

Henderson European Focus Trust plc  
Notice of 2020 Annual General Meeting

# Letter from the Chairman

## Dear Shareholders

I hope that you will be able to attend the Annual General Meeting (the "AGM") of the Company, which is to be held at 2.30 pm on Friday 31 January 2020 at 201 Bishopsgate, London EC2M 3AE, the offices of Janus Henderson Investors.

The Notice of AGM can be found on pages 1 and 2 of this document, together with a map showing the venue for the AGM. Further details of each of the resolutions to be proposed at the AGM are set out in the explanatory notes on pages 3 and 4. I also refer you to the Company's Annual Report for the year ended 30 September 2019 which is being sent to shareholders with this document.

Our Fund Manager, John Bennett, will give a presentation at the AGM and there will an opportunity to ask questions. If you are not able to attend the AGM I hope that you vote by completing and returning your Form of Proxy. The AGM will be broadcast live on the internet so if you are unable to attend in person you can watch the AGM as it happens by visiting [www.janushenderson.com/en-gb/investor/investment-trusts-live](http://www.janushenderson.com/en-gb/investor/investment-trusts-live).

Your Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company's shareholders as a whole and therefore recommends unanimously that shareholders vote in favour of each of the resolutions, as the directors intend to do in respect of their own beneficial holdings.

Yours faithfully

**Rodney Dennis**

Chairman

9 December 2019

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to what action you should take, you should consult your stockbroker, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the UK, or if not from another appropriately independent professional adviser in your own jurisdiction.

If you have sold, transferred or otherwise disposed of all your shares in Henderson European Focus Trust plc (the "Company"), please pass this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom you made the sale, transfer or disposal for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction under any circumstances where to do so might constitute a violation of local securities laws and regulations. If you have sold, transferred or otherwise disposed of only part of your holding of shares in the Company, you should retain this document and the accompanying form of proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

# Henderson European Focus Trust plc

(an investment company within the meaning of section 833 of the Companies Act 2006,  
incorporated in England and Wales with registered number 427958)

## Notice of Annual General Meeting

Notice is hereby given that the 2020 Annual General Meeting ("AGM") of Henderson European Focus Trust plc (the "Company") will be held at 201 Bishopsgate, London EC2M 3AE on **Friday 31 January 2020 at 2.30 pm** for the transaction of the following business:

### Ordinary resolutions

1. To receive the Annual Report and audited financial statements for the year ended 30 September 2019.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2019.
3. To approve a final dividend of 21.70 pence per ordinary share.
4. To elect Mr Robert Jeens as a director of the Company.
5. To re-elect Ms Eliza Dungworth as a director of the Company.
6. To re-elect Mr Robin Archibald as a director of the Company.
7. To re-elect Mrs Victoria Hastings as a director of the Company.
8. To re-appoint Ernst & Young LLP as the statutory auditor to the Company.
9. To authorise the Audit Committee to determine the statutory auditor's remuneration.
10. To approve the amendments to the Company's investment objective and policy.

To consider, and if thought fit, pass the following resolutions:

11. THAT in addition to all existing authorities the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551) up to an aggregate nominal amount of £1,081,949 (or such other amount being 10% of the issued share capital as at the date of this resolution) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next AGM of the Company after the passing of this resolution, but that the Company may make an offer or agreement which would or might require relevant

securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement as if the authority conferred hereby had not expired.

### Special resolutions

12. THAT in addition to all existing authorities and subject to the passing of resolution 11 the directors be empowered pursuant to sections 570 and 573 of the Companies Act 2006 ("the Act") to allot equity securities or make offers or agreements to allot equity securities (within the meaning of section 560 of the Act) for cash, and to sell equity securities which are held by the Company in Treasury, as if section 561 of the Act did not apply to any such allotments or sale. This power shall be limited to:
  - (a) the allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary shareholders on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (or as nearly as may be) to the respective numbers of ordinary shares and such equity securities held by them (or are otherwise allotted in accordance with the rights attaching to such equity securities) subject in either case to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to Treasury shares, fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever;
  - (b) the allotment (otherwise than pursuant to the subparagraph above) of equity securities up to a maximum aggregate nominal value of £1,081,949 (or such other amount being 10% of the issued share capital as at the date of this resolution); and
  - (c) the allotment or sale of equity securities at a price not less than the net asset value per ordinary share;

and shall expire at the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next AGM of the Company after the passing of this resolution, save that the directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the directors may allot or sell equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

