

PennantPark Floating Rate Capital Ltd.

Form 497

October 24, 2017

Table of Contents

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

Subject to Completion, October 24, 2017

Preliminary Prospectus Supplement

To the Prospectus dated January 19, 2017

6,000,000 Shares

Common Stock

We are offering for sale 6,000,000 shares of our common stock. Our common stock is traded on the NASDAQ Global Select Market under the symbol PFLT. The last reported closing sale price for our common stock on October 23, 2017 was \$14.53 per share. The net asset value of our common stock on June 30, 2017 was \$14.05 per share.

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

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

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

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

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

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

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions (sales load) ⁽¹⁾	\$	\$
Proceeds to PennantPark Floating Rate Capital Ltd. (before estimated expenses of \$425,000)	\$	\$

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

The underwriters may also purchase up to an additional 900,000 shares from us at the public offering price, within 30 days from the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price will be \$ million, the underwriting discount and commissions (sales load) that will be paid by us will be \$ million and the underwriting discount and/or commissions paid by PennantPark Investment Advisers, LLC will be approximately \$ million and our total proceeds, before estimated expenses, will be \$ million.

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

A Stifel Company

The date of this prospectus supplement is October , 2017.

Table of Contents

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

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

<u>SUPPLEMENTAL PROSPECTUS SUMMARY</u>	S-1
<u>FEES AND EXPENSES</u>	S-8
<u>RISK FACTORS</u>	S-10
<u>FORWARD-LOOKING STATEMENTS</u>	S-11
<u>USE OF PROCEEDS</u>	S-13
<u>CAPITALIZATION</u>	S-14
<u>PRICE RANGE OF COMMON STOCK</u>	S-15
<u>SELECTED FINANCIAL DATA</u>	S-16
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	S-18
<u>UNDERWRITING</u>	S-33
<u>LEGAL MATTERS</u>	S-38
<u>INDEX TO FINANCIAL STATEMENTS</u>	S-39

PROSPECTUS

<u>PROSPECTUS SUMMARY</u>	Page 1
<u>FEES AND EXPENSES</u>	6
<u>RISK FACTORS</u>	8
<u>FORWARD-LOOKING STATEMENTS</u>	35
<u>USE OF PROCEEDS</u>	37
<u>SELECTED FINANCIAL DATA</u>	38
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	40
<u>SENIOR SECURITIES</u>	54
<u>PRICE RANGE OF COMMON STOCK</u>	55
<u>SALES OF COMMON STOCK BELOW NET ASSET VALUE</u>	56
<u>DISTRIBUTIONS</u>	62
<u>BUSINESS</u>	64
<u>INVESTMENT OBJECTIVES AND POLICIES</u>	69

<u>PORTFOLIO COMPANIES</u>	76
<u>MANAGEMENT</u>	86
<u>CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS</u>	93
<u>CERTAIN RELATIONSHIPS AND TRANSACTIONS</u>	94
<u>DETERMINATION OF NET ASSET VALUE</u>	101
<u>DIVIDEND REINVESTMENT PLAN</u>	104
<u>DESCRIPTION OF OUR CAPITAL STOCK</u>	106
<u>DESCRIPTION OF OUR PREFERRED STOCK</u>	112
<u>DESCRIPTION OF OUR WARRANTS</u>	113

Table of Contents

	Page
<u>DESCRIPTION OF OUR SUBSCRIPTION RIGHTS</u>	115
<u>DESCRIPTION OF OUR DEBT SECURITIES</u>	116
<u>REGULATION</u>	129
<u>BROKERAGE ALLOCATIONS AND OTHER PRACTICES</u>	134
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	135
<u>PLAN OF DISTRIBUTION</u>	142
<u>SUB-ADMINISTRATOR, CUSTODIAN, TRANSFER AGENT AND TRUSTEE</u>	144
<u>LEGAL MATTERS</u>	144
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	144
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1

Table of Contents**SUPPLEMENTAL PROSPECTUS SUMMARY**

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

General Business of PennantPark Floating Rate Capital Ltd.

