PENNANTPARK INVESTMENT CORP
Form 497
January 18, 2013
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Filed Pursuant to Rule 497
File No. 333-172524

Prospectus Supplement

To the Prospectus dated January 6, 2012

$67,500,000

6.25% Senior Notes due 2025

We are offering for sale $67,500,000 in aggregate principal amount of 6.25% senior notes due 2025, which we refer to as the Notes. The Notes will mature on February 1, 2025. We will pay interest on the Notes on February 1, May 1, August 1 and November 1 of each year, beginning on May 1, 2013. We may redeem the Notes in whole or in part at any time or from time to time on or after February 1, 2016 at the redemption price discussed under the caption Specific Terms of the Notes and the Offering Optional redemption in this prospectus supplement. The Notes will be issued in minimum denominations of $25 and integral multiples of $25 in excess thereof.

The Notes will be our direct senior unsecured obligations and rank *pari passu* with future unsecured unsubordinated indebtedness issued by PennantPark Investment Corporation. We intend to list the Notes on the New York Stock Exchange and we expect trading in the Notes on the New York Stock Exchange to begin within 30 days of the original issue date. The Notes are expected to trade flat. This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not included in the trading price. Currently, there is no public market for the Notes.

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

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read them before you invest in our securities and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. You may also obtain such information free of charge or make stockholder inquiries by contacting us in writing at 590 Madison Avenue, New York, NY 10022, by calling us collect at (212) 905-1000 or by visiting our website at *www.pennantpark.com*. 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 of our Notes, you should read the discussion of the material risks of investing in us in Risk Factors beginning on page S-16 of the this prospectus supplement and page 8 of the accompanying prospectus.

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

	Per Note	Total
Public offering price	100.00%	$ 67,500,000
Underwriting discounts and commissions (sales load)	3.00%	$ 2,025,000
Proceeds to PennantPark Investment Corporation (before estimated expenses of $300,000)	97.00%	$ 65,475,000

The underwriters may also purchase up to an additional $10,125,000 aggregate principal amount of Notes from us at the public offering price, less the underwriting discounts, within 30 days from the date of this prospectus supplement to cover overallotments, if any. If the underwriters exercise this option in full, the total public offering price will be $77,625,000, the total underwriting discount and commissions (sales load) paid by us will be $2,328,750, and total proceeds, before estimated expenses, will be $75,296,250.

The public offering price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from January 22, 2013.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

Delivery of the Notes in book-entry form through The Depository Trust Company, or DTC, will be made on or about January 22, 2013.

Stifel Nicolaus Weisel **RBC Capital Markets**

Baird

Credit Suisse

Janney Montgomery Scott

Ladenburg Thalmann & Co. Inc.

Stephens Inc.

Sterne Agee

The date of this prospectus supplement is January 16, 2013.

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

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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SPECIFIC TERMS OF THE NOTES AND THE OFFERING

This prospectus supplement sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the Notes. You should read this section together with the more general description of the Notes in the accompanying prospectus under the heading Description of Our Debt Securities before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes.

Issuer	PennantPark Investment Corporation, or we, us, our or Company
Title of the securities	6.25% Senior Notes due 2025
Initial aggregate principal amount being offered	$67,500,000
Overallotment option	The underwriters may also purchase from us up to an additional $10,125,000 aggregate principal amount of Notes to cover overallotments, if any, within 30 days of the date of this prospectus supplement under the ticker symbol PNTA.
Initial public offering price	100% of the aggregate principal amount
Principal payable at maturity	100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Paying Agent, Registrar and Transfer Agent for the Notes or at such other office in New York City as we may designate.
Type of Note	Fixed rate note
Listing	We intend to list the Notes on the New York Stock Exchange within 30 days of the original issue date.
Interest rate	6.25% per year
Day count basis	360-day year of twelve 30-day months
Original issue date	January 22, 2013
Stated maturity date	February 1, 2025
Date interest starts accruing	January 22, 2013
Interest payment dates	Every February 1, May 1, August 1 and November 1, commencing May 1, 2013. If an interest payment date is a non-business day, the applicable interest payment will be made on the next business day, and no additional interest will accrue as a result of such delayed payment.
Interest periods	The initial interest period will be the period from and including January 22, 2013 to, but excluding May 1, 2013, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.
Regular record dates for interest	Every January 15, April 15, July 15 and October 15, commencing April 15, 2013; if a record date for interest is a non-business day, then that record date will be the next business day.
Specified currency	U.S. Dollars
Place of payment	The City of New York

SPECIFIC TERMS OF THE NOTES AND THE OFFERING (continued)

Ranking of Notes	The Notes will be our direct unsecured obligations and will rank: - *pari passu* with future senior unsecured indebtedness; - senior to any of our future indebtedness that expressly states it is subordinated to the Notes; - effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured, but to which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, approximately $145.0 million (including a $35.5 million temporary draw) of borrowings outstanding as of September 30, 2012 under our $380.0 million revolving credit facility, or the Credit Facility, to the extent of the value of the assets securing the Credit Facility; and - structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries, financing vehicles or similar facilities, including our consolidated subsidiary PennantPark SBIC LP s U.S. Small Business Administration, or SBA, debentures of $150.0 million of borrowings outstanding as of September 30, 2012.
Denominations	We will issue the Notes in denominations of $25 and integral multiples of $25 in excess thereof.
Business day	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in The City of New York are authorized or required by law or executive order to close.
Optional redemption	The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after February 1, 2016, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of $25 per Note plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to but not including the date fixed for redemption. You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes. Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act and the related rules, regulations and interpretations, to the extent applicable. If we redeem only some of the Notes, the Trustee will determine the method for selection of the particular Notes to be redeemed, in accordance with the 1940 Act, to the extent applicable. Unless we default in payment of the redemption price, on and after the date of redemption interest will cease to accrue on the Notes called for redemption.
Sinking fund	The Notes will not be subject to any sinking fund.

SPECIFIC TERMS OF THE NOTES AND THE OFFERING (continued)

Repayment at option of Holders	Holders will not have the option to have the Notes repaid prior to the stated maturity date.
Defeasance	The Notes are subject to defeasance by us.
Covenant defeasance	The Notes are subject to covenant defeasance by us.
Form of Notes	The Notes will be represented by global securities that will be deposited and registered in the name of DTC or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.
Trustee, Paying Agent, Registrar and Transfer Agent	American Stock Transfer & Trust Company, LLC
Other covenants	In addition to the covenants described in the prospectus attached to this prospectus supplement, the following covenants will apply to the Notes: - We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions. - If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles, or GAAP. The lien covenant included in the form of indenture will not apply to the Notes.
Modifications to Events of Default	The following Event of Default, as described in the prospectus attached to this prospectus supplement: - we do not pay the principal of, or any premium on, a debt security of the series within five days of its due date with respect to the Notes has been revised to read as follows: - we do not pay the principal of, or any premium on, any Note on its due date
Modifications to Remedies if an Event of Default Occurs	The following remedy if an Event of Default occurs, as described in the prospectus attached to this prospectus supplement: - If an Event of Default has occurred and has not been cured or waived, the trustee or the holders of not less than 66.66% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that services to be due and immediately payable.

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SPECIFIC TERMS OF THE NOTES AND THE OFFERING (continued)

	with respect to the Notes has been revised to read as follows: - If an Event of Default has occurred and has not been cured or waived, the trustee or the holders of not less than 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that services to be due and immediately payable.
Modifications to Merger or Consolidation	The following conditions that must be met for us to consolidate or merge with another entity or to sell all or substantially all of our assets to another entity, as described in the prospectus attached to this prospectus supplement: - if we do not survive such transaction or we convey, transfer or lease our properties and assets substantially as an entirety, the acquiring company must be a corporation, limited liability company, partnership or trust, or other corporate form, organized under the laws of any state of the United States or the District of Columbia, any country comprising the European Union, the United Kingdom or Japan and such company must agree to be legally responsible for our debt securities, and, if not already subject to the jurisdiction of any state of the United States or the District of Columbia, the new company must submit to such jurisdiction for all purposes with respect to the debt securities and appoint an agent for service of process; - alternatively, we must be the surviving company; with respect to the Notes have been revised to read as follows: - where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for our obligations under the debt securities;
Modifications to Changes Requiring Your Approval	In addition to the changes that cannot be made without your specific approval, as described in the prospectus attached to this prospectus supplement, the following change cannot be made without your specific approval: - adversely affect any right of repayment at the holder s option. The following change that cannot be made without your specific approval, as described in the prospectus attached to this prospectus supplement: - at any time after a change of control has occurred, reduce the premium payable upon a change of control does not apply to the Notes.
Global Clearance and Settlement Procedures	Interests in the Notes will trade in DTC s Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the Trustee or the Paying Agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

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SUPPLEMENTAL PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider in making an investment decision. References to our portfolio and investments 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 Small Business Investment Company, or SBIC, subsidiary and relate to future events, future performance or future financial condition. The forward-looking statements involve risks and uncertainties on a consolidated basis and actual results could differ materially from those projected in the forward-looking statements for many reasons, including those factors discussed in Risk Factors and elsewhere in this prospectus supplement and accompanying prospectus. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement and accompanying prospectus. In this prospectus supplement and the accompanying prospectus except where the context suggests otherwise the terms we, us, our, and Company refer to PennantPark Investment Corporation and its consolidated subsidiaries; PennantPark Investment refers to only PennantPark Investment Corporation; SBIC LP or our SBIC refers to our consolidated subsidiary, PennantPark SBIC LP, and its general partner, PennantPark SBIC GP, LLC; PennantPark Investment Advisers or Investment Adviser refers to PennantPark Investment Advisers, LLC; and PennantPark Investment Administration or Administrator refers to PennantPark Investment Administration, LLC.

General Business of PennantPark Investment Corporation

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

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

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. Turmoil in the credit markets over the last six years has adversely affected each of these factors and has resulted in a broad-based reduction in the demand for, and valuation of, middle-market debt instruments. These conditions have presented us with and may continue to offer attractive investment opportunities, as we believe that there are many middle-market companies that need senior secured and mezzanine debt financing. We have used, and expect to continue to use, our credit facility, or the Credit Facility, the Small Business Administration, or SBA, debentures, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

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As of September 30, 2012, our portfolio totaled $990.5 million and consisted of $291.7 million of senior secured loans, $191.3 million of second lien secured debt, $400.7 million of subordinated debt and $106.8 million of preferred and common equity investments. Our debt portfolio consisted of 69% fixed-rate and 31% variable-rate investments (including 26% with a London Interbank Offered Rate, or LIBOR, or prime floor). Our overall portfolio consisted of 54 companies with an average investment size of $18.3 million, a weighted average yield on debt investments of 13.2%, and was invested 30% in senior secured loans, 19% in second lien secured debt, 40% in subordinated debt and 11% in preferred and common equity investments.

As of September 30, 2011, our portfolio totaled $827.5 million and consisted of $296.5 million of senior secured loans, $165.3 million of second lien secured debt, $309.3 million of subordinated debt and $56.4 million of preferred and common equity investments. Our debt portfolio consisted of 61% fixed-rate and 39% variable-rate investments (including 31% with a LIBOR or prime floor). Our overall portfolio consisted of 48 companies with an average investment size of $17.2 million, a weighted average yield on debt investments of 13.3%, and was invested 36% in senior secured loans, 20% in second lien secured debt, 37% in subordinated debt and 7% in preferred and common equity investments.

