volume fluctuations in the stock market;
- the ability of our Investment Adviser to locate suitable investments for us and to monitor and administer our investments;
- the impact of future legislation and regulation on our business and our portfolio companies; and
- the impact of Brexit and other world economic and political issues.

We use words such as "anticipates," "believes," "expects," "intends," "seeks," "plans," "estimates" and similar expressions to identify forward-looking statements. You should not place undue influence on the forward-looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason.

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

We have based the forward-looking statements included in this Report on information available to us on the date of this Report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements in this Report, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including reports on Form 10-Q/K and current reports on Form 8-K.

You should understand that under Section 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to forward-looking statements made in periodic reports we file under the Exchange Act.

The following analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related notes thereto contained elsewhere in this Report.

Overview

PennantPark Investment Corporation is a BDC whose objectives are to generate both current income and capital appreciation while seeking to preserve capital through debt and equity investments primarily made to U.S. middle-market companies in the form of first lien secured debt, second lien secured debt and subordinated debt and equity investments.

We believe middle-market companies offer attractive risk-reward to investors due to a limited amount of capital available for such companies. We seek to create a diversified portfolio that includes first lien secured debt, second lien secured debt, subordinated 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. Securities rated below investment grade are often referred to as "leveraged loans" or "high yield" securities or "junk bonds" and are often higher risk compared to debt instruments that are rated above investment grade and have speculative characteristics. 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 debt capital, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

Organization and Structure of PennantPark 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.

SBIC II, our wholly owned subsidiary, was organized as a Delaware limited partnership in 2012. SBIC II received a license from the SBA to operate as a SBIC under Section 301(c) of the 1958 Act. SBIC II's 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 selection criteria used by PennantPark Investment.

Funding I, our wholly owned subsidiary and a special purpose entity, was organized in Delaware as a limited liability company in February 2019. We formed Funding I in order to establish the BNP Credit Facility. The Investment Adviser serves as the servicer to Funding I and has irrevocably directed that the management fee owed to it with respect to such services be paid to us so long as the Investment Adviser remains the servicer. This arrangement does not increase our consolidated management fee. The BNP Credit Facility allows Funding I to borrow up to \$250 million at LIBOR plus 260 basis points during the reinvestment period. The BNP Credit Facility is secured by all of the assets held by Funding I.

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 Fund under its investment management agreement. Our SBIC Fund's investment management agreement does 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 Fund under its administration agreement with us. Our board of directors, a majority of whom are independent of us, provides overall supervision of our activities, and the Investment Adviser supervises our day-to-day activities.

COVID-19 Developments

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

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

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

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

The business disruption and financial harm resulting from COVID-19 experienced by our portfolio companies are likely to reduce, over time, the amount of interest and dividend income that we receive from such investments and may require us to provide an increase of capital to such companies in the form of follow on investments. In connection with the adverse effects of the COVID-19 pandemic, we may also need to restructure the capitalization of some of our portfolio companies, which could result in reduced interest payments, an increase in the amount of PIK interest we receive or a permanent reduction in the value of our investments. If our net investment income decreases, the percentage of our cash flows dedicated to debt servicing and distribution payments to stockholders would subsequently increase. If such cash flows cannot be sustained, we may be required to reduce the amount of our future distributions to stockholders. Although we had no non-accrual assets during the quarter ended March 31, 2020, the continuing impact of the COVID-19 pandemic may result in portfolio investments being placed on non-accrual status in the future.

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

Additionally, as of March 31, 2020 and September 30, 2019, our asset coverage ratio, as computed in accordance with the 1940 Act, was 161% and 207%, respectively. Our Credit Facilities include standard covenants and events of default provisions. If we fail to make payments required under such facilities or breach the covenants therein, it could result in a default under the Credit Facilities. Failure to cure such default or obtain a waiver from the appropriate party would result in an event of default, and the applicable lender may accelerate the repayment of our indebtedness under the respective credit facility, such that all amounts owed are due immediately at the time of default. Such an action would negatively affect our liquidity, business, financial condition, results of operations, cash flows and ability to pay distributions to our stockholders.

We are also subject to financial risks, including changes in market interest rates. As of March 31, 2020, our debt portfolio consisted of 94% variable-rate investments. The variable-rate loans are usually based on a floating interest rate index such as LIBOR and typically have durations of three months after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In addition, the BNP Credit Facility and the Truist Credit Facility also have floating rate interest provisions, with pricing set at 260 basis points over LIBOR (or an alternative risk-free floating interest rate index) and 225 basis points over LIBOR (or an alternative risk-free floating interest rate index), respectively. LIBOR decreased in March 2020 when, among other things, the U.S. Federal Reserve reduced certain interest rates as a result of the COVID-19 pandemic. If interest rates remain at such levels, our gross investment income may decrease which could result in a decrease in our net investment income if such decreases in LIBOR are not offset by, among other things, a corresponding increase in the spread over LIBOR that we earn on such loans or a decrease in the interest rate of our floating interest rate liabilities tied to LIBOR. See “Item 3. Quantitative and Qualitative Disclosures About Market Risk” below.

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

Revenues

We generate revenue in the form of interest income on the debt securities we hold and capital gains and dividends, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of first lien secured debt, second lien secured debt or subordinated debt, typically have a term of three to ten years and bear interest at a fixed or a floating rate. Interest on debt securities is generally payable quarterly. In some cases, our investments provide for deferred interest payments and PIK interest. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of amendment, commitment, origination, structuring or diligence fees, fees for providing significant managerial assistance and possibly consulting fees. Loan origination fees, OID and market discount or premium and deferred financing costs on liabilities, which we do not fair value, are capitalized and accreted or amortized using the effective interest method as interest income or, in the case of deferred financing costs, as interest expense. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts. From time to time, the Company receives certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, structuring fees and amendment fees, and are recorded as other investment income when earned.

Expenses

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

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence and reviews of prospective investments or complementary businesses;
- expenses incurred by the Investment Adviser in performing due diligence and reviews of investments;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees and any exchange listing fees;
- federal, state, local and foreign taxes;
- independent directors’ fees and expenses;
- brokerage commissions;
- fidelity bond, directors and officers, errors and omissions liability insurance and other insurance premiums;
- direct costs such as printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1940 Act, the 1958 Act and applicable federal and state securities laws; and
- all other expenses incurred by either the Administrator or us in connection with administering our business, including payments under our Administration Agreement that will be based upon our allocable portion of overhead, and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs.