PennantPark Floating Rate Capital Ltd. is a BDC whose objectives are to generate current income and capital appreciation while seeking to preserve capital by investing primarily in Floating Rate Loans and other investments made to U.S. middle-market companies.

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

Under normal market conditions, we generally expect that at least 80% of the value of our Managed Assets, which means our net assets plus any borrowings for investment purposes, will be invested in Floating Rate Loans and other investments bearing a variable-rate of interest. We generally expect that senior secured debt, or first lien loans, will represent at least 65% of our overall portfolio. We also generally expect to invest up to 35% of our overall portfolio opportunistically in other types of investments, including mezzanine securities and, to a lesser extent, equity investments. We seek to create a diversified portfolio by generally targeting an investment

S-1

Table of Contents

size between \$3 million and \$15 million, on average, although we expect that this investment size will vary proportionately with the size of our capital base.

Our investment activity depends on many factors, including the amount of debt and equity capital available to middle-market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make. We have used, and expect to continue to use, our Credit Facility, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives. For a description of our Credit Facility, please see Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.

Organization and Structure of PennantPark Floating Rate Capital Ltd.

PennantPark Floating Rate Capital Ltd., a Maryland corporation organized in October 2010, is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for federal income tax purposes we have elected to be treated, and intend to qualify annually, as a RIC under the Code.

Funding I, our wholly owned subsidiary and a special purpose entity, was organized in Delaware as a limited liability company in May 2011. We formed Funding I in order to establish our Credit Facility.

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

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

Our Investment Adviser and Administrator

We utilize the investing experience and contacts of PennantPark Investment Advisers in developing what we believe is an attractive and diversified portfolio. The senior investment professionals of the Investment Adviser have worked together for many years and average over 25 years of experience in the senior lending, mezzanine lending, leveraged finance, distressed debt and private equity businesses. In addition, our senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across changing economic and market cycles. We believe this experience and history has resulted in a strong reputation with financial sponsors, management teams, investment bankers, attorneys and accountants, which provides us with access to substantial investment opportunities across the capital markets. Our Investment Adviser has a rigorous investment approach, which is based upon intensive financial analysis with a focus on capital preservation, diversification and active management. Since our Investment Adviser's inception in 2007, it has raised approximately \$3.0 billion in debt and equity capital and has invested \$6.5 billion in more than 440 companies with approximately 180 different financial sponsors through its managed funds.

Our Administrator has experienced professionals with substantial backgrounds in finance and administration of registered investment companies. In addition to furnishing us with clerical, bookkeeping and record keeping services,

the Administrator also oversees our financial records as well as the preparation of our reports to

S-2

Table of Contents

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

Market Opportunity

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

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

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

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

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

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

Competitive Advantages

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

a. Experienced Management Team

The senior investment professionals of our Investment Adviser have worked together for many years and average over 25 years of experience in senior lending, mezzanine lending, leveraged finance, distressed

S-3

Table of Contents

debt and private equity businesses. These senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across changing economic and market cycles. We believe this extensive experience and history has resulted in a strong reputation across the capital markets.

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

b. Disciplined Investment Approach with Strong Value Orientation

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

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

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

strong competitive positions;

positive cash flow that is steady and stable;

experienced management teams with strong track records;

potential for growth and viable exit strategies; and

capital structures offering appropriate risk-adjusted terms and covenants.

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

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

d. Flexible Transaction Structuring

We are flexible in structuring investments and tailor investments to meet the needs of a portfolio company while also generating attractive risk-adjusted returns. We can invest in all parts of a capital

S-4

Table of Contents

structure and our Investment Adviser has extensive experience in a wide variety of securities for leveraged companies throughout economic and market cycles.

