

February 18th, 1933.

MEMORANDUM FOR THE PRINCIPAL

Being cognizant of the investment problem which confronts the University and the existing impasse brought about by the recent action of the Advisory Board, I have taken the liberty of preparing the following suggestions.

I do not feel that the present Investment Committee is in a position to give adequate time and thought to the important function of directing the investment of the University's funds. I do not believe that it is the duty of the members of our Investment Committee to scan minutely every detail of the operation of our investment account any more than it is the duty of directors to take an active interest in the details of management of a corporation. Rather should it be the function of this body to indicate the broad general lines upon which the conduct of the investment account should be based. The actual selection of securities and the times and prices at which they are bought and sold should, within limits, be left to one or two managers whose whole time and energy can be given to the supervision of the account. I think it can be fairly stated that in our situation ability to make and carry out decisions speedily is essential and it is hardly to be expected that such a condition can exist in the present circumstances.

Assuming that the foregoing recommendation is carried out it would then be necessary for the Investment Committee to decide upon a long term policy. Before any decision is made it is important that a survey of the investment problem be undertaken. The various opinions on this subject should be carefully considered and discussed. For what they may be worth I would like to set down here a few of my own observations on the question of investment management.

To my mind there are two main schools of thought regarding the conservation of funds. The first includes those who believe that funds can be placed permanently in high grade bonds with the positive