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

PORTFOLIO AND INVESTMENT ACTIVITY

As of March 31, 2020, our portfolio totaled \$1,354.0 million and consisted of \$815.2 million of first lien secured debt, \$261.6 million of second lien secured debt, \$64.4 million of subordinated debt and \$212.8 million of preferred and common equity. Our debt portfolio consisted of 94% variable-rate investments. As of March 31, 2020, we had no portfolio companies on non-accrual. Overall, the portfolio had net unrealized depreciation of \$135.0 million as of March 31, 2020. Our overall portfolio consisted of 87 companies with an average investment size of \$15.6 million, had a weighted average yield on interest bearing debt investments of 9.1% and was invested 60% in first lien secured debt, 19% in second lien secured debt, 5% in subordinated debt and 16% in preferred and common equity.

As of September 30, 2019, our portfolio totaled \$1,219.4 million and consisted of \$695.3 million of first lien secured debt, \$269.3 million of second lien secured debt, \$61.2 million of subordinated debt and \$193.7 million of preferred and common equity. Our debt portfolio consisted of 87% variable-rate investments. As of September 30, 2019, we had no portfolio companies on non-accrual. Overall, the portfolio had net unrealized depreciation of \$37.6 million as of September 30, 2019. Our overall portfolio consisted of 67 companies with an average investment size of \$18.2 million, had a weighted average yield on interest bearing debt investments of 9.8% and was invested 57% in first lien secured debt, 22% in second lien secured debt, 5% in subordinated debt and 16% in preferred and common equity.

For the three months ended March 31, 2020, we invested \$106.8 million in eight new and 24 existing portfolio companies with a weighted average yield on debt investments of 8.2%. Sales and repayments of investments for the three months ended March 31, 2020 totaled \$16.4 million. For the six months ended March 31, 2020, we invested \$280.5 million in 21 new and 39 existing portfolio companies with a weighted average yield on debt investments of 8.6%. Sales and repayments of investments for the six months ended March 31, 2020 totaled \$47.5 million.

For the three months ended March 31, 2019, we invested \$183.9 million in nine new and 13 existing portfolio companies with a weighted average yield on debt investments of 9.1%. Sales and repayments of investments for the three months ended March 31, 2019 totaled \$115.1 million. For the six months ended March 31, 2019, we invested \$378.4 million in 15 new and 26 existing portfolio companies with a weighted average yield on debt investments of 9.3%. Sales and repayments of investments for the six months ended March 31, 2019 totaled \$240.9 million.

CRITICAL ACCOUNTING POLICIES

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

Investment Valuations

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

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

- (1) Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our Investment Adviser responsible for the portfolio investment;
- (2) Preliminary valuation conclusions are then documented and discussed with the management of 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.

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments, our Credit Facilities and SBA debentures are classified as Level 3. Our 2019 Notes were, and our 2024 Notes are, classified as Level 2, as they are financial instruments with readily observable market inputs. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and those differences may be material.

In addition to using the above inputs to value cash equivalents, investments, our 2019 Notes, our SBA debentures, our 2024 Notes and our Credit Facilities 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

Generally, the carrying value of our consolidated financial liabilities approximates fair value. We have adopted the principles under 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 Facilities and, prior to their redemption, the 2019 Notes. We elected to use the fair value option for the Credit Facilities and, prior to their redemption, the 2019 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 no expenses for both the three and six months ended March 31, 2020. During both the three and six months ended March 31, 2019, we incurred expenses of \$4.9 million relating to debt issuance costs on the BNP Credit Facility and the prepayment of the 2019 Notes. 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 Facilities and the 2019 Notes are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including the 2024 Notes and the SBA debentures.

For the three and six months ended March 31, 2020, our Credit Facilities had a net change in unrealized depreciation of \$48.9 million and \$46.4 million, respectively. For the three and six months ended March 31, 2019, our Credit Facilities and the 2019 Notes had a net change in unrealized depreciation of \$3.7 million and \$9.7 million, respectively. As of March 31, 2020 and September 30, 2019, the net unrealized depreciation on our Credit Facilities totaled \$53.6 million and \$7.2 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of our Credit Facilities and the 2019 Notes in a manner consistent with the valuation process that the board of directors uses to value our investments.

Revenue Recognition

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

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

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in fair values of our portfolio investments, our Credit Facilities and the 2019 Notes during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

Foreign Currency Translation

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

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

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

PIK Interest

We have investments in our portfolio which contain a PIK interest provision. PIK interest is added to the principal balance of the investment and is recorded as income. In order for us to maintain our ability to be subject to tax as a RIC, substantially all of this income must be paid out to stockholders in the form of dividends for U.S. federal income tax purposes, even though we may not have collected any cash with respect to interest on PIK securities.

Federal Income Taxes

We have elected to be treated, and intend to qualify annually to maintain our election to be treated, as a RIC under Subchapter M of the Code. To maintain our RIC tax election, we must, among other requirements, meet certain annual source-of-income and quarterly asset diversification requirements. We also must annually distribute dividends for U.S. federal income tax purposes to our stockholders out of the assets legally available for distribution of an amount generally at least equal to 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, or investment company taxable income, determined without regard to any deduction for dividends paid.

Although not required for us to maintain our RIC tax status, in order to preclude the imposition of a 4% nondeductible U.S. federal excise tax imposed on RICs, we must distribute dividends for U.S. federal income tax purposes to our stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of our net ordinary income (subject to certain deferrals and elections) for the calendar year, (2) 98.2% of the excess, if any, of our capital gains over our capital losses, or capital gain net income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of the calendar year plus (3) the sum of any net ordinary income plus capital gain net income for preceding years that was not distributed during such years and on which we did not incur any U.S. federal income tax, or the Excise Tax Avoidance Requirement. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions in the manner described above, we have retained and may continue to retain such net capital gains or investment company taxable income, contingent on maintaining our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

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

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

RESULTS OF OPERATIONS

Set forth below are the results of operations for the three and six months ended March 31, 2020 and 2019.

