

In making any suggestions concerning the future policy of the University in regard to its investments in preferred and common stocks it would be well to briefly survey world conditions as a whole and to attempt to formulate a programme most likely to prove lucrative on the basis of the deductions at which we arrive.

It is very probable that other countries will follow England's lead in abandoning the gold standard and if such proves to be the case the result will be a blow to American export trade. So long as the United States continues to be governed along the present lines we do not see how she can hope to participate in any sound resumption of international trade recovery.

Canada, on the other hand, is greatly dependent on world trade conditions and if our reasoning is correct these conditions are likely to improve at a more rapid pace than is the general business tone in the United States.

For these reasons we would suggest that the University attempt, as nearly as is practical, to pursue the following general plan of investment diversification.

American - Preferred - Railroad	5.00%	
Public Utility	5.00	
Industrial	5.00	15.00%
American - Common - Public Utility	10.00	
Industrial	5.00	15.00
Canadian - Preferred - Public Utility	5.00	
Industrial	5.00	10.00
Canadian - Common - Railroad	5.00	
Public Utility	15.00	
Industrial	10.00	
Financial	25.00	55.00
Foreign - Common - Public Utility		5.00
Total		<u>100.00%</u>

#### AMERICAN PREFERRED STOCKS

##### RAILROADS:

The University holds Baltimore & Ohio, Great Northern and Norfolk & Western. The last named is in as sound a position as any railroad on this continent, while the other two cannot be considered to occupy as enviable a position.

During the past eleven years the average earnings on the \$4. non-callable adjustable preferred stock of Norfolk & Western Railway have been at the rate of over \$107 per share and it is estimated that earnings for the year 1931 will approximate \$101 per share.

According to the tentative diversification programme which we have proposed there will be a little more than \$126,000 available for purchase of American Preferred Railway stocks. We would suggest that one third of this sum (\$42,000) be assigned to Norfolk & Western \$4. non-callable adjustable preferred. Since about \$35,300 is already invested in this stock this would entail the purchase of 70 additional shares at 90 $\frac{1}{2}$ , thus increasing the total investment to \$41,630.

The present investment in Baltimore & Ohio \$4. non-callable Preferred is very small and should be increased from 30 shares to 600 shares making a total investment of \$41,600.

During the past eleven years Baltimore & Ohio has earned on this stock an average of over \$31 per share. This year earnings are expected to be about \$17 per share. The stock sells on the attractive yield basis of approximately 7.70%.