Technical and Bibliographic Notes / Notes technique et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming are checked below.

L'Institut a microfilmé le meilleur exemplaire qu'il lui a été possible de se procurer. Les détails de cet exemplaire qui sont peut-être uniques du point de vue bibliographique, qui peuvent modifier une image reproduite, ou qui peuvent exiger une modifications dans la méthode normale de filmage sont indiqués ci-dessous.

- [ ] Coloured covers / Couverture de couleur
- [ ] Covers damaged / Couverture endommagée
- [ ] Covers restored and/or laminated / Couverture restaurée et/ou pelliculée
- [ ] Cover title missing / Le titre de couverture manque
- [ ] Coloured maps / Cartes géographiques en couleur
- [ ] Coloured ink (i.e. other than blue or black) / Encre de couleur (i.e. autre que bleue ou noire)
- [x] Coloured plates and/or illustrations / Planches et/ou illustrations en couleur
- [ ] Bound with other material / Relié avec d'autres documents
- [ ] Only edition available / Seule édition disponible
- [ ] Tight binding may cause shadows or distortion along interior margin / La reliure serrée peut causer de l'ombre ou de la distorsion le long de la marge intérieure.
- [ ] Blank leaves added during restorations may appear within the text. Whenever possible, these have been omitted from filming / Il se peut que certaines pages blanches ajoutées lors d'une restauration apparaissent dans le texte, mais, lorsque cela était possible, ces pages n'ont pas été filmées.
- [ ] Additional comments / Commentaires supplémentaires:

- [ ] Coloured pages / Pages de couleur
- [ ] Pages damaged / Pages endommagées
- [ ] Pages restored and/or laminated / Pages restaurées et/ou pelliculées
- [x] Pages discoloured, stained or foxed / Pages décolorées, tachetées ou piquées
- [ ] Pages detached / Pages détachées
- [x] Showthrough / Transparence
- [ ] Quality of print varies / Qualité inégale de l'impression
- [ ] Includes supplementary material / Comprend du matériel supplémentaire
- [ ] Pages wholly or partially obscured by errata slips, tissues, etc., have been refilmed to ensure the best possible image / Les pages totalement ou partiellement obscurcies par un feuillet d'errata, une pelure, etc., ont été filmées à nouveau de façon à obtenir la meilleure image possible.
- [ ] Opposing pages with varying colouration or discolourations are filmed twice to ensure the best possible image / Les pages s'opposant ayant des colorations variables ou des décolorations sont filmées deux fois afin d'obtenir la meilleur image possible.

This item is filmed at the reduction ratio checked below/
Ce document est filmé au taux de réduction indiqué ci-dessous.

10X	12X	14X	16X	18X	20X	22X	24X	26X	28X	30X	32X
					✓						

The copy filmed here has been reproduced thanks to the generosity of:

National Library of Canada

The images appearing here are the best quality possible considering the condition and legibility of the original copy and in keeping with the filming contract specifications.

Original copies in printed paper covers are filmed beginning with the front cover and ending on the last page with a printed or illustrated impression, or the back cover when appropriate. All other original copies are filmed beginning on the first page with a printed or illustrated impression, and ending on the last page with a printed or illustrated impression.

The last recorded frame on each microfiche shall contain the symbol → (meaning "CONTINUED"), or the symbol ▽ (meaning "END"), whichever applies.

Maps, plates, charts, etc., may be filmed at different reduction ratios. Those too large to be entirely included in one exposure are filmed beginning in the upper left hand corner, left to right and top to bottom, as many frames as required. The following diagrams illustrate the method:

L'exemplaire filmé fut reproduit grâce à la générosité de:

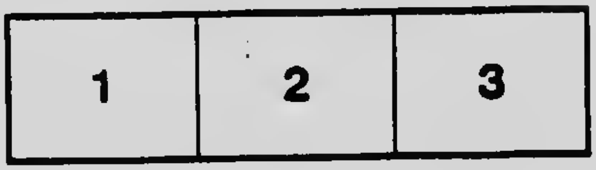
Bibliothèque nationale du Canada

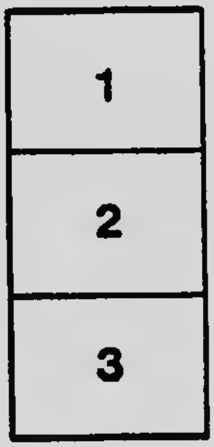
Les images suivantes ont été reproduites avec le plus grand soin, compte tenu de la condition et de la netteté de l'exemplaire filmé, et en conformité avec les conditions du contrat de filmage.