For the fiscal year ended September 30, 2012, we purchased $328.3 million of investments issued by 13 new and 17 existing portfolio companies with an overall weighted average yield of 13.3% on debt investments. For the fiscal years ended September 30, 2011 and 2010, we purchased $479.7 million of investments issued by 17 new and 11 existing portfolio companies with an overall average yield of 13.7% on debt investments and purchased $309.5 million of investments, issued by 17 new and 12 existing portfolio companies with an overall average yield of 14.9% on debt investments, respectively.

For the fiscal year ended September 30, 2012, sales and repayments generated proceeds of $201.7 million. For the fiscal years ended September 30, 2011 and 2010, sales and repayments generated proceeds of $304.0 million and $145.2 million, respectively.

Organization and Structure of PennantPark Investment Corporation

PennantPark Investment Corporation was organized under the Maryland General Corporation Law in January 2007. We are a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC, under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of U.S. private companies or thinly traded public companies, public companies with a market capitalization of less than $250 million, cash, cash equivalents, U.S. government securities and high quality debt investments that mature in one year or less. In addition, for tax purposes we have elected to be treated, and intend to qualify annually, as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

Our wholly owned SBIC subsidiary, PennantPark SBIC LP, was organized as a Delaware limited partnership in May 2010 and received a license from the SBA to operate as an SBIC under Section 301(c) of the Small Business Investment Act of 1958, as amended, or the 1958 Act, in July 2010. SBIC LP s objective is to generate both current income and capital appreciation through debt and equity investments. SBIC LP, generally, invests with us in SBA eligible businesses that meet the investment criteria used by PennantPark Investment.

Our Investment Adviser and Administrator

We utilize the investing experience and contacts of PennantPark Investment Advisers in developing what we believe is an attractive and diversified portfolio. The senior investment professionals of the Investment Adviser have worked together for many years, and average over 20 years of experience in the mezzanine lending,

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leveraged finance, distressed debt and private equity businesses. In addition, our senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across economic and market cycles. We believe this experience and history has resulted in a strong reputation with financial sponsors, management teams, investment bankers, attorneys and accountants, which should provide 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 over $1.5 billion in debt and equity capital and has invested over $2.1 billion in more than 200 companies with over 100 different financial sponsors through its managed funds.

Our Administrator has experienced professionals with substantial backgrounds in finance and administration of registered investment companies. In addition to furnishing us with clerical, bookkeeping and record keeping services, the Administrator also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC and the SBA. The Administrator effects the determination and publication of our net asset value, 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 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 increasing difficulty in raising debt through the capital markets. While many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult as institutional investors have sought 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 debt securities.

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

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

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

We believe there is substantial supply of opportunities resulting from maturing loans that seek refinancing. A high volume of financings were completed between the years 2004 and 2007, which will mature in the next few years. This supply of opportunities coupled with a lack of demand offers attractive risk-adjusted returns to investors.

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Competitive Advantages

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

a. Experienced Management Team

The senior professionals of the Investment Adviser have worked together for many years and average over 20 years of experience in mezzanine lending, leveraged finance, distressed debt and private equity businesses. The senior professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across economic and market cycles. We believe this extensive experience and history has resulted in a strong reputation across the capital markets.

b. Disciplined Investment Approach with Strong Value Orientation

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

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d. Flexible Transaction Structuring

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

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

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

Investment Selection Criteria

We are committed to a value oriented philosophy used by the senior investment professionals who manage our portfolio and seek to minimize the risk of capital loss without foregoing potential for capital appreciation.

We have identified several criteria, discussed below, that we believe are important in identifying and investing in prospective portfolio companies. These criteria provide general guidelines for our investment decisions. However, we caution that not all of these criteria will be met by each prospective portfolio company in which we choose to invest. Generally, we seek to use our experience, relationships, and access to market information to identify investment candidates and to structure investments efficiently and effectively.

a. Value orientation and positive cash flow

Our investment philosophy places a premium on fundamental analysis and has a distinct value orientation. We focus on companies in which we can invest at relatively low multiples of operating cash flow and that are profitable at the time of investment on an operating cash flow basis. Typically, we do not expect to invest in start-up companies or companies having speculative business plans.

b. Experienced management and established financial sponsor relationships

We generally require that our portfolio companies have an experienced management team. We also require the portfolio companies to have proper incentives in place to induce management to succeed and to act in concert with our interests as investors, including having equity interests. In addition, we focus our investments in companies backed by strong financial sponsors that have a history of creating value and with whom members of our Investment Adviser have an established relationship.

c. Strong and defensible competitive market positions

We seek to invest in target companies that have developed leading market positions within their respective markets and are well positioned to capitalize on growth opportunities. We also seek companies that demonstrate significant competitive advantages versus their competitors, which should help to protect their market position and profitability.

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d. Viable exit strategy

We seek to invest in companies that we believe will provide a steady stream of cash flow to repay our loans and reinvest in their respective businesses. We expect that such internally generated cash flow, leading to the payment of interest on, and the repayment of the principal of, our investments in portfolio companies to be a key means by which we exit from our investments over time. In addition, we also seek to invest in companies whose business models and expected future cash flows offer attractive exit possibilities. These companies include candidates for strategic acquisition by other industry participants and companies that may repay our investments through an initial public offering of common stock, refinancing or other capital market transaction.

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 there has been a reduction in the amount of debt capital available to middle-market companies since the downturn in the credit markets, which began in mid-2007. We believe this has resulted in a less competitive environment for making new investments.

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

Leverage

We maintain a multi-currency $380.0 million Credit Facility which matures in February 2016 and is secured by substantially all of our investment portfolio assets (excluding the assets of SBIC LP), under which we had $145.0 million (including a $35.5 million temporary draw) and $240.9 million of debt outstanding with a weighted average interest rate of 3.49% and 1.27% at September 30, 2012 and 2011 exclusive of the fee on undrawn commitments of 0.50% and 0.20%, respectively. Pricing of borrowings under our current Credit Facility is set at 275 basis points over LIBOR. As of September 30, 2012 and 2011, we had $235.0 million and $74.1 million, respectively, available to us under our Credit Facility. We believe that our capital resources will provide us with the flexibility to take advantage of market opportunities when they arise. In addition, any future additional debt capital we incur, to the extent it is available under current market conditions, may be issued at a higher cost and on less favorable terms and conditions than our current Credit Facility.

As of September 30, 2012 and 2011, SBIC LP had drawn $150.0 million, with a weighted average interest rate of 3.70%, exclusive of 3.43% of upfront fees (4.04% inclusive of the upfront fees), and had no remaining borrowing capacity. SBA debentures offer competitive terms such as being non-recourse to us, a 10-year maturity, semi-annual interest payments, not requiring principal payments prior to maturity and may be prepaid at any time without penalty. The SBA debentures are secured by all the investment portfolio assets of SBIC LP and have a superior claim over such assets. See Regulation in the accompanying prospectus for more information.

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

Operating and Regulatory Structure

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

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

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.

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

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

Use of Proceeds

We may use the net proceeds from selling securities pursuant to this prospectus supplement to reduce outstanding obligations under our Credit Facility, to invest in new or existing portfolio companies or for other general corporate or strategic purposes. See Use of Proceeds in this prospectus supplement for information regarding our outstanding borrowings as of September 30, 2012, the corresponding interest rate charged on such borrowings as of that date and the length of time that it may take us to invest any proceeds in new or existing portfolio companies.

Recent Developments

On October 25, 2012, we sold an additional 700,000 shares of common stock at a public offering price of $10.82 per share generating gross proceeds of approximately $7.6 million and net proceeds of approximately $7.3 million after underwriting discounts and offering expenses payable by us, from the underwriters partial exercise of the option to purchase additional shares we granted to them in connection with the offering of 9,000,000 shares of common stock that closed on September 28, 2012.

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Ratio of Earnings to Fixed Charges

For the years ended September 30, 2012, 2011, 2010, 2009 and 2008, our ratios of earnings to fixed charges were 5.4, 1.9, 4.5, 7.7 and (6.5), respectively. See Ratio of Earnings to Fixed Charges in this prospectus supplement for more information.

Our Corporate Information

Our administrative and principal executive offices are located at 590 Madison Avenue, 15th Floor, New York, NY 10022. Our common stock is quoted on the NASDAQ Global Select Market under the symbol PNNT. Our phone number is (212) 905-1000, and our Internet website address is *www.pennantpark.com*. 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. 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.

Our Consolidated Portfolio

Our principal investment focus is to provide senior secured loans and mezzanine debt to U.S. middle-market companies in a variety of industries. We generally seek to target companies that generate positive cash flows from the broad variety of industries in which our Investment Adviser has direct expertise. The following is an illustrative list of the industries in which the Investment Adviser has invested:

Aerospace and Defense	Environmental Services
Auto Sector	Financial Services
Beverage, Food and Tobacco	Grocery
Broadcasting and Entertainment	Healthcare, Education and Childcare
Buildings and Real Estate	Home & Office Furnishings, Housewares & Durable Consumer Products
Business Services	Hotels, Motels, Inns and Gaming
Cable Television	Insurance

Cargo Transportation	Leisure, Amusement, Motion Picture, Entertainment
Chemicals, Plastics and Rubber	Logistics
Communications	Manufacturing/Basic Industries
Consumer Products	Media
Containers Packaging & Glass	Mining, Steel, Iron and Non-Precious Metals
Distribution	Oil and Gas
Diversified/Conglomerate Manufacturing	Other Media
Diversified/Conglomerate Services	Personal, Food and Miscellaneous Services
Diversified Natural Resources, Precious Metals and Minerals	Printing and Publishing
Education	Retail Stores
Electronics	Telecommunications
Energy/Utilities	

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Listed below are our top ten portfolio companies and industries represented as a percentage of our consolidated portfolio assets (excluding cash equivalents) as of September 30, 2012 and 2011:

Portfolio Company	2012	Portfolio Company	2011
Last Mile Funding, Corp. (3 PD, Inc.)	5%	Magnum Hunter Resources Corporation (Eureka Hunter Pipeline, LLC)	6%
Magnum Hunter Resources Corporation (Eureka Hunter Pipeline, LLC)	5%	Last Mile Funding Corp. (3PD, Inc.)	5%
LTI Flexible Products, Inc.	4%	Pre-Paid Legal Services, Inc.	5%
New Service Champ Holdings, Inc. (Service Champ Inc.)	4%	Kadmon Pharmaceuticals LLC (f/k/a Three River Pharmaceuticals LLC)	4%
Pre-Paid Legal Services, Inc.	4%	Learning Care Group, Inc.	4%
American Gilsonite Company	3%	LTI Flexible Products, Inc.	4%
Brand Energy and Infrastructure Services, Inc.	3%	Veritext Corporation	4%
Learning Care Group, Inc.	3%	Instant Web, Inc.	3%
Penton Media, Inc.	3%	Penton Media, Inc.	3%
Prince Mineral Holdings Corp.	3%	Prince Mineral Holdings Corp.	3%

Industry	2012	Industry	2011
Healthcare, Education & Childcare	8%	Business Services	11%
Electronics	7%	Healthcare, Education & Childcare	10%
Energy/Utilities	7%	Energy/Utilities	9%
Auto Sector	6%	Cargo Transport	6%
Business Services	6%	Chemicals, Plastics and Rubber	6%
Cargo Transport	6%	Consumer Products	5%
Chemicals, Plastics and Rubber	5%	Oil and Gas	5%
Consumer Products	5%	Personal, Food and Miscellaneous Services	5%
Distribution	4%	Printing and Publishing	5%
Personal, Food and Miscellaneous Services	4%	Aerospace and Defense	4%

Our executive officers and directors, as well as the senior investment professionals of the Investment Adviser and Administrator, may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do. Currently, the executive officers and directors, as well as the current senior investment professionals of the Investment Adviser and Administrator, serve as officers and directors of PennantPark Floating Rate Capital Ltd., a publicly traded BDC and PennantPark Credit Opportunities Fund, L.P., a private investment fund. Accordingly, they may have obligations to investors in the fulfillment of which obligations might not be in the best interest of us or our stockholders. In addition, we note that any affiliated investment vehicle currently existing, or formed in the future, and managed by the Investment Adviser and or its affiliates may, notwithstanding different stated investment objectives, have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. As a result, the Investment Adviser may face conflicts in allocating investment opportunities among us and such other entities. Although the Investment Adviser will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that, in the future, we may not be given the opportunity to participate in investments made by investment funds managed by the Investment Adviser or its affiliates. In any such case, when the Investment Adviser identifies an investment, it will choose which investment fund should receive the allocation. See Risk Factors Risks Relating to our Business and Structure There are significant potential conflicts of interest which could impact our investment returns for more information in the accompanying prospectus.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies and companies that would be investment companies but are excluded from the definition of an

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investment company provided in Section 3(c) of the 1940 Act. We may also co-invest in the future on a concurrent basis with our affiliates, subject to compliance with applicable regulations and our trade allocation procedures. Some types of negotiated co-investments may be made only if we receive an order from the SEC permitting us to do so. We have not sought, and there can be no assurance that we would obtain, any such order.