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

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

Competition

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

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

Leverage

As of June 30, 2017 and September 30, 2016, we maintained a \$375 million and \$350 million Credit Facility, respectively, which matures in August 2020, with the Lenders. During the Credit Facility's revolving period, which extends to August 2018, it bears interest at LIBOR plus 200 basis points, and after the revolving period, the rate sets to LIBOR plus 425 basis points for the remaining two years. The Credit Facility is secured by all of the assets held by Funding I, under which we had \$291.2 million and \$232.9 million outstanding as of June 30, 2017 and September 30, 2016, respectively. The Credit Facility had an interest rate of 3.00% and 2.57%, as of June 30, 2017 and September 30, 2016, respectively, excluding the undrawn commitment fees of 0.375%. The annualized weighted average cost of debt for the nine months ended June 30, 2017 and 2016, inclusive of the fee on the undrawn commitment and amendment costs on the Credit Facility, was 3.02% and 5.01%, respectively. As of June 30, 2017 and September 30, 2016, we had \$83.8 million and \$117.1 million of unused borrowing capacity under our Credit Facility, respectively, subject to the regulatory restrictions. We believe that our capital resources provide us with the flexibility to take advantage of market opportunities when they arise. Our use of leverage, as calculated under the asset coverage ratio of the 1940 Act, may generally range between 70% and 90% of our net assets, or 40% to 50% of our Managed Assets. We cannot assure investors that our leverage will remain within the range. The amount of leverage that we employ will depend on our assessment of the market and other factors at the time of any proposed borrowing. See **Management's Discussion and Analysis of Financial Condition and Results of Operations** in this prospectus supplement and in the accompanying prospectus for more information.

S-5

Table of Contents

Operating and Regulatory Structure

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

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

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

Use of Proceeds

We may use the net proceeds from selling securities pursuant to this prospectus supplement to reduce outstanding debt obligations, to invest in new or existing portfolio companies, to capitalize a subsidiary or new joint venture or for other general corporate or strategic purposes. See **Use of Proceeds** in this prospectus supplement for information regarding our outstanding borrowings as of June 30, 2017, the corresponding interest rate charged on such borrowings as of that date and the length of time that it may take us to invest any proceeds in new or existing portfolio companies.

Distributions on Common Stock

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

Dividend Reinvestment Plan

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

S-6

Table of Contents

Recent Developments

On October 3, 2017, we declared a distribution of \$0.095 per share payable on November 1, 2017 to stockholders of record as of October 19, 2017. Investors in this offering will not be entitled to this distribution.

Set forth below are certain preliminary estimates of our financial condition for the quarter ended September 30, 2017. These estimates are subject to the completion of our financial closing procedures and are not a comprehensive statement of our financial results for the year ended September 30, 2017. We advise you that our actual results may differ materially from these estimates as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the year ended September 30, 2017 are finalized.

Net investment income is estimated to have totaled between \$0.30 and \$0.33 per share for the quarter ended September 30, 2017. This includes amounts received in a litigation settlement related to a former portfolio company of MCG of \$0.07 per share net of incentive fee payable on such amounts.

Net asset value as of September 30, 2017 is estimated to be between \$14.08 and \$14.11 per share.

As of September 30, 2017, we had borrowed \$253.8 million under our \$375 million Credit Facility.

Our and PSSL's total investments at fair value are estimated to have increased by approximately \$12 million and \$29 million, respectively, during the three months ended September 30, 2017, after giving effect to purchases, sales, repayments and net change in unrealized appreciation.

The preliminary financial data included herein have been prepared by, and is the responsibility of, management. Our independent registered public accounting firm has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, our independent registered public accounting firm does not express an opinion or any other form of assurance with respect thereto.

Based on our historic activity levels and current pipeline, we anticipate an active fourth calendar quarter of origination activity.

In the near term, the Company intends to organize a series of debt investor meetings outside of the United States. A debt transaction may follow, subject to market conditions. We cannot assure you as to when a transaction would occur, if at all.

Our Corporate Information

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

Database.