Investment Income

Investment income for the three and six months ended March 31, 2020 was \$27.5 million and \$53.5 million, respectively, and was attributable to \$17.5 million and \$33.5 million from first lien secured debt, \$7.7 million and \$15.4 million from second lien secured debt and \$2.3 million and \$4.6 million from subordinated debt, respectively. This compares to investment income for the three and six months ended March 31, 2019 of \$28.7 million and \$56.1 million, respectively, and was attributable to \$15.7 million and \$29.0 million from first lien secured debt, \$11.2 million and \$23.5 million from second lien secured debt and \$1.8 million and \$3.6 million from subordinated debt, preferred and common equity, respectively. The decrease in investment income compared to the same periods in the prior year was primarily due to decreases in LIBOR.

Expenses

Expenses for the three and six months ended March 31, 2020 totaled \$17.2 million and \$33.0 million, respectively. Base management fee for the same periods totaled \$4.9 million and \$9.6 million, incentive fee totaled \$1.9 million and \$2.7 million, debt related interest and expenses totaled \$9.0 million and \$17.8 million, general and administrative expenses totaled \$1.2 million and \$2.3 million and provision for taxes totaled \$0.3 million and \$0.6 million, respectively. This compares to net expenses for the three and six months ended March 31, 2019, which totaled \$17.9 million and \$32.7 million, respectively. Base management fee for the same periods totaled \$4.5 million and \$8.9 million, incentive fee totaled less than \$0.1 million and \$2.7 million, debt related interest and expenses totaled \$11.9 million (including \$2.2 million of make-whole premium on the repayment of the 2019 Notes and \$2.7 million in debt issuance costs on the BNP Credit Facility) and \$18.2 million (including \$2.2 million of make-whole premium on the repayment of the 2019 Notes and \$2.7 million in debt issuance costs on the BNP Credit Facility), general and administrative expenses totaled \$1.2 million and \$2.3 million and provision for taxes totaled \$0.3 million and \$0.6 million, respectively. The decrease in expenses for the three months ended March 31, 2020 compared to the same period in the prior year was primarily due to financing costs incurred in the prior year in connection with the redemption of the 2019 Notes, partially offset by the higher leverage costs. The increase in expenses for the six months ended March 31, 2020 compared to the same period in the prior year was primarily due to higher leverage costs as well as higher Management Fees.

Net Investment Income

Net investment income totaled \$10.3 million and \$20.5 million, or \$0.15 and \$0.31 per share, for the three and six months ended March 31, 2020, respectively. Net investment income totaled \$10.8 million and \$23.3 million, or \$0.16 and \$0.34 per share, for the three and six months ended March 31, 2019, respectively. The decrease in net investment income compared to the same periods in the prior year was primarily due to lower investment income as well as higher leverage costs.

Net Realized Gains or Losses

Sales and repayments of investments for the three and six months ended March 31, 2020 totaled \$16.4 million and \$47.5 million, respectively, and net realized gains (losses) totaled \$1.4 million and \$(10.6) million, respectively. Sales and repayments of investments for the three and six months ended March 31, 2019 totaled \$115.9 million and \$240.9 million, respectively, and net realized gains totaled \$1.0 million and \$9.5 million, respectively. The change in realized gains/losses was primarily due to changes in the market conditions of our investments and the values at which they were realized.

Unrealized Appreciation or Depreciation on Investments, the Credit Facilities and the 2019 Notes

For the three and six months ended March 31, 2020, we reported net change in unrealized depreciation on investments of \$121.0 million and \$97.3 million, respectively. For the three and six months ended March 31, 2019, we reported net change in unrealized depreciation on investments of \$20.1 million and \$40.5 million, respectively. As of March 31, 2020 and September 30, 2019, our net unrealized depreciation on investments totaled \$135.0 million and \$37.6 million, respectively. The net change in unrealized depreciation on our investments compared to the same periods in the prior year was primarily due to changes in the capital market conditions, as well as the financial performance of certain portfolio companies primarily driven by the market disruption caused by the COVID-19 pandemic and the uncertainty surrounding its continued adverse economic impact, as discussed above under "COVID-19 Developments".

For the three and six months ended March 31, 2020 our Credit Facilities had a net change in unrealized depreciation of \$48.9 million and \$46.4 million, respectively. For the three and six months ended March 31, 2019, our Credit Facilities and the 2019 Notes had a net change in unrealized depreciation of \$3.7 million and \$9.7 million, respectively. As of March 31, 2020 and September 30, 2019, the net unrealized depreciation on the Credit Facilities totaled \$53.6 million and \$7.2 million, respectively. The net change in unrealized depreciation compared to the same periods in the prior year was primarily due to changes in the capital markets.

Net Change in Net Assets Resulting from Operations

Net change in net assets resulting from operations totaled \$(60.3) million and \$(41.1) million, or \$(0.90) and \$(0.61) per share, for the three and six months ended March 31, 2020, respectively. Net change in net assets resulting from operations totaled \$(4.7) million and \$2.0 million, or \$(0.08) and \$0.26 per share, for the three and six months ended March 31, 2019, respectively. The decrease in the net change in net assets from operations compared to the same periods in the prior year was primarily due to depreciation of the portfolio primarily driven by the market disruption caused by the COVID-19 pandemic and the uncertainty surrounding its continued adverse economic impact, as discussed above under "COVID-19 Developments".

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are derived primarily from proceeds of securities offerings, debt capital and cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our debt capital, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives. As of March 31, 2020, in accordance with the 1940 Act, with certain limited exceptions, we were only allowed to borrow amounts such that we are in compliance with a 150% asset coverage ratio requirement after such borrowing, excluding SBA debentures pursuant to exemptive relief from the SEC received in June 2011. This "Liquidity and Capital Resources" section should be read in conjunction with the "COVID-19 Developments" section above.

On February 5, 2019, our stockholders approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Consolidated Appropriations Act of 2018 (which includes the SBCAA) as approved by our board of directors on November 13, 2018. As a result, the asset coverage requirement applicable to us for senior securities was reduced from 200% (i.e., \$1 of debt outstanding for each \$1 of equity) to 150% (i.e., \$2 of debt outstanding for each \$1 of equity), subject to compliance with certain disclosure requirements. As of March 31, 2020 and September 30, 2019, our asset coverage ratio, as computed in accordance with the 1940 Act, was 161% and 207%, respectively.

The annualized weighted average cost of debt for the six months ended March 31, 2020 and 2019, inclusive of the fee on the undrawn commitment under the Credit Facilities, debt issuance costs on the BNP Credit Facility, prepayment penalties on the 2019 Notes and amortized upfront fees on the 2024 Notes and SBA debentures, was 5.1% and 7.0%, respectively (excluding debt issuance costs and prepayment penalties, amounts were 5.1% and 5.9%, respectively).

