

In a general way, since 31st May last the prices of bonds in the trustee class have shown appreciable improvement and the percentage depreciation now of the items in this category is probably less than 10%. The opposite tendency is evident in the remainder of the portfolio, and there is a possibility that this trend has not yet been halted.

Based upon this preliminary survey, we are inclined to believe that much of the loss indicated in the foregoing table may prove irrecoverable. An attempt to recoup by speculative measures the losses which the University now faces may entail the risk of further depreciation in the portfolio, the end of which it would be difficult to foresee.

It is the opinion of this Committee that while the University should have as its ultimate goal an investment portfolio consisting of securities entirely in the trustee class, the Board of Governors will wish to make gradual progress towards the desired result by exchanging, if and as opportunities are presented, the various inferior issues now held for securities belonging to a higher category.

In carrying out this policy, we assume that the Board of Governors will not wish to make undue sacrifice of capital investment in those individual situations now heavily depreciated, in which little or nothing would be gained by immediate sale and from which it may be possible eventually to regain at least a portion of the loss of capital presently apparent.

We assume, furthermore, that where this Committee conclude that the balance of probabilities decisively favours such a course, it will be the desire of the Board of Governors that the Committee recommend the exchange of one speculative security for another speculative security, if the exchange is likely to result in some recovery of loss previously experienced.

With these considerations in mind, the Committee do not contemplate submitting any comprehensive plan of revision at the present time, but will study the situation and submit recommendations in those cases where it is felt that sales of securities now held and purchase of other securities will gradually improve the status of the portfolio as a whole. These studies will demand time and application and, in certain cases, it will be necessary to obtain information from confidential sources. We would respectfully point out that such data, together with the recommendations of the Committee to the Board of Governors, should be regarded as in the strictest confidence; otherwise, these sources of information will not long remain available.