



**INVESTMENT TRUSTS
AND FUNDS**

from

**THE INVESTOR'S
POINT OF
VIEW**

By

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and

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FOREWORD

VIRTUALLY all economic problems are both public and personal. It may seem that the racketeering methods of high finance encouraged by the inflationary prosperity of the 1920's were solely personal problems for those misguided investors who foolishly bought investment trust and other securities at fantastic prices; nevertheless, the subsequent popularity of the Townsend Plan and the adoption of the Social Security Act demonstrate that the dissipation of private savings becomes a public, as well as a personal, problem. It may seem that the balancing of a Federal budget is only a public problem of little or no personal concern to the individual; but, the rising cost of living and the increasing burden of taxation are gradually driving home the realization that a public economic problem is likewise a personal one.

The primary purpose for the existence of American Institute for Economic Research is to seek the solution of economic problems. It is believed that the solution of such problems in a competitive society is dependent primarily on the scientific approach; that is, on the careful accumulation of data, on logical analysis, and on unbiased judgment. The inexorable forces of competition will force into the discard economic institutions and methods which scientific analysis shows are not what they pretend to be.

With the foregoing principles in mind, we have not attempted either to expose individuals or reform investment trust management. Our attention has been concentrated on assembling the facts, on logical analysis, and on rendering an unbiased judgment, in the belief that, once the investor has adequate information, competition will eliminate the abuses which have become so notorious in the investment trust field.

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AMERICAN INSTITUTE FOR ECONOMIC RESEARCH

THE American Institute for Economic Research is neither a political nor a commercial organization. It is entirely independent, and represents no fund nor concentrated source of wealth. No advertising of any nature will be accepted for publications of the American Institute for Economic Research.

Information and advice on controversial subjects can be really valuable only if they are from sources independent of all special interests, either commercial or political. It is the high aim of those responsible for the organization of American Institute for Economic Research that the Institute be a dependable source of valuable knowledge on economic and financial subjects.

Careful provisions insure that neither the Institute itself nor members of its Staff shall derive profit from organizations or businesses which happen to be benefited by the results of its research. Institute accounts are open to the public, and a condition of the employment of Staff members is that they shall make known to the Director all interests in and relations with commercial organizations.

The American Institute for Economic Research is continuing the important studies in the monetary field begun by E. C. Harwood several years ago. It is believed that this will supplement work now being carried on by other independent research organizations, primarily in the field of prices and production.

It is also intended to make certain practical aspects of the results of research available to the average man in a form which he can use to protect his interests. (In this connection, see page 101.) The industrious and thrifty citizen who pays the taxes is the warp and woof of our American civilization. By making available to him the truth, to the extent that knowledge, independence, and integrity can accomplish that desirable result, we hope to preserve the best that has been inherited from the past and to assist in building wisely for the future.

I. THE INVESTOR'S PROBLEM

MANY investors, doubtful of their own ability to select sound securities, have attempted to follow Oliver Wendell Holmes' sage advice ". . . put your money in trust." A few have been fortunate, but most have learned that putting their money in investment trusts has resulted in large losses, rather than the good income or the speculative profits originally expected. At first thought, it may seem that Oliver Wendell Holmes was wrong, but there is the alternative possibility that investment trusts and funds, as they have developed in this country, are for the most part something altogether different from the "trust" recommended by Dr. Holmes.

The truth of the matter is that many investment trusts have been nothing more nor less than "blind pools" which have been manipulated for the benefit of insiders who had little respect for the investor's interests. Most of the managers apparently did not regard the funds placed in their care as a trust, and they certainly did not conduct themselves in the manner of trustees. It follows that the sad experiences of investors during the past decade were a result, at least in part, of failure to follow Oliver Wendell Holmes' good advice.

It is a natural reaction for the greedy and gullible to seek someone whom they can blame for the results of their own folly. Consequently, muckrakers and reformers have found an eager audience for their exposures of the corrupt practices and outright fraud so prevalent during the investment trust era. The Securities and Exchange Commission's investigation of investment trusts has made additional information available. As a result, we now have a fairly complete catalogue of all the evils which have been discovered, but not an accurate measure of the folly and greed evidenced by investors who were too ready to believe that they could get something for nothing.

This does not imply that the muckraking articles should never have been written, and that the investigations should not have been made. It is highly desirable that every form in which the cupidity of man has found expression should be exhibited for the benefit and instruction of the general public. However, we have not found these revelations surprising, and consider them no more shocking than similar revelations which might be made regarding many men in other walks of life. Neither the Securities and Exchange Commission, nor Congress, nor any other agency, public or private, can eliminate dishonest men and practices from the national life.

We are convinced that the individual investor's only hope for proper care of his money lies in an intelligent selection of the medium and the men used. Laws can perhaps prescribe the medium, but they can never select the men. Only the investor himself, or able advisors independent of the financial and commercial interests involved, can be depended on for this purpose.

Of course, in order to select a suitable medium, that is, an investment trust or fund with satisfactory trust agreement provisions, it is necessary to know the principal defects which have been discovered in the provisions supposed to have governed the actions of investment trust officers and directors. Even men of high reputation should not be intrusted with funds for use in accordance with provisions which invite the trustee to seek profits for himself at the investor's expense.

Unwise Trust Provisions

In order to illustrate the types of provisions which will probably lead to difficulties, specific examples from investment trust agreements, charters, or by-laws in use during the past ten years have been selected. The names of the organizations concerned are not given because it is the principle involved, rather than the organization, which it is desired to emphasize. (Our opinions regarding the suitability of most investment trusts in this country are given in a separate section.)

It is of course quite proper to give the officers and directors or trustees the broadest possible field for the selection of invest-

ments. However, the investor should realize that his funds may be used for speculations involving a maximum of risk if a trust provision such as the following is included:

“They may invest the trust fund at their discretion, it being the intention to give them the utmost freedom in the choice of investments.”

Certainly, no investor with this plain warning before him should complain if securities involving grave risks are purchased by the trustees.

The trust agreement from which the extract given in the preceding paragraph was taken continues as follows:

“No investment or reinvestment shall be deemed improper because of its speculative character or because a greater proportion of the trust is invested therein than is usual for trustees or by reason of any interest, direct or indirect, which any trustee, either individually or in any representative or fiduciary capacity, may have therein, or by reason of any profit which they or any of them may make therefrom. . . . Any trustee may buy from the trust and sell to others, any shares, debentures and obligations of the trust, in all respects as if no fiduciary relation existed, and no such transaction shall be considered improper whether or not any profit is received.”

This is much more than leaving the barn door unlocked. It is virtually an invitation to take advantage of the situation. Furthermore, it assures those in a position to profit by the opportunity that no one will think any the worse of them if they grasp the advantage offered and seek personal profits at the investors' expense.

It may seem incredible that anyone who can read English would intrust his funds to a group of trustees or directors governed by such provisions. However, many investors did so, and although large losses were incurred, the trustees actually failed to take full advantage of the profit possibilities provided them.

Another type of provision which is apt to prove dangerous is illustrated by the following:

" . . . [the corporation is authorized to] buy, sell, hold and exchange securities, participate in syndicates, underwriting, etc., and control, manage and operate business enterprises."

Under the broad powers thus granted, the investment trust involved is free to do almost everything from buying securities issued by itself as an underwriter, to operating a chain of peanut stands, if the officers and directors believe that to be desirable.

Investing a large fund is a difficult problem. Unusually comprehensive knowledge of economic conditions and an objective viewpoint toward different kinds of businesses are essential to success. It follows that an investment trust management which becomes involved in the detailed operation of particular business enterprises is in danger of losing both the broader viewpoint and the unbiased or objective approach to the primary problem of successful investing. The investor who places his money in this kind of a trust will probably discover, after a few years, that he is part owner of nothing more than several defunct business enterprises.

Another provision which is dangerous from the investor's point of view is the following:

" . . . Corporation may underwrite security issues, and assist both financially and technically, in the organization and development of new companies."

This authorizes the officers and directors to operate in a field which has always been noteworthy for the high percentage of losses involved. It is perhaps not quite so bad as a provision which was found in the charter of one of the South Sea Bubble companies, "for carrying on an undertaking of great advantage, but nobody to know what it is", but it opens the door to equally disastrous results.

In the case of another investment trust, the organizers apparently foresaw that they might wish to take advantage of their positions as officers and directors, and therefore inserted the following provision in the agreement:

"For the protection of the directors and officers they are given broad powers of voting and dealing without liability to account, with concerns and with respect to matters in which they may have a personal interest."

It is only to be expected that most individuals capable of serving as officers and directors or as trustees of an investment trust will have personal interests in other businesses. However, it is dangerous for the investor to give them his money with the definite understanding that anything they may do with respect to their personal interests, even though it be taking large profits at his expense, may be done in secret and without any responsibility on their part to explain or account for their conduct. Investors who place their money in such a trust should expect only the losses which they are virtually certain to suffer.

Another type of provision which makes it especially easy for insiders to manipulate the investor's funds against his interests is that which places voting control of the organization in a relatively small proportion of the shares outstanding. For example, in one instance, of two million shares, only one hundred thousand carried the voting privilege; and these were all held by one interest. Another trust had assets of nearly \$12,000,000 controlled by class B stock which cost the management approximately \$30,000. Another trust, with assets of approximately \$25,000,000, was controlled by a brokerage firm which had invested only \$500,000.

Minority Control

The evils which may result from provisions which make possible control by a small minority of those whose funds are involved are illustrated by the following specific examples:

Case 1. Two million shares were issued, of which one million, nine hundred thousand had no voting privilege and were offered at \$27 per share; whereas one hundred thousand shares carried the voting privilege, and were offered at \$25 per share. The total investment therefore was presumably \$53,800,000. The organizing agent acquired all of the voting stock, and issued a statement, before any investments were made, showing assets of

\$50,000,000 and a capitalization consisting of two million shares of stock. Apparently the difference of \$3,800,000 was used for organization expenses. Obviously, this was sufficient to pay in full for the voting stock and leave the organizers \$1,300,000 in addition.

Case 2. This example is a long and involved story of successive write-ups in the offering values of stocks issued to insiders at much lower prices. The insiders and "friendly interests" of course had the advantage of voting control, and were thereby enabled to pyramid an original cash investment of slightly more than \$3,000 to the astounding total of more than \$100,000,000. One of the successive issues offered to the public was marketed at \$60 in September, 1929, but was worth only 25 cents a share during the early part of 1935.

Case 3. A brokerage firm organized a so-called investment trust, and, as was previously mentioned, acquired control through the investment of approximately \$500,000. The partners of the firm paid themselves nearly \$2,000,000 in commissions for selling the rest of the stock to the public.

Unwise provisions permitting personal transactions between trustees or officers and directors and the trust fund have likewise encouraged action against the investors' interests. One brokerage firm which had organized an investment trust obtained a loan of \$1,500,000 from the trust less than a month before the firm itself failed. In another instance, a large investment trust which at one time had assets worth nearly \$120,000,000 invested nearly half of its funds in securities with which the managing interests were directly concerned, either as bankers or otherwise. The results were disastrous, from the viewpoint of the investor.

Any provision authorizing participation in syndicates and underwritings may likewise prove dangerous. The specific examples which might be mentioned are both numerous and convincing. In any number of instances, the underwriting or syndicate relationship made it possible for individual officers and directors or trustees to take for themselves any profits which the sale of new securities made possible, and to leave for the investment trust any losses which were suffered.

The Problem

Although the foregoing discussion does not deal with all the provisions of a trust agreement or charter which might prove unwise from the investor's point of view, it does indicate the general nature of the problem. Obviously, there are two vital factors to be considered by those who would "put their money in trust." The first is the trust agreement, and the second is the management chosen to serve in accordance with the agreement's provisions.

Perhaps the simplest method of studying the trust agreements, charter provisions, and by-laws of the various investment trusts available to the investor is to outline what may be called an ideal investment trust, and compare any particular organization under consideration with this ideal. Of course, it will also be necessary to study each agreement or by-laws in order to be sure that unwise provisions have not been included. We believe, not that it is possible to control dishonest men by means of a sound trust agreement, but that it is unwise to put one's faith in honest men unless they are guided and controlled by suitable instructions. In order to deal with this aspect of the problem adequately, a section of the booklet is devoted to it.

Determining the suitability of the individual trustees or officers and directors is difficult. However, there are two useful criteria available. The first is their record of success or failure as reflected in the care of the fund over a period of years, or their handling of similar responsibilities. The second is a knowledge of their other business affiliations and related responsibilities. This knowledge makes it possible to judge whether their other interests will probably divert their attention from successful administration of the fund, or influence them to act adversely to the investor's interests. In a later section of the book, these criteria are applied to the personnel of selected investment trusts and funds, with a view to determining the organizations which seem to be the best from the investor's point of view.

II. EARLY DEVELOPMENT, BRITISH TRUSTS

PROBABLY, the Société Générale de Belgique, organized by King William of the Netherlands in August, 1822, was the first investment trust. Its original name was *Allgemeene Nederlandsche Maatschappij*; but when Belgium was separated from the Netherlands, the organization's name was changed to the *Société des Pays Bas*, and more recently the present title was adopted. The original purpose of this investment trust was to make it possible for individuals to invest in foreign government loans, which at that time offered the greatest security and a tempting return.

As the Société Générale de Belgique grew, it expanded by adding to its portfolio securities representing coal, iron, and other industries, thereby diversifying its investments. However, it likewise increased its holdings of individual securities to such an extent that it gradually became a holding company. Substantial, and in many cases controlling, interests were acquired in various railway, engineering, mining, electrical, textile, and banking concerns.

During 1934 and 1935, new bank laws were passed in Belgium which forced the Société Générale de Belgique to become more nearly the investment trust it was originally. On January 1, 1935, the company gave up its banking activities, but inasmuch as it has retained control of many companies, it can hardly be called an ideal investment trust.

Two other companies are included in the early investment trust history of Continental Europe. The first was organized at Geneva in 1849 for the purpose of handling the investment properties of the private bankers who sponsored it. The second was a French company known as the *Credit Mobilier*, which was organized in 1852. Neither was important except from the historical point of view, because they soon disappeared.

In spite of these early beginnings, there never were many investment trusts formed by Continental Europeans. Moody's Manual for 1938 lists only one such company, the South Italian Railways Company, Inc. This was originally organized under the provisions of Italian laws on November 2, 1862 to acquire railway concessions from the Italian Government; but in 1906, the lines were taken by the Government in exchange for annuities, which the trust now invests in various public undertakings. Of course, other investment companies were formed in Europe, among them some fixed trusts; but they are either of no importance, or have passed out of existence.

It is not surprising that the development of investment trusts has been retarded on the Continent of Europe. In the first place, economic conditions have not been favorable, because wealth was not generally distributed and savings were relatively small. Furthermore, in some of the European countries, France in particular, the law made it difficult to create investment trusts. Of course, it is possible that they would not have found favor with the small French investor anyway, because he is widely known as an ultra-conservative.

There were a few Continental European trusts other than those already mentioned. Two in particular, organized in 1906 and 1907 by the Directors of the Zentralbank in Berne, Switzerland, were used as a dumping ground for undesirable investments shortly after their formation. Other investment trusts organized by some of the larger banks usually operated in such a manner as to further the latter's interests, and were more in the nature of financial and promotional enterprises. They undertook far greater risks than an investment trust should ordinarily assume. As a general rule, the Continental European trusts were poorly managed because of both ignorance and cupidity, and many were little better than fraudulent from the beginning.

British History

Investment trust development began in Great Britain about 1860 as the result of conditions which had not existed to a marked degree in any other country prior to that time. For ob-

vious reasons, this type of organization is practicable only in those countries where wealth has accumulated and the inhabitants have money savings to invest. In addition to the great wealth which naturally comes to a country controlling an extensive colonial empire, Great Britain was the first to experience the Industrial Revolution which brought a new prosperity based on manufacture and trade. The surplus funds of the rapidly growing business class were first used to supply the home demand for capital, but it soon became necessary for investors to look elsewhere for the most profitable employment of their funds. This outward movement of capital was encouraged by the diminishing return on British Consols.

Although it was possible to secure higher rates of return abroad, the risk was correspondingly greater. British investors had not forgotten the South Sea Bubble companies of the early 1700's. They realized that skilled management and diversification were essential in order to offset the inevitable losses in some ventures by profits in others. Consequently, the early British investment trusts were adopted primarily as a means of safeguarding funds used for foreign investments.

Two of the earliest trusts organized (1863) were the London Financial Association and the International Financial Society. They devoted their funds primarily to railroad loans which were secured by various issues deposited as collateral. Unfortunately, many of the deposited securities ultimately proved to be both unmarketable and nearly worthless, and these trusts were failures.

Benefiting by the mistakes of its predecessors, the Foreign and Colonial Government Trust was organized in 1865, with diversification of holdings as one of its principal objectives. The five trustees sought broad geographic diversification by purchasing eighteen different security issues of various foreign countries. Inasmuch as the trust's capital consisted of ten thousand shares of one hundred pounds each, the total investments were approximately one million pounds. An average yield of eight per cent from the securities acquired by the trust made it possible to pay a six per cent dividend. This trust's purpose and method of operation are summarized in the following extract:

"The object of this trust is to give the investor of moderate means the same advantages as the large capitalist in diminishing the risk of investing in foreign and colonial government stocks and reserving a portion of the extra interest as a sinking fund to pay off the original capital."

During the two decades following 1863, investment trusts became an accepted investment medium. Their portfolios were broadened to include government bonds, railroad securities, utility securities, and land mortgages. Increasing attention was given to careful management, with the result that proper diversification of investments and expert supervision became the rule, rather than the exception. Under the provisions of the Companies Act of 1862, many of the investment trusts were organized as limited liability companies, frequently with two classes of stocks, or both stocks and debentures. On the whole, this was a period of orderly development, and most of the investment trusts were reasonably successful.