On February 22, 2019, Funding I closed the BNP Credit Facility for up to \$250.0 million in borrowings with certain lenders and BNP Paribas, as administrative agent, and The Bank of New York Mellon Trust Company, N.A., as collateral agent. As of March 31, 2020 and September 30, 2019, Funding I had \$245.0 million and \$171.0 million in outstanding borrowings under the BNP Credit Facility, respectively. The BNP Credit Facility had a weighted average interest rate of 3.6% and 4.6%, respectively, exclusive of the fee on undrawn commitments, as of March 31, 2020 and September 30, 2019. The BNP Credit Facility is a five-year revolving facility with a stated maturity date of February 22, 2024 and pricing set at 260 basis points over LIBOR (or an alternative risk-free floating interest rate index). As of March 31, 2020 and September 30, 2019, Funding I had \$5.0 million and \$79.0 million of unused borrowing capacity under the BNP Credit Facility, respectively, subject to leverage and borrowing base restrictions. The BNP Credit Facility is secured by all of our assets held by Funding I. As of March 31, 2020, we were in compliance with the terms of the BNP Credit Facility.

As of March 31, 2020, we had the multi-currency Truist Credit Facility for up to \$475.0 million in borrowings with certain lenders and Truist Bank, acting as administrative agent, and JPMorgan Chase Bank, N.A., acting as syndication agent for the lenders. As of March 31, 2020 and September 30, 2019, we had \$441.6 million and \$301.6 million, respectively, in outstanding borrowings under the Truist Credit Facility. The Truist Credit Facility had a weighted average interest rate of 3.2% and 4.2%, respectively, exclusive of the fee on undrawn commitments, as of March 31, 2020 and September 30, 2019. The Truist Credit Facility is a five-year revolving facility with a stated maturity date of September 4, 2024 (\$55.0 million of the \$475 million commitment will mature May 25, 2022), with a one-year term-out period and pricing set at 225 basis points over LIBOR (or an alternative risk-free floating interest rate index). As of March 31, 2020 and September 30, 2019, we had \$33.4 million and \$173.4 million of unused borrowing capacity under the Truist Credit Facility, respectively, subject to leverage and borrowing base restrictions. The Truist Credit Facility is secured by substantially all of our assets excluding assets held by Funding I and SBIC II. As of March 31, 2020, we were in compliance with the terms of the Truist Credit Facility.

As of March 31, 2020, we had \$86.3 million in aggregate principal amount of 2024 Notes outstanding. Interest on the 2024 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at a rate of 5.50% per year, commencing January 15, 2020. The 2024 Notes mature on October 15, 2024. The 2024 Notes are direct unsecured obligations and rank *pari passu* in right of payment with future unsecured unsubordinated indebtedness. The 2024 Notes are structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, financing vehicles, or similar facilities. The 2024 Notes may be redeemed in whole or in part at our option on or after October 15, 2021 at a redemption price of 100% of the outstanding principal amount of the 2024 Notes plus accrued and unpaid interest.

In September 2014, we issued \$250.0 million in aggregate principal amount of 2019 Notes, for net proceeds of \$245.5 million after underwriting discounts and offering costs. Interest on the 2019 Notes was paid semi-annually on April 1 and October 1, at a rate of 4.50% per year. On March 4, 2019 the 2019 Notes were redeemed in full and no amounts were outstanding as of March 31, 2020. The 2019 Notes were redeemed on March 4, 2019 at a redemption price equal to \$1,008.65 for each \$1,000.00 of principal of notes outstanding, plus accrued and unpaid interest to March 4, 2019, pursuant to the indenture governing the 2019 Notes. Please refer to our indenture agreement filed as Exhibit (d)(8) to our post-effective amendment filed on January 22, 2013 and the supplemental indenture agreement filed as Exhibit (d)(11) to our post-effective amendment filed on September 23, 2014 for more information.

We may raise additional equity or debt capital through both registered offerings off our shelf registration statement and private offerings of securities, by securitizing a portion of our investments or borrowing from the SBA, among other sources. Any future additional debt capital we incur, to the extent it is available, may be issued at a higher cost and on less favorable terms and conditions than our current Credit Facilities and SBA debentures. Furthermore, our Credit Facilities availability depends on various covenants and restrictions. The primary use of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or for other general corporate or strategic purposes such as our stock repurchase program.

SBIC II is able to borrow funds from the SBA against regulatory capital (which approximates equity capital) that is paid-in and is subject to customary regulatory requirements including an examination by the SBA. We have funded SBIC II with \$75.0 million of equity capital and it had SBA debentures outstanding of \$133.5 million as of March 31, 2020. SBA debentures are non-recourse to us and may be prepaid at any time without penalty. The interest rate of SBA debentures is fixed at the time of issuance, often referred to as pooling, at a market-driven spread over 10-year U.S. Treasury Notes. Under current SBA regulations, a SBIC may individually borrow to a maximum of \$175.0 million, which is up to twice its potential regulatory capital, and as part of a group of SBICs under common control may borrow a maximum of \$350 million in the aggregate.

As of both March 31, 2020 and September 30, 2019, SBIC II had an initial \$150.0 million in debt commitments, all of which were drawn. During the three and six months ended March 31, 2020, zero and \$16.5 million in SBA debentures were repaid, respectively. As of March 31, 2020 and September 30, 2019, the unamortized fees on the SBA debentures were \$3.2 million and \$3.9 million, respectively. The SBA debentures' upfront fees of 3.4% consist of a commitment fee of 1.0% and an issuance discount of 2.4%, which are being amortized.

Our fixed-rate SBA debentures as of March 31, 2020 and September 30, 2019 were as follows:

Issuance Dates	Maturity	Fixed All-in Coupon Rate (1)	As of March 31, 2020	
				Principal Balance
March 23, 2016	March 1, 2026	2.9%	\$	22,500,000
September 21, 2016	September 1, 2026	2.4		25,000,000
September 20, 2017	September 1, 2027	2.9		27,500,000
March 21, 2018	March 1, 2028	3.5		58,500,000
Weighted Average Rate / Total		3.1%	\$	133,500,000

Issuance Dates	Maturity	Fixed All-in Coupon Rate (1)	As of September 30, 2019	
				Principal Balance
March 23, 2016	March 1, 2026	2.9%	\$	22,500,000
September 21, 2016	September 1, 2026	2.4		25,000,000
September 20, 2017	September 1, 2027	2.9		31,500,000
March 21, 2018	March 1, 2028	3.5		71,000,000
Weighted Average Rate / Total		3.1%	\$	150,000,000

(1) Excluding 3.4% of upfront fees.

