

*Clarkson, Mc Donald, Currie & Co.*

Sheet No. 4

Date 10/3/32

To Sir Arthur Currie, G.C.M.G.,  
K.C.B., LL.D., D.C.L.

remember it, we decided at the meeting to have a careful analysis and investigation made of the investments in pulp and paper. I think this report might well cover all the investments in Canadian industrials. I note that many of the securities held are those of rather small companies. I would prefer if they were confined to the largest, strongest and best-known of our operating companies.

As to American investments, I do not feel that, with the exchange situation as it is, it would be advisable to convert Canadian funds or securities into American investments. I think, however, that a very useful purpose could be served if a careful survey was made of American investments with the idea of possibly making changes which might be of advantage.

I do not agree with the inference made that securities should be bought to "even up" on the cost of present holdings, but I feel that new investments should at any time be made strictly on their merits and without reference to what existing investments in the same security or in the same class of security may have cost.

I do not agree with the idea put forward by Mr. E.D. Glassco that this is a good time to buy preferred stocks. I feel that our experience of the past two years indicates that investments should either be in obligations secured by mortgage or in common stocks which carry all the advantages of equity ownership and none of the restrictions of preferred stock. A list of the dividends which have been passed on Sheet 19 should make anyone hesitate to invest in preferred stocks. Exceptions to this general rule, of course, can always be pointed out.

The comments referred to give as the chief recommendation for an increased investment in preferred stocks the remarkable opportunities for capital appreciation. I do not consider that this should be an aim in itself but rather that it should be the natural result of investing in securities of the highest class at a relatively favourable moment.

Realization of capital appreciation presupposes the sale of the security in question and I do not feel that the investing committee of an endowment, when choosing an investment, should contemplate the possibility of a later sale, unless, of course, capital expenditures are anticipated.