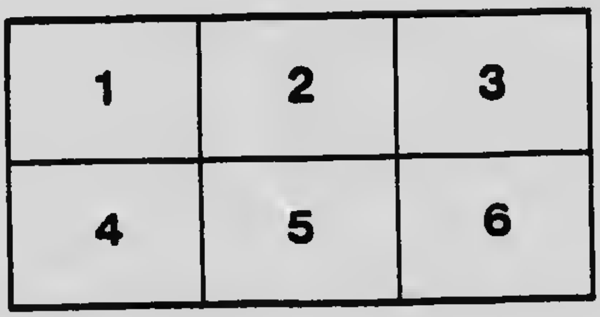
Les exemplaires originaux dont la couverture en papier est imprimée sont filmés en commençant par le premier plat et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second plat, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par la première page qui comporte une empreinte d'impression ou d'illustration et en terminant par la dernière page qui comporte une telle empreinte.

Un des symboles suivants apparaîtra sur la dernière image de chaque microfiche, selon le cas: le symbole → signifie "A SUIVRE", le symbole ▽ signifie "FIN".

Les cartes, planches, tableaux, etc., peuvent être filmés à des taux de réduction différents. Lorsque le document est trop grand pour être reproduit en un seul cliché, il est filmé à partir de l'angle supérieur gauche, de gauche à droite, et de haut en bas, en prenant le nombre d'images nécessaire. Les diagrammes suivants illustrent la méthode.

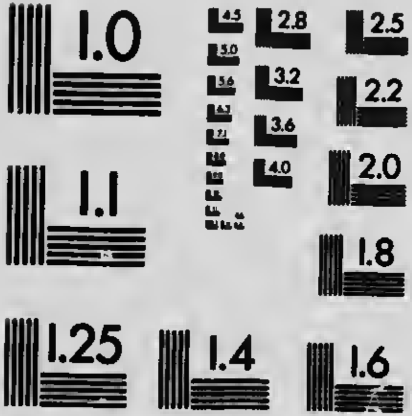






MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



APPLIED IMAGE Inc

1653 East Main Street
Rochester, New York 14609 USA
(716) 482 – 0300 – Phone
(716) 288 – 5989 – Fax

BONDS .VS MORTGAGES

A COMPARISON

BONDS

vs.

MORTGAGES

A
Comparison

d 1910

n.p.

ROYAL SECURITIES CORPORATION
LIMITED
ROYAL BANK BUILDING

HG [illegible]
B66

Bonds *vs.* Mortgages

QUITE frequently one meets investors who will consider nothing but mortgages. By "mortgages" they mean mortgages upon improved real estate, such as dwellings, office property, etc., and the arguments they advance in favor of mortgages are sound to a certain extent. Mortgages have been considered among the safest investments for centuries, and rightly. The point these investors lose sight of is, that present conditions, business and financial, prohibit large manufacturing companies from mortgaging their property for a sum well up in the millions of dollars, and placing such a mortgage with an individual investor. Business enterprises to-day need large sums of money for the development of their properties, and to further this development they are usually compelled to borrow large sums. This is done by mortgaging the property to a trustee—usually a Trust Company—and issuing bonds of different denominations against this mortgage.

The "mortgage" investor will admit that he does not buy a mortgage. What he buys is a bond secured by a mortgage. In the real estate business this bond and mortgage are very often contained in one document, but quite frequently there are two separate documents. Instead of executing one single bond for a large amount, Corporations issue a number of smaller bonds, sufficient in the aggregate to amount to the principal sum borrowed and secured by one mortgage.

Before attempting to discuss the relative values of "Bonds" and "Mortgages" for investment, it is well to consider the qualities which are characteristic of any first-class investment.

The five most essential considerations which render a security attractive in the eyes of an investor are:—

(1) Security of Principal.
(2) Security of Income.
(3) Saleability.
(4) Fair Rate of Income.
(5) Reasonable Chance of Appreciation in Value.

(1 and 2) Sufficient proof can be adduced to show that carefully-selected bonds, especially industrial bonds, are to-day quite as secure, with respect to principal and income, as any other form of investment. The enormous development in Canada during recent years has resulted in an increasing demand for the products of Canadian industries. This development has only commenced—it will surely grow for many years to come. In order to meet the demand, new companies are being formed, and existing companies reorganized or expanded. To accomplish this, additional capital is required, and is usually secured through a bond issue. These bonds are almost invariably secured by a mortgage on real estate and assets, largely in excess of the sum borrowed. Many of these reorganized companies are safeguarded against dangerous competition by the cost of establishing the business itself, and by the impossibility of duplicating the strategic position occupied by the company.

Notable examples are the:

Dominion Coal Company.
Canadian Car & Foundry Company.
Canada Cement Company.
Price Bros. & Co.

It is easy to prove that the value of the property pledged as security for the bonds of these companies is largely in excess of the ratio usually demanded as security for an ordinary mortgage, while the established earnings are large enough to enable the company to meet the interest on its bonded indebtedness many times over. The payment of interest on a mortgage usually depends on the health and success of an individual.