S-7

Table of Contents**FEES AND EXPENSES**

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

Stockholder transaction expenses (as a percentage of offering price)	
Sales load	%(1)
Offering expenses	%(2)
Total stockholder expenses	%
Estimated annual expenses (as a percentage of average net assets attributable to common shares) (3)	
Management fees	1.56%(4)
Incentive fees	1.19%(5)
Interest on borrowed funds	2.00%(6)
Acquired fund fees and expenses	0.95%(7)
Other expenses	1.04%(8)
Total estimated annual expenses	6.74%(9)

- (1) Our Investment Adviser has agreed to pay approximately \$ million, or \$ per share (or approximately \$ million, or \$ per share if the option to purchase additional shares is fully exercised), of the underwriting discounts and/or commissions in connection with this offering, which is a one-time fee of % of the offering price, and is not reflected in the table above since it will be determined at pricing. We are not obligated to repay the sales load paid by our Investment Adviser.
- (2) The offering expenses of this offering are estimated to be approximately \$425,000.
- (3) Net assets attributable to common shares equals average net assets as of June 30, 2017, plus net proceeds anticipated from this offering but excluding the underwriters' option to purchase additional shares.
- (4) The contractual management fee is calculated at an annual rate of 1.00% of our average adjusted gross assets. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.
- (5) The portion of incentive fees paid with respect to net investment income and capital gain, if any, is based on actual amounts incurred during the three months ended June 30, 2017, annualized for a full year. Such incentive fees are based on performance, vary from period to period and are not paid unless our performance exceeds specified thresholds. Incentive fees in respect of net investment income do not include incentive fees in respect of net capital gains. The portion of our incentive fee paid in respect of net capital gains is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 20.0% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees.

For purposes of this chart and our Consolidated Financial Statements, our incentive fees on capital gains are calculated in accordance with U.S. generally accepted accounting principles, or GAAP. As we cannot predict our future net investment income or capital gains, the incentive fee paid in future years, if any, may be substantially different than the fee earned during the three months ended June 30, 2017. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.

- (6) As of June 30, 2017, we had \$83.8 million unused borrowing capacity, subject to maintenance of the applicable total assets to debt ratio, under the 1940 Act, and \$291.2 million in borrowings outstanding under our \$375 million Credit Facility. We may use the net proceeds of this offering to repay outstanding obligations under our Credit Facility. After completing this offering, we may continue to borrow under our

Table of Contents

- Credit Facility to finance our investment objectives. We have estimated the annual interest expense on borrowed funds and caution you that our actual interest expense will depend on prevailing interest rates and our rate of borrowing, which may be substantially higher than the estimate provided in this table. See Risk Factors Risks Relating To Our Business and Structure We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage in the accompanying prospectus for more information.
- (7) Our stockholders indirectly bear 87.5% of the expenses of our investment in PSSSL. No management fee is charged by PennantPark Investment Advisers in connection with PSSSL. PSSSL pays the Administrator an annual fee of 0.25% of average gross assets under management. When applicable, fees and operating expenses estimates are based on historic fees and operating expenses for acquired funds. For PSSSL, which has a limited operating history, fees and operating expenses are estimates based on expected fees and operating expenses. Expenses for PSSSL may fluctuate over time and may be substantially higher or lower in the future.
- (8) Other expenses includes our general and administrative expenses, professional fees, directors fees, insurance costs, expenses of our dividend reinvestment plan, the expenses of the Investment Adviser reimbursable under our Investment Management Agreement and of the Administrator reimbursable under our Administration Agreement. Such expenses are based on actual other expenses for the three months ended June 30, 2017 annualized for a full year. See the Consolidated Statement of Operations in our Consolidated Financial Statements in this prospectus supplement and in the accompanying prospectus for more information.
- (9) Total estimated annual expenses as a percentage of average net assets attributable to common shares, to the extent we borrow money to make investments, will be higher than the total annual expenses percentage for a company that is not leveraged. We may borrow money to leverage our net assets and increase our total assets. The SEC requires that the total estimated annual expenses percentage be calculated as a percentage of net assets (defined as total assets less liabilities) rather than total assets, which include assets that have been funded with borrowed money.

