# MONEY AND MAGNATES

## SANE NVESTMENTS

### Points of a Government Bond

THE bonds of governments yield a smaller rate of interest than any other. At the same time they give the maximum of safety. The highest return from these securities is four per cent. This income is too small to be of value to the average investor, unless it be as a foundation for a miscellaneous list of investments. Financial experts in the United States assert that the credit of their country is the "highest of any nation on earth," but they must share that honour with Canada, whose credit is exceedingly good in the world's money markets. Our latest government loan, floated in London at 98, two points under the par value of 100, was absorbed to the extent of 20 per cent. by the general public. The remaining 80 per cent. was left with the underwriters. This means that they will have the responsibility of placing the balance with investors, and that is being done.

The changing appetite of the investor requiring a larger return upon his capital was a consideration which had the attention of Mr. Fielding, the former Minister of Finance. The yield of bonds to the investor has been steadily increasing over a period of years. That period almost exactly corresponds to the time in which the price of commodities has been advancing. When the income of the conservative investor can buy less than it previously did, only two courses are open to him. One is to reduce his standard of comfort. The other is to sell his high-priced bonds and look for a larger interest on something not quite so safe.

As a general rule, bonds tend to improve when the price of commodities is low, and vice versa. The credit of the particular country may almost be described as a secondary influence. While this assertion is true, it yet remains to be seen whether or not the present speculative tendency and the advancing high prices of commodities in North America are not to some extent permanent factors. There will be a swinging of the pendulum at periods, but it seems highly probable the investor will ask in future a larger yield upon his capital than hitherto.

The 3½ and 3¾ per cent. Dominion of Canada loans have, therefore, had a more difficult road to success than was previously the case. The investor is taking greater chances and learning the art of discrimination. Mr. Fielding, therefore, twice in 1909, thought to counterbalance this change by appealing to the small investor by allowing applications for amounts under £100. Of the first loan of £6,000,000, applications aggregating £19,360, and for the second loan of £6,500,000 applications aggregating £5,180 were made for bonds for amounts under £100. In both cases the £50 or $250 investment was the most popular.

We may examine with advantage the prospectus of the former loan, which was one of 3¾ per cent. bonds, a typical instance. The issue of £6,000,000 was in denominations of £10, £20, £50, £100, £500 and £1,000. The bonds were offered at 94¼. Upon application £5 was payable, about a week after £19½, five weeks later £25, in five weeks again £25, and a month later the final payment of £25. This gave the investor nearly four months to pay for his bonds. The loan was raised under the authority of a Canadian act of Parliament to meet maturing obligations, to provide funds for the construction of public works and for general purposes. The interest on the bonds was payable half-yearly on January 1st and July 1st. The principal was repayable at par ten years after the date of issue, this being a rather short term loan. The buyers of these particular bonds will have the option, until November, 1913, of converting them into 3 per cent. inscribed stock on the basis of £110 of that stock for every £100 bond. The gilt edged safety of our government bond is apparent when we know that the revenues of the Dominion are liable in respect of them.

The greater part of our government bonds are held by large institutions, such as insurance companies. The Dominion Government bonds are also included in the British Trustee List and are, therefore, among the select securities in which the British law allows trustee investments.

Canada's provincial government bonds are chiefly sold in Great Britain, although Ontario has marketed several bond issues in Canada. Last year, that provincial government invited subscriptions from the public for $1,000,000 of its bonds in denominations of $1,000. They were issued at a premium, the price being 102. A few weeks later the price was 102 and accrued interest, which is the amount of interest on a bond not yet payable, but which has accrued over a given period of time subsequent to the last regular payment. These Ontario bonds, which yield 4 per cent., were issued under legislative authority and were free from all provincial taxes, succession duty and impositions whatsoever. The loan was raised upon the credit of the consolidated revenue fund of Ontario and is chargeable thereon. We give these merely as two typical instances.

Government securities may be considered, as one financier has termed them, "the luxuries of investments." If there is no objection to low interest, nothing is safer. A ready market always exists for them and there is a constant demand among banks, insurance companies and trustees. General political and industrial conditions naturally influence their market value, but the price fluctuations are of little moment. The variations are far less than the average of other securities. Still, the average investor desires a more remunerative bond.

## On and Off the Exchange.

***Politics and Steel.***

THE steel interests expected—and with good reason—the Minister of Finance to satisfy the country of his good intentions by the appointment of a tariff commission and to then extend assistance to the iron and steel trade pending the report of the court of enquiry. Having guessed wrong the first time, the steel interests are trying again and they now expect the Minister to tell the country that the Senate having arbitrarily and without reason thwarted a scientific and impartial consideration of our tariff re-