The SBIC program is designed to stimulate the flow of capital into eligible businesses. Under SBA regulations, SBIC II is subject to regulatory requirements, including making investments in SBA eligible businesses, investing at least 25% of regulatory capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, prohibiting investment in certain industries and requiring capitalization thresholds that limit distributions to us, and is subject to periodic audits and examinations of its financial statements that are prepared on a basis of accounting other than GAAP (for example, fair value, as defined under ASC 820, is not required to be used for assets or liabilities for such compliance reporting). As of March 31, 2020, SBIC II was in compliance with its regulatory requirements.

In accordance with the 1940 Act, with certain limited exceptions, PennantPark Investment is only allowed to borrow amounts such that our required 150% asset coverage ratio is met after such borrowing. As of March 31, 2020 and September 30, 2019, we excluded the principal amounts of our SBA debentures from our asset coverage ratio pursuant to SEC exemptive relief. In 2011, we received exemptive relief from the SEC allowing us to modify the asset coverage ratio requirement to exclude the SBA debentures from the calculation. Accordingly, our ratio of total assets on a consolidated basis to outstanding indebtedness may be less than 150% which, while providing increased investment flexibility, also increases our exposure to risks associated with leverage.

As of March 31, 2020 and September 30, 2019, we had cash and cash equivalents of \$25.1 million and \$59.5 million, respectively, available for investing and general corporate purposes. We believe our liquidity and capital resources are sufficient to take advantage of market opportunities.

Our operating activities used cash of \$218.6 million for the six months ended March 31, 2020, and our financing activities provided cash of \$184.3 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from net borrowings under the Credit Facilities.

Our operating activities used cash of \$121.3 million for the six months ended March 31, 2019 and our financing activities provided cash of \$132.0 million for the same period. Our operating activities provided cash from sales and repayments on our investments and our financing activities used cash primarily to pay distributions to stockholders and for net repayments under the Trust Credit Facility.

Contractual Obligations

A summary of our significant contractual payment obligations at cost as of March 31, 2020, including borrowings under our various debt facilities and other contractual obligations, is as follows:

	Total	Payments due by period (in millions)			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
BNP Credit Facility	\$ 245.0	\$ —	\$ —	\$ 245.0	\$ —
Truist Credit Facility	441.6	—	51.1	390.5	—
SBA debentures	133.5	—	—	133.5	—
2024 Notes	86.3	—	—	86.3	—
Total debt outstanding (1)	906.4	—	51.1	855.2	—
Unfunded investments (2)	61.2	—	7.6	25.0	28.6
Total contractual obligations	\$ 967.6	\$ —	\$ 58.8	\$ 880.2	\$ 28.6

(1) The annualized weighted average cost of debt as of March 31, 2020, was 3.5%, exclusive of the fee on the undrawn commitment on the Credit Facilities, debt issuance costs on the 2024 Notes and upfront fees on SBA debentures.

(2) Unfunded debt and equity investments are disclosed in the Consolidated Schedule of Investments and Note 11 of our Consolidated Financial Statements

We have entered into certain contracts under which we have material future commitments. Under our Investment Management Agreement, which was reapproved by our board of directors (including a majority of our directors who are not interested persons of us or the Investment Adviser) in February 2020, PennantPark Investment Advisers serves as our investment adviser. PennantPark Investment, through the Investment Adviser, provides similar services to SBIC II under its investment management agreement with us. SBIC II's investment management agreement does not affect the management or incentive fees that we pay to the Investment Adviser on a consolidated basis. Payments under our Investment Management Agreement in each reporting period are equal to (1) a management fee equal to a percentage of the value of our average adjusted gross assets and (2) an incentive fee based on our performance.

Under our Administration Agreement, which was most recently reapproved by our board of directors, including a majority of our directors who are not interested persons of us, in February 2020, the Administrator furnishes us with office facilities and administrative services necessary to conduct our day-to-day operations. PennantPark Investment, through the Administrator, provides similar services to SBIC II under its administration agreement, which is intended to have no effect on the consolidated administration fee. If requested to provide significant managerial assistance to our portfolio companies, we or the Administrator will be paid an additional amount based on the services provided. Payment under our Administration Agreement is based upon our allocable portion of the Administrator's overhead in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of our Chief Compliance Officer, Chief Financial Officer and their respective staffs.

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

Off-Balance-Sheet Arrangements

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

Distributions

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

Although not required for us to maintain our RIC tax status, in order to preclude the imposition of a 4% nondeductible federal excise tax imposed on RICs, we must distribute dividends for U.S. federal income tax purposes to our stockholders in respect of each calendar year of an amount at least equal to the Excise Tax Avoidance Requirement. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions in the manner described above, we have retained and may continue to retain such net capital gains or investment company taxable income, contingent on our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

During the three and six months ended March 31, 2020, we declared distributions of \$0.18 and \$0.36 per share, for total distributions of \$12.1 million and \$24.1 million, respectively. For the same periods in the prior year, we declared distributions of \$0.18 and \$0.36 per share, for total distributions of \$12.1 million and \$24.3 million, respectively. We monitor available net investment income to determine if a return of capital for tax purposes may occur for the fiscal year. To the extent our taxable earnings fall below the total amount of our distributions for any given fiscal year, stockholders will be notified of the portion of those distributions deemed to be a tax return of capital. Tax characteristics of all distributions will be reported to stockholders subject to information reporting on Form 1099-DIV after the end of each calendar year and in our periodic reports filed with the SEC.

We intend to continue to make quarterly distributions to our stockholders. Our quarterly distributions, if any, are determined by our board of directors.

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

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage ratio for borrowings applicable to us as a BDC under the 1940 Act and/or due to provisions in future credit facilities. If we do not distribute at least a certain percentage of our income annually, we could suffer adverse tax consequences, including possible loss of our ability to be subject to tax as a RIC. We cannot assure stockholders that they will receive any distributions at a particular level.

