

The propaganda for making stocks legal investments for trust funds is particularly deserving of condemnation at this time, when the general price-level of stock is admittedly high. Trustees are not dealing with temporary conditions which might change overnight, but with a principle of protection and conservation. In the light of trust-company experience and the sad trail of suffering and losses arising from speculative investments, Dr. Irving Fisher, the noted Yale economist and advocate of the stabilized or "managed dollar," shows himself to be a poor friend of the proverbial "widow and orphan" when he took a trust-company president to task recently for failing to invest a widow's "mite" of 50,000 dollars in stocks.

Another writer expressed the matter in the following way :—

Of course, it is to be recognized that there are, no doubt, a number of preferred stocks, and even some common stocks which might turn out to be extremely advantageous investments. I would even be willing to go so far as to say that there might be some preferred stocks which would rank higher, as an investment, than certain bonds; but to advocate this theory generally would be dangerous and unsound, particularly as long as it is possible to appoint individuals, who are generally unqualified, as trustees.

It may also be mentioned that a Committee has recently been set up in England to report upon trustee-security legislation. The main effect of the recommendations embodied in the report of this Committee is to advocate a uniform legal code in place of the present overlapping which exists in England; to pronounce in favour of control being entirely in the hands of Parliament; to reject proposals for extending the list of authorized trustee investments; and to make certain reductions in the list by repealing the Local Loans Act, 1875, and by preventing the Ministry of Health from authorizing any further issue of housing bonds to any local authority which does not already possess specific authority for that purpose. In so far as concerns these limitations, it is pointed out that the housing emergency is largely passing away, and that if the existing provisions remained unchanged there would be nothing to prevent the issue of an unlimited class of securities which, although on the trustee list, were unsuitable for purposes of trustee investment. In advocating these reductions the Committee points out that the existing field of trustee investment is large enough, the more so as demand for a wider range has been met by the immense issue of Government and other gilt-edged securities during and since the war.

The annual toll of loss through unsuccessful speculation must be very great. The experience of the Office in dealing with the large volume of estates passing through its hands is the surprising number of persons who have been induced, often more than once, to invest in what turn out to be more or less "wild cat" enterprises.

By the lengthy list of diversified stock and shares which the Public Trustee holds in various representative capacities, he has become interested in numerous joint-stock concerns in the Dominion and elsewhere. The work of handling these investments has now assumed enormous dimensions, and entails care, promptitude, and foresight. As I have said, shares are not authorized trustee investments, and in the strict course of duty they should be realized and invested in authorized securities. It often happens, however, that where shares are held in sound companies returning good dividends interested parties are desirous of having them retained, and, provided proper indemnities and safeguards can be arranged, the wishes of the beneficiaries are given effect to if possible. Sometimes, too, trust instruments direct retention of shares forming assets of estates.

59. The share-market and its fluctuations receive close and constant study, and, whilst not embarking upon speculation, every endeavour is made to transact business when the market is most favourable and to take advantage of any fluctuations which act advantageously towards estates under administration. To assist in dealing with shares, &c., a Financial Adviser to the Office was appointed several years ago. Every shareholding is regularly reviewed and analysed, and representatives of the Office attend shareholders' meetings. The position of all companies in which shares are held by the Public Trustee on behalf of estates is periodically surveyed by this expert, and useful data compiled and conveniently filed for ready reference.

60. During the past year there has been no outstanding movement in shares to record, and no new issues of importance have been made. A fair volume of business has been conducted on the stock exchanges, though stringent conditions existing in the money-market have had their effect on the transactions of the exchanges.