

This indicates what one's capital is actually earning, and it enables the investor to compare the value of the loan as an investment with other stocks issued by the same nation, for there is no advantage in buying a new loan if existing bonds of the same country, with perhaps better security, owing to the earmarking of perhaps more valuable revenues, are quoted at the same or a less price in the market.

If the date of the redemption of a bond is short, it follows that the redemption price should be fixed in the favor of the purchaser; that is, at a premium. Otherwise, the rate per cent. of the interest it bears should be relatively high, else there is no inducement to the investor to buy the bonds, since, in a few years, he will have all the trouble over again of finding another channel for his capital. There is, indeed, no finer form of security than a short-dated government loan, redeemable at a substantial premium, for the investor is certain of an increase in his capital in a few years as well as of the interest meanwhile. However, it should be noted whether or not redemption is provided by a sinking fund by the hypothecation or setting aside of an annual sum. If there is no such provision, the inference is natural that when the day of redemption arrives another loan will have to be negotiated to retire the existing debt, which raises the possibility that such a loan may be a difficult venture owing to a change in monetary conditions. This would be a grave difficulty in the case of a third-rate borrower.

Various South American countries and several States of the American Union have at one time or another either defaulted in or repudiated their liabilities to foreign creditors. Most of the Latin American delinquents have since redeemed their pledge by paying the interest, capital or compounding with their bondholders. Investors should always hesitate to entertain loans issued by any government that has ever defaulted, if they wish to be free from financial anxiety.

Generally, concerning municipal loans, the investor should see that if the municipality's expenditure is largely in excess of its income it is being put into productive assets; that its total debt is less than the estimated value of its properties, plus the balances of its sinking funds, and that a sinking fund is to be formed for the redemption of the loan within a stated period. He should see that there is a settled and responsible form of government in the country in which the borrowing town is situated; that it has an increasing urban population; that it is a natural centre of commerce; that it possesses other sources of revenue than direct rating, and that the loan will be redeemed at a premium.

Prospectus to be Read Carefully.

We now come to the more complex prospectus issued by railway companies. In subscribing to such issues one has to consider carefully many points which do not so directly apply to government and municipal issues. The chief of these are the limitation of the power of expansion, excessive capitalization, and labor troubles. These points are more to be

emphasized in old countries. In England—we might include the whole of the United Kingdom—railways have not come up to the expectations of those who backed their faith in the possibilities of a great enterprise with hard cash. Competition, involving the multiplication of routes and the duplication of lines in empty territory, and a rush to secure business rob each other of traffic; reckless capital expenditure and frequent other troubles have been responsible for the failure of an otherwise great system from the shareholders' point of view. A pioneer railway in a new country, of course, postulates quite a different result. One should read the prospectuses of railway enterprises in a new country as carefully as one would read that of a system in an old country.

Based on Power to Tax.

Fundamentally, government and municipal securities are based on their power to tax, but railways depend upon the earning capacities of the line. Given the necessary information, the prospectus-reader may be able to judge the speculative value of the common stock, but he will need more than population and trade statistics to measure the intrinsic worth of railway bonds and debentures. He will have to survey the entire capitalization to discover the security of separate issues, and he should calculate such things as the cost per mile of line and compare it with other companies' showings. For instance, on parts of one British line the cost per mile figures out at a little under 300,000 dollars as compared with 100,000 dollars on other systems. This is important when weighing the merits of existing companies. Moreover, it frequently happens that more than one issue is secured on the same property, and that each subsequent issue is subsidiary in point of security to the one preceding.

Some railways "guarantee" their issues. In the case of a prosperous company such guarantee is good security, but it becomes of questionable worth when the company is not a profitable concern. As "Safety First" is the prime law of investment, it is preferable to require an independent guarantee from a party substantial enough to justify one's confidence.

The investor should insist upon the inclusion in a railway prospectus of the gross receipts and expenditure for at least the five preceding years, as well as the imports and exports of the country in which the line is laid. This will enable him to ascertain whether the company is progressing and whether the ratio of expenses to revenue is normal or not. He should also make a habit of demanding the fullest information likely to be of use in appraising the merits of any particular issue; and above all, he should never allow the shortness of the time the subscription lists are open to tempt him to hurry. If he cannot satisfy himself in the time given that a certain issue is the last word in investment security, he should keep his money in his pocket and wait. By so doing he may get in much cheaper later on when the premium hunters have had their fling.

COMPANY FINANCING AND LICENSING

Companies which have recently increased their capital stock are: Windsor Curling Rink Company, Limited, with Ontario charter, from \$5,000 to \$25,000; Benjamin Moore and Company, with Ontario charter, from \$80,000 to \$160,000; the Carruthers Silver Black Fox Company, Limited, with Prince Edward Island charter, from \$175,000 to \$200,000; Manitoba Engines, with Manitoba charter, from \$20,000 to \$300,000; Montreal Indoor Tennis Club, with Montreal charter, to \$40,000.

Okanagan Loan and Investment Trust Company, with head office at Kelowna, has been registered to do business in British Columbia.

The following companies have been licensed to do business in Ontario: Guiniván Shoe Company, \$40,000; the Lloyd Manufacturing Company, \$40,000.

The surrender of the charter of the Inwood Rural Telephone Company, Limited, Ontario, has been accepted.

The following companies, with Ontario charter, have changed their names: The Royal City Match Company, Limited, to Union Match Company, Limited; H. and H. Box Company, Limited, to Hardwood Specialities, Limited.

The Premier Trust Company, of Montreal, is asking parliament for two years' extension of the time in which it must go into actual operation.

DECLINE IN STOCK PRICES

For the first time since the reopening of the London Stock Exchange the London Bankers' Magazine has published a comparison of the aggregate value of 387 securities dealt in on the exchange, showing a depreciation during the past six months of £68,690,000, or 2.2 per cent. This follows a decrease for the month of July of £12,419,000, or 0.4 per cent.

The heaviest decline is shown by African mines, which fell off £4,337,000, or 9.5 per cent. British and Indian funds register a decline of £13,913,000, or 2.2 per cent.; foreign government stocks, £26,537,000, or 3.8 per cent.; British railroads, £1,444,000, or 0.6 per cent.

American securities, on the other hand, show an increase of £7,710,000, or 2.4 per cent. Comparisons with the figures for July follow:—

Aggregate value of 387 representative securities on January 20th, 1915	£3,302,019,000
Aggregate value of 387 representative securities on January 20th, 1914	3,370,709,000
Decrease	£68,690,000

The Empire Life Insurance Company will apply to parliament for an act, extending the time in which it must obtain its license to do business.