During this period of gradual development, several of the investment trusts organized undertook other functions than those directly connected with the investment of their funds. These activities included acting as trustees or executors; operating safe deposit vaults available to the public; guaranteeing the payment of obligations; and promotional and syndicating operations, even including the sale of securities on a commission basis.

In 1880, the rate of interest paid on Consols was reduced, and a further reduction was made in 1889. In its search for a better return, British capital flowed to other lands where higher interest rates were available. Inasmuch as they were the logical media for foreign investment, the investment trusts enjoyed great popularity. In 1886, there were only twelve investment trusts entered at the London Stock Exchange, although there were probably many more in existence at that time; but two years later, there were thirty-six companies entered.

During these years, business conditions were good and security prices in general were moving upward. The funds available to the new investment trusts accentuated the upward trend

of security prices, with the result that it became difficult to obtain securities which were both good and cheap. The pressure of funds for investment was such that many second-grade issues and unlisted securities were purchased by investment trust managers. As might have been expected, this frequently resulted in unbalanced portfolios. For example, in October, 1889, nearly one-third of the investments of eight principal London trusts were securities of South American states.

As always happens during a period of easy money and rapid expansion, mushroom growth and unsound financial practices went hand-in-hand. Cash dividends were paid without making allowances for capital depreciation, and stockholders were not informed regarding the details of investments. Sound principles of diversification were abandoned, reserves were dissipated, overhead was frequently high, and organizers' profits were usually excessive. Many investment trusts were used as pawns by those who controlled them, and in some instances new trusts were created for no other reason than to relieve old trusts of the burden of undesirable securities, or to shift a similar burden from the shoulders of the organizers.

In 1890, the troubles of the investment trusts began. Conditions in Argentina had been steadily growing worse as the result of the unsound banking schemes sponsored by its government. When a revolution began in July, the market for South American securities collapsed. The Baring Panic occurred during the same year, and the two disasters combined caused the failure of many investment trusts. Even the stronger and better companies suffered heavy losses. Before any recovery had occurred, the panic of 1893 in the United States caused heavy liquidation and a catastrophic fall in prices of American securities, which had been included in many of the trust portfolios.

The depression of the early 1890's revealed many weaknesses and abuses of the investment trusts. Most of them were handicapped by portfolios which included unmarketable securities purchased at excessively high prices. Only the almost complete absence of funded indebtedness enabled most of the invest-

ment trusts to avoid bankruptcy. Many were forced to reduce or eliminate dividends, and some were either reorganized or liquidated. However, there were no failures among the leading companies.

The difficulties encountered by investment trusts as a result of the unwise practices which had flourished during the prosperity of the 1880's were followed by drastic changes in policy. Careful diversification, both geographically and as to type of security, replaced the heavy concentration in particular classes of issues. Capital gains were placed in reserve accounts to offset actual or possible losses, in contrast with the earlier practice of regarding capital gains as income to be distributed even when not actually realized. Auditors became more exacting in their requirements, and clearer reports were sent to investors. Finally, it was recognized that promotional activities, financing new companies, and similar operations, should not be undertaken by investment trusts.

Comparatively few companies were organized during the two decades following 1895. However, conditions were for the most part favorable, and a few important groups of trusts were formed during these years. By the sale of perpetual bonds and preferred stock, some of the investment trusts borrowed capital at very low rates. Securities were available at reasonable prices, and the American railroads in particular became very popular with British investment trusts prior to the World War.

Of course, the World War was a severe shock to the investment trusts. One in particular which had specialized in Russian securities lost heavily through the collapse of the Czarist government. However, the prosperity in the United States made it possible for many other British investment trusts to offset their European losses by taking profits on some of their American securities.

Beginning about 1922, immediately after the post-war depression, British investment trusts enjoyed a greater prosperity and broadened their investment policies. Earnings increased rapidly. Existing groups of trusts expanded, and many new ones were organized. The magnitude of these operations is reflected in the

following yearly totals of capital issues, published by The Economist.*

TABLE I
New British Investment Trust Issues
(in pounds)

1923	4,630,000
1924	8,314,000
1925	10,799,000
1926	15,310,000
1927	14,949,000
1928	31,450,000

During the decade of the 1920's, British funds trended away from United States investments to the colonial enterprises and South America. The American income tax probably was an important influence; but it is possible that the leaders of British business had a more intimate knowledge of those parts of the world where British industries were leading in the new developments, and this no doubt influenced the direction of the British capital flow. Within the past few years, this trend has been reversed with the result that investments in United States securities are becoming a larger proportion of the leading British trust's portfolios.

During the early part of the 1929-1932 world-wide depression, the British investment trusts were able to offset losses on securities by charges to their large accumulated reserves. Furthermore, their holdings of bonds were relatively large. However, by 1932, market values were generally lower than conservative book values. This was indeed an unusual situation for the British trusts, because they had for years been writing down the book value of investments, using for that purpose profits realized from the sale of other securities. The two principal factors responsible for the British trusts' depression difficulties warrant more detailed consideration.

One of the important difficulties with which they were faced was the deterioration of foreign investments. Many such securi-

* The Economist, January 5, 1929.

ties became unmarketable during the depression years, and the few sales of them which occurred were at ruinous prices, from the viewpoint of the British investment trusts. This situation was complicated by the fluctuating exchange rates, with the result that the British investment trusts might have weathered the depression better if their portfolios had included only British and sterling securities. However, it is probably unwise to base long run policies on the temporary experiences of such a severe depression.

The other factor which caused difficulties was the "high gearage", or leverage, inherent in the capitalization of some of the investment trusts. Of course, while business was prosperous and stock markets throughout the world were buoyant, leverage had a highly favorable influence on the prices of investment trusts' common stocks. Provided the assets are appropriately arranged to balance the capitalization, "gearage," or leverage, is not an objectionable feature of an investment trust security. However, with common stock ratios as low as twenty to twenty-five per cent, as was the case in some of the Scottish companies, even a minor depression could cause serious difficulties.

In spite of the unusual and far reaching business disasters precipitated by the depression, all but a few of the British trusts continued to earn and pay dividends or interest on their preferred stocks and debentures. In fact, many of the trusts continued to pay dividends, albeit at reduced rates, on their common shares. There was of course marked improvement from 1933 through 1936, especially because many of the trusts have been able to issue debentures bearing a three and one-half per cent interest rate at par or even higher. It is obvious that the British investment trusts have retained their popularity with the investing public of England.

British investment trust reports for 1937, however, reveal the effects of the depression which began in that year. Although many companies reported larger earned incomes during 1937, the market values of the trusts' portfolios on December 31, 1937, where given, frequently reflected substantial declines from book values. Companies reporting on the basis of a fiscal year ending during the early part of 1938 revealed even larger discrepancies

between market and book values. British investment trust managers found themselves in a new depression without the benefit of such large hidden reserves as had been accumulated prior to the 1929-1932 depression.

An important characteristic of British investment trust development is group management. Five million pounds is considered the desirable maximum size of an individual trust, and the large majority now in existence are somewhat smaller. Experience has indicated that the affairs of the trust can be handled best if the size is limited.

Trust managers have followed the practice of creating new companies at favorable times rather than concentrating on the further expansion of one investment trust. This has resulted in several groups of companies, both in England and in Scotland, each company within a particular group having the same directorate as the others. There may be as many as ten or twelve trusts under the control of one management. All the units of a group are usually operated from the same office, a method which considerably reduces the cost of doing business for each company.

Before leaving this discussion of British investment trusts, two special types should be given brief consideration. The first is the cooperative investment trust, which was first introduced in 1924. In that year, The First Cooperative Investment Trust, Limited, and The Second Cooperative Investment Trust, Limited, were formed. The third of the series was organized in 1927, followed by a fourth in 1928. All of these trusts have the same directors. The essential difference between these trusts and the older established companies is that the Cooperative Investment Trust was intended to assist the man of small means. To that end, these new trusts were organized under the same laws as other cooperative enterprises, and the holdings of a single investor were limited to not more than two hundred pounds par value of the shares representing any one trust.

Because the dividends paid to shareholders were exempt from the British Income Tax, these cooperative investment trusts quickly became popular. However, they have been generally criticized for paying in the form of dividends practically all income received. Little or no provision has been made for reserves.

The record of these trusts has not been good. As of July 31, 1932, the portfolio of The First Cooperative Investment Trust, Limited, had depreciated fifty-five per cent, and the suggestion was made that immediate reorganization or writing down of the capital was in order. The early policy of distributing large dividends without providing for reserves has now been abandoned, and the investments have been changed in order to avoid high yield, speculative securities.

The second special type is the fixed, or unit, trust. In this respect, British history closely parallels the development which occurred in the United States during the past few years. The first company of this type was organized in England more than sixty years ago. It was known as the Submarine Cables' Trust, and its portfolio was confined, for the most part, to telegraph company shares. In 1872, a second trust of this general character was organized. It was called the Government & Guaranteed Permanent Trust, but the management was given power to vary its investments in foreign bonds.

In April, 1931, the first modern British fixed trust made its appearance. Its portfolio included twenty-four different ordinary (common) stocks, against which some two thousand certificates were issued. The maximum life of this trust was supposed to be twenty years. Unlike some of the American trusts, an element of flexibility was introduced, inasmuch as the promoters were authorized to sell or retain any of the underlying securities when and if certain contingencies arose, as specified in the trust agreement.

In 1932, a second fixed trust was organized under the sponsorship of those who had organized the first company. This type of investment trust became popular nearly a year later. Five were organized in 1933, twenty-four in 1934, twenty-one in 1935, sixteen in 1936, and seven in 1937. Early in 1938, there were seventy-nine unit, or fixed trusts in Great Britain. In the case of fifty-two of them, the managers or trustees had only very limited powers of substitution; whereas, twenty-seven were more flexible, inasmuch as the directors were authorized to change the underlying securities, either by substitution from an approved list, or by selection from the security markets of the world. Only fifty-three of the seventy-nine are still selling certificates.

Probably two factors were largely responsible for the recent popularity of the fixed trust in Great Britain. The first was the desire of investors to have a liquid investment. (The shares are convertible into cash through the sale of the underlying issues, whereas the stocks of the various British investment trusts have never had an especially good market on the London Stock Exchange.) Probably the second factor was the desire of many investors to share in the new British industrial prosperity. The existing management trusts had in many instances acquired such large holdings of foreign issues that their securities failed to reflect the improvement in the British situation.

In spite of their popularity with the public, the fixed trusts had influential opposition almost from the beginning. The Economist has repeatedly warned against the dangers of eliminating management and of specializing in certain industries, such as gold mining, as was the practice with many of these trusts. The results obtained by an imaginary fixed trust, begun in 1912, were presented for the enlightenment of investors. This theoretical company was assumed to have acquired thirty securities, of which eleven had been dropped prior to 1930 because of failure to pay dividends, or for other reasons. There was a depreciation of fifty-seven per cent during the two decades, and the average return during the entire period was only three and one-half per cent in the form of income, and substantially less as the result of capital distribution. The conditions of this imaginary trust grew progressively worse, and give a startling illustration of the errors involved in assumptions frequently made regarding fixed trusts.

The criticism of outstanding authorities resulted in a gradual change in the provisions governing the fixed trust. At first, the power of substituting one security for another in the event of specified contingencies, such as failure to pay dividends, was added. This power was enlarged by later trusts to include the selection of substitute issues from an approved list. Finally, reinvestment virtually without restriction was permitted in certain classes of stock exchange securities. By March, 1936, nearly all of the new unit trusts had adopted the flexible form. Because of this evolution from a rigid investment policy to one involving

comprehensive flexibility, the term "unit trust" is no longer synonymous with "fixed trust." Unit investment trusts may now be either "fixed" or "flexible."

In the marketing of British investment trust securities, advertising was a recent development. At first, the methods used were fully as objectionable as those adopted in the United States. The familiar trick of "jobbing backwards" was used. (This consists of showing the prospective investor that if the securities held in the fixed trust portfolio had been purchased ten or twenty years earlier, the principal and income would have enormously increased.) There has also been a tendency for loading charges to be high, and too large a proportion of them has been spent for organization and selling, with the result that insufficient funds have been left for future management and clerical expenses to insure proper handling of the fund. In some cases, advertising emphasized immediate income yield, and the high-yielding shares of companies such as gold mines with a relatively short life were included in the portfolio in order to increase the returns.

Conclusions

The experience of the British management investment trusts serves as a useful guide to the puzzled investor. It is obvious that success can be expected only when good management is encouraged and guided by suitable provisions in the trust agreement or corporation by-laws. The obvious lessons are that powers granted the trustees or directors must be sufficiently broad so that the management is not hampered in its proper administration of the fund, but restrictions must be included which will guard against the more obvious abuses. The selection of management personnel is of course a vital part of the problem, and sound principles of investment must be followed. Because they have learned these lessons, the British trusts have set the pace.

III. AMERICAN TRUSTS AND FUNDS

THE pioneer investment trust in the United States was the United States Mortgage Company, organized in 1871.

Originally, as its name implies, the company confined its activities to mortgage loans, made for the most part in Western and Southern cities. The mortgages securing the loans were deposited with an independent trustee, and the United States Mortgage Company issued its own long-term obligations secured by them.

The company had no banking or trust powers at first, but on February 23, 1895 its name was changed to United States Mortgage and Trust Company, and expansion in the banking field was undertaken. Various new departments were developed which handled banking, foreign credit, mortgage, trust, investment service, and related financial operations. Of course, the investment trust classification no longer applied. In 1929, the company was merged with the newly organized Chemical Bank & Trust Company.

Probably the oldest American investment trust still in existence is the Boston Personal Property Trust, which was organized in 1893. This voluntary trust was formed primarily to deal in obligations secured by real estate. There are five trustees, who have full power and discretion in the management of the trust.

Only a few investment trusts were organized prior to 1921. It would be difficult, if not impossible, to compile a complete list; but the more important ones were the following: (*)

- 1889 New York Stock Trust
- 1893 Boston Personal Property Trust
- 1904 Railway and Light Securities Company
- 1907 Alexander Fund
- 1914 American Investment Company

* "American Investment Trusts", by John Francis Fowler

- 1916 First Investment Company
- 1917 Commercial Finance Corporation
- 1918 Mutual Finance Corporation
- 1919 Pennsylvania Investing Company
- 1920 Overseas Securities Corporation
- 1921 Bank Investors Trust

The Alexander Fund, organized in 1907 by W. Wallace Alexander of Philadelphia, merits more detailed discussion because of the unique plan involved. Its method of operation was borrowed from the building and loan association idea, a type of investment organization which has proved popular in Pennsylvania. Like the building and loan association shares, the Alexander Fund certificates are issued in series twice annually, on May 1 and November 1.

Dividends have been paid on the trust shares since the beginning of the Fund. As each series is created, a rate of six per cent is established on the new unit, which has a par value of \$100. When its value has increased to \$115, the dividend is increased to seven per cent, and successive increases are made as the value of the unit rises. The company has grown substantially, and has made a sufficiently good record to attract many investors, without extensive advertising or other forms of solicitation.

One result of the World War was a change in the status of the United States from a debtor to a creditor nation. Inasmuch as the logical result of this change would be to force the export of capital from this country, proposals were made that investment trusts be organized to facilitate foreign investments. Mr. Paul M. Warburg, a trained international banker and at one time Vice-Chairman of the Federal Reserve Board, urged the formation of an investment trust for such purposes. He argued that it would hasten the development of a foreign securities market in this country, and lead to a better understanding of the opportunities for capital in foreign fields. Mr. Leopold Frederick, former Treasurer of American Smelting and Refining Company, joined Mr. Warburg in advocating the formation of investment trusts to aid foreign trade. A billion dollar investment trust was contemplated for the purpose of stabilizing exchange and aiding the American

investor and exporter. It was expected that the Government would have an important influence in the affairs of the organization.

As the result of these proposals and agitation extending over a period of several months, the Edge Act was passed by Congress, December 24, 1919. This Act was an amendment to the Federal Reserve Act; and the companies to be created under it were to operate along the lines of the British investment trusts, but under the control of the Federal Reserve Board. Those interested felt that, although American investors might be unwilling to purchase foreign securities, they would buy the issues of a corporation legally founded by the United States Government, in spite of the fact that the assets of the corporation consisted of foreign stocks and bonds.

The Edge Act did not produce the results anticipated, however. Few trusts have been organized under its provisions, and none of them have been successful. The last company formed under the provisions of the Act was the First Federal Foreign Investment Trust, which began operations in 1926. It was changed to a finance company in 1928, and its name became the First Federal Foreign Banking Corporation. Liquidation of its affairs began in April, 1933, after control had passed to Bush Service Corporation, a subsidiary of Bush Terminal Company.

Although the circumstances seemed propitious, the efforts to promote investment trusts in order to facilitate foreign investments failed. For obscure reasons which even today are not fully understood, the conditions which encouraged British investment trusts did not encourage a like development here. Investment trusts in the United States had to await the boom decade to find ready acceptance on the part of the American investor.

The Boom Decade Development

Many Americans had their first experience with investments during the World War. The wide distribution of Liberty Bonds reached hundreds of thousands of individuals who had theretofore confined their investments to deposits in the savings banks, or to hoarded cash. The gradual operation of the Government debt retirement program placed cash in the hands of a substantial por-

tion of these war-time investors, and it was only natural for some of them to look for other securities in which to invest their funds.

Perhaps other factors were even more important in accelerating the development of the American investment trust. During the decade of the 1920's, prosperity as the result of the gradual inflation during that period gave many individuals higher money incomes than they had ever before experienced or even hoped for. The bull market in common stocks, financed by inflationary credit expansion, served as a magnet to attract the surplus funds of novice investors.

The period of intensive development began with the organization of International Securities Trust of America in the spring of 1921. This was a Massachusetts voluntary trust, and for several years it was the largest investment trust in the United States. Growth during the first few months was slow; but by the end of 1923, total resources were \$400,000, and rapid growth continued until the depression. The capital structure was unfortunately made rather complicated, and at one time during its growth there were three different kinds of preferred stock, as well as two classes of common. However, because of its early start and its substantial development, the International Securities Corporation of America (as its name finally became) provided an example which many of the later American investment trust organizations followed.