Recent Developments

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

Item 3. Quantitative And Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. As of March 31, 2020, our debt portfolio consisted of 94% variable-rate investments. The variable-rate loans are usually based on a floating interest rate index such as LIBOR and typically have durations of three months after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In regards to variable-rate instruments with a floor, we do not benefit from increases in interest rates until such rates exceed the floor and thereafter benefit from market rates above any such floor. In contrast, our cost of funds, to the extent it is not fixed, will fluctuate with changes in interest rates since it has no floor.

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

Change In Interest Rates	Change In Interest Income, Net Of Interest Expense (in thousands)	Change In Interest Income, Net of Interest Expense Per Share
Down 1%	\$ 888	\$ 0.01
Up 1%	4,235	0.06
Up 2%	8,643	0.13
Up 3%	13,050	0.19
Up 4%	\$ 17,458	\$ 0.26

Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets on the Consolidated Statements of Assets and Liabilities and other business developments that could affect net increase in net assets resulting from operations, or net investment income. Accordingly, no assurances can be given that actual results would not differ materially from those shown above.

Because we borrow money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds as well as our level of leverage. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income or net assets.

We may hedge against interest rate and foreign currency fluctuations by using standard hedging instruments such as futures, options and forward contracts or our Credit Facilities subject to the requirements of the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates and foreign currencies, they may also limit our ability to participate in benefits of lower interest rates or higher exchange rates with respect to our portfolio of investments with fixed interest rates or investments denominated in foreign currencies. During the periods covered by this Report, we did not engage in interest rate hedging activities or foreign currency derivatives hedging activities.

Item 4. Controls and Procedures

As of the period covered by this Report, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic filings with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should consider carefully the factors discussed below, as well as in Part I “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019 filed on November 21, 2019 and amended on March 30, 2020, which could materially affect our business, financial condition and/or operating results. The risks described below, as well as in our Annual Report on Form 10-K, are not the only risks facing PennantPark Investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Legislation enacted in 2018 allows us to incur additional leverage.

A BDC has historically been able to issue “senior securities,” including borrowing money from banks or other financial institutions, only in amounts such that its asset coverage, as defined in Section 61(a)(2) of the 1940 Act, equals at least 200% after such incurrence or issuance. In March 2018, the Consolidated Appropriations Act of 2018 (which includes the SBCAA) was enacted which amended the 1940 Act to decrease this percentage from 200% (i.e., \$1 of debt outstanding for each \$1 of equity) to 150% (i.e., \$2 of debt outstanding for each \$1 of equity) for a BDC that has received either stockholder approval or approval of a “required majority” (as defined in Section 57(o) of the 1940 Act) of its board of directors of the application of such lower asset coverage ratio to the BDC. On February 5, 2019, our stockholders approved such reduction, as approved by our board of directors on November 13, 2018. As of February 5, 2019, we are able to incur additional indebtedness so long as we comply with the applicable disclosure requirements, which may increase the risk of investing in us. Under the 200% minimum asset coverage ratio, the Company was permitted to borrow up to one dollar for investment purposes for every one dollar of investor equity and, under the 150% minimum asset coverage ratio, the Company is permitted to borrow up to two dollars for investment purposes for every one dollar of investor equity. In other words, Section 61(a)(2) of the 1940 Act permits BDCs to potentially increase their debt-to-equity ratio from a maximum of 1-to-1 to a maximum of 2-to-1. In addition, since our base management fee is determined and payable based upon our average adjusted gross assets, which includes any borrowings for investment purposes, our base management fee expense may increase if we incur additional leverage. Effective February 5, 2019, base management fees were reduced from 1.50% to 1.00% on gross assets that exceed 200% of the Company’s total net assets as of the immediately preceding quarter-end.

Because we intend to distribute substantially all of our income to our stockholders to maintain our ability to be subject to tax as a RIC, we may need to raise additional capital to finance our growth. If funds are not available to us, we may need to curtail new investments, and our common stock value could decline.

In connection with satisfying the requirements to be subject to tax as a RIC, we intend to distribute to our stockholders substantially all of our investment company taxable income and net capital gains each taxable year. However, we may retain all or a portion of our net capital gains and incur applicable income taxes with respect thereto and elect to treat such retained net capital gains as deemed dividend distributions to our stockholders.

As noted above, on November 13, 2018 and February 5, 2019, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act), and our stockholders, respectively, approved a reduction of our asset coverage ratio from 200% to 150%. As a result, as of February 6, 2019, the asset coverage requirement applicable to us for senior securities was reduced from 200% (i.e., \$1 of debt outstanding for each \$1 of equity) to 150% (i.e., \$2 of debt outstanding for each \$1 of equity). If we incur additional indebtedness under this provision, the risk of investing in us will increase. If the value of our assets declines, we may be unable to satisfy this asset coverage test. If that happens, we may be required to sell a portion of our investments or sell additional common stock and, depending on the nature of our leverage, to repay a portion of our indebtedness at a time when such sales and repayments may be disadvantageous. In addition, the issuance of additional securities could dilute the percentage ownership of our current stockholders in us.

We are partially dependent on SBIC II for cash distributions to enable us to meet the distribution requirements to be subject to tax as a RIC. In this regard, our SBIC Fund is limited by the SBA regulations governing SBICs from making certain distributions to us that may be necessary to satisfy the requirements to be subject to tax as a RIC. In such a case, we would need to request a waiver of the SBA’s restrictions for SBIC II to make certain distributions to enable us to be subject to tax as a RIC. We cannot assure you that the SBA will grant such waiver, and if SBIC II is unable to obtain a waiver, compliance with the SBA regulations may cause us to incur a corporate-level income tax.

If we incur additional debt, it could increase the risk of investing in our shares.

We have indebtedness outstanding pursuant to our Credit Facilities, 2024 Notes and SBA debentures and expect in the future to borrow additional amounts under our Credit Facilities or other debt securities, subject to market availability, and may increase the size of our Credit Facilities. We cannot assure you that our leverage will remain at current levels. The amount of leverage that we employ will depend upon our assessment of the market and other factors at the time of any proposed borrowing. Lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or preferred stockholders, if any, and we have granted a security interest in our assets, excluding those of SBIC II, in connection with borrowings under our Credit Facilities. In the case of a liquidation event, those lenders would receive proceeds before our stockholders. Additionally, the SBA, as a lender and an administrative agent, has a superior claim over the assets of SBIC II in relation to our other creditors. Any future debt issuance will increase our leverage and may be subordinate to our Credit Facilities and SBA debentures. In addition, borrowings or debt issuances and SBA debentures, also known as leverage, magnify the potential for loss or gain on amounts invested and, therefore, increase the risks associated with investing in our securities. Leverage is generally considered a speculative investment technique. If the value of our assets decreases, then leveraging would cause the net asset value attributable to our common stock to decline more than it otherwise would have had we not utilized leverage. Similarly, any decrease in our revenue would cause our net income to decline more than it would have had we not borrowed funds and could negatively affect our ability to make distributions on our common or preferred stock. Our ability to service any debt that we incur depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures.