# Notice of Annual General Meeting

continued

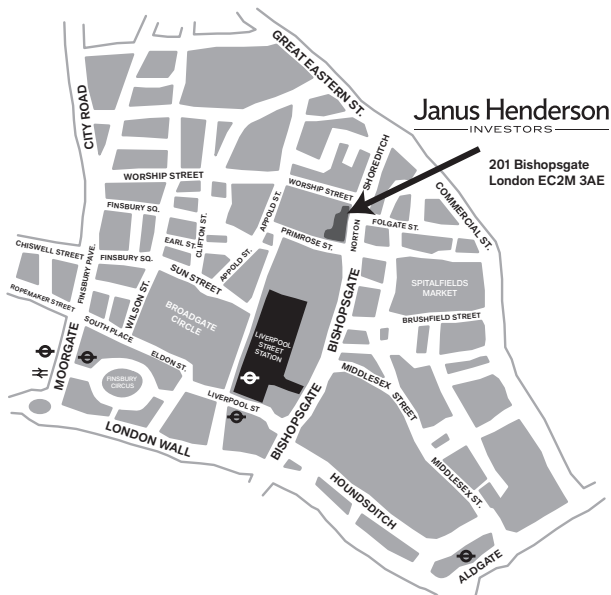
13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 50p each in the capital of the Company, on such terms and in such manner as the directors may from time to time determine, provided that:
- (a) the maximum number of ordinary shares which may be purchased is 14.99% of the Company's issued ordinary share capital at the date of this resolution (being 3,243,685 shares as at the date of this Notice);
  - (b) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed the higher of (i) 105% of the average of the middle market quotations for the ordinary shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
  - (c) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 50p, being the nominal value per share;
  - (d) the authority hereby conferred shall expire at the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next AGM of the Company after the passing of this resolution, unless such authority is renewed before that expiry;
  - (e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of ordinary shares pursuant to any such contract; and
  - (f) any ordinary shares so purchased shall be cancelled or, if the directors so determine and subject to the provision of the Companies (Acquisition of Own Shares/Treasury Shares) Regulations 2003 and any applicable regulations of the United Kingdom Listing Authority, held as Treasury shares.
14. THAT a general meeting other than an AGM may be called on not less than 14 clear days' notice, such authority to expire at the conclusion of the next AGM of the Company.

By order of the Board

Henderson Secretarial Services Limited  
Corporate Secretary  
9 December 2019

Registered office:  
201 Bishopsgate, London EC2M 3AE

## Annual General Meeting venue



Janus Henderson Investors is located in the City of London at 201 Bishopsgate, London EC2M 3AE. The building is a few minutes walk from Liverpool Street Station.

# Explanation of the Resolutions

Resolutions 1 to 11 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 12 to 14 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

## **Resolution 1: Company's Annual Report and audited financial statements** (ordinary resolution)

The directors are required to present to the meeting the Annual Report and audited financial statements in respect of the year ended 30 September 2019, along with the Independent Auditor's Report. Shareholders will be given an opportunity to ask questions on these items and, at the end of the discussion, will be invited to receive the Annual Report and audited financial statements.

## **Resolution 2: Approval of the Directors' Remuneration Report** (ordinary resolution)

Shareholders are requested to approve the Directors' Remuneration Report, which sets out how the Remuneration Policy has been implemented. The Report is set out on pages 31-33 of the Annual Report 2019. The vote is advisory and does not affect the remuneration payable to any individual director.

## **Resolution 3: Final dividend** (ordinary resolution)

The directors are proposing a final dividend of 21.70 pence per ordinary share. The proposed final dividend, alongside the interim dividend of 9.60 pence per ordinary share, brings the total dividend for the year to 31.30 pence per ordinary share. If approved, the dividend will be paid on 7 February 2020 to shareholders on the register on 10 January 2020.

## **Resolutions 4 to 7: Election and re-election of directors** (ordinary resolutions)

The Company's articles of association require that directors appointed to the Board since the last AGM should stand for election by shareholders at the first AGM following their appointment. Accordingly, resolution 4 seeks the election of Mr Robert Jeens, who was appointed to the Board on 9 December 2019.