Shortly after the formation of International Securities Trust, the bankers shares companies were organized. These companies were the forerunners of what is now known as the fixed investment trust. The method of operation was as follows: Certain securities were deposited in the hands of a bank or trust company which acted as a trustee, and shares or certificates evidencing part ownership in those securities were issued to the public. The Cities Service Company is one of the earliest examples of the use of the bankers shares idea, although it had no connection with the investment trust movement. Thirty thousand shares of Cities Service Company common stock were deposited with the Bankers Trust Company of New York in 1919; and three hundred thousand non-voting bankers shares, representing ownership of the original thirty thousand shares were offered to the public.

Although Cities Service Company was one of the first to make use of the bankers shares principle, the United Bankers Oil Company, sponsored by Throckmorton and Company, was the first bankers share company which might be considered an investment trust. The certificates in this instance were secured by stocks of the various Standard Oil companies, and were first offered to the public in early 1924. After a few years of operation, however, this trust was abandoned (1926), presumably because of the small return available to the trustee.

In July, 1924, an international syndicate was organized to offer bankers shares of United American Chain Stores, Inc. at \$16.25 each in units of five, ten, twenty-five, fifty, and one hundred shares. The certificates were secured by deposited stocks of fourteen leading chain store companies, including the Great Atlantic and Pacific Tea Company, Childs, May Department Stores Company, and others. The sponsors of this trust, Bonner, Brooks and Company of New York, organized two others at about the same time: United American Electric Companies, and United American Railways. The Empire Trustee Company, as trustee, announced on March 25, 1926, that it was discontinuing all three of these bankers shares corporations, primarily because of the small returns.

One of the early trusts of this type ran afoul of the law. Its certificates were issued to represent ownership of Ford Motor Company of Canada stock in the ratio of 100 bankers shares for each share of Ford Company stock. A large spread prevailed between the sales price of the bankers shares and the market price of the underlying securities. Whereas the former were sold at prices ranging from \$650 to \$750, the market price of the Ford Motor Company of Canada stock was fluctuating between \$491 and \$524. In their sales efforts, the sponsors of this trust apparently used the Ford name without authority, and the courts stopped the sale of certificates in April, 1925. An attempt was made in November, 1927, to revive the plan, but the promoter was prosecuted for using the mails in furtherance of a fraudulent scheme.

The American Trustee Shares Corporation was one of the earlier promoters of bankers shares companies. Its activities have

been centered in the offerings of Diversified Trustee Shares. Four series have been issued, but only one is still being offered to the public.

Beginning in 1924, the investment trust movement rapidly gained momentum. In that year alone, as many investment trusts were organized as had been formed prior thereto. Approximately \$75,000,000 was invested in trusts during that year. It is estimated that this was four or five times as much as had been invested in American organizations which could properly be called investment trusts, prior to that time.

New investment trusts were being organized so rapidly that various authorities became apprehensive. The New York Stock Exchange thought it desirable to comment on the situation in July, 1924, when the following resolution was passed:

"RESOLVED, That participation by a member of the Exchange or Stock Exchange firm in the formation or management of investment trust corporations or similar organizations which, in the opinion of the Governing Committee, involve features which do not properly protect the interests of investors therein may be held to be an act detrimental to the interest or welfare of the Exchange."

It is possible that the anxiety of Stock Exchange members was in part attributable to their fear of a reduction in the available supply of securities. However, it was a move in the right direction.

Investment bankers, and to a certain extent the commercial banks and trust companies, then realized that the investment trust offered certain advantages from their point of view. In the first place, the investment bankers wanted securities to sell; and secondly, other bankers often wished to sell securities which they already had. New investment trust securities meant more business for the former, and the funds received provided a market for securities which bankers no longer desired. We do not mean to imply that these reasons were the only ones motivating the bankers who became interested in this field, but the results have shown that all too many of them were willing to manipulate the investment trusts they had sponsored, to their own advantage.

In 1925, there were twenty-five investment trusts, with aggregate assets of approximately \$150,000,000. By November, 1927, there were nearly one hundred trusts, with resources estimated at between \$300,000,000 and \$500,000,000. New trusts were organized so rapidly that independent advisory services were formed solely to furnish statistical and investment advice to investment trusts.

Public and Private Investigations

In July, 1927, New York State began its investigation of the investment trust movement. Questionnaires were sent to the officers of the various trusts in order to ascertain their policies and procedure. Twenty questions were included, with the object of revealing the following: provisions of the trust agreement, portfolio, balance sheet, income account, auditing practices, responsible officials, contracts with selling agencies, outside sources of income, compensation of trustees and officers, differential between costs of holdings and the selling price of investment trust securities.

California, New Jersey, and Maryland likewise investigated investment trusts. California and Utah adopted regulations governing the activities of such companies in those States. On the other hand, Attorney-General Katzenbach of New Jersey said that the investigation in that State revealed no need for legislative regulation, and that it was "impossible to legislate commonsense into fools, or honesty into thieves." There is much to be said for this point of view.

In September, 1927, the convention of the Investment Bankers Association of America urged that complete information regarding investment trusts be made public, and pledged its support to Governmental officials conducting investigations. A special report of the Investment Trust Committee stated, ". . . the investment trust, soundly formed and in the hands of honest and capable management, who run it primarily for the benefit of the investor himself, should be encouraged in every way." The report also warned against the organization of speculative pools and using investment trusts as a dumping ground for securities which bankers no longer desired to hold, or which they had been unable to sell to the public.

Finally, the attention of Washington was drawn to the investment trust development. In January, 1929, Chairman McFadden and Representative Wingo, of the House Committee on Banking and Currency, were authorized to draft resolutions on banking, with a view to solving the problems introduced by the rapid development of investment trusts and group banking.

In addition to the investigations and pronouncements mentioned above, various financial authorities warned of the hazards that were being undertaken by investors who were so freely purchasing investment trust securities. The early experience of British investment trusts was recalled, and both potential and existing evils were pointed out. However, as is so often the case during a great speculative movement, the storm signals were set in vain, and warnings were ignored. Long before the speculation of the Boom Decade collapsed, the investing public had been adequately warned to avoid the possible disaster.

Later Stages of the Boom

Early in 1928, it was estimated that there were 150 investment trusts in existence, with a total capital of \$600,000,000. One year later, it was estimated that there were between 200 and 225 companies, with a total capital of \$1,250,000,000. In the month of December, 1928, alone, forty per cent of domestic stock financing, which totaled \$624,000,000, represented the shares of investment trusts. During the year 1929, total resources of the investment trusts increased to \$4,000,000,000, of which more than half was raised by sales of securities during that year. There were more than 600 companies, and \$100,000,000 investment trusts were being organized.

Accompanying the upward movement of stock prices in general, the investment trust securities rose to fantastic levels. Many of them sold at substantial margins above actual liquidating values because of the theoretical value of the management involved.

It was a time when the most extravagant expectations were freely accepted. In late 1928, it was reported that a \$500,000,000 investment trust would soon be organized, and that it would probably grow to a capitalization of \$1,000,000,000 within a short

period. The movement was helped along by one of the leading executives of General Motors, who suggested that everyone should be well off, and that this happy condition might be reached through the use of the investment trust. It was argued that \$15 a month, invested in good common stocks through the medium of an investment trust, would accumulate to \$80,000 during an ordinary life time, and provide a monthly income of \$400. Another optimist foresaw 10,000 investment trusts in the United States within five years. Just before the stock market break in 1929, it was reported that \$2,000,000,000 would be raised by investment trusts during the next six months; and it was generally expected that every important banking organization would sponsor an investment trust.

An important development of the year 1929 was the listing of investment trust securities by the New York Stock Exchange. Several requests had been made, but it was not until June of that year that the shares of two companies were admitted to trading. These were the Sterling Securities Corporation and General Public Service Corporation.

Of course, the excited speculation in investment trusts and other securities encouraged and facilitated the unsound practices which have since been exposed by Congressional investigating bodies and other agencies. Some organizers used the investment trust simply to secure control of large funds for speculative purposes, from which they would receive a substantial share of the profits without incurring any risk of loss. Investment trusts were used to gain control of utility, railroad, banking, and industrial empires. We have already commented on the use of investment trusts by investment banker sponsors as customers for any security that they chose to market, regardless of quality.

Some of the investment trust capital structures rivaled the South Sea Bubble companies, which were so popular 200 years earlier. Sponsors retained for themselves substantial blocks of stock of the classes that carried control of the trusts, and in addition liberally distributed to themselves and their friends warrants, options, and rights calculated to skim the cream from future profits. In many cases, the common stock offered to the public

represented nothing more substantial than grandiose dreams of future profits on securities purchased at incredibly high prices.

Credit should be given the Investment Bankers Association for its attempt in June, 1929, to restrict the use of the term "investment trust." It was argued that a more appropriate title would be "investment company", and the name of the committee that made this report was subsequently changed to the "Investment Companies Committee." All members of the Association were requested to avoid the use of the words, "investment trust". However, these recommendations had little influence on developments during the period of excited speculation.

The Aftermath

From the time of the stock market break in 1929 to the summer of 1932 was a trying period for American investment trusts. Many of the companies purchased securities with all available cash immediately after the first break, in the belief that then was a favorable time to acquire common stocks at low prices. As the market continued its downward course, losses reached extreme proportions. Several of the investment trusts failed, and the shrinkage in the value of assets was even more astounding than the preceding boom. It is reported that the receivers for Corporation Securities Company of Chicago stated, on September 22, 1932, that no inventory of assets had been made because the value was insufficient to justify taking an inventory. On December 31, 1930, this company had reported total assets of more than \$150,000,000.

As the depression continued, the hopes of investors gave way to despair, and stocks of investment trusts in general sold well below their liquidating values, in contrast to the conditions that had prevailed only two or three years earlier. The Atlas Corporation, in particular, found it profitable during the worst years of the depression to purchase investment trust securities for less than their liquidating value, and then to merge the companies. Equity Corporation likewise improved its position by following this procedure.

Fixed Trusts

Investment trust securities on the bargain counter at less than their liquidating value, together with the experience of the preceding decline, convinced many investors that management had a negative value. Consequently, fixed investment trusts which limited the supervisory activities of the management to the minimum practicable became popular. Of course, the fixed trust was simply the bankers share company under a new name.

Fixed trusts were most popular during 1930 and 1931. The total value of certificates marketed is not known, but estimates are as high as \$1,000,000,000. Perhaps a more reasonable guess would be \$650,000,000. North American Trust Shares sold more than \$100,000,000 worth of its certificates, and Corporate Trust Shares were sold in almost the same amount.

Most of the fixed trust companies included in their charters, or trust agreements, provisions whereby investments were to be eliminated from the portfolio when and if dividends were passed. These requirements forced extensive readjustments of the original portfolios because many companies that had long been considered sound, and which had paid dividends uninterruptedly for many years, were forced by the severity of the 1929-1932 depression to discontinue payments to their stockholders.

The popularity of the fixed trust waned as the depression deepened, and was further diminished by Mr. Richard Whitney's speech in May, 1931. (Mr. Richard Whitney was then President of the New York Stock Exchange.) He emphasized the following three undesirable aspects of the fixed trust development: excessive commissions to the organizers, depletion of capital by the declaration of dividends without the stockholders realizing the true situation, and the advertising of hypothetical results similar to the "jobbing backwards" previously described in Chapter II. Shortly thereafter, the New York Stock Exchange issued a comprehensive list of requirements for fixed trusts, which were to govern member firms who desired to associate themselves with particular issues.

In retrospect, it appears that there was little justification for the fixed investment trusts. The principal reason for their existence

seems to have been the desire of investment bankers to sell securities to investors who had become discouraged with management trusts. Inasmuch as continuous and able supervision of the investment portfolio is eliminated by fixed trusts, they really have no proper place in the investment trust field.

Income Trusts and Savings Funds

Probably the so-called income trust or savings fund is an outgrowth of the fixed trust development. Sometimes the securities of these hybrid investment trusts are offered for sale at a lump sum price, and in other instances a system of regular monthly instalments extending over (usually) a ten year period is involved. In addition, some of these plans offer insurance on the investor's life during the period of operation of the plan.

Perhaps the principal objection to these funds is that the investor is apt to regard his monthly payments as part of a conservative savings plan. In fact, some of the sponsors describe their offerings as "systemized methods of savings". However, the funds are invested largely in common stocks, and are therefore more or less speculative in nature. No investor undertaking to invest in this manner should believe that he is assured of receiving his capital, plus income, at the end of the period. There are other important criticisms of these plans. Usually the management and selling costs are excessive. For obvious reasons, those which are based on fixed trust shares are especially objectionable.

Recent Federal Investigation

In 1934, a committee was appointed by the United States Senate to investigate investment trusts. The Senate Banking and Currency Committee Report, sixth section, stated that the American investment trust "merely superficially resembled the British trust, as the very factors which acted for the success of the British trusts (diversification of investments, disinterested management, conservative investments, and standardized management charges) were disregarded by the organizers of the American investment trusts." The Committee suggested that a National Incorporation Act was necessary in order to remedy the situation.

The Securities and Exchange Commission began a thorough

investigation of investment trusts by sending out questionnaires to management-type companies in January, 1936. Subsequently, questionnaires were likewise sent to fixed and semi-fixed trusts, sponsors of investment trusts, banks' sponsoring uniform trusts, investment counsels, and investment advisory and statistical services. Public hearings were commenced July 27, 1936, and many examples of the abuses, which have already been mentioned here, were revealed. A preliminary report was made to Congress in January, 1937, asserting that there was a compelling need for Federal legislation.

A highly important development in this country was the recognition by Congress of the social desirability of the so-called "mutual investment company." Section 48 (E) of the Revenue Act of 1936 defines a "mutual investment company" as any corporation which meets the following general characteristics:

1. Organized for the purpose of, and substantially all its business consists of, holding, investing, or reinvesting in stock or securities; and
2. At least 95 per centum of its gross income is derived from dividends, interest, and gains from sales or other disposition of stock or securities; and
3. Less than 30 per centum of its gross income is derived from the sale or other disposition of stock or securities held for less than six months; and
4. An amount not less than 90 per centum of its net income is distributed to its shareholders as taxable dividends during the taxable year; and
5. Its shareholders are, upon reasonable notice, entitled to redemption of their stock for their proportionate interests in the corporation's properties, or the cash equivalent thereof less a discount not in excess of 3 per centum thereof.

It is further provided that not more than five per cent of the gross assets taken at cost may be invested in the securities of any one issuer except the United States Government; that not more than ten per cent of the stock or of the securities, or both, of any single corporation may be held; and that the trust shall not have

outstanding bonds or indebtedness in excess of ten per cent of its gross assets taken at cost.

For a time it seemed probable that the "mutual investment company" would no longer be accorded special treatment by Congress, but the enactment of the Revenue Act of 1938 settled the question, at least for the time being. Sections 361 and 362 of the new tax law contain the "mutual investment company" provisions, so that investment trusts operating in accordance with these provisions can continue to avoid Federal income taxes. This gives such companies a marked advantage over any investment trust which is unable to qualify as a "mutual investment company." Trusts unable to qualify are forced to pay a tax on their entire net income less the credits allowed corporations in general. Obviously, this is a serious handicap for such companies.

The provision requiring redemption of stockholders' shares at approximate liquidating value is especially desirable. It acts as a definite check on the management, because it is possible for an investor to withdraw from the trust at any time and receive his proportion of the assets. The stockholders are therefore in a position to discontinue the trust in its entirety if the management proves to be unsatisfactory.

The provision that 90 per cent of the net income must be distributed to shareholders has been criticised severely on the grounds that it does not permit the establishment of adequate reserves. However, it is believed that this objection is not justified, because the investor can readily ascertain what portion of his dividends constitutes capital gains, and can reinvest it if he so desires. Presumably, the management of the investment trust will make it possible for stockholders to reinvest such capital gains in order that the fund may not be substantially reduced.

In Great Britain there have been favorable comments on the American "mutual investment company". In an article entitled "American Mutual Funds," *The Economist** discusses various trusts and concludes, "But when confidence returns sufficiently to turn the mind of the markets once more to the problem of providing satisfactory vehicles of investment for small sums, there may

**The Economist*, April 9, 1938

be much that could be learned in London from the experience of the 'Boston trusts'." (Inasmuch as the mutual investment trust had its first important development in Boston, such organizations are frequently referred to as "Boston trusts".)

Conclusions

The investment trust has now become an important factor in the American investment field, and we believe that it will continue to grow in importance. A skilfully drawn and properly managed investment trust, or rather several of them in order to avoid putting all funds in one basket, is the logical answer to the problems of the small investor. Of course, as in the case of other investments, it will not be possible for the investor to assume that an investment trust will always be good because it has been among the best in the past. Eternal vigilance is the price of financial safety; but at least it is easier for the small investor to follow, say, three to five investment trusts than it is for him to attempt following a properly diversified list of securities. If he has to depend on advice for which he must pay, it will of course be less expensive for him to obtain independent advice regarding a few trusts than it would be to employ investment counsel to supervise an investment portfolio.

IV. THE IDEAL INVESTMENT TRUST

WRITTEN words, even in the best legal phraseology, cannot effectively block evil intent. Therefore, no investor should assume that suitable trust provisions are sufficient to guarantee the success of an investment trust. Capable management, of the highest integrity, is also essential.

Although the trust provisions cannot serve as an effective barrier to a dishonest management, wise provisions can guard against the mistakes which we know from the record of the past have sometimes been made by trustees and directors with the best of intentions. Furthermore, suitable provisions can avoid creating inducements which would influence those whose responsibilities sit lightly upon them to act adversely to the investor's interests.

Trust agreement provisions may conveniently be classified as follows: management and administration provisions, investment restrictions, capital structure, and publicity and accounting procedure. These will be discussed in the order given. Legal phraseology has been avoided and no mention has been made of many minor features. We believe it desirable that the important provisions be emphasized in order that comparisons may be made more easily with existing investment trusts' charters and agreements.

