

administration the nature of which is not as well known as it should be, I take this opportunity of giving some information as to its creation and administration, and the advantages it offers in the investment of numerous and varying sums, large and small, which in the management of estates and funds become available for investment.

6. Normally, in the absence of any specific directions in the trust instrument, whether statute, deed, or will, a trustee invests his trust funds in selected classes of securities specified in the Trustee Act and other statutes bearing on trusteeship. Certain safeguards are imposed to ensure that the investments shall be made with reasonable care and on good security, and, if these requirements are observed, the whole of the risk of the investment is borne by the beneficiaries. Thus, if in any such investments interest cannot be recovered, or if, without negligence or fraud on the part of the trustee, the whole or any part of the capital invested is lost, the loss falls on the beneficiaries.

In the earlier history of the Office this system was the only one available to the Public Trustee, in common with private trustees, for investment of trust funds. In 1891, however, a Commission composed of well-known business and professional men was set up by the Government of the day to inquire into the organization and working of the Department. In conducting the investigation the Commission made a careful survey of the investment system, and found the existing statutory modes of investment hampering to, and inadequate for, the conduct of a business of this kind. The Commission strongly recommended the providing of an additional optional system of investment so far as the Public Trust Office was concerned. The effect of this recommendation was that power was to be given to create a "Common Fund" to absorb all cash balances in estates, unless this was expressly forbidden, and to invest the moneys from this Common Fund on securities of a specified nature. It is to be noted that the question whether moneys were to fall into the Common Fund then, as now, was optional on the part of the creator of the trust.

The system recommended was further to provide that the rate of interest to be allowed to the estates whose moneys were held in the Common Fund should be fixed from time to time by the Governor in Council, and that both capital and interest should be guaranteed by the State.

The principles underlying the new departure are set forth in the following statement made by those responsible for the recommendation on which it was based :—

If the colony were to guarantee 5 per cent. per annum on the daily credit balance of a hotchpotch account in the name of the Public Trustee, to be called the "General Estates Account," and to be composed entirely of balances belonging to intestate estates, then from this "General Estates Account" the Public Trustee, with the advice of his Board, could more easily and safely advance any sum or sums of money at a marginal higher rate of interest—say, from 1 to 2 per cent.—and so provide for the guarantee and expenses. It would also be much more satisfactory to beneficiaries, particularly those interested in the smaller intestacies, to know that their moneys were safely invested at 5 per cent., and that the half-yearly or annual income, clear of all deductions for legal charges, was secure to them, and that their principal moneys were safe.

The recommendation was promptly given effect to by the Legislature in 1891, and, although originally intended only for intestate estates, was extended to all classes of estates. Thus was created the Common Fund of the Public Trust Office, which at the 31st March, 1929, held moneys to the total of £21,943,047. Throughout all its extensions its use has been left at the option of the owners of the moneys.

7. The Act of 1891 was remarkable in pledging the Dominion to maintain the integrity of the funds of the estates placed in the Common Fund of the Public Trust Office for investment as specified. The essential features of the Common Fund system are that the pooled funds are invested in first-class securities, and that interest allowed to estates on moneys falling into the fund is fixed according to the conditions of the money-market of the Dominion prevailing from time to time. It would be difficult to find a comprehensive system of investment which has operated so successfully over a long period of years, or to devise one better suited to the investment of the varying sums of money coming under the control of the Public Trust Office, and at the same time combining so many substantial advantages to the beneficiaries in estates.