Risk Factors

The value of our assets, as well as the market price of our securities, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. See Risk Factors beginning on page S-16 in this prospectus supplement and beginning on page 8 of the accompanying prospectus, and the other information included in the accompanying prospectus, for additional discussion of factors you should carefully consider before deciding to invest in the Notes.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, 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 financial condition. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our Company, our industry, our beliefs and our assumptions. The forward-looking statements contained in this prospectus supplement involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospectus of our prospective portfolio companies;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of investments that we expect to make;
- the impact of fluctuations in interest rates on our business and our portfolio companies;
- our contractual arrangements and relationships with third parties;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- the ability of our prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our prospective portfolio companies;
- the ability of our Investment Adviser to locate suitable investments for us and to monitor and administer our investments; and
- the impact of future legislation and regulation on our business and our portfolio companies.

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

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

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

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

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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 or value of our notes may decline, and you may lose all or part of your investment.

The Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The Notes will not be secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of September 30, 2012, we had $145.0 million (including a $35.5 million temporary draw) outstanding under the Credit Facility. The Credit Facility is secured by substantially all of the assets in our portfolio (other than assets held by SBIC LP), and the indebtedness under the Credit Facility is therefore effectively senior in right of payment to the Notes to the extent of the value of such assets.

The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes are obligations exclusively of PennantPark Investment Corporation and not of any of our subsidiaries. None of our subsidiaries are or act as a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Our secured indebtedness with respect to the SBA debentures is held through our wholly owned subsidiary SBIC LP. The assets of any such subsidiary are not directly available to satisfy the claims of our creditors, including holders of the Notes.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including holders of preferred stock, if any, of our subsidiaries) will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiary and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. As of September 30, 2012, SBIC LP had $150.0 million of SBA debentures outstanding. All of such indebtedness would be structurally senior to the Notes. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

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The indenture under which the Notes will be issued will contain limited protection for holders of the Notes.

The indenture under which the Notes will be issued offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes will not place any restrictions on our or our subsidiaries ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions;
- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes;
- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);
- enter into transactions with affiliates;
- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;
- make investments; or
- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture will not require us to offer to purchase the Notes in connection with a change of control or any other event.

Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity, except as required under the 1940 Act.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Certain of our current debt instruments include more protections for their holders than the indenture and the Notes. See Risk Factors Risks Relating to Our Business and Structure including Risk Factors Risks Relating to Our Business and Structure Market developments may adversely affect our business and results of operations by reducing availability under our Credit Facility and SBIC LP s SBA debentures in the accompanying prospectus for more information. In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

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An active trading market for the Notes may not develop, which could limit the market price of the Notes or your ability to sell them. If a rating agency assigns the Notes a non-investment grade rating, the Notes may be subject to greater price volatility than similar securities without such a rating.

The Notes are a new issue of debt securities for which currently there is no trading market. Although we expect to list the Notes on the New York Stock Exchange within 30 days of the original issue date, we cannot provide any assurances that an active trading market will develop for the Notes or that you will be able to sell your Notes. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. If a rating agency assigns the Notes a non-investment grade rating, the Notes may be subject to greater price volatility than securities of similar maturity without such a non-investment grade rating. The underwriters may discontinue any market-making in the Notes at any time at their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

FATCA withholding may apply to payments to certain foreign entities.

Payments made under the Notes to a foreign financial institution or non-financial foreign entity (including such an institution or entity acting as an intermediary) may be subject to a U.S. withholding tax of 30% under a law (commonly known as FATCA) that was enacted in 2010. This tax may apply to certain payments of interest as well as payments made upon maturity, redemption, or sale of the Notes, unless the foreign financial institution or non-financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. You should consult your own tax advisors regarding FATCA and how it may affect your investment in the Notes. See Certain U.S. Federal Income Tax Considerations for more information.

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USE OF PROCEEDS

We estimate that net proceeds we will receive from the sale of the $67.5 million aggregate principal amount of the Notes in this offering will be approximately $65.2 million (or approximately $75.0 million if the underwriters fully exercise their overallotments), in each case based on a public offering price of 100% of par, after deducting the underwriting discounts and commissions of approximately $2.0 million (or approximately $2.3 million if the underwriters fully exercise their overallotment option) payable by us and estimated offering expenses of approximately $300,000 payable by us.

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

As of September 30, 2012, we had $235.0 million of unused borrowing capacity, subject to maintenance of the applicable ratio of total assets to debt test as defined under the 1940 Act, and $145.0 million (including a $35.5 million temporary draw) in borrowings outstanding under our $380.0 million Credit Facility. Borrowings under our Credit Facility bear interest at an annual rate equal to LIBOR plus 275 basis points. At September 30, 2012, we had a weighted average interest rate on our Credit Facility at the time of 3.49%. The Credit Facility is a revolving facility with a stated maturity date of February 21, 2016 and is secured by substantially all of the assets in our investment portfolio, excluding assets of SBIC LP. Amounts repaid under our Credit Facility remain available for future borrowings. See Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and the accompanying prospectus for more information.

We may invest the net proceeds from selling securities pursuant to this prospectus supplement in new or existing portfolio companies, and such investments may take up to a year from the closing of this 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 this offering to reduce then-outstanding obligations under our Credit Facility, which may dilute our net asset value per share, or to invest such proceeds in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less. We expect to earn yields on such investments, if any, that are lower than the interest income that we anticipate receiving in respect of investments in non-temporary investments. As a result, any distributions we make during this investment period may be lower than the distributions that we would expect to pay when such proceeds are fully invested in non-temporary investments. The management fee payable by us will not be reduced while our assets are invested in any such securities. See Regulation Temporary Investments in the accompanying prospectus for more information.

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CAPITALIZATION

The following table sets forth our cash and capitalization on September 30, 2012 (1) on an actual basis and (2) on an as-adjusted basis to reflect the effects of the sale of $67,500,000 aggregate principal amount of Notes in this offering based on a public offering price of 100% of par, after deducting the underwriting discounts and commissions of $2,025,000 payable by us and estimated offering expenses of approximately $300,000 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 September 30, 2012 (unaudited)	
	Actual	As adjusted for the offering(1)
Cash equivalents	$ 7,559,453	$ 72,734,453(2)
Total assets	1,018,967,531	1,018,967,531
Borrowings under the Credit Facility (cost $145,000,000)	144,452,500	144,452,500
Borrowings under SBA debentures (cost $150,000,000)	150,000,000	150,000,000
Notes (cost $67,500,000)		67,500,000
Stockholders Equity		
Common stock, 65,514,503 shares are issued and outstanding. Par value is $0.001 per share and 100,000,000 shares are authorized.	65,514	65,514
Paid in capital in excess of par value	744,704,825	744,704,825
Undistributed net investment income	2,804,397	479,397
Accumulated net realized loss on investments	(60,273,037)	(60,273,037)
Net unrealized depreciation on investments	(18,132,152)	(18,132,152)
Net unrealized depreciation on Credit Facility	547,500	547,500
Total stockholders equity	669,717,047	667,392,047
Total capitalization	$ 964,169,547	$ 1,029,344,547

(1) Does not include the underwriters overallotment option for this offering nor the 700,000 shares issued on October 25, 2012 at the public offering price of $10.82 per share and any shares issued pursuant to our dividend reinvestment plan.

(2) Assumes the net proceeds from this offering are invested in cash equivalents. You should read this table together with Use of Proceeds set forth in this prospectus supplement and in the accompanying prospectus for more information.

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RATIO OF EARNINGS TO FIXED CHARGES

For the years ended September 30, 2012, 2011, 2010, 2009 and 2008, the ratios of earnings to fixed charges of ours computed as set forth below, were as follows:

Dollars in thousands	For the Fiscal Years Ended September 30,				
	2012	2011	2010	2009	2008
Earnings(1)					
Net investment income (after taxes)	$ 57,069	$ 52,645	$ 32,075	$ 22,719	$ 18,556
Add: Net realized (losses) gains on investments	(12,798)	16,260	(15,417)	(39,244)	(11,155)
Add: Net change in unrealized appreciation (depreciation)	19,082	(58,641)	(122)	52,327	(48,104)
Total Earnings	$ 63,353	$ 10,263	$ 16,535	$ 35,802	$ (40,703)
Fixed Charges(2)					
Interest and expenses on the Credit Facility and SBA Debentures	$ 11,681	$ 5,322	$ 3,672	$ 4,629	$ 6,309
Total Fixed Charges	$ 11,681	$ 5,322	$ 3,672	$ 4,629	$ 6,309
Ratio of Earnings to Fixed Charges	5.4	1.9	4.5	7.7	(6.5)(3)
Ratio of Net Investment Income to Fixed Charges	4.9	9.9	8.7	4.9	2.9

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period.

(2) Fixed charges include interest and related expenses on our Credit Facility, which is indexed to LIBOR and fluctuate with changes in interest rates, and SBA debentures and amortization of debt issuance costs on our SBA debentures.

(3) The Company would need to generate additional earnings of $47,012 to achieve a coverage ratio of one-to-one for the year ended September 30, 2008.

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SELECTED FINANCIAL DATA

We have derived the financial information below from our audited financial data and unaudited financial data and, in the opinion of management, such information reflects all adjustments (consisting of normal recurring adjustments) that are necessary to present fairly the results of such periods. The Consolidated Statement of Operations data, Per share data and Consolidated Statement of Assets and Liabilities data for the fiscal years ended September 30, 2012, 2011, 2010, 2009 and 2008 are derived from our Consolidated Financial Statements which have been audited by KPMG LLP, an independent registered public accounting firm. These selected financial data should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus.