Management and Administration

The officers or trustees of an investment trust should have no interests which would conflict with their singleness of purpose. It is impossible for any man to serve two masters equally well, and no one can make satisfactory progress toward two widely different objectives. No officer or trustee should have any connections with a brokerage, underwriting, or banking firm. Because there are usually several more directors than officers or trustees, especially in the case of American investment trusts, it is impracticable to require that the directors likewise be free from affiliations such as

those described. However, in our selection of trusts to be recommended, we have carefully investigated the connections of the directors in order to ascertain whether or not any marked conflict of interests apparently existed. Dominance of the board by any particular banking or brokerage group has been considered especially undesirable.

Most British investment trusts have only five directors, and a few have but three. It has been argued that the concentration of management in the hands of a few is one of the reasons for the success of the British trust. It is probable that the larger directorates of American trusts are somewhat unwieldy, and that they have been forced to use such devices as executive committees in order to facilitate decisions. Apparently, many American directors are little more than figureheads. However, the custom of having a fairly large board of directors has become firmly established in this country. It is probably impracticable to expect that it will be changed in the near future, and we believe that in any event the number of directors is not a vital feature.

Management is of course entitled to adequate compensation for services rendered. However, trustees or officers and directors should not be entitled to extraordinary shares of profits, nor is it desirable to place at the disposal of the management options, warrants, and authority to purchase stock at less than market values. It is vitally important that the compensation be not based on a system which encourages an extremely speculative attitude on the part of the management. We believe that the best procedure is to authorize for management expenses the payment quarterly of one-eighth of one per cent of the market value of the trust's assets. This should cover all expenses of the trust, with the exception of extraordinary legal expenses, taxes, and auditing.

It is clearly desirable that the directors have a personal interest in the proper conduct of the trust affairs. An investment of, say, \$5,000 would perhaps be sufficient to assure this personal interest. The average British requirement is an investment of 500 pounds, but many British trusts require an investment of 1000 pounds. This is not an unreasonable investment to require of the average American investment trust director.

Officers and trustees should not participate in the management of any company in the securities of which trust funds have been invested. An investment trust should never have a voice in the management of the companies whose securities it has purchased. Active participation by the trustees or officers in the management of such companies might interfere with the trust's freedom of action and its ability to withdraw from unsatisfactory commitments.

Directors and officers should be prohibited from dealing as principals with the trust fund. In many instances both here and abroad, directors or officers of investment trusts have sold securities to the trusts they were managing in order to avoid personal losses.

No director, officer, nor employee of an investment trust should be permitted to borrow from the trust fund. It seems unnecessary to discuss the reasons for a provision of this nature; the record of experience plainly indicates its desirability.

Investment Restrictions

Diversification is one of the fundamental principles of safe and successful investment. Furthermore, one of the important advantages of an investment trust is that it makes adequate diversification possible for the small investor. The necessity of following this principle has been demonstrated time and again. In order to insure that proper diversification will be continually in the minds of the trustees and directors, certain general restrictions should be provided in the trust agreement.

Not more than five per cent of the fund's assets should be invested in the securities of any one company. This is the most elementary kind of diversification, and is generally understood by all who are familiar with investment problems. It is the modern expression of the old proverb which warned against placing all of one's eggs in one basket. Many of the trusts which have been most successful have followed this principle. The provisions governing British trusts usually state that no more than five per cent of the combined capital stock and debentures shall be invested in any one security.

Diversification with respect to industries is equally important. No one industry has been continuously successful, and those trusts which have specialized in the securities of any one industry have invariably proved to be unsatisfactory. Many American trusts were originally organized with the object of specializing in this manner, on the assumption that the trust managers could devote their time to the study of one industry and thereby become experts in that field. However, this theory has never worked as anticipated, in practice. One of the largest of these specialized trusts had assets totaling more than \$100,000,000 at the close of 1929, but its total resources had shrunk to only \$15,000,000 just two years later.

It is difficult to prescribe a limit to the percentage of funds which may properly be invested in any one industry. In the first place, the dividing line between different industries is not always clearly established. Any particular company may be active in more than one field of business. However, it is probable that limiting investments in one industry to not more than ten per cent of the fund will be wise, with the possible exception of such large industries as, for example, the railroads or the utilities.

Diversification with respect to the type of security held might at first thought seem desirable. The British companies have usually invested in all three of the common types, that is, bonds, preferred stocks, and common stocks. On the other hand, most of the American investment trusts have followed an altogether different policy. Some of them, in fact, have all of their funds invested in common stocks. It is our belief that diversification in this respect should be governed by the capitalization of the investment trust involved. If there are bonds and preferred stock as well as common stock of the trust outstanding, it is important that the assets held more or less parallel the general character of these liabilities. It is not practicable to write specific provisions covering all cases, but an appropriate balance between assets and liabilities, considering both their amount and their characteristics, is an important test to be applied in order to determine whether or not the securities issued by a given trust are a suitable investment.

Geographical diversification is likewise important. It is probably unnecessary for American investment trusts to diversify their

holdings to such an extent as those of the British trusts. The broad expanse of the United States provides a much better opportunity for geographical diversification within its borders than is the case in Great Britain. Probably no more than 25 per cent of its assets should be invested in foreign securities by the average American investment trust. However, in view of inflation possibilities and the impossibility of predicting the future with confidence, a definite restriction seems undesirable.

Marketability is an important factor to be considered. The possibility of loss in the investment field is increased by the ownership of securities which have no market. Therefore, the ideal investment trust should confine its holdings to securities listed on one or more of the recognized exchanges. There are ample investment opportunities available which meet this qualification.

Unseasoned securities are especially hazardous. An extremely high proportion of new businesses fail soon after their establishment. Therefore, investments should be limited to securities of companies which have been in business for at least three years.

The ideal investment trust should be prevented from buying on margin, selling short, underwriting securities, participating in syndicates, pools, or similar activities. Short term trading, and extremely speculative undertakings in general should not be permitted to an investment trust. The record of the past proves beyond the possibility of any doubt that such activities eventually result in disaster.

Capital Structure

The capital structures of investment trusts have reflected virtually every variation which the mind of man can conceive. This is true of both the British and American trusts. Before attempting to prescribe specific provisions, it will be wiser to consider briefly the experience of the British companies because they have the longest and best record. Although not such spectacular performers during the boom decade as the Scotch trusts, the English trusts in general survived the depression in much better condition. The fundamental reason for this was that the English trusts had substantially lower "gearage". High "gearage", or leverage, of course benefits the common stock value during prosper-

ous times, but is an adverse factor from the viewpoint of common stock holders during depressions. However, experience has likewise shown that leverage cannot be considered separately from the character of a trust's assets. Provided the fund has been invested in bonds, preferred stocks, and common stocks in amounts which parallel the capitalization of the trust, the difference between high leverage and none at all is minimized. We believe therefore that it is undesirable to consider any arbitrary capital arrangement as better or worse than another. The important thing is that an investor fully realize the nature of the securities he is buying. In the first place, he should avoid any investment trust in which the capital liabilities are not balanced by appropriate assets. Furthermore, if he buys investment trust common stock, he should expect that a speculative risk will be involved.

If an investment trust has bonds or preferred stock outstanding, as well as common stocks, a provision for redemption of the common shares may substantially and dangerously reduce the percentage by which assets exceed the bonded indebtedness or preferred stock. It would be better if an investment trust of this type, which offered to redeem the common shares at market values less some small withdrawal charge, were likewise to prescribe proportionate reductions in the bonded debt or preferred stocks by means of either open market purchases or redemption by lot. This would be necessary only if total assets dropped to less than some predetermined amount in excess of the bonds or preferred stock, or both.

If an investment trust has preferred stock outstanding, it is desirable that provision be made for dividing the voting power between the two classes of stock. In Great Britain, the general practice is for the common stock holders to have most of the voting power and the preferred stock holders to have the remainder. However, when and if quarterly dividends are passed on the preferred stock, the voting power of the preferred stock holders is increased. This obviously makes it possible for the interests of preferred stock holders to be more adequately protected.

In our opinion, it is highly undesirable for investment trusts to borrow for any purpose whatsoever. This of course does not

refer to the issue of bonds or perpetual debentures, as is the British practice. Recently, some American trusts which formerly permitted the trustees or officers and directors to borrow on behalf of the fund have eliminated such provisions.

Publicity and Accounting Procedure

There can never be any excuse for the concealment of investment trust operations from those directly interested. It has sometimes been argued that the superior investment ability of the investment trust managers should not be made available to the public without charge, as is done in effect when the complete list of portfolio holdings is disclosed. However, the multiplicity of investment trusts and the different views of their respective managements regarding the suitability of individual securities are so great that we fail to see how any individual trust can damage itself or the investors concerned by full publicity.

Of course, quarterly reports should be issued to stockholders, in order to provide complete information. The balance sheet should show the cost of investments, as well as their market value. In addition to indicating the total cost and market values of the investments, the report should show the cost and market values of the individual portfolio holdings. Per share net liquidating value of the common stock should be indicated. The earnings statement should be clear and complete. It is desirable that the expenses be set forth in detail, at least to include the major subdivisions.

Especially because of present income tax requirements, it is essential that the gains and losses from the purchase or sale of securities be separated from dividend or interest income received by the trust. The general practice in Great Britain is to use capital gains for the establishment of hidden reserves against which capital losses may subsequently be charged. In our opinion, this is not desirable. The important thing is that the stockholders should know whether the income they are receiving is from capital gains or current dividends and interest. We believe that the general practice of the British companies is fundamentally unsound, inasmuch as it may give the stockholders a somewhat erroneous con-

ception of their investments because of failure to emphasize the speculative risks involved. However, this is not a serious criticism of the British companies.

All reports of the investment trust should of course be verified, approved, and signed by public accountants. It is also desirable that auditors carefully check the investments at least once annually. The possibility of theft or misapplication of the trust's securities should be guarded against by all reasonable precautions.

Conclusions

The reader probably realizes that it may not be possible to find an investment trust which conforms to the ideal just described. It is even possible that one which did nearly conform would be unsatisfactory from the viewpoint of the average investor for other important reasons. However, an understanding of this ideal trust should at least be helpful in our attempt to select the better trusts. In designating the investment trusts which should be avoided by the average investor, as indicated by appropriate references in the next chapter, we have made frequent use of the principles exemplified by the requirements of the ideal investment trust.

V. WHAT'S WRONG WITH THIS TRUST?

IN order to be most helpful to the average investor, we must do more than select and recommend a few of the best investment trusts. Many investors already own investment trust securities, and many other investors are being importuned daily to purchase the shares of some investment trust. It is obviously desirable that the investor find herein at least some indication of our findings with respect to the particular investment trust security which he already owns, or which may be offered to him. Therefore, we have included in this chapter a comprehensive listing of all investment trusts in the world, including many which have now discontinued operations; indicating briefly our reasons for considering each one satisfactory or unsatisfactory, as the case may be, for the average investor.

In compiling the list of investment trusts which follows, all the various financial services, stock exchange year books, and other sources of information were consulted. Each investment trust organization was analyzed, in order to ascertain whether or not it was suitable for the average investor. Of course, some of them were too unimportant to justify more than a cursory examination, but in each case we have either selected the trust for further discussion in Chapter VI, or have indicated by appropriate notation our reasons for eliminating that particular trust from further consideration.

Although the list of investment trust organizations has been made sufficiently complete to be of maximum service to the average investor, we have eliminated certain material which would not be useful to him. Trusts which actually did not get beyond the preliminary stages of organization have been excluded. Companies, although originally organized as investment trusts, which subsequently did not begin actual operations, or which operated along different lines than originally intended, have not been dis-

cussed if the investing public has no substantial interest in the securities. For similar reasons, trusts which are held entirely by private interests or by the employees of a single company have been excluded.

In connection with the organization of investment trusts, special companies have been formed for the purpose of sponsoring, advising, managing, or distributing the securities of investment trusts. Such companies are usually included in the investment trust sections of the manuals prepared by the various advisory services. However, inasmuch as the investing public has no interest in them, we have excluded these miscellaneous companies connected with investment trusts from consideration here.

The list of companies which follows has been divided into two principal classifications. The first includes only American investment trusts, and the second includes foreign trusts. Within each classification, the investment trusts are listed alphabetically. A change in the name of a company is indicated in parentheses, wherein the name of the new company is stated. In a similar manner, investment trusts which have been merged with, or which have been acquired by some other trust, either directly or indirectly, are followed by the name of the succeeding company in parentheses.

Following all except those investment trust organizations just mentioned, numbers in parentheses will be found. These refer to our reasons for excluding the trust concerned from the portfolio of the average investor. These numbers refer to the reasons given in numbered sub-paragraphs below.

1. This is a fixed, or semi-fixed, trust. (See page 34.)
2. Fixed capital issues, in our opinion, are not properly balanced by fixed income assets. (See page 42.)
3. A small issue of stock has the voting power.
4. This is controlled by another company.
5. This organization is no longer in existence, is in process of liquidation, or is inactive.
6. The resources of this company are less than \$1,000,000. (We have arbitrarily excluded from further consideration all investment trusts having total assets of less than \$1,000,000, in the

belief that at least this sum is necessary in order to provide compensation for capable management without absorbing too large a portion of the investment trust's income for that purpose.)

7. Some individual holdings exceed 10 per cent of the total portfolio value. (This indicates inadequate diversification.)

8. Substantial purchase options, or warrants, are outstanding in the hands of management and bankers.

9. The record of performance was below average, in comparison with other selected companies.

10. The capital stock is believed to have an inadequate market.

11. The management is believed to be burdened with conflicting interests. (This criterion has governed our recommendations only in those cases where those directly concerned with the day-to-day management of the fund, or a substantial and probably controlling group of the directors, are burdened with conflicting interests.)

12. This is an income trust or savings fund. (See page 35.)

13. There is inadequate information available, concerning this company, on which to base a recommendation.

14. This company is reported to be in the hands of receivers.

15. This company issues the capital stock of group trusts, the funds of which are invested in single industries or single types of securities. In our opinion, this does not meet the needs of the average investor.

16. Too short a period has elapsed for adequate judgment of the management's ability.

17. See following chapter.

In those instances where it has seemed desirable to do so, we have indicated more than one reason for avoidance of an investment trust by the average investor. However, for most companies, only one reason has been given. No special purpose would have been accomplished by giving additional reasons if the one given is sufficiently important to decide the question.

As subscribers to our services know, a brief analysis and opinion regarding any security can be obtained from the Institute's Investment Division for the nominal charge of one dollar. Anyone who wishes a more complete discussion and opinion regarding an investment trust included in the lists which follow can therefore obtain it by ordering one of our dollar analyses of that trust.

American Investment Trusts

- A. B. C. Trust Shares, Series D (5)
 A. B. C. Trust Shares, Series E (5)
 "A" Shares Diversified (13)
 Adams Express Company (2) (11) (17)
 Adirondack Investors, Inc. (5)
 Administered Fund Inc. (5)
 Administered Fund Second, Inc. (17)
 Aeronautical Industries, Inc. (5)
 Aeronautical Securities, Inc. (16)
 Affiliated Fund, Inc. (2) (11)
 Affiliated Investors Fund, Inc.
 (Affiliated Fund, Inc.)
 Affiliated Investors Inc.
 (Affiliated Trading Corporation)
 Affiliated Trading Corporation (2) (6)
 Air Investors, Inc. (2) (6) (7)
 Aircraft Securities Corporation (5)
 Airstocks, Inc. (5)
 Aldred Investment Trust (2) (11)
 Alexander Fund (13)
 Alexander Hamilton Investment Corporation (13)
 All America General Corporation
 (Atlas Corporation)
 All-America Investors Corporation Trust
 Shares Cumulative Series A
 (Standard All-America Trust Shares)
 All America Utility Securities Corporation (5)
 All-American Shares Corporation (14)
 Alliance Investment Corporation (2)
 Allied American Industries, Inc.
 (Guardian Investors Corporation)
 Alliance Investors Corporation (13)
 Allied Atlas Corporation
 (Atlas Corporation)
 Allied Capital Corporation (5)
 Allied General Corporation
 (Equity Corporation)
 Allied International Investing Corp. (2)
 (4)
 Allied Investors, Inc. (5)
 Allied Investors Securities Corporation
 (13)
 Allied Refrigeration Industries, Inc.
 (Guardian Investors Corporation)
 Alpha Shares, Inc. (6)
 Alwyn Investment Trust (5)
 Amalgamated Investors, Inc. (13)
 Ambrit Composite Trust Fund (5)
 American Accumulative Trust Shares (5)
 American Alliance Management Corp.
 (Niagara Share Corporation of Maryland)
 American Alliance Investing Corp.
 (Niagara Share Corporation of Maryland)
 American Associated Investors Corp. (5)
 American Bankers Investment Company
 (5)
 American Bank Stocks Trust Shares (1)
 American Bankstocks Corporation
 (American General Equities, Inc.)
 American Bond & Share Corporation (13)
 American Bondholders & Share Corp.
 (13)
 American, British and Continental Corp.
 (Equity Corporation)
 American Business Shares, Inc. (11)
 (17)
 American Capital Corporation (2)
 American Cities Power and Light Corporation (2) (4) (7)
 American Colonial Corporation
 (Connecticut Investment Management Corporation)
 American Common Stocks Corporation
 (14)
 American Composite Trust Shares, Cumulative Shares (5)
 American & Continental Corporation
 (American General Corporation)
 American Diversified Realty Corporation,
 Ltd. (13)
 American Equities Company (4)
 American European Securities Company
 (2)
 American & Foreign Share Corporation
 (13)
 American Founders Corporation
 (American General Corporation)
 American & General Securities Corp.
 (American General Corporation)
 American General Corporation (2) (4)
 American General Equities, Inc. (6)
 American Holding Corporation (13)
 American Industries Participation Shares
 (5)
 American Insuranstocks Corporation (2)
 (6)
 American International Corporation (2)
 (11)
 American Investment Company (Wisconsin)
 (2) (6)
 American Investment Corporation (5)
 American Investment Trust (5)
 American Investment Trust of Kentucky
 (5)
 American Investment Trust Shares (5)
 American Investors, Inc.
 (Atlas Corporation)
 American, London & Empire Corporation
 (Standard Investing Corporation)
 American Midland Company (2) (6)
 (7)
 American Mutual Depositors, Inc. (5)
 American Mutual Trust Fund (5)
 American and Overseas Investing Corporation (6)
 American Public Welfare Trust (6) (7)
 American Railway Trust Shares (5)
 American Salamandra Corporation
 (Consolidated Funds Corporation)

