

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

Gladstone Investment Corporation

(Name of Issuer)

Common Stock, \$0.001 par value

(Title of Class of Securities)

376546107

(CUSIP Number)

August 8, 2006

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1. Names of Reporting Persons.

QVT Financial LP

I.R.S. Identification Nos. of above persons (entities only).

11-3694008

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a)
(b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

5. Sole Voting Power

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person
With:

0

6. Shared Voting Power

867,010 shares

7. Sole Dispositive Power

0

8. Shared Dispositive Power

867,010 shares

9. Aggregate Amount Beneficially Owned by Each Reporting Person

867,010 shares

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

5.2%

12. Type of Reporting Person (See Instructions)

PN

1. Names of Reporting Persons.

QVT Financial GP LLC

I.R.S. Identification Nos. of above persons (entities only).

11-3694007

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a)
(b)

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware

5. Sole Voting Power

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person
With:

0

6. Shared Voting Power

867,010 shares

7. Sole Dispositive Power

0

8. Shared Dispositive Power

867,010 shares

9. Aggregate Amount Beneficially Owned by Each Reporting Person

867,010 shares

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

11. Percent of Class Represented by Amount in Row (9)

5.2%

12. Type of Reporting Person (See Instructions)

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- Item 1 (a).** Name of Issuer
Gladstone Investment Corporation (the “Issuer”)
- Item 1 (b).** Address of Issuer’s Principal Executive Offices
The address of the Issuer’s principal executive offices is:
1521 Westbranch Drive, Suite 200, McLean, Virginia 22102, United States
- Item 2 (a).** Name of Person Filing
- Item 2 (b).** Address of Principal Business Office or, if none, Residence
- Item 2 (c).** Citizenship
QVT Financial LP
1177 Avenue of the Americas, 9th Floor
New York, New York 10036
Delaware Limited Partnership
QVT Financial GP LLC
1177 Avenue of the Americas, 9th Floor
New York, New York 10036
Delaware Limited Liability Company
- Item 2 (d).** Title of Class of Securities
Common Stock, \$0.001 par value (the “Common Stock”).
- Item 2 (e).** CUSIP Number
The CUSIP number of the Common Stock is 376546107.
- Item 3. If this statement is filed pursuant to §§ 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**
- (a) Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
 - (b) Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
 - (c) Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
 - (d) Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
 - (e) An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
 - (f) An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
 - (g) A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);
 - (h) A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
 - (i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
 - (j) Group, in accordance with § 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership.

(a) Amount beneficially owned:

QVT Financial LP (“QVT Financial”) is the investment manager for QVT Fund LP (the “Fund”), which beneficially owns 729,745 shares of Common Stock. QVT Financial is also the investment manager for a separate discretionary account managed for Deutsche Bank AG (the “Separate Account”), which holds 137,265 shares of Common Stock. QVT Financial has the power to direct the vote and disposition of the Common Stock held by the Fund and the Separate Account. Accordingly, QVT Financial may be deemed to be the beneficial owner of an aggregate amount of 867,010 shares of Common Stock, consisting of the shares owned by the Fund and the shares held in the Separate Account.

QVT Financial GP LLC, as General Partner of QVT Financial, may be deemed to beneficially own the same number of shares of Common Stock reported by QVT Financial.

The reported share amounts for each reporting person reflect amounts held as of August 8, 2006, as adjusted for subsequent transactions through the date hereof.

Each of QVT Financial and QVT Financial GP LLC disclaim beneficial ownership of the shares owned by the Fund and the shares held in the Separate Account.

(b) Percent of class:

See Item 11 of the Cover Pages to this Schedule 13G.

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

0

(ii) Shared power to vote or to direct the vote

See item (a) above.

(iii) Sole power to dispose or to direct the disposition of

0

(iv) Shared power to dispose or to direct the disposition of

See item (a) above.

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not Applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company

Not Applicable

Item 8. Identification and Classification of Members of the Group

Not Applicable

Item 9. Notice of Dissolution of Group

Not Applicable

Item 10. Certification

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: August 11, 2006

QVT FINANCIAL LP

By QVT Financial GP LLC,
its General Partner

By: /s/ Tracy Fu
Name: Tracy Fu
Title: Managing Member

By: /s/ Lars Bader
Name: Lars Bader
Title: Managing Member

QVT FINANCIAL GP LLC

By: /s/ Tracy Fu
Name: Tracy Fu
Title: Managing Member

By: /s/ Lars Bader
Name: Lars Bader
Title: Managing Member

EXHIBIT A
JOINT FILING AGREEMENT

The undersigned hereby agree that the statement on Schedule 13G signed by each of the undersigned shall be filed on behalf of each of the undersigned pursuant to and in accordance with the provisions of Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended.

Dated: August 11, 2006

QVT FINANCIAL LP

By QVT Financial GP LLC,
its General Partner

By: /s/ Tracy Fu
Name: Tracy Fu
Title: Managing Member

By: /s/ Lars Bader
Name: Lars Bader
Title: Managing Member

QVT FINANCIAL GP LLC

By: /s/ Tracy Fu
Name: Tracy Fu
Title: Managing Member

By: /s/ Lars Bader
Name: Lars Bader
Title: Managing Member