	For the Years Ended September 30,				
	2012	2011	2010	2009	2008
(Dollar amounts in thousands, except per share data)					
Consolidated Statement of Operations data:					
Total investment income	$ 113,392	$ 91,738	$ 60,140	$ 45,119	$ 39,811
Net expenses	56,323	39,093	28,065	22,400	21,255
Net investment income	57,069	52,645	32,075	22,719	18,556
Net realized and unrealized gain (loss)	6,284	(42,382)	(15,539)	13,083	(59,259)
Net increase(decrease) in net assets resulting from operations	63,353	10,263	16,535	35,802	(40,703)
Per share data:					
Net asset value (at year end)	10.22	10.13	10.69	11.85	10.00
Net investment income(1)	1.08	1.25	1.09	1.08	0.88
Net realized and unrealized gain (loss)(1)	0.12	(1.01)	(0.53)	0.62	(2.81)
Net increase (decrease) in net assets resulting from operations(1)	1.20	0.24	0.56	1.70	(1.93)
Distributions declared(1),(2)	1.13	1.10	1.09	0.96	0.90
Consolidated Statement of Assets and Liabilities data:					
Total assets	1,018,968	928,738	711,494	512,381	419,811
Total investment portfolio	990,480	827,549	664,724	469,760	372,148
Borrowings outstanding(3)	294,452	388,792	233,641	175,475	202,000
Payable for investments purchased and unfunded investments	26,935	55,705	74,988	25,821	
Total net asset value	669,717	462,657	386,575	300,580	210,728
Other data:					
Total return(4)	28.71%	(7.37)%	44.79%	30.39%	(38.58)%
Number of portfolio companies (at year end)(5)	54	48	43	42	37
Yield on debt portfolio (at year end)(5)	13.2%	13.3%	12.7%	11.4%	11.1%

(1) Based on the weighted average shares outstanding for the respective years.
(2) Determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under GAAP.
(3) At fair value in the case of our Credit Facility (except for 2008).
(4) Based on the change in market price per share during the periods and takes into account dividends and distributions, if any, reinvested in accordance with our dividend reinvestment plan.
(5) Unaudited.

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Selected Quarterly Data (Unaudited)

(dollar amounts in thousands, except per share data)

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

	2011			
	Q4	Q3	Q2	Q1
Total investment income	$ 26,139	$ 22,908	$ 22,712	$ 19,979
Net investment income	$ 15,095	$ 13,220	$ 13,159	$ 11,171
Net realized and unrealized (loss) gain	$ (46,260)	$ (10,901)	$ 428	$ 14,351
Net (decrease) increase in net assets resulting from operations	$ (31,165)	$ 2,319	$ 13,587	$ 25,522
Net increase in net assets resulting from operations per common share	$ (0.68)	$ 0.05	$ 0.33	$ 0.71
Net asset value per share at the end of the quarter	$ 10.13	$ 11.08	$ 11.30	$ 11.14
Market value per share at the end of the quarter	$ 8.92	$ 11.21	$ 11.92	$ 12.25

	2010			
	Q4	Q3	Q2	Q1
Total investment income	$ 16,681	$ 16,335	$ 13,525	$ 13,599
Net investment income	$ 8,957	$ 8,821	$ 7,059	$ 7,238
Net realized and unrealized (loss) gain	$ (2,326)	$ (4,561)	$ (10,090)	$ 1,438
Net increase (decrease) in net assets resulting from operations	$ 6,630	$ 4,260	$ (3,031)	$ 8,676
Net increase in net assets resulting from operations per common share	$ 0.27	$ 0.13	$ (0.11)	$ 0.34
Net asset value per share at the end of the quarter	$ 10.69	$ 10.94	$ 11.07	$ 11.86
Market value per share at the end of the quarter	$ 10.61	$ 9.55	$ 10.37	$ 8.92

	2009			
	Q4	Q3	Q2	Q1
Total investment income	$ 11,847	$ 10,770	$ 10,425	$ 12,077
Net investment income	$ 6,018	$ 5,666	$ 5,267	$ 5,768
Net realized and unrealized gain (loss)	$ 20,162	$ (6,486)	$ 36,932	$ (37,525)
Net increase (decrease) in net assets resulting from operations	$ 26,180	$ (820)	$ 42,199	$ (31,757)
Net increase in net assets resulting from operations per common share	$ 1.23	$ (0.04)	$ 2.00	$ (1.51)
Net asset value per share at the end of the quarter	$ 11.85	$ 11.72	$ 12.00	$ 10.24
Market value per share at the end of the quarter	$ 8.11	$ 7.10	$ 3.75	$ 3.61

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	2008			
	Q4	Q3	Q2	Q1
Total investment income	$ 11,431	$ 9,662	$ 9,714	$ 9,004
Net investment income	$ 5,434	$ 3,941	$ 4,449	$ 4,732
Net realized and unrealized (loss) gain	$ (16,475)	$ 11,263	$ (37,778)	$ (16,269)
Net (decrease) increase in net assets resulting from operations	$ (11,041)	$ 15,204	$ (33,329)	$ (11,537)
Net increase in net assets resulting from operations per common share	$ (0.53)	$ 0.72	$ (1.58)	$ (0.54)
Net asset value per share at the end of the quarter	$ 10.00	$ 10.77	$ 10.26	$ 12.07
Market value per share at the end of the quarter	$ 7.41	$ 7.21	$ 8.51	$ 10.02

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

Overview

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

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

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. Turmoil in the credit markets over the last several years has adversely affected each of these factors and has resulted in a broad-based reduction in the demand for, and valuation of, middle-market debt instruments. These conditions have presented us with and may continue to offer attractive investment opportunities, as we believe that there are many middle-market companies that need senior secured and mezzanine debt financing. We have used, and expect to continue to use, our Credit Facility, the SBA debentures, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

Organization and Structure of PennantPark Investment Corporation

PennantPark Investment Corporation was organized under the Maryland General Corporation Law in January 2007. We are a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to hold at least 70% of our total assets in qualifying assets, including securities of U.S. private companies or thinly traded public companies, public companies with a market capitalization of less than $250 million, cash, cash equivalents, U.S. government securities and high quality debt investments that mature in one year or less. In addition, for federal income tax purposes we intend to continue to be treated and qualify annually as a RIC under the Code.

Our wholly owned subsidiary, SBIC LP, was organized as a Delaware limited partnership in May 2010 and received a license from the SBA to operate as an SBIC under Section 301(c) of the 1958 Act in July 2010. SBIC LP s objective is to generate both current income and capital appreciation through debt and equity investments generally, investing with us in SBA eligible businesses that meet the investment criteria used by PennantPark Investment.

Our investment activities are managed by the Investment Adviser. Under 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. PennantPark Investment, through the Investment Adviser, provides similar services to SBIC LP under its investment management agreement. SBIC LP s investment management agreement does not affect the management and incentive fees on

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a consolidated basis. We have also entered into 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. PennantPark Investment, through the Administrator, provides similar services to SBIC LP under its administration agreement with us. Our board of directors, a majority of whom are independent of us, and the Investment Adviser, supervise our activities.

Revenues

We generate revenue in the form of interest income on the debt securities we hold. Capital gains, if any, are recorded on a trade date basis on investments held in our portfolio. Our debt investments, whether in the form of senior secured loans or mezzanine debt, typically have a term of three to ten years and bear interest at a fixed or floating rate. Interest on debt securities is generally payable quarterly or semiannually. In some cases, some of 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, original issue discount, or OID, origination, structuring or diligence fees, fees for providing managerial assistance and possibly consulting fees.

Expenses

Our primary operating expenses include the payment of management fees to our Investment Adviser, 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 we accrue under our Credit Facility and SBA debentures. 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 complimentary businesses;
- expenses incurred by the Investment Adviser in performing due diligence and reviews of investments;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees and any stock exchange listing fees;
- federal, state and local 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.

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 September 30, 2012, our portfolio totaled $990.5 million and consisted of $291.7 million of senior secured loans, $191.3 million of second lien secured debt, $400.7 million of subordinated debt and $106.8 million of preferred and common equity investments. Our debt portfolio consisted of 69% fixed-rate and 31% variable-rate investments (including 26% with a LIBOR or prime floor). As of September 30, 2012, we had one non-accrual debt investment, representing 3.2% and 1.1% of our overall portfolio on a cost basis and fair value, respectively. Our overall portfolio consisted of 54 companies with an average investment size of $18.3 million, had a weighted average yield on debt investments of 13.2%, and was invested 30% in senior secured loans, 19% in second lien secured debt, 40% in subordinated debt and 11% in preferred and common equity investments.

As of September 30, 2011, our portfolio totaled $827.5 million and consisted of $296.5 million of senior secured loans, $165.3 million of second lien secured debt, $309.3 million of subordinated debt and $56.4 million of preferred and common equity investments. Our debt portfolio consisted of 61% fixed-rate and 39% variable-rate investments (including 31% with a LIBOR or prime floor). Our overall portfolio consisted of 48 companies with an average investment size of $17.2 million, had a weighted average yield on debt investments of 13.3%, and was invested 36% in senior secured loans, 20% in second lien secured debt, 37% in subordinated debt and 7% in preferred and common equity investments.

For the fiscal year ended September 30, 2012, we purchased $328.3 million of investments in 13 new and 17 existing portfolio companies with a weighted average yield of 13.3% on debt investments. This compares to purchasing $479.7 million in 17 new and 11 existing portfolio companies with an overall weighted average yield of 13.7% on debt investments, and purchasing $309.5 million in 17 new and 12 existing portfolio companies with an overall weighted average yield of 14.9% on debt investments for the fiscal years ended September 30, 2011 and 2010, respectively.

For the fiscal year ended September 30, 2012, sales and repayments generated proceeds of $201.7 million. For the fiscal years ended September 30, 2011 and 2010, sales and repayments generated proceeds of $304.0 million and $145.2 million, respectively.

CRITICAL ACCOUNTING POLICIES

The discussion of our financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from these estimates. We have eliminated all intercompany balances and transactions. References to the Accounting Standards Codification, or ASC, serve as a single source of literature. Subsequent events are evaluated and disclosed as appropriate for events occurring through the date the Consolidated Financial Statements are issued. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, we describe our critical accounting policies in the notes to our Consolidated Financial Statements.

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Valuation of Portfolio Investments

Our investments generally consist of illiquid securities including debt and equity investments. Our board of directors generally uses market quotations to assess the value of our investments for which market quotations are readily available. We obtain these market values from independent pricing services or at the bid prices obtained from at least two brokers or dealers, if available, or otherwise by a principal market maker or a primary market dealer. If our board of directors has a bona fide reason to believe any such market quote does not reflect the fair value of an investment, it may independently value such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available. Investments of sufficient credit quality purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value in the absence of any unusual events that may indicate such basis for deriving fair value is no longer valid.

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

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

(1) Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our Investment Adviser responsible for the portfolio investment;

(2) Preliminary valuation conclusions are then documented and discussed with the management of our Investment Adviser;

(3) Our board of directors also engages independent valuation firms to conduct independent appraisals of our investments for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of an investment. The independent valuation firms review management s preliminary valuations in light of its own independent assessment and also in light of any market quotations obtained from an independent pricing service, broker, dealer or market maker;

(4) The audit committee of our board of directors reviews the preliminary valuations of our Investment Adviser and those of the independent valuation firms and responds and supplements the valuation recommendations of the independent valuation firms to reflect any comments; and

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

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

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

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

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

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

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

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

The carrying value of our selected financial liabilities approximates fair value. We adopted ASC 825-10, which provides companies with an option to report selected financial assets and liabilities at fair value and made an irrevocable election to apply ASC 825-10 to our Credit Facility. We elected to use the fair value option for the Credit Facility to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Due to that election and in accordance with GAAP, we incurred up-front fees of $5.4 million which represents transaction costs and expenses related to the amended Credit Facility. 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 on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statement of Assets and Liabilities and changes in fair value of the Credit Facility are recorded in the Consolidated Statement of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including the SBA debentures. For the fiscal year ended September 30, 2012 and 2011, our Credit Facility had a net change in unrealized appreciation of $1.6 million and $11.9 million, respectively. As of September 30, 2012 and 2011, net unrealized depreciation on our Credit Facility totaled $0.5 million and $2.1 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of our Credit Facility in a manner consistent with the valuation process that the board of directors uses to value our investments.