As noted above, on November 13, 2018 and February 5, 2019, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act), and our stockholders, respectively, approved a reduction of our asset coverage ratio. As a result, as of February 6, 2019, the asset coverage requirement applicable to us for senior securities was reduced from 200% to 150%. As of such date, we are able to incur additional indebtedness so long as we comply with the applicable disclosure requirements, which may increase the risk of investing in us.

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

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

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

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

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

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

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

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

We did not engage in any sales of unregistered securities during the six months ended March 31, 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

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

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

The Second A&R Bylaws also amended Article II, Section 7 to change the voting standards for the election of directors from an affirmative vote of the holders of a majority of the shares of the Company's stock outstanding to an affirmative vote of a majority of the total votes cast for and against each director nominee in an uncontested election. In addition, the amendment provides that directors shall be elected by a plurality of votes cast at a meeting of stockholders in a contested election where the number of

nominees is greater than the number of directors to be elected at the meeting. Under the revised voting standard, a nominee shall be elected to the Company's board of directors by a majority of the votes cast with respect to such nominee, which means that the number of votes cast for a director nominee must exceed the number of votes cast against the nominee; provided that if the election is contested, directors shall be elected by a plurality of the votes cast. The amendment further provides that voting on any matter, including the election of directors, may be conducted orally unless the chairman of the meeting orders that voting be by ballot or otherwise.

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

Item 6. Exhibits

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

- 3.1 [Articles of Incorporation \(Incorporated by reference to Exhibit 99\(a\) to the Registrant's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2/A \(File No. 333-140092\), filed on April 5, 2007\).](#)
- 3.2* [Second Amended and Restated Bylaws of the Registrant.](#)
- 4.1 [Form of Share Certificate \(Incorporated by reference to Exhibit 99\(d\)\(1\) to the Registrant's Registration Statement on Form N-2 \(File No. 333-150033\), filed on April 2, 2008\).](#)
- 31.1* [Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.](#)
- 31.2* [Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.](#)
- 32.1* [Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2* [Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 99.1 [Privacy Policy of the Registrant \(Incorporated by reference to Exhibit 99.1 to the Registrant's Annual Report on Form 10-K \(File No. 814-00736\), filed on November 16, 2011\).](#)

* Filed herewith.

SIGNATURES

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

PENNANTPARK INVESTMENT CORPORATION

Date: May 11, 2020

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

Date: May 11, 2020

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

PENNANTPARK INVESTMENT CORPORATION

SECOND AMENDED AND RESTATED BYLAWS

ARTICLE I

OFFICES

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

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

ARTICLE II

MEETINGS OF STOCKHOLDERS

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

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

Section 3. **SPECIAL MEETINGS.**

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

(b) **Stockholder Requested Special Meetings.** (1) Any stockholder of record seeking to have stockholders request a special meeting shall, by sending written notice to the secretary (the "Record Date Request Notice") by registered mail, return receipt requested, request the Board of Directors to fix a record date to determine the stockholders entitled to request a special meeting (the "Request Record Date"). The Record Date Request Notice shall set forth the purpose of the meeting and the matters proposed to be acted on at it, shall be signed by one or more stockholders of record as of the date of signature (or their agents duly authorized in a writing accompanying the Record Date Request Notice), shall bear the date of signature of each such stockholder (or such agent) and shall set forth all information relating to each such stockholder that must be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"). Upon receiving the Record Date Request Notice, the Board of Directors may fix a Request Record Date. The Request Record Date shall not precede and shall not be more than ten days after the close of business on the date on which the resolution fixing the Request Record Date is adopted by the Board of Directors. If the Board of Directors, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date, the Request Record Date shall be the close of business on the tenth day after the first date on which the Record Date Request Notice is received by the secretary

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

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

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

(5) If written revocations of requests for the special meeting have been delivered to the Secretary and the result is that stockholders of record (or their agents duly authorized in writing), as of the Request Record Date, entitled to cast less than the Special Meeting Percentage have delivered, and not revoked, requests for a special meeting to the Secretary, the Secretary shall: (i) if the notice of meeting has not already been mailed, refrain from mailing the notice of the meeting and send to all requesting stockholders who have not revoked such requests written notice of any revocation of a request for the special meeting, or (ii) if the notice of meeting has been mailed and if the Secretary first sends to all requesting stockholders who have not revoked requests for a special meeting written notice of any revocation of a request for the special meeting and written notice of the Secretary's intention to revoke the notice of the meeting or for the chairman of the meeting to adjourn the meeting without action on the matter, (A) the Secretary may revoke the notice of the meeting at any time before ten days before the commencement of the meeting or (B) the chairman of the meeting may call the meeting to order and adjourn the meeting without acting on the matter. Any request for a special meeting received after a revocation by the Secretary of a notice of a meeting shall be considered a request for a new special meeting.

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

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

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

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

Section 5. **ORGANIZATION AND CONDUCT.** Every meeting of stockholders shall be conducted by an individual appointed by the Board of Directors to be chairman of the meeting or, in the absence of such appointment, by the Chairman of the Board, if any, or, in the case of a vacancy in the office or absence of the Chairman of the Board, by one of the following officers present at the meeting: the Vice Chairman of the Board, if any, the president, any Vice president, the secretary, the Treasurer, the Chief Compliance Officer or, in the absence of such officers, a chairman chosen by the stockholders by the vote of a majority of the votes cast by stockholders present in person or by proxy. The secretary or, in the secretary's absence, an assistant secretary or, in the absence of both the secretary and assistant secretaries, an individual appointed by the Board of Directors or, in the absence of such appointment, an individual appointed by the chairman of the meeting shall act as secretary. In the event that the secretary presides at a meeting of the stockholders, an assistant secretary, or, in the absence of assistant secretaries, an individual appointed by the Board of Directors or the chairman of the meeting, shall record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of stockholders shall be determined by the chairman of the meeting. The chairman of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairman, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to stockholders of record of the Corporation, their duly authorized proxies and

other such individuals as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies or other such individuals as the chairman of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) determining when the polls should be opened and closed; (f) maintaining order and security at the meeting; (g) removing any stockholder or any other individual who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairman of the meeting; and (h) concluding a meeting or recessing or adjourning the meeting to a later date and time and at a place announced at the meeting. Unless otherwise determined by the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

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

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

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

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

Section 8. PROXIES. A stockholder may cast the votes entitled to be cast by the shares of stock owned of record by the stockholder in person or by proxy executed by the stockholder or by the stockholder's duly authorized agent in any manner permitted by law. Such proxy or evidence of authorization of such proxy shall be filed with the secretary of the Corporation before or at the meeting. No proxy shall be valid more than eleven months after its date unless otherwise provided in the proxy.