Under the AIC Code of Corporate Governance, as endorsed by the Financial Reporting Council, directors are expected to stand for re-election annually. In September 2019, the Board reviewed the performance, contribution and commitment of the directors and concluded that each director continues to bring extensive current and relevant business experience that enables them to contribute effectively to the leadership of the Company, both in terms of performance and commitment.

Resolution 5 seeks the re-election of Eliza Dungworth, who joined the Board in January 2016.

Resolution 6 seeks the re-election of Robin Archibald, who joined the Board in March 2016.

Resolution 7 seeks the re-election of Victoria Hastings, who joined the Board in September 2018.

Biographical details of the directors can be found on pages 22-23 of the Annual Report 2019.

## **Resolutions 8 and 9: Re-appointment and remuneration of the auditor** (ordinary resolutions)

In accordance with sections 489 and 492 of the Companies Act 2006, shareholders are required to approve the appointment of the Company's statutory auditor each year and to give the Audit Committee the authority to determine their remuneration. Following performance evaluation of the current auditor, Ernst & Young LLP ("EY"), in respect of the 2019 audit, the directors recommend their re-appointment. EY has expressed its willingness to continue as auditor to the Company.

## **Resolution 10: Amendments to the Company's investment objective and policy** (ordinary resolution)

The directors are recommending that shareholders approve the adoption of a revised investment objective and policy. The proposed changes are to reduce the range of portfolio holdings from between 45 and 60 to between 35 and 45, and to increase the maximum exposure to stocks weighted at 5% or more of the portfolio from 40% to 50% of the Company's net asset value ("NAV") in aggregate.

A full marked-up investment objective and policy showing changes to the existing investment objective and policy is set out in the Appendix, and the existing investment objective and policy is set out on page 14 of the Annual Report 2019.

The proposed changes seek to give the management team scope to create a more concentrated portfolio and differentiate the vehicle from mainstream European indices through stock selection. The additional concentration would make the NAV more susceptible to volatility in the value of individual portfolio companies than it is at present.

## **Resolution 11: Authority to allot shares** (ordinary resolution)

On 30 January 2019 the directors were granted authority either to issue from Treasury or to allot up to 2,163,899 ordinary shares. No shares have been issued under this authority, which will expire at the forthcoming AGM.

Resolution 11 seeks to renew the directors' authority either to issue from Treasury or to allot up to 2,163,899 shares with a nominal value of £1,081,949 (or such other amount being 10% of the issued share capital as at the date of this resolution). The resolution is set out in full in the Notice on page 1. If renewed, the authority will expire at the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the AGM in 2021.

## **Resolution 12: Power to disapply pre-emption rights** (special resolution)

On 30 January 2019 the directors were given authority to allot up to 2,163,899 shares without first having to offer these to existing shareholders. The authority will expire at the forthcoming AGM.

Resolution 12 seeks to renew the directors' authority to allot ordinary shares pursuant to resolution 11, up to a maximum of 2,163,899 shares with a nominal value of £1,081,949 (or such other amount being 10% of the issued share capital as at the date of this resolution) without first having to offer these shares to existing shareholders. New shares would not be issued at a discount to NAV per share, as estimated at the time of issue.

# Explanation of the Resolutions

continued

## **Resolution 13: Repurchase of the Company's ordinary shares** (special resolution)

On 30 January 2019 the directors were granted authority to repurchase 3,243,685 ordinary shares (with a nominal value of £1,621,842) for cancellation or to be held in Treasury. No shares were bought back under this authority as at the date of this notice.

Resolution 13 seeks to renew the Company's authority to buy back shares. The authority under this resolution is limited to the purchase of a maximum of 14.99% of the ordinary shares in issue at the date of the passing of this resolution. The minimum price which may be paid for an ordinary share is 50p. In accordance with the Listing Rules of the Financial Conduct Authority, the maximum price which may be paid for an ordinary share is the higher of:

- (a) 5% above the average market value for the shares taken from the London Stock Exchange Daily Official List for the five business days prior to the date on which the purchase is made; and
- (b) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange.

Both the minimum and maximum prices are exclusive of any relevant tax and expenses payable by the Company. It is the Company's current intention that any shares bought back will initially be held in Treasury, although they may subsequently be cancelled. Any shares sold out of Treasury will only be issued at a premium to the net asset value per share. As at the date of this Notice, 140,730 shares were held in Treasury (0.65% of the Company's share capital).

