

Clarkson, McDonald, Currie & Co.

Sheet No. 2

Date 10/3/32

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

1/ In the first place, I feel that the portfolio of an endowment fund such as that of the University should be almost entirely in trustee investments, where safety of income and ultimate repayment of principal are all important, with intermediate market fluctuations of very minor concern. All my remarks which follow are subject to this general statement of policy. *yes*

2/ I do not agree with the proposed plan to purchase a large amount of short term securities, but as it was decided not to proceed with this plan, I need not comment further thereon. *yes.*

I have no comment to make relative to Canadian Government bonds. With their present high yields they are very attractive investments. Possibly there is too great a percentage of the total invested in bonds maturing in less than *easily adjusted.*

3/ *note* The list of Canadian Municipal and School bonds is a very long and well diversified one and, in my opinion, is a very satisfactory class of investment for corporations such as the University, who propose to hold the bonds to maturity, but of course there is no ready market for most of them. I believe that it would perhaps be a better policy to concentrate holdings into the issues of the largest municipalities and of the schools with the strongest guarantees. The present holdings of this class comprise some 75 issues, of which over one-third are those of small municipalities and schools. In my opinion, the holders of such issues may suffer from lack of marketability, from incomplete information, from the danger of shifting population and from the possibility of extravagant or unsound direction.

I note that the bonds of Town of Ford City are in default as to interest, and from information given to me I would suggest that bonds of other towns in what are known as the "Border Cities", such as Windsor and Essex Border Utilities, should be looked into with care. *yes*

The examination of the present holdings suggests that many of them were bought from the underwriting financial houses at the time of original issue. On principle and as a general rule, I consider that new issues should only be taken up when they are those of old and tried companies, as compared with those of new companies arising from reorganizations, amalgamations and mergers, which should not be considered until the soundness of the financing has been approved. *yes*