

liens on a property, or those that rank one degree lower as general mortgage bonds, the investor passes from the factor of interest to dividends. The change is a radical one, and yet some of the shrewdest of investors count certain of their preferred stocks as on a par for safety with many bonds that stand well up in the list. With bonds interest usually is paid once in six months, as in the familiar "Victories"; preferred dividends are generally met quarterly. "Default" in bond interest is a much more serious affair than the "passing" of preferred or common dividends, as bondholders under certain conditions may take charge of the property that has failed to meet its obligation, whereas dividends are more or less voluntary, dependent on current earnings.

Basis of Both Is Same

Yet, in the long run, the "safety" of bond interest and the maintenance of preferred dividends essentially depend on the ability of the corporation concerned to continue a successful record of earnings. If there is a failure here bond interest must come to an end as well as dividends. Hence it is that after a corporation has been established for a number of years, it may be able to create a strong reserve and maintain or increase current earnings, to such an extent that its preferred dividends are practically guaranteed. In such a case it deserves to rank high as an investment, and the stock maintains a high price, with a comparatively moderate yield in spite of severe fluctuations among ordinary securities.

The clearest method for illustrating this is the list given herewith of ten preferred stocks. Perhaps exception may be taken to one of these, Dominion Steel preferred, as not deserving to rank with the other nine. Its yield is much higher, which suggests in itself that it is weaker in some respect. It is inserted, however, on account of the dividends being guaranteed through "income bonds" of two constituent companies, Dominion Coal, and Dominion Iron and Steel, which strengthens its position beyond that of an ordinary preferred stock. Let it stand, then, as a security in the transition stage between the rest of the list, and those of the next lower grade.

PREFERRED STOCKS AND THEIR YIELDS

	Dividend	Present Price	Yield	Jan., 1922	Yield	Jan., 1921	Yield
Canada Cement.....	7%	93	7.5%	90	7.7%	90	7.7%
Canadian Cottons....	6%	81	7.4%	78	7.7%	71	8.4%
Dominion Glass.....	7%	94	7.4%	90	7.7%	78	7.7%
Dominion Textile....	7%	109	6.4%	105	6.6%	96	7.3%
Dominion Steel.....	6%	75	8.0%	66	9.1%	64	9.4%
Lake of the Woods....	7%	109	6.4%	103	6.8%	103	6.8%
Montreal Cottons....	7%	106	6.6%	104	6.7%	98	7.1%
Ogilvie Flour Mills....	7%	111	6.3%	104	6.7%	100	7.0%
Pennmans.....	6%	91	6.6%	83	7.2%	87	6.9%
Steel Co. of Canada...	7%	98	7.1%	93	7.5%	87	8%

Low Returns—High Prices

What may surprise many investors in this list is the comparatively low returns—yields—with which the owners of these approved securities are content. During the past year a number of preferred stocks have sold to give a yield of ten per cent., but in the list above, the great majority of yields have held below 8 per cent., and a few, such as Lake of the Woods, Ogilvie, Montreal Cottons and Dominion Textile have run well below 7 per cent. at a time when municipal bonds provided a yield of $6\frac{1}{4}$, $6\frac{1}{2}$ and even $6\frac{3}{4}$ per cent., a remarkable testimonial to the confidence of the shareholders. It should be pointed out that there is comparatively little

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YIELDING

6% to 8%

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trading in the most of these; they are closely held as a rule. Even so, unless they were a high grade security they would have found lower levels even in light trading.

A study of the list will serve to show the advance in prices that has taken place even in these securities since the beginning of the year; the present yield being less than on January 1, by .2 or .3 to .6 of 1 per cent. This advance in prices,—and decline in yield—however, has been very small, less on an average than with most bonds, another remarkable tribute to the stability of these securities.

Consideration of these and other high class preferred stocks as investments is quite worth the while of the investor.

FLYING OVER FOREST FIRE

THE following most interesting comment is taken from the report of the unique expedition by air from New York to Nome, Alaska, by the U. S. Government aeroplane expedition last year. "Down the valley of the Fraser as far as Urling, we hastened at 110 miles per hour. We were going down the western slope. We had crossed the Canadian Rockies. Both sides of us, the atmosphere was filled with the smoke of forest fires. Deep growth of Douglas Fir, Spruce and Pine covered these magnificent mountains. I noticed with much surprise that the smell of the burning Spruce was plainly discernible at my altitude of 8,000 feet, fully 4,000 feet above the edge of the timber line below. I searched intently for some signs of caribou and moose on these flat mountain tops over which we made our roaring way, but not a living thing stirred."