Any purchase of shares will only be made at a discount to the prevailing NAV per ordinary share and hence would enhance the NAV of the remaining shares. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders. This proposal does not indicate that the Company will purchase shares at any particular time or price, nor imply any opinion on the part of the directors as to the market or other value of the Company's shares. This authority will expire at the conclusion of the earlier of the date falling 15 months after the passing of the resolution and the conclusion of the AGM in 2021 and the Board intends to seek a similar authority annually.

## **Resolution 14: Notice of General Meetings** (special resolution)

Under the Companies Act 2006 the notice period for general meetings (other than the AGM) is 21 days unless shareholders have approved the shorter period of 14 days. At the 2019 AGM shareholders approved the resolution to allow general meetings to be called on 14 days' notice. The approval expires at the conclusion of the forthcoming AGM.

In order to maintain maximum flexibility in communicating with shareholders, the directors are seeking to renew the authority so that general meetings (other than the AGM) may be called on the shortest permissible notice. This authority will only be used if to do so will be in the best interests of shareholders. The Company will be able to take advantage of this authority if all shareholders are given the opportunity (but not the obligation) to vote at such a general meeting by electronic means. This authority will expire at the conclusion of the 2021 AGM.

# Notes to the Notice of Annual General Meeting

## 1. Rights to attend and vote

Subject to note 2, shareholders are entitled to attend and vote at the forthcoming AGM or at any adjournment(s) thereof. On a poll each member has one vote for every one share held.

## 2. Voting record date

Only shareholders registered in the Register of Members of the Company at close of business on 29 January 2020 (the "specified time") shall be entitled to attend, speak and vote at the AGM in respect of the number of voting rights registered in their name at that time. Changes to entries on the Register of Members after the specified time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

If the AGM is adjourned to a time not more than 48 hours after the time applicable to the original AGM, the specified time will also apply for the purpose of determining the entitlement of shareholders to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the AGM is adjourned for a longer period then, to be so entitled, shareholders must be entered on the Company's Register of Members at 6.30 pm on the day which is two days (excluding non-working days) before the day of the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

In the case of joint holders of a voting right, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

## 3. Right to appoint proxies

Pursuant to section 324 of the Companies Act 2006 (the "Act"), a member entitled to attend and vote at the meeting may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by him. A proxy need not be a member of the Company. A form of proxy is enclosed. The completion of the form of proxy or any CREST proxy instruction (as described in Note 7 below) will not preclude a shareholder from attending and voting in person at the meeting. Section 324 of the Act does not apply to persons nominated to receive information rights pursuant to section 146 of the Act ("Nominated Persons"). Nominated Persons have been sent this Notice and are hereby informed, in accordance with section 149(2) of the Act that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated Persons should remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps, the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

The statement of rights of shareholders in relation to the appointment of proxies does not apply to Nominated Persons.

## 4. Proxies' rights to vote at the meeting

On a vote on a show of hands, each proxy has one vote. If a proxy is appointed by more than one shareholder and all such shareholders have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one shareholder, but such shareholders have given different voting instructions, the proxy may, on a show of hands, vote both "for" and "against" in order to reflect the different voting instructions. On a poll, all or any of the voting rights of the shareholder may be exercised by one or more duly appointed proxies. However, where a shareholder appoints more than one proxy, Section 285(4) of the Act does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the shareholder in person.

## 5. Voting by corporate representatives

Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with section 323 of the Act provided they do not do so in relation to the same shares.

## 6. Receipt and termination of proxies

To be valid, the enclosed form of proxy must be lodged with the Company's registrar (Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 8LU) before 2.30 pm on 29 January 2020.

A member may terminate a proxy's authority at any time before the commencement of the meeting. Termination must be provided in writing and submitted to the Company's registrar.

In accordance with the Company's articles of association, in determining the time for delivery of proxies, no account shall be taken of any part of a day that is not a working day.

## 7. Electronic receipt of proxies

To appoint one or more proxies or give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number RA19) no later than the deadline specified in note 6. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001. Instructions on how to vote through CREST can be found on the website [www.euroclear.com](http://www.euroclear.com).