American & Scottish Investment Company (5)
 American Securities Corporation (American General Corporation)
 American Securities Investment Trust (5)
 American Securities Shares (6)
 American Shares, Inc. (13)
 American Utilities & General Corp. (13)
 America's Leaders, Inc. (1)
 Andrews (F. L.) Investment Trust (13)
 Anglo American Holding Corporation (14)
 Appalachian Corporation (5)
 Assets & Securities Purchasing Corporation (5)
 Associated General Utilities Company (7)
 Associated National Shares, Series A (1)
 Associated Security Investors, Inc. (5)
 Associated Shareholders Investment Company (Wisconsin Investment Company)
 Associated Standard Oilstocks Shares, Series A (1)
 Associated Union Trust Shares, Series A (5)
 Association for Mutual Investment (13)
 Assured Independence Plans-Trusteed Certificates, Series One (12)
 Atlantic Bancshares, Ltd. (13)
 Atlantic Investments, Inc. (5)
 Atlantic Midland Corporation (5)
 Atlantic National Trust Shares, Series A (13)
 Atlantic & Pacific International Corporation (5)
 Atlantic Securities Company (Atlantic Securities Company of Boston)
 Atlantic Securities Company of Boston (2) (4) (6)
 Atlantic Securities Corporation (Atlas Corporation)
 Atlas Corporation (7) (11) (17)
 Atlas Utilities Corporation (Atlas Corporation)
 Atlas Utilities & Investors Company, Ltd. (Atlas Corporation)
 Automotive Investments, Inc. (5)
 Automotive Participation Shares (5)
 Aviation Capital, Inc. (6)
 Aviation Corporation of California (5)
 Aviation Securities Corporation (Atlas Corporation)
 Aviation Securities Corporation of New England (6) (7)
 Avon Company (Connecticut Investment Management Corporation)
 Baillargeon Winslow Investment Corporation (13)
 Bakers Share Corporation (13)
 Bank Group Shares (of Institutional Securities, Ltd.) (6) (7)
 Bank Investors Trust (5)
 Bank & Share Trading Corp. (2) (6) (7)
 Bank Stock Series (of Fiscal Fund, Inc.) (6)
 Bank Stock Trust Shares, Series A (5)
 Bank Stock Trust Shares, Series C-1 (1)
 Bank Stock Trust Shares, Series C-2 (1)
 Bank Stock Trust Shares, Series C-3 (United New York Bank Trust Shares)
 Bank Stock Trust Shares of Columbus (5)
 Bankers Holding Trust, Inc. (14)
 Bankers Investment Trust of America (Pa.) (6)
 Bankers National Investing Corporation (3) (4) (7)
 Bankers Securities Corporation (13)
 Bankers Securities Trust of America (5)
 Bankstocks Corporation of Maryland (14)
 Banscrip Investment Corporation (5)
 Basic Commodities Corporation (5)
 Basic Industry Shares (1)
 Basic Insurance Shares, Series A (Basic Insurance Shares, Series C)
 Basic Insurance Shares, Series B (Basic Insurance Shares, Series C)
 Basic Insurance Shares, Series C (5)
 Bay State Fund, Inc. (6)
 Beacon Participations Inc. (4) (6)
 Benjamin Franklin Foundation Trust Certificates (12)
 Bennie Securities Corporation (Niagara Share Corporation of Maryland)
 Berkshire Corporation (United Gas & Electric Corporation)
 Betco Corporation (2) (6)
 Beverages, Inc. (6)
 Bison Share Corporation (13)
 Blue Ridge Corporation (2) (4)
 Boardwalk Securities Corporation (13)
 Bond Investment Trust (10)
 Bond Investment Trust of America (6)
 Bond Trust Shares, Series B (5)
 Bondshare Corporation (5)
 Boston Fund, Inc. (16)
 Boston Personal Property Trust (17)
 Boston Securities Corporation (13)
 British Type Investors, Inc. (2) (3)
 Broad Street Investing Company Inc. (11) (17)
 Brooklyn Capital, Inc. (13)
 Brooklyn-Lafayette Corporation (13)
 Brooklyn National Corporation (6)
 Brookmire Investors, Inc. (13)
 Buckeye Trust Shares, Series A (5)
 Buffalo National Holding Corporation (Interbanc Investors, Inc.)
 Bullock Fund, Ltd. (17)
 Burco, Inc. (2) (7) (14)
 Burlingham Reserve Plan, Inc. (6)
 Burnham Trading Corporation (5)
 Business Recovery Trust Shares (5)
 California Associates, Inc. (Investment Company of America)

California Holding Association (13)
 California Investment Fund, Inc. (13)
 California Oil Investment Trust Certificates (1)
 Cambridge Investment Corporation (3) (6)
 Capital Administration Company, Ltd. (2) (4) (11)
 Capital Management Corporation (5)
 Capital Trust Shares, Series A (5)
 Capital Savings Plan Contract Certificates (12)
 Capital Securities Company (North American Investment Corporation)
 Carriers & General Corporation (2) (17)
 Central-Illinois Securities Corporation (2) (7)
 Central Investors Corporation (6)
 Central New York Utilities Corporation (4)
 Central States Electric Corporation (2) (7)
 Central States Investment Trust, Inc. (5)
 Central Utilities Corporation (Guardian Investors Corporation)
 Century Shares Trust (11) (17)
 Chain Distributors Trust (13)
 Chain & General Equities, Inc. (Equity Corporation)
 Chain Realty Trust (5)
 Chain Store Investment Corporation (2) (6) (7)
 Chain Store Investors Trust (6)
 Chain Store Shareowners, Inc. (5)
 Chain Store Stocks, Inc. (Atlas Corporation)
 Chainstores Trading Corporation (13)
 Chartered Investors, Inc. (11) (17)
 Chatham Phenix Allied Corporation (Atlas Corporation)
 Chemical Fund, Inc. (16)
 Chemical National Associates, Inc. (5)
 Chester Personal Property Co. (Supervised Shares, Inc.)
 Chicago Bank Participation Shares (5)
 Chicago Bankshares (1)
 Chicago Corporation (2) (11) (17)
 Chicago Investors' Corporation (Chicago Corporation)
 Chicago Realty Shares, Inc. (13)
 Chippewa Share Corporation (5)
 Christiana Securities Company (7) (11)
 Cincinnati Combined Trustee Shares (5)
 City Company of Hartford, Inc. (Connecticut Investment Management Corporation)
 City Financial Corporation (5)
 City Security Corporation (5)
 City Shareholders, Inc. (14)
 City Shares, Inc. (City Union Corporation)
 City Union Corporation (6)
 Claggett Shares Corporation (13)
 Claremont Investing Corporation (5)
 Coast Foundation, Inc. (6)
 Collateral Equities Shares (6)
 Collateral Trust Investment Certificates (12)
 Collateral Trustee Shares, Series A: (1)
 Colonial Investors Shares, Series A (5)
 Columbia Investing Corporation (5)
 Combined Holdings Corporation (5)
 Combined Managements Trust (13)
 Combined Trust Shares (of Rails, Industrials, Utilities) (5)
 Combined Trust Shares (of Standard Oil Group) (1)
 Commerce Investments, Inc. of Cincinnati (5)
 Commercial Finance Corporation (General Investors Trust)
 Commodity Corporation (6)
 Common Stock Trust Shares, Series A (1)
 Common Stock Trust Shares A1 (1)
 Commonwealth Fund Trust Certificates (12)
 Commonwealth Insurance Shares (1)
 Commonwealth Insurance Shares, Series B (1)
 Commonwealth Insurance Shares, Series C (1)
 Commonwealth Investment Company (17)
 Commonwealth Investors Corporation (5)
 Commonwealth Securities, Inc. (2) (7)
 Commonwealth Trust Shares (1)
 Community National Corporation (13)
 Community State Corporation (2) (6)
 Composite Bond Unit Trust Certificates (5)
 Comsec Corporation (6)
 Connecticut Investment Management Corporation (6)
 Connecticut Investment Trust (5)
 Consolidated Bond & Share Corporation (13)
 Consolidated Commerce Corporation (5)
 Consolidated Equities Inc. (6) (7)
 Consolidated Funds Corporation (5)
 Consolidated Investment Trust (17)
 Consolidated Stock & Debenture Company, Inc. (5)
 Consolidated Trust Shares (1)
 Continental American Bankshares Corporation (5)
 Continental Chicago Corporation (Chicago Corporation)
 Continental Equities, Inc. (5)
 Continental Investment Company (5)
 Continental Metropolitan Corporation (5)
 Continental Securities Corporation (14)
 Continental Securities Holding Corporation (Continental Securities Corporation)
 Continental Shares, Inc. (5)
 Co-operating Investors, Inc. (13)
 Corporate Capital Corporation (4)

Corporate Leaders Trust Certificates (1)
 Corporate Leaders Trust Certificates Series A (12)
 Corporate Securities Fund, Inc. (Investors Fund of America, Inc.)
 Corporate Trust Shares (Original Series) (1)
 Corporate Trust Shares, Accumulative Series (Modified) (1)
 Corporate Trust Shares, Accumulative Series (Original) (1)
 Corporate Trust Shares, Series AA (Modified) (1)
 Corporate Trust Shares, Series AA (Original) (1)
 Corporation Bond & Share Co. (Federal United Corp.)
 Corporation Investment Shares, Inc. (5)
 Corporation Securities Company (Corporation Securities Company of Chicago)
 Corporation Securities Company of Chicago (14)
 Counsellors' Fund, Inc. (13)
 Counselors Investment Trust (Counselors Securities Trust)
 Counselors Securities Trust (5)
 Credit Foncier of America, Inc. (13)
 Cumulative Trust Shares (1)
 Delaware Fund, Inc. (16)
 Deposited Bank Shares, Series B-1 (1)
 Deposited Bank Shares, Series CDSP (1)
 Deposited Bank Shares New York, Series A (1)
 Deposited Bank Shares, Series New York (1)
 Deposited Bond Certificates (1)
 Deposited Insurance Shares, Series A (1)
 Deposited Insurance Shares, Series B (1)
 Detroit Bank Participation Shares (5)
 Detroit Bank Shares (5)
 Devonshire Investing Corporation (Railway & Light Securities Company)
 Diversified Aviation Shares (13)
 Diversified Investment Fund, Inc. (6)
 Diversified Investment Trusts, Inc. (6)
 Diversified Trustee Shares (Original Series) (5)
 Diversified Trustee Shares, Series B (5)
 Diversified Trustee Shares, Series C (1)
 Diversified Trustee Shares, Series D (1)
 Diversified Units, Inc. (Lexington Foundation, Inc.)
 Dividend Shares, Inc. (17)
 Dollar Share Corporation (13)
 Domestic & Foreign Investors Corporation (4)
 Domestic & Overseas Investing Company, Ltd. (Atlantic Midland Corporation)
 Dominant Trust Shares (5)
 East Hampton Securities Company (Connecticut Investment Management Corporation)
 East Hartford Company (Connecticut Investment Management Corporation)
 East Side Share Corporation (Community National Corporation)
 Eastern Bankers Corporation (14)
 Eastern Bond & Share Corporation (5)
 Eastern Hydro-Electric Corporation (Eastern Utilities Investing Corp.)
 Eastern Shares Corporation (Equity Corporation)
 Eastern States Corporation (Md.) (2) (7)
 Eastern States Power Corporation (Eastern States Corporation)
 Eastern States Share Corporation (5)
 Eastern Utilities Investing Corporation (7) (11)
 Eastern Utility Preferred Holding Corporation (Eastern Utilities Investing Corporation)
 Eaton & Howard Management Fund A-1 (17)
 Eaton & Howard Management Fund B (6)
 Eaton & Howard Management Fund F (6)
 Electric Investors Inc. (5)
 Electric Power Associates, Inc. (7)
 Electric Shareholdings Corporation (2) (4) (7)
 Empire American Securities Corporation (2) (4) (6)
 Empire Equities Corporation (5)
 Empire Investment Corporation (4)
 Empire Power Corporation (7)
 Empire Western Corporation (5)
 Endowment Certificates (12)
 Engineers Investment Corporation (13)
 Equitable Investment Corporation of Massachusetts (6)
 Equitable Investments, Inc. (Connecticut Investment Management Corporation)
 Equity Corporation (2) (7)
 Equity Fund, Inc. (11)
 Equity Investors Corporation (5)
 Equity Shares, Inc. (7)
 Equity Trust Shares in America (1)
 Erie Share Corporation (Liberty Share Corporation)
 Euclid Investment Trust Contracts (12)
 Exide Securities Corporation (Atlas Corporation)
 F. G. Trading Corporation (2) (6)
 Fairfield Securities Corporation (2) (6) (7)
 Federal American Bond & Share Corporation (6)
 Federal Bond & Share Company (Federal United Corporation)
 Federal Investment Trust, Inc. (Federated Capital Corporation)
 Federal National Investment Trust (13)
 Federal United Corporation (2) (6)

Federated Capital Corporation
 (Atlas Corporation)
 Federated Industries, Inc. (5)
 Federated Investors, Inc. (5)
 Ferguson Participating Trust (5)
 Fidelity Company of Connecticut
 (Standard Financial Corporation)
 Fidelity Fund, Inc. (17)
 Financial Corporation
 (Atlas Corporation)
 Financial Independence Certificates (1)
 Financial Independence Founders Trust
 Certificates (12)
 Financial & Industrial Securities Corpora-
 tion (Atlas Corporation)
 Financial Investing Company
 (Atlantic Midland Corporation)
 Financial Investing Company of New
 York, Ltd.
 (Atlantic Midland Corporation)
 Financial Security Fund, Inc. (6)
 Financial Shares Corporation (6)
 First American Bancorporation, Inc. (13)
 First American Corporation
 (Broad Street Investing Company Inc.)
 First Bank Trust Shares, Series A (1)
 First Bank Trust Shares, Series B (1)
 First Bond Trust Shares (1)
 First Commonstocks Corporation (5)
 First Custodian Shares (1)
 First Diversified Bond Trust (1)
 First Federal Foreign Investment Trust
 (5)
 First Holding & Trading Corporation (5)
 First Income Trading Corp. (6)
 First Insuranstocks Corporation (5)
 First International Securities Corporation
 (14)
 First Investment Company of New Hamp-
 shire (6)
 First Investment Counsel Corporation (3)
 First Investment Fund of Security Man-
 agement Company (Broad Street In-
 vesting Company Inc.)
 First Investors Company of Illinois (13)
 First Maine Investment Company (13)
 First Management Foundation (6)
 First Mutual Trust Fund (16)
 First National Investors' Corporation of
 Virginia (13)
 First National Shares, Inc.
 (All-American Shares Corporation)
 First New England Corp. (6) (8)
 First Ohio Investment Company (13)
 First Personal Bankers Corporation (13)
 First Trust Bank-Stock Corporation (5)
 First Trust Shares (1)
 First York Corporation (4)
 Five-Year Fixed Trust Shares (5)
 Fixed Trust Oil Shares (1)
 Fixed Trust Shares (1)
 Fixed Trust Shares, Series B (1)
 Fletcher Savings & Trust Company's
 Half Million Dollar Investment
 Trust Fund A (1)
 Fletcher Savings & Trust Company's Half
 Million Dollar Investment Trust
 Fund B (1)
 Fletcher Savings & Trust Company's Half
 Million Dollar Investment Trust
 Fund C (1)
 Folds Buck Financial Corporation (5)
 Ford Investors, Inc. (13)
 Foreign Bond Associates, Inc. (6)
 Foreign Government Bond Trust Cer-
 tificates (5)
 Foreign Shares Corporation
 (Keystone Shares Corporation)
 Foresight Foundation, Inc. (2) (6)
 "Forty Bond Syndicate" Participation
 Certificates (5)
 Foundation Investment Company (2) (6)
 Foundation Securities Corporations (5)
 Foundation Trust Shares, Series A (1)
 Foundation Trusteed Shares (5)
 Founders General Corporation
 (American Securities Corporation)
 Founders Holding Company, Inc.
 (Pioneer Securities Corporation)
 Founders Holding Corporation
 (Yosemite Holding Corporation)
 Founders Securities Trust (14)
 Fourth National Investors Corporation
 [National Investors Corporation
 (Md.)]
 Franklin Bankshares Corporation (5)
 Franklin Mutual Fund, Inc. (13)
 Frontenac Trust Shares (5)
 Frontier National Corporation
 (Liberty Share Corporation)
 Fundamental Investors, Inc. (11) (17)
 Fundamental Trust Shares, Series A (1)
 Fundamental Trust Shares, Series B (1)
 Fundamerican Corporation Trusteed
 Certificates (12)
 Future Requirement Plan, Inc.
 (Lexington Foundation, Inc.)
 Garard Investment Trust (14)
 Gas & Electric Securities Company (7)
 (11)
 Gas Securities Company (13)
 General American Investors Company,
 Inc. (2) (8)
 General American Securities Corporation
 (Equity Corporation)
 General Bancshares Corporation (5)
 General Capital Corporation (17)
 General Empire Corporation
 (Atlas Corporation)
 General Equities, Inc.
 (Equity Corporation)
 General Equity Corporation (6) (7)
 General Income Shares, Inc. (6)
 General Industrial & Bancshares Corpora-
 tion (5)
 General Investment Corporation (2) (4)
 General Investment Trust
 (British Type Investors, Inc.)
 General Investors Trust (17)
 General Public Service Corporation (2)