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Revenue Recognition

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

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

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

Payment-in-Kind 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. For us to maintain our status as a RIC, substantially all of this income must be paid out to stockholders in the form of dividends, even though we have not collected any cash with respect to PIK securities.

Federal Income Taxes

We operate so as to qualify to maintain our election to be taxed as a RIC under Subchapter M of the Code and intend to continue to do so. To maintain RIC tax benefits, we must, among other requirements, meet certain source-of-income and quarterly asset diversification requirements (as described below). We also must annually distribute dividends of at least 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, if any, out of the assets legally available for distribution. 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 may distribute during each calendar year an amount at least equal to the sum of (1) 98% of our net ordinary income for the calendar year, (2) 98.2% of the sum of our realized net capital gains for the one-year period ending on October 31 of the calendar year and (3) the sum of any net ordinary income plus net capital gains for preceding years that were not distributed during such years. 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 net ordinary income 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 realized gains recognized for financial reporting purposes. Differences 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. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

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RESULTS OF OPERATIONS

Set forth below are our results of operations for the fiscal years ended September 30, 2012, 2011 and 2010.

Investment Income

Investment income for the fiscal year ended September 30, 2012 was $113.4 million and was primarily attributable to $42.8 million from senior secured loan investments, $21.2 million from second lien secured debt investments, and $49.4 million from subordinated debt investments. The increase in investment income over the prior year was due to the growth of our portfolio which was also driven by the investment of the proceeds from our equity offerings.

Investment income for the fiscal year ended September 30, 2011 was $91.7 million and was primarily attributable to $37.1 million from senior secured loan investments, $15.2 million from second lien secured debt investments, and $38.8 million from subordinated debt investments. The increase in investment income over the prior year was due to the growth of our portfolio which was also driven by investment of the proceeds from our equity offering and rotation out of lower yielding assets.

Investment income for the fiscal year ended September 30, 2010 was $60.1 million and was primarily attributable to $19.5 million from senior secured loan investments, $14.1 million from second lien secured debt investments, and $26.5 million from subordinated debt investments.

Expenses

Expenses for the fiscal year ended September 30, 2012 totaled $56.3 million. Base management fees for the same period totaled $17.5 million, performance-based incentive fee totaled $14.2 million, Credit Facility and SBA debentures related expenses totaled $17.1 million (including the $5.4 million upfront fees associated with amending and extending our Credit Facility), general and administrative expenses totaled $7.2 million and an excise tax of $0.3 million was incurred. The increase in expenses over the prior year was primarily due to the upfront costs of amending our Credit Facility, increased borrowing costs and the growth of our portfolio.

Expenses for the fiscal year ended September 30, 2011 totaled $39.1 million. Base management fees for the same period totaled $14.9 million, performance-based incentive fee totaled $13.2 million, Credit Facility and SBA debentures related expenses totaled $5.3 million, general and administrative expenses totaled $5.5 million and an excise tax of $0.2 million was incurred. The increase in expenses over the prior year was the result of the growth of our portfolio as well as increased borrowing costs.

Expenses for the fiscal year ended September 30, 2010 totaled $28.0 million. Base management fees for the same period totaled $11.6 million, performance-based incentive fee totaled $8.0 million, Credit Facility and SBA debentures related expenses totaled $3.7 million, general and administrative expenses totaled $4.6 million and an excise tax of $0.1 million was incurred.

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Net Investment Income

Net investment income totaled $57.1 million, or $1.08 per share, $52.6 million, or $1.25 per share and $32.1 million, or $1.09 per share, for the fiscal years ended September 30, 2012, 2011 and 2010, respectively. The increase in net investment income from 2011 to 2012 was the result of the growth of our portfolio, while the per share net investment income decrease was the result of share issuances.

Net Realized Gains or Losses

Sales and repayments of long-term investments for the fiscal years ended September 30, 2012, 2011 and 2010 totaled $201.7 million, $304.0 million and $145.2 million, respectively, and net realized gains (losses) totaled $(12.8) million, $16.3 million and $(15.4) million, respectively. Net realized losses increased over the prior year due to sales, restructurings, and repayments of our investments.

Net Change in Unrealized Appreciation Depreciation on Investments and Credit Facility

Net change in unrealized (depreciation) appreciation on investments totaled $20.6 million, $(46.8) million and $35.5 million for the fiscal years ended September 30, 2012, 2011 and 2010, respectively. Net change in unrealized (appreciation) depreciation on our Credit Facility totaled $(1.6) million, $(11.9) million and $(35.7) million for the same periods, respectively. Net change in unrealized depreciation on investments increased over the prior year due to the overall changes in the leveraged finance markets. Net change in unrealized depreciation on our Credit Facility over the prior year is the result of amending and restating the terms of our Credit Facility.

Net Increase in Net Assets Resulting From Operations

Net increase in net assets resulting from operations totaled $63.4 million, or $1.20 per share, $10.3 million, or $0.24 per share, and $16.5 million, or $0.56 per share for the fiscal years ended September 30, 2012, 2011 and 2010, respectively. The net increase in net assets from operations was higher than the prior year due to the continued growth in net investment income as a result of growing our portfolio and unrealized gains offset by realized losses.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are derived primarily from proceeds of security offerings, our Credit Facility, SBA debentures 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 Credit Facility, SBA debentures, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

In February 2012, we amended and restated our multi-currency Credit Facility, which increased the size of the Credit Facility to $380 million, with certain lenders and SunTrust Bank, acting as administrative agent and JPMorgan Chase Bank, N.A., acting as syndication agent for the lenders. As of September 30, 2012 and 2011, there were $145.0 million (including a temporary draw of $35.5 million) and $240.9 million, respectively, in outstanding borrowings under the Credit Facility, with a weighted average interest rate at the time of 3.49% and 1.27%, exclusive of the fee on undrawn commitments of 0.50% and 0.20%, respectively. The Credit Facility is a four-year revolving facility with a stated maturity date of February 2016, and a one-year term-out period following its third year. Borrowings under the Credit Facility bear interest at 275 basis points over LIBOR. As of September 30, 2012 and 2011, we had $235.0 million and $74.1 million of unused borrowing capacity, respectively, subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. The Credit Facility is secured by substantially all of our assets excluding assets held by our SBIC LP.

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The Credit Facility contains customary affirmative and restrictive covenants, including maintenance of a minimum shareholders equity of the sum of (a) $220.0 million plus (b) 25% of the net proceeds from the sale of equity interests in us and our subsidiaries after the closing date of the Credit Facility and maintenance of a ratio of total assets (less total liabilities other than indebtedness) to total indebtedness of not less than 2.0:1.0 (before any exemptive relief granted by the SEC with respect to the indebtedness of our SBIC subsidiary). In addition to the asset coverage ratio described in the preceding sentence, borrowings under our Credit Facility (and the incurrence of certain other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in the Company s portfolio. For a complete list of covenants contained in the Credit Facility, see our Form 8-K filed on February 22, 2012 and the Credit Facility agreement filed as an exhibit to our Form 10-Q filed on May 2, 2012. As of September 30, 2012, we were in compliance with the terms of our Credit Facility.

We may raise additional equity or debt capital through both registered offerings off a shelf registration 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 Facility. Furthermore, our Credit Facility 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 shareholders or for other general corporate or strategic purposes.

In accordance with the 1940 Act, with certain limited exceptions, PennantPark Investment is only allowed to borrow amounts such that our asset coverage ratio is met after such borrowing. As of September 30, 2012, we excluded the principal amounts of our SBA debentures, from our asset coverage ratio pursuant to an SEC exemptive relief resulting in an asset coverage ratio of 564%. As a result of this exemptive relief, our asset coverage ratio of total assets on a consolidated basis, including the principal amount of our SBA debentures, to outstanding indebtedness may be less than 200%, which while providing increased investment flexibility, also increases our exposure to risks associated with leverage.

For the fiscal year ended September 30, 2012 we sold 19.4 million shares of common stock, resulting in net proceeds of $198.9 million. On September 28, 2012, we raised net proceeds of $93.6 million from selling 9.0 million shares. This compares to selling 9.2 million shares of our common stock resulting in net proceeds of $108.3 million for the fiscal year ended September 30, 2011. Any decision to sell shares below the then current net asset value per share of our common stock is subject to shareholder approval and a determination by our board of directors that such issuance and sale is in our and our stockholders best interests. Any sale or other issuance of shares of our common stock at a price below net asset value per share results in immediate dilution to our stockholders interests in our common stock and a reduction in our net asset value per share.

SBIC LP has borrowed funds from the SBA against regulatory capital (which approximates equity capital) that is paid-in and is subject to customary regulatory requirements including but not limited to an examination by the SBA. As of September 30, 2012, we committed and funded SBIC LP with $75.0 million of equity capital, and had SBA debentures outstanding of $150.0 million. SBA debentures are non-recourse to us, have a 10-year maturity 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 date, at a market-driven spread over 10-year U.S. Treasury Notes. SBA current regulations limit the amount that SBIC LP may borrow to a maximum of $150.0 million, which is up to twice its potential regulatory capital. SBIC LP has accessed the maximum borrowing permitted by the SBA with its $75.0 million in regulatory capital.

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As of September 30, 2012 and 2011, our $150.0 million in debt commitments were fully drawn with a weighted average interest rate of 3.70% exclusive of the 3.43% in upfront fees (4.04% after upfront fees). The SBA debentures upfront fees of 3.43% consist of a commitment fee of 1.00% and an issuance at a 2.43% discount to face. Both fees will be amortized over the lives of the loans. Our fixed rate SBA debentures as of September 30, 2012 and 2011 are as follows:

Issuance Dates	Maturity	All-in Coupon Rate(1)	Principal Balance
September 22, 2010	September 1, 2020	3.50%	$ 500,000
March 29, 2011	March 1, 2021	4.46	44,500,000
September 21, 2011	September 1, 2021	3.38	105,000,000
Weighted average rate / Total		3.70%	$ 150,000,000

(1) Excludes 3.43% of upfront fees.

The SBIC program is designed to stimulate the flow of capital into eligible businesses. Under SBA regulations, SBIC LP 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 September 30, 2012, SBIC LP was in compliance with all SBA regulatory requirements.

On June 1, 2011, we received exemptive relief from the SEC allowing us to modify the asset coverage 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 200%, which while providing increased investment flexibility, would also increase our exposure to risks associated with leverage.

Our net asset value may decline as a result of economic conditions in the United States. Our continued compliance with the covenants under our Credit Facility and SBA debentures depend on many factors, some of which are beyond our control. Material net asset devaluation could have a material adverse effect on our operations and could require us to reduce our borrowings under our Credit Facility and SBA debentures in order to comply with certain covenants, including the asset coverage ratio.

Our operating activities used cash of $115.3 million for the fiscal year ended September 30, 2012, and our financing activities provided cash proceeds of $51.3 million for the same period. Our operating activities used cash primarily for investing that was provided primarily from proceeds from our follow-on public offerings of common stock.

Our operating activities used cash of $137.8 million for the fiscal year ended September 30, 2011, and our financing activities provided cash proceeds of $207.6 million for the same period. Our operating activities used cash primarily for investing that was provided primarily from proceeds from our follow-on public offering of common stock and draws under our Credit Facility and SBA debentures.

Our operating activities used cash of $127.1 million for the fiscal year ended September 30, 2010, and our financing activities provided cash proceeds of $95.6 million for the same period, primarily from proceeds from a follow-on public offerings of common stock. Our operating activities used cash primarily for investing that was provided from proceeds from secondary public offerings and draws under our Credit Facility.