## 8. Communication with the Company

You may not use any electronic address provided either in the Notice of Meeting or any related documents (including the form of proxy) to communicate with the Company for any purpose other than those expressly stated.

## 9. Questions at the AGM

Any member attending the AGM has the right to ask questions. Section 319A of the Act requires the directors to answer any question raised at the AGM which relates to the business of the meeting, although no answer need be given: (a) if to do so would interfere unduly with the proceedings of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting that the question be answered.

# Notes to the Notice of Annual General Meeting

continued

By attending the AGM, shareholders and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the AGM.

## 10. Shareholder right to include a resolution at the AGM

Under sections 338 and 338A of the Act, shareholders who satisfy the threshold requirements in those sections have the right to require the Company: i) to give, to shareholders entitled to receive Notice of the Meeting, notice of a resolution which may properly be moved and is intended to be moved at the AGM; and/or ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless: a) it would, if passed, be ineffective (whether by reason of inconsistency with an enactment of the Company's constitution or otherwise); b) it is defamatory of any person; or c) it is frivolous or vexatious.

Such a request may be in hard copy, must identify the resolution of which notice is to be given or the matter to be included in the business must be authorised by the person or persons making it, must have been received by the Company not later than the date of this Notice given, and (in case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

## 11. Members' statement of audit concerns

Section 527 of the Act allows shareholders who meet the threshold requirements of that section to require the Company to publish a statement on its website setting out any matter relating to: i) the audit of the accounts to be laid at the meeting (including the auditor's report and the conduct of audit); or ii) any circumstances connected with the auditor ceasing to hold office since the last meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. This is known as a "members' statement of audit concerns". If such a request is received, the Company cannot require those shareholders requesting publication of the statement to meet its costs of complying with that request. The Company must also forward a copy of the statement to the auditor at the same time that it makes it available on the website. Where a members' statement of audit concerns is received it will be included in the business of the meeting at which the accounts are laid.

## 12. Website

A copy of the Notice of the Annual General Meeting, including these explanatory notes and other information required by section 311A of the Act, is included on the Company's website, [www.hendersononeuropeanfocus.com](http://www.hendersononeuropeanfocus.com)

## 13. Total voting rights

As at the date of this Notice the total number of shares in issue was 21,638,991. The total number of voting rights on that date was 21,498,261 (140,730 shares being held in Treasury).

## 14. Documents available for inspection

The directors' terms of appointment are available for inspection at the registered office of the Company during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will be available at the place of the AGM from 15 minutes prior to the commencement of the AGM until the conclusion thereof. No director has any contract for services with the Company.

## APPENDIX

### Investment Objective and Policy

#### Investment Objective

The Company seeks to maximise total return (a combination of income and capital growth) from a portfolio of stocks listed in Europe.

#### Investment Policy

##### Asset Allocation

The portfolio is predominantly invested in stocks listed in Continental Europe and has a bias to larger capitalised companies but may, within limits, be invested in the stocks of mid and smaller capitalised companies or in companies listed elsewhere, including UK, providing Continental European exposure.

Stock selection is not constrained by the benchmark and the stock weighting in the portfolio may be materially higher or lower than the weighting of any index used for performance comparisons, including in respect of geographical allocation.

Actual weightings of stocks held in the Company's portfolio are based upon the Manager's views of total return prospects. The portfolio is not constructed with a yield target.

#### Diversification

The portfolio contains between 45 to 6035 to 45 stocks with a maximum single stock weighting of 10% of net asset value ("NAV") of the portfolio at the time of investment. Stocks weighted at 5% of the portfolio or more are not expected to exceed 4050% of NAV in aggregate. The typical minimum stock weight is 1% of NAV.

Continental European listed stocks will consist of not less than 80 per cent of NAV at the time of investment, with the remaining exposure being in stocks listed elsewhere with significant exposure to Continental European economies. The exposure to smaller capitalised stocks at the time of investment is limited to 10% of NAV. (Smaller capitalised companies are considered to be those with a market capitalisation of less than €1 billion.)

#### Derivatives

The Company may use financial instruments, known as derivatives, for the purpose of investment and for efficient portfolio management for up to 10% of NAV at the time of entering into the contract.

#### Gearing

The Company can borrow with the aim of achieving a return that is greater than the cost of the borrowing. The Company can borrow up to 20% of net assets at the time the borrowing is assumed.