General Reserves Corp. Trust Fund Certificates, Series A (13)
 General Stockyards Corporation (5)
 General Trustees Company (13)
 General Trustees Corporation (General Trustees Company)
 General Utilities & Investment Company, Inc. (13)
 Genessee National Corporation (Community National Corporation)
 George Putnam Fund (16)
 German Credit & Investment Corporation (2)
 Gibraltar Finance Corporation of New York (5)
 Gibraltar Founders, Inc. (13)
 Globe Financial Corporation (5)
 Goldman Sachs Trading Corporation (Atlas Corporation)
 Goodall Securities Corp. (13)
 Granger Trading Corporation (13)
 Graymur Corporation (Tri-Continental Corporation)
 Great Lakes Share Corporation (Liberty Share Corporation)
 Great Northern Investing Company, Inc. (13)
 Greenway Corporation (14)
 Griggs Investment Trust, Inc. (5)
 Group Investment Shares (Combined Holdings Corporation)
 Group Securities, Inc. (15)
 Grover O'Neill Fund, Inc. (5)
 Guaranty Founders Trust (5)
 Guardian Aero Investment Trust (6) (10)
 Guardian Bank Shares Investment Trust (6) (10)
 Guardian Chain Stores Investment Trust (6) (10)
 Guardian Foreign Securities Investment Trust (6) (10)
 Guardian Industrial Investment Trust (6) (10)
 Guardian Insurance Shares Investment Trust (6) (10)
 Guardian Investing Agency (5)
 Guardian Investment Trust (2) (10)
 Guardian Investors Corporation (2) (7) (11)
 Guardian Public Utilities Investment Trust (6) (10)
 Guardian Rail Shares Investment Trust (2) (6) (10)
 Gude Winmill Trading Corporation (6) (11)
 H. N. Corporation (Mayflower Associates, Inc.)
 Hamilton Trust Shares (12)
 Harriman Investors Fund, Inc. (13)
 Hayes-Jackson Corporation (13)
 Haygart Corporation (Adams Express Company)
 Hazard Syndicate (Mayflower Associates, Inc.)
 Hirons Securities Corporation (Empire American Securities Corp.)
 Home & Foreign Securities Company (4)
 Home and Foreign Securities Corporation (13)
 Home State Shares, Series A (1)
 Homler Trading Corporation (Gibraltar Finance Corporation)
 Houston Gas Securities Company (Central New York Utilities Corp.)
 Hub Financial Corporation (5)
 Hytag Financial Corporation of America (13)
 Illuminating & Power Securities Corporation (10)
 Income Foundation Fund Trust Certificates (12)
 Income Foundation Investment Contracts (12)
 Income Fund Contracts, Series A (12)
 Incorporated Equities (Consolidated Equities Inc.)
 Incorporated Investors (17)
 Incorporated Investors Equities (Consolidated Equities Inc.)
 Independence Fund Declaration of Trust (12)
 Independence Fund Declaration of Trust and Agreements (12)
 Independence Fund of North America, Inc., Trust Certificates (12)
 Independence Trust Shares (1)
 Industrial Foundation of America (5)
 Industrial & Power Securities Company (Wellington Fund, Inc.)
 Industrial Securities Corporation (5)
 Industrial Trustee Shares (5)
 Inland Investors, Inc. (10)
 Insull Utility Investments, Inc. (14)
 Insurance and Bank Stock Trust (13)
 Insurance & Bank Stock Trust (5)
 Insurance Equities Corporation (14)
 Insurance Group Shares (of Institutional Securities, Ltd.) (6) (7)
 Insurance Plan Certificates (1)
 Insurance Shares Participations, Series A (1)
 Insurance Stock Plan (12)
 Insurance Stock Series (of Fiscal Fund, Inc.) (16)
 Insurance Stock Trust Shares, Series F (United Insurance Trust Shares)
 Insuranshares Certificates, Inc. (7) (17)
 Insuranshares and General Management Company (5)
 Insuranshares Corporation of Delaware (6) (7) (14)
 Insuranshares Management Company (Insuranshares and General Management Company)
 Insuranshares Trust, Series A-27 (Insuranshares Certificates, Inc.)
 Insuranshares Trust, Series B-28 (Insuranshares Certificates, Inc.)

Insuranshares Trust, Series C-27
 (Insuranshares Certificates, Inc.)
 Insuranshares Trust, Series F-27
 (Insuranshares Certificates, Inc.)
 Integrity Trust Shares, Series A (5)
 Inter-Allied Aeronautics, Inc. (5)
 Interbanc Investors, Inc. (6) (7)
 Intercontinental Investment Corporation
 (6)
 Intercontinental Investment Trust, Inc.
 (Intercontinental Investment Corp.)
 International American Investment Cor-
 poration (5)
 International Bankstocks Corporation (4)
 International Bankstocks Corporation of
 Philadelphia (4)
 International Bond & Share Corporation
 (13)
 International Carriers, Ltd.
 (Carriers & General Corporation)
 International Chemical Securities Cor-
 poration (13)
 International Commodities Corporation
 (6)
 International Equities Corporation (4)
 International Insuranshares
 (Commonwealth Insurance Shares,
 Series B)
 International Investing Corporation (5)
 International Joint Security Corporation
 (13)
 International Securities Corporation of
 America (American General Corp.)
 International Securities Trust of America
 (International Securities Corporation
 of America)
 International Security Management Co.
 (Wisconsin Investment Company)
 International Share Corporation (4)
 International Superpower Corporation
 (Bullock Fund, Ltd.)
 International Utilities Corporation (7)
 Interstate Equities Corporation
 (Equity Corporation)
 Investing Corporation of America (5)
 Investment Administration Corporation
 (5)
 Investment Bond & Share Company (Calif-
 ornia Oil Investment Trust Certifi-
 cates) (1)
 Investment Certificates of the Financial
 Security Fund, Inc. (12)
 Investment Company of America (4)
 Investment Corporation of North Amer-
 ica (6) (10)
 Investment Corporation of Philadelphia
 (17)
 Investment Counsel Fund of Rochester
 (5)
 Investment Counsel Trust
 (First Investment Counsel Corp.)
 Investment Fund of New Jersey (13)
 Investment Shares Corporation (Calif-
 ornia) (5)

Investment Stock & Bond Corporation
 (13)
 Investment Trust Associates
 (American General Corporation)
 Investment Trust Fund A (13)
 Investment Trust Fund B (13)
 Investment Trust Shares, Series A (5)
 Investment Trust Shares, Series B (5)
 Investors Alliance Corporation (13)
 Investors Associates, Inc.
 (Investment Company of America)
 Investors Bond Certificates, Series A (1)
 Investors Bond & Share Company
 (Investors Alliance Corporation)
 Investors Corporation (2) (4)
 Investors Counsel, Inc. (5)
 Investors Equity Company, Inc.
 (Tri-Continental Corporation)
 Investors Foundation, Inc. (5)
 Investors Fund of America, Inc. (6) (7)
 (10)
 Investors Fund C, Inc. (17)
 Investors Inc.
 (Wisconsin Investment Company)
 Investors Independence Trust Certificates
 (1)
 Investors Savings Trust (13)
 Investors Securities Company of Massa-
 chusetts (State Street Investment
 Corporation)
 Investors and Traders Incorporated (6)
 (7)
 Investors Trust Company (7)
 Investors Trustee Shares, Series A (5)
 Investors of Washington, Inc. (5)
 Iroquois Founders Corporation
 (Founders Holding Corporation)
 Iroquois Investors, Inc. (4)
 Iroquois Share Corporation
 (Atlas Corporation)
 Irving Investors Fund C, Inc.
 (Investors Fund C, Inc.)
 Jackson & Curtis Investment Associates
 (Atlas Corporation)
 Jackson & Curtis Securities Corporation
 (Fairfield Securities Corporation)
 Joint Investors, Inc. (4)
 Joint Security Fund (13)
 Junior Investors, Inc. (13)
 Junior Shares, Inc. (13)
 Karsten Fund, Series C (13)
 Kenmore National Corporation
 (Interbanc Investors, Inc.)
 Kent Securities Corporation (5)
 Key Industry Trust Shares, Series H
 (United Oil Trust Shares)
 Keystone Custodian Funds, Series A (5)
 Keystone Custodian Funds, Series B 1
 (15)
 Keystone Custodian Funds, Series B 2
 (15)
 Keystone Custodian Funds, Series B 3
 (15)
 Keystone Custodian Funds, Series B 4
 (15)

Keystone Custodian Funds, Series C (5)
 Keystone Custodian Funds, Series D (5)
 Keystone Custodian Funds, Series E (5)
 Keystone Custodian Funds, Series F (5)
 Keystone Custodian Funds, Series G (5)
 Keystone Custodian Funds, Series H (5)
 Keystone Custodian Funds, Series K 1
 (15)
 Keystone Custodian Funds, Series K 2
 (15)
 Keystone Custodian Funds, Series S 1
 (15)
 Keystone Custodian Funds, Series S 2
 (15)
 Keystone Custodian Funds, Series S 3
 (15)
 Keystone Custodian Funds, Series S 4
 (15)
 Keystone Investing Corporation (13)
 Keystone Shares Corporation (5)
 Keystone Trust Shares, Cumulative Series
 (1)
 Keystone Trust Shares, Distributive Series
 (1)
 Kidder Participations, Inc.
 (Consolidated Investment Trust)
 Kidder Participations, Inc. No. 2
 (Consolidated Investment Trust)
 Kidder Participations, Inc. No. 3
 (Consolidated Investment Trust)
 Knickerbocker National Corporation (14)
 Lackawanna Investors, Inc. (13)
 Lackawanna National Investing Corp.
 (Lackawanna Investors, Inc.)
 Latin American Bond Fund Registered
 Trust Certificates (1)
 Leaders of Industry Shares, Series A (5)
 Leaders of Industry Shares, Series B (5)
 Leaders of Industry Shares, Series C (1)
 Lehman Corporation (11) (17)
 Leverage Fixed Trust Shares (1) (5)
 Lexington Foundation, Inc. Certificates
 of Investment (12)
 Lexington Trust Fund (13)
 Liberty Bond and Share Corporation
 (Liberty Share Corporation)
 Liberty Thrift Foundation Certificates
 (12)
 Liberty Share Corporation (10)
 Lincoln Mutual Investment Trust (5)
 Listed Securities, Inc. (13)
 Loomis-Sayles Mutual Fund, Inc. (17)
 Loomis-Sayles Second Fund, Inc. (17)
 Low-Price Shares (5)
 M. & T. Securities Corporation (5)
 Major Corporation Shares (1)
 Managed Estates, Inc. (6)
 Managed Investments, Inc. (6)
 Manhattan Fund, Inc. (16)
 Marine Share Corporation
 (Niagara Share Corporation of Mary-
 land)
 Marine Union Investors, Inc.
 (Niagara Share Corporation of Mary-
 land)
 Market Leaders Foundation Shares (1)
 Market Street Investment Corp. (6)
 Maryland Fund, Inc. (17)
 Massachusetts Investors Cumulative Trust
 Units, Series G (5)
 Massachusetts Investors Cumulative Trust
 Units, Series H (5)
 Massachusetts Investors Cumulative Trust
 Units, Series I (5)
 Massachusetts Investors Trust (17)
 Massasoit Corporation (5)
 Mayflower Associates, Inc. (5)
 Mayflower Consolidated, Inc.
 (Mayflower Associates, Inc.)
 McMurray Hill Investment Corp. (5)
 Melwald Investment Company
 (Investors Alliance Corporation)
 Merchants & Traders Bancshares Corpo-
 ration (5)
 Metal & Mining Shares Inc. (14)
 Metals Equities, Inc. (6)
 Metropolitan Bancshares Corporation (5)
 Metropolitan Investments, Inc. (6)
 Michigan Mutual Fund, Inc. (13)
 Michigan Shares, Series A (1)
 Middle States Securities Corp. (6)
 Middletown National Corporation
 (Connecticut Investment Management
 Corporation)
 Midland Associates (5)
 Minco Founders Corporation (13)
 Minnesota Investors Corporation (6)
 Mohawk Equities, Inc.
 (M. & T. Securities Corporation)
 Mohawk Investment Corporation
 (State Street Investment Corp.)
 Mohawk Share Corporation
 (M. & T. Securities Corporation)
 Monocacy Corporation (13)
 Morristown Securities Corporation (10)
 Mosewell Securities & Bancshare Corp.
 (5)
 Motion Picture Capital Corporation
 (Tri-Continental Corporation)
 Motor & Bankstocks, Inc.
 (American Common Stocks Corp.)
 Municipal Financial Corporation (5)
 Municipal Investment Trust (13)
 Mutual American Securities Trust
 (New England Fund)
 Mutual Custodian Accounts (5)
 Mutual Finance Corporation
 (General Investors Trust)
 Mutual Income Foundation (6)
 Mutual Investment Fund (17)
 Mutual Investment Trust
 (Mutual Investment Fund)
 Mutual Investors Company (2) (6)
 Nassau Management Corporation (13)
 Nathan Hale Investing Co., Inc. (5)
 Nation-Wide Securities Company (Mary-
 land) (17)
 Nation-Wide Securities Company Trust
 Certificates, Series A (1)

Nation-Wide Securities Company Trust
 Certificates, Series B (1)
 National Assets Corporation (14)
 National Associated Investors, Inc. (14)
 National Assured Estates, Inc., Trusteed
 Certificates, Series One (5)
 National Aviation Corporation (7)
 National Bancorporation of America,
 Inc. (13)
 National Bond & Share Corporation (17)
 National Founders Corporation (4) (6)
 National Fund, Inc. (13)
 National Industries Shares, Series A (5)
 National Industries Shares, Series B (5)
 National Investment Shares, Inc. (2) (6)
 National Investors Corporation (N.Y.)
 [National Investors Corp. (Md.)]
 National Investors Corp. (Maryland)
 (17)
 National Monthly Income Shares, Inc.
 (General Income Shares, Inc.)
 National Re-Investing Corporation (5)
 National Republic Bancorporation (14)
 National Republic Investment Trust (5)
 National Securities Corporation of
 California (5)
 National Securities Investment Company
 (Atlas Corporation)
 National Share Corporation (6)
 National Trust Shares (Re-modified) (1)
 National Trustee Fund, Inc., Certificates
 (12)
 National Unit Cumulative Investment
 Fund (12)
 National Units of America Shares (5)
 Nevis Share Company (6)
 New Bedford Investors Trust (5)
 New Day Trust Shares, Series A (1)
 New England Collateral Shares Corp. (5)
 New England Fund (17)
 New England Investment Shares, Inc. (5)
 New England Investment Trust (5)
 New England Investment Trust, Inc.
 (New England Investment Trust)
 New Jersey Bond & Shareholding Corp.
 (13)
 New York Bank Stock Plan (12)
 New York Bank Trust Shares (1)
 New York-Buffalo Trading Corp. (6)
 New York & Foreign Investing Corp. (5)
 New York Stocks, Inc. (15)
 Newmont Mining Corporation (7)
 Newton Securities Corporation (6)
 Niagara Share Corporation (Delaware)
 (Niagara Share Corp. of Maryland)
 Niagara Share Corp. of Maryland (7)
 Nineteen Thirty-Two Trust Fund (6)
 Norfolk Investment Corporation
 (First Investment Counsel Corp.)
 North American Aviation, Inc. (13)
 North American Bond Trust Certificates
 (1)
 North American Investment Corp. (2)
 North American Investors Corporation
 (Liberty Share Corporation)
 North American Security Corporation (5)
 North American Trust Shares, 1953 (1)
 North American Trust Shares, 1955 (1)
 North American Trust Shares, 1956 (1)
 North American Trust Shares, 1958 (1)
 North American Utility Securities Corpo-
 ration (2) (4) (7) (11)
 North and South American Corp. (6)
 Oil & Natural Gas Shares, Series A (5)
 Oil Shares Inc. (Oils & Industries, Inc.)
 Oil Well Supply Investment Company
 (Pennsylvania Industries, Inc.)
 Oils & Industries, Inc. (2)
 Oilstocks Limited (7)
 Old Colony Investment Trust (2) (11)
 Old Colony Trust Associates (7) (11)
 Old Line Insurance Shares (5)
 Old Line Insurance Shares, Series B (5)
 Overseas Securities Company, Inc. (2)
 Overseas Securities Corporation
 (Overseas Securities Company, Inc.)
 Pacific American Associates, Inc.
 (Pacific American Company, Ltd.)
 Pacific American Company, Ltd. (4)
 Pacific Associates, Ltd.
 (Investment Company of America)
 Pacific Eastern Corporation
 (Atlas Corporation)
 Pacific Equities, Inc.
 (Investment Company of America)
 Pacific Investing Corporation
 (Pacific Southern Investors, Inc.)
 Pacific Investment Trust (13)
 Pacific Investors, Inc. (6) (7)
 Pacific Seaboard Foundation, Ltd. (5)
 Pacific Southern Investors, Inc. (2) (4)
 (7)
 Paid-Up Endowment Certificates (12)
 Pan-American Share Corporation (5)
 Pan-Continental Investing Corp. (13)
 Paramount Investment Corporation (13)
 Park Company of Hartford, Inc.
 (Connecticut Investment Management
 Corporation)
 Participating Income Shares, Inc. (16)
 Participation Trust Certificates, Series
 A (1)
 Participation Trust Certificates, Series
 B (1)
 Participation Trust Certificates, Series
 C (1)
 Participation Trust Certificates, Series
 D (1)
 Participation Trust Certificates, Series
 E (1)
 Participation Trust Certificates, Series
 F (1)
 Participation Trust Certificates, Series
 G (1)
 Participation Trust Certificates, Series
 H (1)
 Participation Trust Certificates, Series
 I (1)
 Participation Trust Certificates, Series
 J (1)