Example

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

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

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

S-9

Table of Contents

RISK FACTORS

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

There are material limitations with making preliminary estimates of our financial results for the period ended September 30, 2017 prior to the completion of our financial procedures for such period.

The preliminary financial estimates contained in Supplemental Prospectus Summary Recent Developments and Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments are not a comprehensive statement of our financial results for the period ended September 30, 2017 and have not been audited by our independent registered public accounting firm. Our consolidated financial statements for the period ended September 30, 2017 will not be available until after this offering is completed and, consequently, will not be available to you prior to investing in this offering. Our actual financial results for the period ended September 30, 2017 may differ materially from the preliminary financial estimates we have provided as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the period ended September 30, 2017 are finalized. The preliminary financial data included herein have been prepared by, and are the responsibility of management. Our independent registered public accounting firm has not audited, reviewed, compiled or performed any procedures with respect to such preliminary estimates. Accordingly, our independent registered public accounting firm does not express an opinion or any other form of assurance with respect thereto.

Table of Contents

FORWARD-LOOKING STATEMENTS

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

our future operating results;

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

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

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

the impact of investments that we expect to make;

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

our contractual arrangements and relationships with third parties;

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

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

our expected financings and investments and ability to fund capital commitments to PSSSL;

the adequacy of our cash resources and working capital;

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

the impact of price and volume fluctuations in the stock markets;

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

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

the impact of European sovereign debt, Brexit and other world economic and political issues.

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

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

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

Table of Contents

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

You should understand that under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E(b)(2)(B) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to forward-looking statements made in connection with any offering of securities pursuant to this prospectus supplement or in periodic reports we file under the Exchange Act.

Table of Contents

USE OF PROCEEDS

We estimate that net proceeds we will receive from the sale of 6,000,000 shares of our common stock in this offering will be approximately \$ million (or approximately \$ million if the underwriters fully exercise their option to purchase additional shares), after deducting the underwriting discounts and commissions of approximately \$ million (or approximately \$ million if the underwriters fully exercise their option to purchase additional shares) and estimated offering expenses of approximately \$425,000 payable by us. The Investment Adviser has agreed to bear \$ million of underwriting discounts and/or commissions in connection with this offering (or approximately \$ million if the underwriters fully exercise their option to purchase additional shares), which will be determined at pricing. The amount of net proceeds may be more or less than the amount described in this prospectus supplement, which will be determined at pricing.

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

As of June 30, 2017, we had \$83.8 million of unused borrowing capacity, subject to maintenance of the applicable total assets to debt ratio, as set forth in the 1940 Act, and \$291.2 million in borrowings outstanding under our \$375 million Credit Facility. Borrowings under our Credit Facility bear interest at an annual rate equal to LIBOR plus 200 basis points per annum during the revolving period, and the rate resets to LIBOR plus 425 points per annum for the remaining two years. At June 30, 2017, the interest rate on the Credit Facility was 3.00%, excluding the undrawn commitment fee of 0.375%. The Credit Facility is a revolving facility maturing in August 2020 and is secured by all of the assets of Funding I. Amounts repaid under our Credit Facility remain available for future borrowings during the revolving period. See Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and the accompanying prospectus for more information.

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

Table of Contents

CAPITALIZATION

The following table sets forth our cash and capitalization on June 30, 2017 (1) on an actual basis and (2) on an as-adjusted basis to reflect the effects of the sale of 6,000,000 shares of common stock in this offering at an offering price of \$ per share (\$ per share net of the sales load), and estimated offering expenses of \$425,000 payable by us. The as-adjusted information is illustrative only; our capitalization following the completion of this offering is subject to further adjustments. You should read this table together with Use of Proceeds set forth in this prospectus supplement and in the accompanying prospectus for more information. You should also read this table with our Consolidated Financial Statements and related notes thereto, in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus for more information.

As of June 30, 2017
(unaudited)