

October 23rd, 1933.

MEMORANDUM TO THE PRINCIPAL RE THE UNIVERSITY'S INVESTMENT ACCOUNT

In order to present intelligently a recommendation for the operation of our Investment Account it is desirable to point out the weaknesses of the present methods of handling the account together with suggested remedies.

- First - In the present portfolio are included 285 securities representing 210 different governments and corporations. Present facilities make it impossible to supervise adequately such a large list. It is suggested that the number of securities should not exceed 100 at any time.
- Second - The present procedure involved in the adoption or rejection of recommendations to buy or sell securities is cumbersome and in many cases avoidable losses are incurred due to our inability to get quick and decisive action by the present methods. It is suggested that two men give their undivided attention to the account and that upon the information submitted by them a third party be given authority to reach a decision.
- Third - There is at present no definite policy regarding the composition of the investment account beyond the stipulation by the Investment Committee that not more than 25% of the investment fund should be placed in preferred and common stocks.
- It is suggested that a specific policy be formulated with regard to the composition of the investment account. This policy should define the percentages of the various types of securities which the University may hold and should also designate a definite list of investments which it would be proper to include in the portfolio.
- Fourth - At present only one man is employed in the supervision of the account which is contrary to accepted practice. It is generally held that at least two persons should carry on the work of handling a portfolio as large as that held by the University. This is necessary,-
- a. On account of the amount of work to be done to keep in touch with developments as they affect securities held;