(3) So far as the third prominent characteristic mentioned above is concerned, viz.: saleability, bonds have a decided advantage over most other forms of investment, and certainly over mortgages.

(4) At prevailing prices, industrial bonds yield a fair rate of interest, indeed a liberal rate, considering the degree of security they offer.

(5) Most bonds of the better class are distributed over large territories—sometimes international. This, together with the fact that frequent reports of the conditions of the company are widely published, makes the bond well known among investors. It is a well known fact that investors favor a security known to themselves and their neighbours. When a person is looking for an investment he is most likely to invest in a security he knows about, either through previous investment or by information gleaned from the daily press. This buying, increasing as the bond becomes better known, is almost certain to cause an appreciation in market value. It is the simple rule of supply and demand. The same reason that impels a person to buy a bond, will cause one who already holds the bond to wish to retain it.

As an instance, the sinking fund under the Dominion Coal Company mortgage shows that the Company itself is a large buyer of its bonds, and that this buying increases in volume as the bonds become older. This buying alone is certain to cause the bonds to increase in value. A similar table might be worked out for each bond we handle, though the one given will serve to illustrate the principle as applied to all sinking fund bonds.

The arguments in favor of the purchase of bonds in general, and industrial bonds in particular, are perhaps best illustrated by a comparison of the relative advantages of industrial bonds and real estate mortgages.

Until recent years, institutions such as banks and insurance companies invested a large part of their surplus in real estate mortgages. Since industrial conditions have improved in Canada and various industries have become firmly established, financial institutions have looked with more favor upon the bonds of such companies. To-day, practically every financial institution in Canada has a considerable block of industrial bonds among its investments.

Under the influence of prosperity, investors witness the constant increase in value of all property, and naturally favor that form of investment which will appreciate in value in sympathy with the increase in value of the property on which the investment is based. This is especially true of industrial bonds. Not only does the real property of the company increase in value, but the general assets usually increase as well. The earnings to which investors must look to meet the interest payments increase with prosperity. All these conditions increase the demand for the bonds of the particular industry. Increased demand for anything—eggs or bonds—means increased prices.

Real estate mortgages do not hold out such attractions. Owing to their short duration, they do not appreciate. On the other hand, the income from mortgages never fluctuates. This is probably the strongest argument the "mortgage" investor has. Bonds, if purchased at high prices, yield less income than when purchased at lower prices. It is our business to find bonds for our customers that will not only yield a good income, but have a reasonable appreciation in market price.

To bring out the decided advantages bonds have over mortgages, we have worked out in parallel the same arguments applied to each.

In making this comparison, we have tried to maintain an unbiased attitude toward real estate mortgages. From the arguments for and against each class of investment, it will be seen that bonds certainly present the most favorable opportunities for investment.

INDUSTRIAL BONDS	MORTGAGES
SECURITY.—The security behind well-selected industrial bonds is fully as great and, in many cases, much greater than in the case of real estate mortgages. Industrial bonds are usually a floating charge upon *all* assets of the company.	SECURITY.—The security behind well-selected real estate mortgages is more capable of appraisement, yet proof is not wanting to show that the equity here is not greater than in the case of industrial bonds.
INCOME.—Industrial bonds rarely yield less than 5%—often 6%. This high rate of income is due to the fact that investors have not yet grasped the possibilities attached to an investment of this nature.	INCOME.—Except in new districts where the element of risk is greater, mortgages yield from 4% to 5%.
SALEABILITY.—As shown before, Industrial bonds are readily marketed, and at minimum expense. They are for the most part listed and dealt in on the prominent Stock Exchanges.	SALEABILITY.—Mortgages are not easily disposed of. Even if a purchaser is found there is a heavy expense attending a sale. Real estate mortgages are not listed.

AVAILABLE AS COLLATERAL.—The better grade of bonds enjoy a high degree of favor among bankers as collateral for loans, because of their ready sale. Bonds, unless registered, pass from hand to hand as readily as bank notes. A banker can easily inform himself as to the acceptability of a bond.

APPRECIATION.—Bonds, and Industrial bonds in particular, usually have a long time to run. When purchased at a fair interest-return basis they will appreciate in sympathy with the increase in value of the security behind them.

DEPRECIATION.—For the very reasons which cause bonds under normal conditions to advance when the security behind them increases, bonds usually decline when the security is impaired.

NOT AVAILABLE AS COLLATERAL.—In case of adversity the holder of a real estate mortgage will experience difficulty in raising money on the mortgage he owns, and if successful he will be put to a large expense for commission, cost of appraising the property, cost of examining the title, etc.

NO APPRECIATION.—Mortgages, owing to their short life, do not rise in value, even when the security for the loan is greatly enhanced.

DEPRECIATION.—Unless the impairment of security is great, mortgages do not have a tendency to decline under normal conditions. This is one of the few advantages of this class of investment.

ROUS & MANN, LIMITED, TORONTO