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Contractual Obligations

A summary of our significant contractual payment obligations as of September 30, 2012 including, borrowings under our multi-currency Credit Facility and other contractual obligations, are as follows:

	Payments due by period (in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility	$ 145.0	$	$	$ 145.0	$
SBA debentures	150.0				150.0
Total debt outstanding[1]	295.0			145.0	150.0
Unfunded investments[2]	26.9	0.1	26.3		0.5
Total contractual obligations	$ 321.9	$ 0.1	$ 26.3	$ 145.0	$ 150.5

(1) The weighted average interest rate on the total debt outstanding as of September 30, 2012 was 3.60% exclusive of the fee on the undrawn commitment of 0.50% on the Credit Facility and 3.43% of upfront fees on SBIC LP s SBA debentures.

(2) Unfunded debt investments described in the Consolidated Statement of Assets and Liabilities represent unfunded delayed draws on investments.

We have entered into certain contracts under which we have material future commitments. Under our Investment Management Agreement, which was renewed in February 2012, PennantPark Investment Advisers serves as our Investment Adviser in accordance with the terms of that Investment Management Agreement. PennantPark Investment, through the Investment Adviser, provides similar services to SBIC LP under its investment management agreement with us. The SBIC LP 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 gross assets and (2) an incentive fee based on our performance.

Under our Administration Agreement, which was renewed in February 2012, PennantPark Investment Administration 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 LP under its administration agreement, which is intended to have no effect on the consolidated administration fee. If requested to provide managerial assistance to our portfolio companies, PennantPark Investment Advisers or PennantPark Investment Administration will be paid an additional amount based on the services provided, which amount will not in any case exceed the amount we receive from the portfolio companies for such services. 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, technology systems, insurance 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 is 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, including any risk management of commodity pricing or other hedging practices.

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Dividends and Distributions

In order to qualify as a RIC and to not be subject to corporate-level tax on income, we are required, under Subchapter M of the Code, to distribute annually dividends of at least 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, if any, out of the assets legally available for distribution. 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 may distribute during each calendar year an amount at least equal to the sum of (1) 98% of our net ordinary income for the calendar year, (2) 98.2% of our realized net capital gains for the one-year period ending on October 31 of the calendar year and (3) any net ordinary income and net capital gains for preceding years that were not distributed during such years. 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, we may retain such net capital gains or ordinary income to provide us with additional liquidity. For the fiscal years ended September 30, 2012, 2011, and 2010, we elected to retain a portion of our calendar year income and incurred an excise tax of approximately $0.3 million, $0.2 million and $0.1 million, respectively.

During the fiscal year ended September 30, 2012, 2011 and 2010, we declared dividends of $1.12, $1.07 and $1.03 per share, respectively, for total dividends of $60.1 million, $46.3 million and $32.3 million, respectively. We monitor available net investment income to determine if a return of capital for taxation purposes may occur for the taxable year. To the extent our taxable earnings fall below the total amount of our distributions for any given taxable year, a portion of those distributions may be deemed to be a return of capital to our common stockholders. Tax characteristics of all distributions will be reported to stockholders on Form 1099-DIV after the end of the calendar year.

We intend to continue to make quarterly dividends to our stockholders. Our quarterly dividends, 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 dividend, then stockholders cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash dividends.

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

We may distribute our common stock as a dividend of our taxable income and a shareholder could receive a portion of the dividends declared and distributed by us in shares of our common stock with the remaining amount in cash. A shareholder will be considered to have recognized dividend income equal to the fair market value of the stock paid by us plus cash received with respect to such dividend. We have not elected to distribute stock as a dividend but reserve the right to do so.

Recent Developments

On October 25, 2012, we sold an additional 700,000 shares of common stock at a public offering price of $10.82 per share generating gross proceeds of approximately $7.6 million and net proceeds of approximately $7.3 million after underwriting discounts and offering expenses payable by us, from the underwriters partial exercise of the option to purchase additional shares we granted to them in connection with the offering of 9,000,000 shares of common stock that closed on September 28, 2012.

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Updates to Biographical Information of Independent Directors

In May 2012, Mr. Marshall Brozost became a partner at Schulte Roth & Zabel LLP, where he practices in the real estate and private equity groups.

Quantitative And Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. As of September 30, 2012, our debt portfolio consisted of 69% fixed- rate and 31% variable-rate investments (including 26% with a LIBOR or prime floor). The variable-rate loans are usually based on a LIBOR rate and typically have durations of three months after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In regards to variable-rate instruments with a floor, we do not benefit from increases in interest rates until such rates exceed the floor and thereafter we 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.

Assuming that the most recent statement of assets and liabilities were to remain constant, and no actions were taken to alter the existing interest rate sensitivity, a hypothetical immediate 1% change in interest rates may affect net income by more than 1% over a one-year horizon. 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 balance sheet and other business developments that could affect net increase in net assets resulting from operations, or net income. Accordingly, no assurances can be given that actual results would not differ materially from the statement 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 fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in benefits of lower interest rates with respect to our portfolio of investments with fixed interest rates. During the periods covered by this Report, we did not engage in interest rate hedging activities.

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SENIOR SECURITIES

Information about our senior securities is shown in the following table as of September 30, 2012, 2011, 2010, 2009, and 2008 has been derived from our consolidated financial statements which have been audited by KPMG LLP, an independent registered public accounting firm. This information about our senior securities should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Class and Year	Total Amount Outstanding[1]	Asset Coverage per Unit[2] (unaudited)	Involuntary Liquidating Preference Per Unit[3]	Average Market Value Per Unit[4]
Credit Facility and SBA debentures				
Fiscal 2012[5]	$ 145,000	$ 5,615	N/A	N/A
Fiscal 2011[5]	$ 240,900	$ 2,912	N/A	N/A
Fiscal 2010	$ 247,600	$ 2,505	N/A	N/A
Fiscal 2009	$ 225,100	$ 2,115	N/A	N/A
Fiscal 2008	$ 202,000	$ 2,043	N/A	N/A

(1) Total cost of each class of senior securities outstanding at the end of the period presented in thousands (000 s).

(2) 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 cost of senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage Per Unit.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Not applicable, as senior securities are not registered for public trading.

(5) These amounts exclude SBIC LP s SBA debentures from our asset coverage per unit computation pursuant to an exemptive relief letter provided by the SEC on June 1, 2011.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of certain United States, or U.S., federal income tax considerations (and, in the case of a non-U.S. holder (as defined below), certain United States federal estate tax consequences) applicable to the ownership and disposition of the Notes. This summary does not purport to be a complete description of the income tax considerations applicable to an investment in the Notes. The discussion is based upon the Code, Treasury Regulations, and administrative and judicial interpretations, each as of the date of this prospectus supplement and all of which are subject to change, potentially with retroactive effect. You should consult your own tax advisor with respect to tax considerations that pertain to your ownership and disposition of our Notes.

This discussion deals only with Notes held as capital assets within the meaning of Section 1221 of the Code and does not purport to deal with persons in special tax situations or subject to special rules, such as financial institutions, insurance companies, controlled foreign corporations, passive foreign investment companies and regulated investment companies (and shareholders of such corporations), dealers in securities or currencies, traders in securities, former citizens of the United States, persons holding the Notes as a hedge against currency risks or as a position in a straddle, hedge, constructive sale transaction or conversion transaction for tax purposes, entities that are tax-exempt for United States feder income tax purposes, retirement plans, individual retirement accounts, tax-deferred accounts, persons subject to the alternative minimum tax, pass-through entities (including partnerships and entities and arrangements classified as partnerships for United States federal income tax purposes) and beneficial owners of pass-through entities, or U.S. holders (as defined below) whose functional currency is not the U.S. dollar. It also does not deal with beneficial owners of the Notes other than those beneficial owners who acquire the Notes in this offering for a price equal to their original issue price (i.e., the first price at which a substantial amount of the notes is sold other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). If you are considering purchasing the Notes, you should consult your own tax advisor concerning the application of the United States federal tax laws to you in light of your particular situation, as well as any consequences to you of purchasing, owning and disposing of the Notes under the laws of any other taxing jurisdiction.

For purposes of this discussion, the term U.S. holder means a beneficial owner of a Note that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) a trust (a) subject to the control of one or more United States persons and the primary supervision of a court in the United States, or (b) that has a valid election (under applicable Treasury Regulations) to be treated as a United States person for U.S. federal income tax purposes, or (iv) an estate the income of which is subject to United States federal income taxation regardless of its source. The term non-U.S. holder means a beneficial owner of a Note that is neither a U.S. holder nor a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes). An individual may, subject to exceptions, be deemed to be a resident of the United States for U.S. federal income tax purposes, as opposed to a non-resident alien, by, among other ways, being present in the United States (i) on at least 31 days in the calendar year, and (ii) for an aggregate of at least 183 days during a three-year period ending in the current calendar year, counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year. Individuals who are residents for such purposes are subject to United States federal income tax as if they were United States citizens.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds any Notes, the United States federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partners of partnerships holding Notes should consult their own tax advisors.

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Taxation of Note Holders

Taxation of U.S. holders. Payments or accruals of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. holder s regular method of tax accounting. In general, if the terms of a debt instrument entitle a holder to receive payments (other than fixed periodic interest) that exceed the issue price of the instrument by more than a statutory de minimis amount, the holder will be required to recognize additional interest as original issue discount over the term of the instrument, irrespective of the holder s regular method of tax accounting. We expect that the Notes will not be issued with original issue discount for U.S. federal income tax purposes.

Upon the sale, exchange, redemption or retirement of a Note, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (excluding any amounts representing accrued and unpaid interest, which are treated as ordinary income) and the U.S. holder s tax basis in the Note. A U.S. holder s tax basis in a Note generally will equal the amount of the U.S. holder s initial investment in the Note. Capital gain or loss generally will be long-term capital gain or loss if the Note was held for more than one year. Long-term capital gains recognized by individuals and certain other non-corporate U.S. holders generally are eligible for reduced rates of taxation (currently, a rate of either 15% or 20%, depending on whether the U.S. holder s income exceeds certain threshold amounts). The distinction between capital gain or loss and ordinary income or loss is also important in other contexts, such as, for example, for purposes of the limitations on a U.S. holder s ability to offset capital losses against ordinary income.

Newly enacted legislation generally requires certain non-corporate U.S. holders to pay a 3.8% Medicare tax on, among other things, interest on and capital gains from the sale, exchange, redemption or retirement of the Notes. This legislation applies for taxable years beginning after December 31, 2012. U.S. holders should consult their own tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

Taxation of Non-U.S. Holders. A non-U.S. holder generally will not be subject to United States federal income or withholding taxes on payments of principal or interest on a Note provided that in the case of interest on a Note (i) the interest is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, (ii) the non-U.S. holder is not a controlled foreign corporation related to the Company through sufficient stock ownership, (iii) the recipient is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (iv) the non-U.S. holder does not own (actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Company, and (v) the non-U.S. holder provides to the applicable withholding agent a statement on an Internal Revenue Service, or IRS, Form W-8BEN (or other applicable form) signed under penalties of perjury that includes its name and address and certifies that it is not a United States person in compliance with applicable requirements, or satisfies documentary evidence requirements for establishing that it is a non-U.S. holder.

A non-U.S. holder that is not exempt from tax under these rules generally will be subject to withholding of United States federal income tax on payments of interest on the Notes at a rate of 30% unless (i) the interest is effectively connected with the conduct of a United States trade or business, in which case the interest will be subject to United States federal income tax on a net income basis as applicable to U.S. holders generally (unless an applicable income tax treaty provides otherwise), or (ii) an applicable income tax treaty provides for a lower rate of, or exemption from, this withholding. In the case of a non-U.S. holder that is a corporation for U.S. federal income tax purposes and that receives income that is effectively connected with the conduct of a United States trade or business, such income may also be subject to a branch profits tax (which is generally imposed on a non-U.S. corporation on the actual or deemed repatriation from the United States of earnings and profits attributable to a United States trade or business) at a 30% rate. The branch profits tax may not apply (or may apply at a reduced rate) if the non-U.S. holder is a qualified resident of a country with which the United States has an income tax treaty.