Participation Trust Certificates, Series K (1)
 Participation Trust Certificates, Series L (1)
 Participations in Select Standard Oils (1)
 Passwall Corporation (Equity Corp.) Penn-Atlantic, Inc. (13)
 Penn Investment Company (2) (6) (11)
 Pennsylvania Bankshares & Securities Corporation (2) (4) (7)
 Pennsylvania Electric Corporation (Eastern Utilities Investing Corp.)
 Pennsylvania First National Corp. (14)
 Pennsylvania Industries, Inc. (2) (7)
 Pennsylvania Investing Company (Foresight Foundation, Inc.)
 Pennsylvania Securities Investment Corporation (5)
 Pennsylvania Share Company (2) (6) (7)
 Petroleum Corporation of American (7) (11)
 Petroleum Industries, Inc. (2)
 Petroleum and Trading Corporation (3)
 Phoenix Securities Corporation (7)
 Piedmont Associates, Inc. (13)
 Pilgrim Company (Mayflower Associates, Inc.)
 Pilgrim Company, Windsor (Connecticut Investment Management Corporation)
 Pioneer Securities Corporation (6) (7)
 Pioneer Trust Shares (5)
 Pittsburgh Bond & Share Corporation (State Street Investment Corporation)
 Pittsburgh Investment Securities Corporation (13)
 Plaza Investing Corporation (Plaza Shares Corporation)
 Plaza Shares Corporation (5)
 Plymouth Fund, Inc. (6)
 Power & Light Securities Trust (Atlas Corporation)
 Power & Rail Trusteed Shares (First Custodian Shares)
 Premier Shares, Inc. (6)
 Primary Trust Shares, Series A (1)
 Prince & Whitely Trading Corporation (Phoenix Securities Corporation)
 Provident Trustee Shares (5)
 Prudential Investing Corporation (16) (17)
 Prudential Investors, Inc. (2) (17)
 Prudential Trading Trust (Prudential Investing Corporation)
 Public Investing Company (6)
 Public Service Investment Company (General Public Service Corp.)
 Public Service Trust Shares, Series A (1)
 Public Utilities Securities Corporation (7)
 Public Utilities Corporation (5)
 Public Utility Investing Corporation (10)
 Quarterly Income Shares, Inc. (17)
 R. B. C. Fund, Inc. (5)
 Radio Securities Corporation (6)
 Railroad & General Securities Corp. (Managed Investments, Inc.)
 Railroad Shares Corporation (14)
 Railway Equities Corporation (13)
 Railway & Light Securities Company (2) (17)
 Railway and Utilities Investing Corp. (6)
 Reinvestment Associates, Series A (5)
 Reinvestment Associates, Series B (5)
 Reinvestment Associates, Series C (5)
 Reinvestment Associates, Series D (5)
 Reinvestment Associates, Series E (5)
 Reinvestment Associates, Series F (5)
 Reliance International Corporation (Equity Corporation)
 Reliance Management Corporation (American General Corporation)
 Representative Trust Shares (1)
 Republic Investing Corporation (6)
 Republic Investors Fund, Inc. (2) (17)
 Republic Trust Shares, Series A (5)
 Research Investment Corporation (5)
 Retail Stores Corporation (7) (11)
 Reybarn Company, Inc. (7)
 Reynolds Brothers, Inc. (Reynolds Investing Company, Inc.)
 Reynolds Investing Company, Inc. (2) (4)
 Rochester Capital Corporation (10)
 Rockwood Associates (6) (7)
 Royalty Income Shares, Series A (6)
 St. Louis Aviation Corporation (13)
 St. Louis General Investment Corp. (St. Louis Aviation Corporation)
 Schuyler Fund, Inc. (6)
 Schuyler Trust Shares (5)
 Scottish Plan Associates (13)
 Scottish Type Investors (2) (4)
 Seaboard Continental Corporation (Atlantic Midland Corporation)
 Seaboard Utilities Shares Corp. (14)
 Searight Royalty Participations, Inc. (5)
 Seasoned Investments, Inc. (6)
 Seasoned Securities Trust Shares, Series A (5)
 Second American Investment Corp. (5)
 Second Custodian Shares (1)
 Second Founders Share Corporation (Pioneer Securities Corporation)
 Second General American Investors Company, Inc. (General American Investors Co., Inc.)
 Second Incorporated Equities (Consolidated Equities Inc.)
 Second International Securities Corp. (American General Corporation)
 Second Investment Counsel Corp. (3)
 Second Investment Fund of Security Management Company (Broad Street Investing Co. Inc.)
 Second Investors Corporation (2) (6)
 Second Management Foundation (5)
 Second National Investors Corporation [National Investors Corp. (Md.)]

Second Southern Bankers Securities Corp.
 (Carriers & General Corporation)
 Secured Investors Certificates (12)
 Securities Allied Corporation
 (Atlas Corporation)
 Securities & Commodities Trading Corp.
 (Prudential Investing Corporation)
 Securities Company of New Hampshire
 (13)
 Securities Company of New Jersey (13)
 Securities Corporation General (2)
 Securities Trading Corporation
 (Burnham Trading Corporation)
 Securities Trust of America (13)
 Security Investment Trust Inc. (2) (6)
 Security Management Company of Wisconsin
 (Wisconsin Investment Co.)
 Security National Bond Trust Fund (13)
 Selected American Shares (1)
 Selected American Shares, Inc. (17)
 Selected Cumulative Shares (1)
 Selected Income Shares (1)
 Selected Industries Inc. (2) (11)
 Selected Management Foundation Certificates
 (12)
 Selected Managements Trustee Shares (5)
 Selected Securities Corp. of Detroit (13)
 Selected Stocks, Inc. (Atlas Corporation)
 Selected Trust Shares (5)
 Seneca National Corporation (5)
 Senior Securities, Inc. (13)
 Separate Units, Inc. (5)
 Shareholders Corporation (6) (11)
 Shareholders Investment Corporation (5)
 Shares in Maine, Inc. (13)
 Shares in the South (13)
 Shaw-Loomis-Sayles Mutual Fund, Inc.
 (Loomis-Sayles Mutual Fund, Inc.)
 Shawmut Association (4) (11)
 Shawmut Bank Investment Trust (2) (4)
 (11)
 Shenandoah Corporation
 (Atlas Corporation)
 Short Term Trust Shares (5)
 Short Term Trust Shares, Series U (1)
 Sisto Financial Corporation (6) (11)
 Solvay American Corporation (7) (11)
 Solvay American Investment Corporation
 (Solvay American Corporation)
 Southeastern Investment Trust, Inc. (2)
 (6)
 Southern Bankers Securities Corporation
 (Carriers & General Corporation)
 Southern Bond & Share Corporation
 (Pacific Southern Investors, Inc.)
 Southern National Corporation (5)
 Southern New York Investment Corp.
 (13)
 Southern Utilities General Corporation
 (Eastern Utilities Investing Corp.)
 Southwest Investors, Inc. (12)
 Southwestern Investors Corporation, Inc.
 (Atlas Corporation)
 Sovereign Investors, Inc. (6)
 Specialized Shares Corporation (5)
 Spencer Trask Fund, Inc. (11) (17)
 Standard All-America Trust Shares (5)
 Standard America Trust Shares (1)
 Standard Collateral Trusteed Common
 Stock Shares (1)
 Standard Corporations, Inc. (13)
 Standard Financial Corporation (13)
 Standard Holding Corporation (13)
 Standard Industrials, Inc. (5)
 Standard International Securities Corp.
 (5)
 Standard Investing Corporation (2)
 Standard Investors, Inc.
 (Atlas Corporation)
 Standard Oil Investment Shares, Series A
 (5)
 Standard Oil Trust Shares, Series A (1)
 (5)
 Standard Oil Trust Shares, Series B (1)
 (5)
 Standard Oilstocks Trust Shares,
 [Combined Trust Shares (of Standard
 Oil Group)]
 Standard Utilities, Inc. (6) (7) (11)
 Stanley Securities Company (13)
 State Bankers' Financial Corporation (5)
 State Street Investment Corporation (17)
 Sterling Securities Corporation
 (Atlas Corporation)
 Stuyvesant Bond & Share Corp. (13)
 Stuyvesant National Company, Inc. (5)
 Summit Corporation
 (Connecticut Investment Management
 Corporation)
 Sun Investing Company, Inc. (5)
 Super-Corporations of America Trust
 Shares, Series A (1)
 Super-Corporations of America Trust
 Shares, Series AA (1)
 Super-Corporations of America Trust
 Shares, Series B (1)
 Super-Corporations of America Trust
 Shares, Series BB (5)
 Super-Corporations of America Trust
 Shares, Series C (1)
 Super-Corporations of America Trust
 Shares, Series D (1)
 Supervised American Fixed Equities (1)
 Supervised Shares, Inc. (17)
 Susquehanna Capital Corporation (6)
 Syndicate Shares (5)
 Systematic Investment Fund Plan (12)
 Third Investment Counsel Corp. (3) (6)
 Third National Investors Corporation
 [National Investors Corporation
 (Md.)]
 Thrift Investment Certificates (12)
 Tobacco & Allied Stocks, Inc. (8)
 Tobacco Trust Shares, Series A (1)
 Tobacco Trust Shares, Series A B (1)
 Tonawanda Share Corporation (6) (7)
 Traders Corporation (5)
 Tri-Continental Allied Company, Inc.
 (Tri-Continental Corporation)
 Tri-Continental Corporation (2) (11)
 (17)

Trust Endowment Agreements (12)
 Trust Endowment Shares, Series A (1)
 Trust Fund Shares (1)
 Trust Shares of America (1)
 Trustee Food Shares, Series A (1)
 Trustee Standard Investment Shares,
 Series C (1)
 Trustee Standard Investment Shares,
 Series D (1)
 Trustee Standard Oilshares, Series A (1)
 Trustee Standard Oilshares, Series B (1)
 Trustee Standard Utility Shares (1)
 Trusteed American Bank Shares, Series
 A (1)
 Trusteed American Bank Shares, Series
 B (1)
 Trusteed Income Estates Certificates, T
 Series (12)
 Trusteed Income Estates Certificates,
 Series C (12)
 Trusteed Industry Shares (17)
 Trusteed New York Bank Shares (1)
 Trusteed New York City Bank Stocks (1)
 20th Century Fixed Trust Shares,
 Original Series (5)
 20th Century Fixed Trust Shares, Series
 B (5)
 Two Year Trust Shares (5)
 Underwriters Equities, Inc.
 (Consolidated Funds Corporation)
 Underwriters Group Diversified Royalty
 Trust Certificates, Series H (13)
 Underwriters Group Diversified Royalty
 Trust Certificates, Series J (13)
 Underwritings & Participations, Inc. (6)
 (7)
 Ungerleider Financial Corporation
 (Atlas Corporation)
 Unified Investors Corporation (13)
 Unified Service Trust Shares, Series A
 (1)
 Unified Service Trust Shares, Series B (1)
 Unified Service Trust Shares, Series C (1)
 Union American Investing Corporation
 (5)
 Union County Corporation (6)
 Union Investment Trust Units (1)
 Union Investors, Inc.
 (Equity Corporation)
 Union Rochester Share Corporation
 (Niagara Share Corp. of Maryland)
 Union Trading Corporation (13)
 United American Trust Shares (5)
 United Bond & Share Corporation
 (United Pacific Bond & Share Corp.)
 United Capital Corporation (13)
 United Common Trust Shares (1)
 United Continental Corporation (13)
 United Diversified Securities Corporation
 (United Pacific Bond & Share Corp.)
 United Equities Corporation
 (International Equities Corp.)
 United Equities, Inc.
 (Consolidated Equities, Inc.)
 United Fixed Shares (1)
 United Fixed Shares, Series Y
 (United Fixed Shares)
 United Founders Corporation
 (American General Corporation)
 United Fund Trust Certificates (Accumu-
 lative Series) (12)
 United Fund Trust Certificates (Income
 Series) (12)
 United Gas and Electric Corporation (4)
 United Hellenic Bank Shares, Inc. (5)
 United Insurance Trust Shares (1)
 United Investment Assurance Trust (14)
 United Investment Shares, Series A (1)
 United Investment Shares, Series C (1)
 United Investors Securities Corp. (5)
 United Jersey Securities Corporation (4)
 United New York Bank Trust Shares (1)
 United Oil Trust Shares (1)
 United Pacific Bond & Share Corp. (13)
 United Pacific Corporation
 (United Pacific Bond & Share Corp.)
 United Securities Corporation (13)
 United Securities Trust Associates
 (Massachusetts Investors Trust)
 United States Bond & Share Company
 (Federal United Corporation)
 United States & British International
 Company, Ltd.
 (American General Corporation)
 United States Electric Light & Power
 Shares, Inc. Trust Certificates, Series
 A (1)
 United States Electric Light & Power
 Shares, Inc. Trust Certificates, Series
 B (1)
 United States Electric Light & Power
 Shares, Inc. (Maryland) (6) (7)
 United States & Foreign Securities Cor-
 poration (2) (17)
 United States & International Securities
 Corporation (2) (4)
 United States & Overseas Corp. (4)
 United States Securities Corp., Ltd. (5)
 United States Securities Investment
 Company (5)
 United Trust Shares, Series A-2
 (United Common Trust Shares)
 Universal Trust Shares (1)
 Utilities Associates, Inc. (6)
 Utilities Hydro & Rails Shares Corp. (14)
 Utilities Public Service Shares (1) (5)
 Utilities Shares Corporation (4)
 Utility Equities Corporation (2) (7)
 Utility and Industrial Corporation (2)
 (7) (8)
 Utility Shares Corporation (5)
 Vernon Associates, Inc. (5)
 Vick Financial Corporation (5)
 Virginia Investors, Inc. (13)
 Wall Street Trading Corporation (5)
 Wedgwood Investing Corporation
 (Tri-Continental Corporation)
 Wellington Foundation Trust Certif-
 icates (12)

Wellington Fund, Inc. (17)	Williamsville Share Corporation (Atlas Corporation)
West Coast Bancorporation, Portland, Ore. (5)	Winslow Lanier International Corp. (5)
Western New York Investors, Inc. (M. & T. Securities Corporation)	Wisconsin Investment Company (17)
Western New York Securities Corp. (6)	Wisconsin Shares Corporation (13)
Western Reserve Investing Corp. (2)	World Finance Investment Trust (World Investment Trust)
Western Securities Company (Corporation Securities Co. of Chicago)	World Investment Trust (6)
Widlor, Inc. (Atlas Corporation)	York Share Corporation (Broad Street Investing Co., Inc.)
William Camp Company (Commonwealth Securities, Inc.)	Yosemite Holding Corporation (Equity Corporation)

Foreign Investment Trusts

Abbots Investment Trust, Ltd. (2)	Aviation & Universal Investment Trust (Producers' Investment Trust)
Aberdeen, Ceylon & Eastern Trust, Ltd. (9)	Bank Insurance & Financial Shares Trust (16)
Aberdeen, Edinburgh and London Trust, Ltd. (9)	Bankers' Investment Trust, Ltd. (17)
Aberdeen Trust Company, Ltd. (2)	Basic Investments of Canada, Ltd. (5)
Across Canada Trust Shares, Series 10 (5)	Bay Hall Trust Ltd. (13)
Adams Court Estate & Mortgage Co. Ltd. (13)	Beaver Trust, Ltd. (9)
Ailsa Investment Trust, Ltd. (9)	Birmingham & Midland Counties Trust Ltd. (6)
Alco Securities Corp., Ltd. (4)	Brewery & Commercial Investment Trust, Ltd. (17)
Aldred Investment Corporation (Canada) (2) (4) (7)	Brewery Unit Trust (1)
All-Canadian Common Stock Trust Shares, Series A (1)	British Assets Trust, Ltd. (2)
Alliance Investment Company, Ltd. (17)	British Bank Shares Trust (16)
Alliance Investments, Ltd. (5)	British Canadian Trust, Ltd. (9)
Alliance Trust Company, Ltd. (17)	British Combined Investors Trust Ltd. (9)
Allied Investors Fixed Trusts Ltd. (1)	British Empire Comprehensive Trust (1)
Amalgamated Fixed Trust (1)	British Empire Cumulative Fixed Trust (1)
American, British & General Invest- ments, Ltd. (4)	British Empire First Unit Trust (1)
American Investment & General Trust Company, Ltd. (2)	British Empire Fixed Trust (1)
American Trust Company, Ltd. (2)	British Empire Land Mortgage & Loan Co., Ltd. (13)
Amicable Investment Trust, Ltd. (13)	British & Foreign General Securities & Investment Trust, Ltd. (9)
Anglo-American Debenture Corporation, Ltd. (17)	British & Foreign Investments, Ltd. (11)
Anglo-Canadian Securities Corp. (6)	British & Foreign Oil & Rubber Trust, Ltd. (British & Foreign General Securities & Investment Trust, Ltd.)
Anglo-Celtic Trust, Ltd. (9)	British & General Debenture Trust, Ltd. (6)
Anglo-Scottish Amalgamated Corp., Ltd. (13)	British General Fixed Trust (1)
Anglo-Scottish Investment Trust, Ltd. (2)	British and German Trust, Ltd. (2)
Anglo-Scottish Trust, Ltd. (4)	British Industries Fixed Trusts (1)
Anglo-Scottish Tea Investment Trust, Ltd. (9)	British Industries & General Investment Trust, Ltd. (9)
Argosy Investment Trust, Ltd. (5)	British Insurance Shares Trust (16)
Army & Navy Investment Trust Company, Ltd. (17)	British Investment Trust, Ltd. (9)
Associated Co-operative Investment Trust, Ltd. (6)	British Isles & General Investment Trust Ltd. (16)
Atlantic Trust, Ltd. (4)	British Mining Investments, Ltd. (13)
Atlas Electric & General Trust, Ltd. (9)	British Steamship Investment Trust, Ltd. (2)
Atlas Trust, Ltd. (5)	Brunner Investment Trust, Ltd. (13)
Aurochs Investment Co., Ltd. (13)	C. E. R. P. Investment Trust Ltd. (9)
Australian Foundation Investment Trust Ltd. (13)	Cables Investment Trust, Ltd. (13)
Average Trust, Ltd. (6)	Caledonian Trust Company, Ltd. (9)

