the University now faces may entail the risk of further depreciation in the portfolio, the end of which it would be difficult to foresee.

It is the opinion of this Committee that while the University should have as its ultimate goal an investment portfolio consisting of securities entirely in the trustee class, the Board of Governors will wish to make gradual progress towards the desired result by exchanging, if and as opportunities are presented, the various inferior issues now held for securities belonging to a higher category.

4

In carrying out this policy, we assume that the Board of Governors will not wish to make undue sacrifice of capital investment in those individual situations now heavily depreciated, in which little or nothing would be gained by immediate sale and from which it may be possible eventually to regain at least a portion of the loss of capital presently apparent.

We assume, furthermore, that where this Committee conclude that the balance of probabilities decisively favours such a course, it will be the desire of the Board of Governors that the Committee recommend the exchange of one speculative security for another speculative security, if the exchange is likely to result in some recovery of loss previously experienced.

In order to take advantage of favourable market opportunities, it will be desirable in certain cases if the best results are to be obtained, that prompt consideration be given to the recommendations of this Committee, and that, if approved, their recommendations be rendered effective without delay. The Board of Governors have, no doubt, considered this subject and will readily appreciate the advantages to be derived from appointing a small executive body entrusted with the responsibility of arriving at decisions on their behalf.

This Committee is informed that the annual report intimated that McGill University is likely to have a substantial deficit on Income Account and that it would be found necessary for the time being to draw upon Capital. Assuming that this deficit will be met by liquidation of certain of the securities now held, it would be helpful to