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To claim the benefit of an income tax treaty or to claim exemption from withholding because interest is effectively connected with a United States trade or business, the non-U.S. holder must timely provide the appropriate, properly executed IRS forms to the applicable withholding agent.

Generally, a non-U.S. holder will not be subject to United States federal income or withholding taxes on any amount that constitutes capital gain upon the sale, exchange, redemption or retirement of a Note, provided the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (and, if required by an applicable income tax treaty, is not attributable to a United States permanent establishment maintained by the non-U.S. holder). Certain other exceptions may be applicable, and a non-U.S. holder should consult its tax advisor in this regard.

A Note that is held by an individual who, at the time of death, is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) generally will not be subject to the United States federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns ten percent or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual s interest in the Notes is effectively connected with the individual s conduct of a United States trade or business.

Information Reporting and Backup Withholding. A U.S. holder (other than an exempt recipient, including a corporation and certain other persons who, when required, demonstrate their exempt status) may be subject to backup withholding at a rate of 28% on, and will be subject to information reporting requirements with respect to, payments of principal or interest on, and proceeds from the sale, exchange, redemption or retirement of, the Notes. In general, if a non-corporate U.S. holder subject to information reporting fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements, backup withholding at the applicable rate may apply.

If you are a non-U.S. holder, generally, the applicable withholding agent must report to the IRS and to you payments of interest on the Notes and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of a treaty or agreement. In general, backup withholding will not apply to payments of interest on your Notes if you have provided to the applicable withholding agent the required certification that you are not a U.S. person and the applicable withholding agent does not have actual knowledge or reason to know that you are a U.S. person. Information reporting and, depending on the circumstances, backup withholding will apply to payment to you of the proceeds of a sale or other disposition (including a retirement or redemption) of your Notes within the United States or conducted through certain U.S.-related financial intermediaries, unless you certify under penalties of perjury that you are not a U.S. person or you otherwise establish an exemption, and the applicable withholding agent does not have actual knowledge or reason to know that you are a U.S. person.

You should consult your own tax advisor regarding the application of information reporting and backup withholding in your particular circumstance and the availability of and procedure for obtaining an exemption from backup withholding. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

FATCA Withholding on Payments to Certain Foreign Entities. Sections 1471 through 1474 of the Code (provisions commonly referred to as FATCA) impose a 30% withholding tax on payments of U.S. source interest, and gross proceeds from the sale, redemption, retirement or other disposition of obligations that give rise to U.S. source interest payments, in each case to a foreign financial institution (for example, a clearing system, custodian, nominee or broker) or to a non-financial foreign entity, including such an institution or entity acting as an intermediary, unless (a) the foreign financial institution enters into an agreement with the U.S. Treasury under

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which it agrees to (i) collect and report to the IRS information regarding such institution s U.S. account holders (which include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) and (ii) to withhold on payments to nonparticipating foreign financial institutions and certain account holders that do not provide required information, (b) the non-financial foreign entity provides a certification or information relating to its 10% or greater U.S. owners, or (c) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. Depending on your circumstances, you may be entitled to a refund or credit in respect of some or all of this withholding. However, the refund application process has not yet been finalized.

Pursuant to administrative guidance issued by the IRS and the U.S. Treasury, FATCA withholding generally will only apply to interest payments made on or after January 1, 2014, and to payments of gross proceeds from a disposition made on or after January 1, 2017. Moreover, proposed U.S. Treasury Regulations state that FATCA withholding will generally apply to notes that are issued on or after January 1, 2013, although the final U.S. Treasury Regulations, when issued, may extend this grandfathering date.

FATCA is complex and its application to the Notes is uncertain at this time. Each prospective purchaser should consult its own tax advisor regarding FATCA and how it may affect such investor in its particular circumstances.

You should consult your own tax advisor with respect to the particular tax consequences to you of an investment in the Notes, including the possible effect of any pending legislation or proposed regulations.

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UNDERWRITING

We intend to offer the Notes through the underwriters named in the table below. Stifel, Nicolaus & Company, Incorporated and RBC Capital Markets, LLC are acting as joint bookrunners and representatives of the several underwriters. Subject to the terms and conditions described in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase from us, the aggregate principal amount of Notes set forth opposite the underwriter s name.

Underwriter Names	Aggregate Principal amount of Notes
Stifel, Nicolaus & Company, Incorporated	$ 24,300,000
RBC Capital Markets, LLC	18,900,000
Robert W. Baird & Co. Incorporated	4,050,000
Credit Suisse Securities (USA) LLC	4,050,000
Janney Montgomery Scott LLC	4,050,000
Ladenburg Thalmann & Co. Inc.	4,050,000
Stephens Inc.	4,050,000
Sterne, Agee & Leach, Inc.	4,050,000
Total	$ 67,500,000

The underwriting agreement provides that the obligations of the underwriters severally, and not jointly to purchase the Notes included in this offering are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our independent registered public accounting firm. The underwriters are committed to purchase all Notes included in this offering, other than those Notes covered by the overallotment option described below, if they purchase any of the Notes. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

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

Commissions and Discounts

The underwriters have advised us that they propose initially to offer the Notes to the public at the public offering price on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of 1.50% of the aggregate principal amount of the Notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of 1.00% of the aggregate principal amount of the Notes to other dealers. After the public offering, the public offering price, concession and discount may be changed.

The following table shows the per Note and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters overallotment option to purchase up to an additional $10.125 million aggregate principal amount of Notes.

	Per Note	Without Overallotment Option	With Option
Public offering price	100.00%	$ 67,500,000	$ 77,625,000
Underwriting discount	3.00%	$ 2,025,000	$ 2,328,750
Proceeds to PennantPark Investment Corporation (before offering expenses of $300,000)	97.00%	$ 65,475,000	$ 75,296,250

Overallotment Option

We have granted an option to the underwriters to purchase up to $10.125 million in aggregate principal amount of Notes at the public offering price less the underwriting discount solely to cover any overallotments. The underwriters may exercise this option for 30 days from the date of this prospectus supplement solely to cover any overallotments, if any. If the underwriters exercise this overallotment option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase the additional Notes approximately proportionate to that underwriter s initial purchase commitment.

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No Sales of Similar Securities

We have agreed, with exceptions, not to sell or transfer any Notes for 30 days after the date of this prospectus supplement without first obtaining the written consent of Stifel, Nicolaus & Company, Incorporated. This lockup provision applies to the Notes and to securities convertible into or exchangeable for the Notes.

Listing

The Notes are a new issue of securities with no established trading market. We intend to list the Notes on the New York Stock Exchange. We expect trading in the Notes on The New York Stock Exchange to begin within 30 days after the original issue date. Currently there is no public market for the Notes.

Price Stabilization and Short Positions

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

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

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

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

Electronic Delivery

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

Other Relationships

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

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

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

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

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

The principal business addresses of the underwriters are: Stifel, Nicolaus & Company, Incorporated is 501 N. Broadway, St. Louis, Missouri 63102 and RBC Capital Markets, LLC is Three World Financial Center, 200 Vesey Street, 8th Floor, New York, New York 10281.

Other Jurisdictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the Notes offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The Notes offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such Notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restriction relating to the offering and the distribution of this prospectus supplement. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy the Notes offered by this prospectus supplement and the accompanying prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

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LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus supplement will be passed upon for PennantPark Investment Corporation by Dechert LLP, Washington, D.C., and Venable LLP, Baltimore, Maryland. Dechert LLP has from time to time represented the underwriters, PennantPark Investment Corporation and the Investment Adviser on unrelated matters. Certain legal matters in connection with the offering will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, NY.

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FINANCIAL STATEMENTS

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Management s Report on Internal Control over Financial Reporting

The management of PennantPark Investment Corporation (except where the context suggests otherwise, the terms we, us, our and PennantPark Investment refer to PennantPark Investment Corporation and its Subsidiaries) is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is a process designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

PennantPark Investment s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions recorded necessary to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Our policies and procedures also provide reasonable assurance that receipts and expenditures are being made only in accordance with authorizations of management and the directors of PennantPark Investment, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of PennantPark Investment s internal control over financial reporting as of September 30, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework* . Based on the assessment management believes that, as of September 30, 2012, our internal control over financial reporting is effective based on those criteria.

PennantPark Investment s independent registered public accounting firm that audited the financial statements has issued an audit report on the effectiveness of our internal control over financial reporting as of September 30, 2012. This report appears on page S-50.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

PennantPark Investment Corporation and its Subsidiaries:

We have audited the accompanying consolidated statements of assets and liabilities of PennantPark Investment Corporation and its Subsidiaries (the Company), including the consolidated schedules of investments as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years ended September 30, 2012, 2011 and 2010. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of September 30, 2012 by correspondence with the custodians and portfolio companies or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PennantPark Investment Corporation and its Subsidiaries as of September 30, 2012 and 2011, and the results of operations and cash flows for the years ended September 30, 2012, 2011 and 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PennantPark Investment Corporation s internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control Integrated Framework* , issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated November 14, 2012 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

New York, New York

November 14, 2012

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Report of Independent Registered Public Accounting Firm

On Internal Control Over Financial Reporting

The Board of Directors and Stockholders

PennantPark Investment Corporation and its Subsidiaries:

We have audited PennantPark Investment Corporation and its Subsidiaries (the Company) internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control Integrated Framework* , issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management of the Company is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included on page 55 of the Annual Report on Form 10-K, and Item 9A., Controls and Procedures Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PennantPark Investment Corporation and its Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control Integrated Framework,* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statements of assets and liabilities of PennantPark Investment Corporation and its Subsidiaries, including the schedules of investments as of September 30, 2012 and 2011, and the related statements of operations, changes in net assets, and cash flows for the years ended September 30, 2012, 2011 and 2010, and our report dated November 14, 2012 expressed an unqualified opinion on those financial statements.