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

of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any director or other fiduciary may vote stock registered in his or her name as such fiduciary, either in person or by proxy.

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

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

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

Section 10. INSPECTORS. The Board of Directors, in advance of any meeting, may, but need not, appoint one or more individual inspectors or one or more entities that designate individuals as inspectors to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the chairman of the meeting. The inspectors, if any, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, and determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. Each such report shall be in writing and signed by him or her or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

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

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

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

timely, such notice must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of individuals for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected only (i) by or at the direction of the Board of Directors or (ii) provided that the special meeting has been called in accordance with Section 3(a) of this Article II for the purpose of electing directors, by any stockholder of the Corporation who is a stockholder of record both at the time of giving of notice provided for in this Section 11 and at the time of the special meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the notice procedures set forth in this Section 11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more individuals to the Board of Directors, any stockholder may nominate an individual or individuals (as the case may be) for election as a

director as specified in the Corporation's notice of meeting, if the stockholder's notice, containing the information required by paragraphs (a)(3) and (4) of this Section 11, is delivered to the secretary at the principal executive office of the Corporation not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., Eastern Time, on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(c) General. (1) If information submitted pursuant to this Section 11 by any stockholder proposing a nominee for election as a director or any proposal for other business at a meeting of stockholders shall be inaccurate in any material respect, such information may be deemed not to have been provided in accordance with this Section 11. Any such stockholder shall notify the Corporation of any inaccuracy or change (within two Business Days of becoming aware of such inaccuracy or change) in any such information. Upon written request by the secretary or the Board of Directors, any such stockholder shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), (A) written verification, satisfactory, in the discretion of the Board of Directors or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 11, and (B) a written update of any information (including, if requested by the Corporation, written confirmation by such stockholder that it continues to intend to bring such nomination or other business proposal before the meeting) submitted by the stockholder pursuant to this Section 11 as of an earlier date. If a stockholder fails to provide such written verification or written update within such period, the information as to which written verification or a written update was requested may be deemed not to have been provided in accordance with this Section 11.

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

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

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

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

Section 13. CONTROL SHARE ACQUISITION ACT. Notwithstanding any other provision of the charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law (the "MGCL"), or any successor statute, shall not apply to any acquisition by any person of shares of stock of the Corporation. Notwithstanding the forgoing, the Company must consult with the SEC prior to applying the MGCL provisions referenced in this section. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE III

DIRECTORS

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

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

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

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

Section 5. NOTICE. Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each director at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the director or his or her agent is personally given such notice in a telephone call to which the director or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Corporation by the director. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the director and receipt of a completed answer-back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

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

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

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

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

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

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

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

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

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

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

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

Section 16. RATIFICATION. The Board of Directors or the stockholders may ratify and make binding on the Corporation any action or inaction by the Corporation or its officers to the extent that the Board of Directors or the stockholders could have originally authorized the matter. Moreover, any action or inaction questioned in any stockholders' derivative proceeding or any other proceeding on the ground of lack of authority, defective or irregular execution, adverse interest of a director, officer or stockholder, non-disclosure, miscomputation, the application of improper principles or practices of accounting or otherwise, may be ratified, before or after judgment, by the Board of Directors or by the stockholders, and if so ratified, shall have the same force and effect as if the questioned action or inaction had been originally duly authorized, and such ratification shall be binding upon the Corporation and its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned action or inaction.

ARTICLE IV

COMMITTEES

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

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

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

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

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

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee. Subject to the power of the Board of Directors, the members of the committee shall have the power to fill any vacancies on the committee.

ARTICLE V

OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Corporation shall include a president, a secretary and a treasurer and may include a chief executive officer, one or more vice presidents, a chief operating officer, a chief financial officer, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

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

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

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

ARTICLE VII

STOCK

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

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

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

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

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

Section 4. FIXING OF RECORD DATE. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

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

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

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

ARTICLE VIII

ACCOUNTING YEAR

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

ARTICLE IX

DISTRIBUTIONS

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

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine, and the Board of Directors may modify or abolish any such reserve.

ARTICLE X

SEAL

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

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

ARTICLE XI

INDEMNIFICATION AND ADVANCE OF EXPENSES

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

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

ARTICLE XII

WAIVER OF NOTICE

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

ARTICLE XIII

INSPECTION OF RECORDS

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

ARTICLE XIV

INVESTMENT COMPANY ACT

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

ARTICLE XV

EXCLUSIVE FORUM FOR CERTAIN LITIGATION

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

ARTICLE XVI

AMENDMENT OF BYLAWS

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

**CERTIFICATION PURSUANT TO SECTION 302
CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Arthur H. Penn, Chief Executive Officer of PennantPark Investment Corporation, certify that:

1. I have reviewed this Report on Form 10-Q of PennantPark Investment Corporation;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 11, 2020

/s/ Arthur H. Penn

Name: Arthur H. Penn

Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302
CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Aviv Efrat, Chief Financial Officer of PennantPark Investment Corporation, certify that:

1. I have reviewed this Report on Form 10-Q of PennantPark Investment Corporation;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 11, 2020

/s/ Aviv Efrat

Name: Aviv Efrat
Title: Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with this Report on Form 10-Q for the three and six months ended March 31, 2020 (the "Report") of PennantPark Investment Corporation (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Arthur H. Penn, Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

/s/ Arthur H. Penn

Name: Arthur H. Penn

Title: Chief Executive Officer

Date: May 11, 2020

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with this Report on Form 10-Q for the three and six months ended March 31, 2020 (the "Report") of PennantPark Investment Corporation (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Aviv Efrat, Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

/s/ Aviv Efrat

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