New York, New York

November 14, 2012

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	September 30, 2012	September 30, 2011
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost $871,867,953 and $816,078,311, respectively)	$ 871,892,745	$ 773,375,381
Non-controlled, affiliated investments, at fair value (cost $72,576,858 and $36,744,425, respectively)	80,955,257	40,673,133
Controlled, affiliated investments, at fair value (cost $64,167,051 and $13,500,100, respectively)	37,631,708	13,500,001
Total of investments, at fair value (cost $1,008,611,862 and $866,322,836, respectively)	990,479,710	827,548,515
Cash equivalents (See Note 9)	7,559,453	71,604,519
Interest receivable	14,928,862	10,878,236
Receivable for investments sold	878,204	13,118,967
Prepaid expenses and other assets	5,121,302	5,587,977
Total assets	1,018,967,531	928,738,214
Liabilities		
Distributions payable	15,824,061	12,336,241
Payable for investments purchased		18,572,499
Unfunded investments	26,935,270	37,132,151
Credit Facility payable (cost $145,000,000 and $240,900,000, respectively) (See Notes 5 and 11)	144,452,500	238,792,125
SBA debentures payable (cost $150,000,000) (See Notes 5 and 11)	150,000,000	150,000,000
Interest payable on Credit Facility and SBA debentures	854,725	687,362
Management fee payable (See Note 3)	4,791,913	4,008,054
Performance-based incentive fee payable (See Note 3)	4,206,989	3,773,829
Accrued other expenses	2,185,026	778,757
Total liabilities	349,250,484	466,081,018
Net Assets		
Common stock, 65,514,503 and 45,689,781 shares are issued and outstanding, respectively. Par value is $0.001 per share and 100,000,000 shares are authorized.	65,514	45,690
Paid-in capital in excess of par value	744,704,825	540,603,020
Undistributed net investment income (See Note 8)	2,804,397	8,326,854
Accumulated net realized loss on investments (See Note 8)	(60,273,037)	(49,651,922)
Net unrealized depreciation on investments	(18,132,152)	(38,774,321)
Net unrealized depreciation on Credit Facility	547,500	2,107,875
Total net assets	$ 669,717,047	$ 462,657,196
Total liabilities and net assets	$ 1,018,967,531	$ 928,738,214
Net asset value per share	$ 10.22	$ 10.13

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended September 30, 2012	2011	2010
Investment income:			
From non-controlled, non-affiliated investments:			
Interest	$ 99,663,198	$ 83,632,455	$ 57,467,862
Other	8,486,387	4,726,387	1,069,514
From non-controlled, affiliated investments:			
Interest	3,542,583	2,217,320	1,392,381
From controlled, affiliated investments:			
Interest	1,700,222	1,162,333	210,000
Total investment income	113,392,390	91,738,495	60,139,757
Expenses:			
Base management fee (See Note 3)	17,507,262	14,899,983	11,618,773
Performance-based incentive fee (See Note 3)	14,223,777	13,161,597	8,018,309
Interest and expenses on the Credit Facility and SBA debentures (See Note 11)	11,680,634	5,322,231	3,672,444
Administrative services expenses (See Note 3)	3,745,741	2,596,756	2,328,210
Other general and administrative expenses	3,496,326	2,884,029	2,329,110
Expenses before debt issuance costs and excise taxes	50,653,740	38,864,596	27,966,846
Debt issuance costs	5,361,319		
Excise tax	307,990	228,824	98,294
Total Expenses	56,323,049	39,093,420	28,065,140
Net investment income	57,069,341	52,645,075	32,074,617
Realized and unrealized gain (loss) on investments and Credit Facility:			
Net realized gain (loss) on non-controlled, non-affiliated investments	(12,798,035)	16,259,622	(15,417,097)
Net change in unrealized appreciation (depreciation) on:			
Non-controlled, non-affiliated investments	42,727,722	(45,350,345)	36,275,341
Non-controlled and controlled, affiliated investments	(22,085,553)	(1,439,878)	(731,625)
Credit Facility appreciation (See Note 5 and 11)	(1,560,375)	(11,851,000)	(35,665,745)
Net change in unrealized appreciation (depreciation)	19,081,794	(58,641,223)	(122,029)
Net realized and unrealized gain (loss) from investments and Credit Facility	6,283,759	(42,381,601)	(15,539,126)
Net increase in net assets resulting from operations	$ 63,353,100	$ 10,263,474	$ 16,535,491
Net increase in net assets resulting from operations per common share basic and diluted (See Note 7)	$ 1.20	$ 0.24	$ 0.56
Net investment income per common share	$ 1.08	$ 1.25	$ 1.09

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Years ended September 30,		
	2012	**2011**	**2010**
Net increase in net assets from operations:			
Net investment income	$ 57,069,341	$ 52,645,075	$ 32,074,617
Net realized (loss) gain on investments	(12,798,035)	16,259,622	(15,417,097)
Net change in unrealized appreciation (depreciation) on investments	20,642,169	(46,790,223)	35,543,716
Net change in unrealized appreciation on Credit Facility	(1,560,375)	(11,851,000)	(35,665,745)
Net increase in net assets resulting from operations	63,353,100	10,263,474	16,535,491
Distributions to stockholders:			
Distributions	(60,137,978)	(46,347,691)	(32,264,036)
Capital transactions:			
Public offerings	206,572,500	114,080,000	107,710,000
Offerings costs	(7,717,300)	(5,743,800)	(5,986,500)
Reinvestment of dividends	4,989,529	3,829,990	
Net increase in net assets	207,059,851	76,081,973	85,994,955
Net Assets:			
Beginning of year	462,657,196	386,575,223	300,580,268
End of year	$ 669,717,047	$ 462,657,196	$ 386,575,223
Undistributed net investment income, at year end	$ 2,804,397	$ 8,326,854	$ 1,800,646
Capital Share Activity:			
Shares issued from public offerings	19,350,000	9,200,000	10,790,000
Shares issued from reinvestment of dividends	474,722	331,011	

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended September 30, 2012	2011	2010
Cash flows from operating activities:			
Net increase in net assets resulting from operations	$ 63,353,100	$ 10,263,474	$ 16,535,491
Adjustments to reconcile net increase in net assets resulting from operations to net cash used for operating activities:			
Net change in net unrealized (appreciation) depreciation on investments	(20,642,169)	46,790,223	(35,543,716)
Net change in unrealized appreciation on Credit Facility	1,560,375	11,851,000	35,665,745
Net realized loss (gain) on investments	12,798,035	(16,259,622)	15,417,097
Net accretion of discount and amortization of premium	(10,357,608)	(6,745,834)	(4,203,920)
Purchase of investments	(328,275,329)	(479,733,669)	(309,455,078)
Payment-in-kind interest	(9,065,502)	(10,883,750)	(6,416,075)
Proceeds from disposition of investments	201,656,926	304,008,543	145,237,359
(Increase) Decrease in interest receivable	(4,050,626)	1,935,860	(7,275,040)
Decrease (Increase) in receivables for investments sold	12,240,763	17,135,807	(27,528,767)
(Decrease) Increase in payables for investments purchased	(18,572,499)	(34,212,501)	33,295,475
(Decrease) Increase in unfunded investments	(19,242,446)	14,928,717	15,872,049
Increase in interest payable on Credit Facility and SBA debentures	167,363	472,227	142,347
Decrease (Increase) in prepaid expenses and other assets	466,675	749,017	(90,927)
Increase in management fees payable	783,859	721,238	1,066,706
Increase in performance-based incentive fees payable	433,160	1,534,818	730,847
Increase (Decrease) in accrued other expenses	1,406,285	(368,064)	(500,423)
Net cash used for operating activities	(115,339,638)	(137,812,516)	(127,050,830)
Cash flows from financing activities:			
Public offerings	206,572,500	114,080,000	107,710,000
Offerings costs	(7,717,300)	(5,743,800)	(5,986,500)
Distributions paid	(51,660,628)	(39,582,741)	(27,919,260)
Borrowings under SBA debentures (See Note 11)		135,500,000	14,500,000
Capitalized borrowing costs		(4,450,875)	(686,625)
Borrowings under Credit Facility (See Note 11)	927,900,000	701,900,000	256,000,000
Repayments under Credit Facility (See Note 11)	(1,023,800,000)	(694,100,000)	(248,000,000)
Net cash provided by financing activities	51,294,572	207,602,584	95,617,615
Net (decrease) increase in cash equivalents	(64,045,066)	69,790,068	(31,433,215)
Cash equivalents, beginning of year	71,604,519	1,814,451	33,247,666
Cash equivalents, end of year	$ 7,559,453	$ 71,604,519	$ 1,814,451
Supplemental disclosure of cash flow information and non-cash activity (See Note 5):			
Interest paid	$ 10,643,840	$ 4,149,149	$ 3,161,048
Excise taxes paid	258,550	123,824	98,294
Dividend reinvested	4,989,529	3,829,990	

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2012

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index(4)	Par/ Shares	Cost	Fair Value(3)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies 130.3%(1),(2)							
First Lien Secured Debt 41.7%							
Aircell Business Aviation Services LLC	06/21/2017	Communications	11.25%	L+975(8)	14,906,250	$ 14,332,682	$ 14,906,250
American Surgical Holdings, Inc.	03/23/2015	Healthcare, Education and Childcare	14.00%	L+1,000(8)	17,811,828	17,441,366	17,811,828
Brand Energy and Infrastructure Services, Inc.	02/07/2014	Energy/Utilities	3.68%	L+325	2,000,000	1,757,029	1,973,334
CEVA Group PLC(5),(10)	10/01/2016	Cargo Transport	11.63%		7,500,000	7,355,237	7,687,500
CEVA Group PLC(5),(10)	04/01/2018	Cargo Transport	11.50%		1,000,000	990,089	880,000
Columbus International, Inc.(5),(10)	11/20/2014	Communications	11.50%		10,000,000	10,000,000	11,100,000
Good Sam Enterprises, LLC(5)	12/01/2016	Consumer Products	11.50%		12,000,000	11,795,443	12,720,000
Hanley-Wood, L.L.C.	01/13/2017	Other Media	8.00%	L+650(8)	1,752,896	1,752,896	1,752,896
IDQ Holdings, Inc.(5)	04/01/2017	Auto Sector	11.50%		11,500,000	11,288,165	12,218,750
Instant Web, Inc.	08/07/2014	Printing and Publishing	14.50%	L+950(8)	24,115,645	23,829,738	23,802,142
Interactive Health Solutions, Inc.	10/04/2016	Healthcare, Education and Childcare	11.50%	L+950(8)	18,525,000	18,165,492	18,571,313
Jacuzzi Brands Corp.	02/07/2014	Home and Office Furnishings, Housewares and Durable Consumer Products	2.28%	L+225	9,598,649	9,598,649	6,371,103
K2 Pure Solutions NoCal, L.P.	09/10/2015	Chemicals, Plastics and Rubber	10.00%	L+775(8)	18,952,500	18,216,865	19,236,788
Kadmon Pharmaceuticals, LLC	10/31/2012	Healthcare, Education and Childcare	15.00%	L+1,300(8)	4,931,494	4,992,740	5,110,409
Learning Care Group, Inc.	04/27/2016	Education	12.00%		26,052,632	25,640,832	25,857,237
Penton Media, Inc.	08/01/2014	Other Media	5.00% (PIK 1.00%)	L+400(8)	37,775,294	33,971,917	30,503,550
Pre-Paid Legal Services, Inc., Tranche A	12/30/2016	Personal, Food and Miscellaneous Services	7.50%	L+600(8)	1,552,846	1,533,687	1,556,728
Pre-Paid Legal Services, Inc., Tranche B	12/30/2016	Personal, Food and Miscellaneous Services	11.00%	L+950(8)	35,000,000	34,118,800	35,350,000
Questex Media Group LLC(9)	12/16/2012	Other Media	1.36%		133,603	133,603	133,603
Tekelec Global Inc. (First Out)	01/29/2018	Telecommunications	9.00%	L+750(8)	850,000	838,369	850,000
Tekelec Global Inc. (Second Out)	01/29/2018	Telecommunications	13.50%	L+1,200(8)	10,625,000	10,338,450	10,848,126
Worley Claims Services, LLC	07/06/2017	Insurance	12.50%	L+1,100(8)	14,934,000	14,934,000	14,859,330
Yonkers Racing Corp.(5)	07/15/2016	Hotels, Motels, Inns and Gaming	11.38%		4,500,000	4,401,515	4,860,000

Total First Lien Secured Debt						277,427,564	278,960,887
Second Lien Secured Debt 25.3%							
American Gilsonite Company[(5)]	09/01/2017	Diversified Natural Resources, Precious Metals and Minerals	11.50%		25,400,000	25,400,000	26,098,500
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	6.33%	L+600	13,600,000	13,378,432	12,729,600
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	7.36%	L+700	12,000,000	11,866,485	11,232,000
DirectBuy Holdings, Inc.[(5),(6)]	02/01/2017	Consumer Products	12.00%				