Callenders Share & Investment Trust, Ltd. (4)
 Camperdown Trust Company, Ltd. (17)
 Canada-America Trust Shares (5)
 Canada-America Trust Shares (Second Series) (1)
 Canadian Bank Stock Trust Shares, Series D (5)
 Canadian Bankstocks, Inc. (5)
 Canadian Equity Shares (1)
 Canadian Financial Founders Purchase Certificates (12)
 Canadian & Foreign Investment Trust Ltd. (9)
 Canadian General Investment Trust Ltd. (Canadian General Investments Ltd.)
 Canadian General Investments Ltd. (13)
 Canadian Gold & Metals Mining Company, Ltd. (6)
 Canadian Gold Trust Shares (1)
 Canadian International Investment Trust, Ltd. (2)
 Canadian International Trustee Shares (1)
 Canadian Investment Fund, Ltd. (3)
 Canadian Investors Corporation, Ltd. (6)
 Canadian Mining Securities Corporation, Ltd. (13)
 Canadian Power & Paper Investments, Ltd. (2) (7)
 Canadian Pulp & Paper Investments, Ltd. (Canadian Power & Paper Investments, Ltd.)
 Candamerica Investment Corporation, Ltd. (5)
 Capital & National Trust Ltd. (9)
 Capital Securities Trust (1)
 Cardinal Investment Trust, Ltd. (2)
 Cedar Investment Trust, Ltd. (9)
 Central International Trust, Ltd. (10)
 Century Fixed Trust (1)
 Charter Trust & Agency, Ltd. (2)
 City & Foreign Investment Trust Ltd. (9)
 City & International Trust Ltd. (2)
 City National Investment Trust Ltd. (6)
 City Property Investment Trust Corporation, Ltd. (13)
 Civil Service Co-operative Trust, Ltd. (6)
 Clerical, Medical & General Investment Trust Ltd. (4)
 Clyde and Mersey Investment Trust, Ltd. (9)
 Clydesdale Investment Company, Ltd. (9)
 Cockburn Trust Ltd. (13)
 Coldstream Investment Trust Ltd. (2)
 Colonial and General Investment Trust Ltd. (9)
 Colonial Securities Trust Company, Ltd. (9)
 Commercial Amalgamations Trust, Ltd. (10)
 Commercial Fixed Trust (1)
 Commonwealth International Corp., Ltd. (6)
 Compass Investment Trust, Ltd. (9)
 Confederated Trust Ltd. (13)
 Consolidated Diversified Standard Securities, Ltd. (2)
 Consolidated Public Utility Investment Company, Ltd. (13)
 Consolidated Trust, Ltd. (9)
 Continental & Industrial Trust, Ltd. (9)
 Continental Securities Corporation in Zurich (13)
 Continental Union Trust Company, Ltd. (9)
 Cornhill Trust (1)
 Corporate Investors Ltd. (13)
 Cumulative Investment Foundation, Ltd. (5)
 Debenture Corporation, Ltd. (17)
 Debenture & Securities Corp. of Canada (2) (6)
 Debenture Securities Investment Company, Ltd. (17)
 Diversified Mining Securities Ltd. (5)
 Diversified Investment Trust Ltd. (National Research Investments Ltd.)
 Diversified Mining Securities, Ltd. (5)
 Diversified Standard Securities Ltd. (Consolidated Diversified Standard Securities, Ltd.)
 Domestic Investment Trust (16)
 Domestic Priority Income Trust (16)
 Dominion & Anglo Investment Corporation, Ltd. (2)
 Dominion-Scottish Investments Ltd. (2)
 Dundee & London Investment Trust, Ltd. (9)
 East Central Investment Company, Ltd. (4)
 East of Scotland Trust, Ltd. (9)
 Eastern International Rubber & Produce Trust, Ltd. (13)
 Economic Investment Trust Ltd. (2)
 Edinburgh & Canadian Investment Trust, Ltd. (2) (9)
 Edinburgh & Dundee Investment Company, Ltd. (17)
 Edinburgh Investment Trust, Ltd. (2) (17)
 Egyptian & Foreign Trust, Ltd. (4)
 Electrical Industries Trust (1)
 Electro Trust Ltd. (London Electrical & General Trust Ltd.)
 Empire Investment Co., Ltd. (13)
 English & Caledonian Investment Company, Ltd. (9)
 English & Dutch Investment Trust Ltd. (13)
 English & International Trust, Ltd. (9)
 English National Investment Trust Ltd. (6)
 English & New York Trust Company Ltd. (9)
 English & Scottish Investors, Ltd. (9)
 Equatorial Trust, Ltd. (13)
 European & General Corporation Ltd. (6)
 Everyman's Co-operative Investment Trust (First Series), Ltd. (Confederated Trust Ltd.)

Everyman's Co-operative Investment Trust (Second Series), Ltd. (Confederated Trust Ltd.)	Gilt Edged Fixed Trust (1) Glasgow American Trust Company, Ltd. (9)
Ever Ready Trust Company Ltd. (13)	Glasgow & General Mutual Investment Trust Ltd. (6)
Family Investment Trust Ltd. (13)	Glasgow Stockholders Trust, Ltd. (2)
Fifth Conversion Investment Trust (16)	Globe Telegraph & Trust Company Ltd. (7)
First All-Canadian Trustee Shares (5)	Gold & General Investment Trust, Ltd. (13)
First All-Canadian Trust Shares 1945 Fund (1)	Gold Producers Fixed Trust (1)
First British Fixed Trust (1)	Government & General Investment Company, Ltd. (9)
First Conversion Investment Trust Ltd. (16)	Governments Stock & Other Securities Investment Company, Ltd. (9)
First Co-operative Investment Trust Ltd. (9)	Grange Trust, Ltd. (9)
First Protected Fixed Trust (1)	Great Britain & Canada Investment Corporation (2)
First Provincial Fixed Trust (1)	Great Northern Investment Trust, Ltd. (2)
First Provincial "Reserves" Certificates (1)	Greenfriar Investment Company Ltd. (16)
First Recovery Trust (1)	Group Securities Corporation Trustee Shares (1)
First Re-investment Trust Ltd. (16)	Group Securities Trustee Shares (1)
First Scottish American Trust Company, Ltd. (17)	Group Units Investment Trust (1)
First Scottish Mutual Investment Trust Ltd. (6)	Grouped Income Shares, Series A (1)
Foreign, American & General Investments Trust Company Ltd. (2)	Guardian Investment Trust Company, Ltd. (17)
Foreign & Colonial Government Trust Company, Ltd. (Foreign & Colonial Investment Trust Company Ltd.)	Hellenic & General Trust, Ltd. (13)
Foreign & Colonial Investment Trust Company, Ltd. (2)	Home & Foreign Investment Trust, Ltd. (9)
Foreign Government Bond Trust (1)	Hundred Securities Trust (1)
Foreign Power Securities Corporation Ltd. (13)	Hydro-Electric Bond & Share Corporation (13)
Foreign Railways Investment Trust Ltd. (9)	Hydro-Electric Securities Corporation (9)
Foreign Securities Investment Trust, Ltd. (6)	Imperial Colonial Finance & Agency Corporation, Ltd. (9)
Founders Investment Trust, Ltd. (5)	Independent Investment Company, Ltd. (9)
Fourth British Fixed Trust (1)	Indian & General Investment Trust, Ltd. (2) (17)
Fourth Canadian General Investment Trust Ltd. (13)	Industrial & General Trust, Ltd. (2) (17)
Fourth Conversion Investment Trust Ltd. (16)	International Finance Society Ltd. (9)
Fourth Co-operative Investment Trust Ltd. (6)	International Investments Deposit Certificates (13)
Friars Investment Trust, Ltd. (2)	International Investment Trust, Ltd. (2)
Gas, Water, and General Investment Trust Ltd. (13)	International Light & Power Co., Ltd. (6)
General & Commercial Investment Trust, Ltd. (9)	Investment Bond & Share Corp. (2)
General Consolidated Investment Trust Ltd. (9)	Investment Company for Electrical Enterprises in the United States (American European Securities Company)
General Co-operative Investment Trust Ltd. (6)	Investment Corporation of Canada, Ltd. (4)
General Funds Investment Trust, Ltd. (9)	Investment Foundation Limited (2)
General Investors & Trustees, Ltd. (2) (17)	Investment Trust Corporation, Ltd. (17)
General & Provincial Investment Trust Ltd. (6)	Investment Trust Units (16)
General Scottish Trust Ltd. (9)	Investors Equity Corporation, Ltd. (6)
General Securities Investment Trust Company, Ltd. (6)	Investors Flexible Trust (1)
	Investors Gas & Electric Trust (1)
	Investors General Fixed Trust (1)
	Investors Gold Share Trust (1)

Investors' Mortgage Security Company, Ltd. (17)
 Investors Second General Trust (1)
 Investors Trust Association, Ltd. (9)
 Jersey General Investment Trust Ltd. (13)
 Kelvin Investment Trust, Ltd. (13)
 Keystone Certificates (1)
 Keystone Consolidated Fixed Trust (1)
 Keystone Flexible Certificates (1)
 Keystone Second Certificates (1)
 Lake View Investment Trust, Ltd. (2) (17)
 Lake View & Oroya Exploration, Ltd. (Lake View Investment Trust, Ltd.)
 Lancashire & London Investment Trust, Ltd. (6)
 Latin American Investment Trust Ltd. (13)
 Limited Investment Fund (1)
 Linway Trust Ltd. (13)
 Lombard Bond & Share Corp. Ltd. (6)
 London Border & General Trust Ltd. (9)
 London Canadian Investment Corporation (2)
 London & Clydesdale Trust, Ltd. (2) (17)
 London & Colonial Investment Corporation, Ltd. (17)
 London Electrical & General Trust Ltd. (13)
 London General Investment Trust, Ltd. (17)
 London & Holyrood Trust Ltd. (9)
 London International Trustee Shares, Series A (5)
 London Irish Trust, Ltd. (9)
 London & Lomond Investment Trust, Ltd. (17)
 London Maritime Investment Company, Ltd. (17)
 London & New York Investment Corporation, Ltd. (17)
 London & Overseas Investment Company, Ltd. (2)
 London Paris Securities Corporation, Ltd. (Trust Union, Ltd.)
 London & Provincial Trust, Ltd. (2)
 London Prudential Investment Trust, Ltd. (6)
 London Scottish American Trust, Ltd. (2) (17)
 London Scottish Investment Trust, Ltd. (9)
 London & South American Investment Trust, Ltd. (9)
 London Stockholders Investment Trust Ltd. (9)
 London & Strathclyde Trust Ltd. (2)
 London Trust Company, Ltd. (17)
 Lonsdale Investment Trust, Ltd. (13)
 Lowland Investment Company (Witan Investment Company, Ltd.)
 Manchester Canadian Investments, Ltd. (Manchester Trust Ltd.)
 Manchester Trust, Ltd. (6)
 Maritime Trust Company (6)
 Melbourne City Properties Trust, Ltd. (6)
 Melville Trust Ltd. (9)
 Mercantile Investment & General Trust Company (17)
 Merchants Trust, Ltd. (2)
 Metals & Minerals Trust (1)
 Metropolitan Trust Company, Ltd. (2) (17)
 Mid-European Corporation, Ltd. (9)
 Midland-Caledonian Investment Trust Ltd. (13)
 Midland & Southern Investment Fund (1)
 Monks Investment Trust Ltd. (9)
 Montreal, London & General Investors, Ltd. (10)
 Montroy Investment Corporation, Ltd. (13)
 Municipal Trust Company, Ltd. (9)
 National Dominion & General Investment Corporation Ltd. (9)
 National Fixed Trust (1)
 National Investment Group Certificates (1)
 National Research Investments Ltd. (13)
 Nelson Financial Trust, Ltd. (9)
 New Investment Company, Ltd. (17)
 New Mercantile Investment Trust Ltd. (16)
 New York & General Trust, Ltd. (2) (9)
 New York, Pennsylvania & Ohio First Mortgage Trust, Ltd. (New York & General Trust, Ltd.)
 Nineteen Twenty-Eight Investment Trust Ltd. (9)
 Nineteen Twenty-Nine Investment Trust Ltd. (9)
 Nitrate Securities Trust, Ltd. (Cardinal Investment Trust, Ltd.)
 North British Canadian Investment Company, Ltd. (9)
 Northern American Trust Company, Ltd. (2) (17)
 Northern Securities Trust Ltd. (13)
 Omnium Investment Company, Ltd. (9)
 Oregon Mortgage Co., Ltd. (13)
 Orient Trust, Ltd. (13)
 Palmerston Investment Trust Ltd. (6)
 Pentland Investment Trust, Ltd. (9)
 Perham Investment Trust Ltd. (16)
 Plumbago Trust, Ltd. (6)
 Power & Industrial Securities, Ltd. (5)
 Power Investment Corporation, Ltd. (13)
 Premier Investment Company, Ltd. (2)
 Produce & General Investments Ltd. (4)
 Produce Investment Trust, Ltd. (6)
 Producers' Investment Trust (16)
 Provident Investors Trust (1)
 Public Utility Investment Company (Consolidated Public Utility Investment Company, Ltd.)

Quebec Diversified Securities, Ltd. (5) Scottish Mortgage & Trust Company, Ltd. (17)
 Raeburn Trust Ltd. (13) Scottish National Trust Company, Ltd. (2)
 Railway Debenture & General Trust Company, Ltd. (17) Scottish & North Country Investment Fund (1)
 Railway Debenture Trust Company, Ltd. (Railway Debenture & General Trust Company, Ltd.) Scottish Northern Investment Trust, Ltd. (17)
 Railway & General Investment Trust, Ltd. (9) Scottish Ontario & Manitoba Land Co., Ltd. (13)
 Railway Share Trust & Agency Company, Ltd. (17) Scottish Stockholders Investment Trust Ltd. (2)
 Rand Fixed Trust (1) Scottish Tea & Rubber Trust Company, Ltd. (6)
 Realisation & Debenture Corporation of Scotland, Ltd. (17) Scottish United Investors, Ltd. (2)
 Redeemable Securities & General Investment Trust, Ltd. (9) Scottish Western Investment Company, Ltd. (2) (17)
 Redeemable Securities Investment Trust Ltd. (Redeemable Securities & General Investment Trust, Ltd.) Second Alliance Trust Company, Ltd. (17)
 Research Investment Trust, Ltd. (National Research Investments Ltd.) Second American Trust Company, Ltd. (9)
 Reserves Securities Trust Ltd. (13) Second Anglo-Celtic Trust Ltd. (9)
 Rio Claro Investment Trust, Ltd. (2) Second British Assets Trust, Ltd. (4)
 Rio Claro Railway & Investment Company, Ltd. (Rio Claro Investment Trust, Ltd.) Second British Fixed Trust (1)
 River Plate Electricity & Other Securities Corp. Ltd. (16) Second British Steamship Trust, Ltd. (17)
 River Plate & General Investment Trust Company, Ltd. (17) Second Broadmount Trust Ltd. (13)
 Rock Investment Company, Ltd. (13) Second Caledonian Trust Company Ltd. (9)
 Romney Trust Ltd. (9) Second Canadian General Investment Trust Ltd. (Second Canadian General Investments Ltd.)
 Royalties & Standard Shares (13) Second Canadian General Investments Ltd. (Canadian General Investments, Ltd.)
 Rubber & Tropical Trust, Ltd. (9) Second Canadian International Investment Co., Ltd. (4)
 Rypeck Investment Trust Company, Ltd. (United Trustees Investment Company, Ltd.) Second Clydesdale Investment Company, Ltd. (17)
 St. Andrew Trust Ltd. (9) Second Consolidated Trust Ltd. (9)
 Scottish Allied Investors Ltd. (9) Second Conversion Investment Trust Ltd. (16)
 Scottish American Investment Company, Ltd. (17) Second Co-operative Investment Trust, Ltd. (9)
 Scottish Bank Insurance & Investment Trust Units (16) Second Diversified Standard Securities Ltd. (Consolidated Diversified Standard Securities, Ltd.)
 Scottish & Canadian General Investment Company, Ltd. (General Scottish Trust, Ltd.) Second Edinburgh & Dundee Investment Company Ltd. (9)
 Scottish Canadian Mortgage Company, Ltd. (Second Scottish Mortgage & Trust Company, Ltd.) Second Edinburgh Investment Trust, Ltd. (2)
 Scottish Capital Investment Company Ltd. (9) Second General & Provincial Investment Trust, Ltd. (6)
 Scottish Central Investment Trust, Ltd. (2) Second General Co-operative Investment Trust Ltd. (6)
 Scottish Cities Investment Trust, Ltd. (2) Second Great Northern Investment Trust Ltd. (2)
 Scottish Consolidated Trust, Ltd. (9) Second Guardian Trust, Ltd. (9)
 Scottish and Dominions Trust, Ltd. (9) Second Industrial Trust, Ltd. (2)
 Scottish Eastern Investment Trust, Ltd. (2) Second Investors' Mortgage Security Company, Ltd. (2)
 Scottish Fixed Trust (1) Second London Scottish American Trust Ltd. (9)
 Scottish International Trust Ltd. (9) Second Mercantile Trust, Ltd. (17)
 Scottish Investment Trust Company, Ltd. (2)

Second Protected Fixed Trust (1)
 Second Public Utility Investment Company, Ltd. (Consolidated Public Utility Investment Company, Ltd.) (17)
 Second Scottish American Trust Company, Ltd. (17)
 Second Scottish Eastern Investment Trust, Ltd. (2)
 Second Scottish Investment Trust Company, Ltd. (2)
 Second Scottish Mortgage & Trust Company, Ltd. (9)
 Second Scottish National Trust Company, Ltd. (2)
 Second Scottish Northern Investment Trust, Ltd. (2)
 Second Scottish United Investors, Ltd. (2)
 Second Scottish Western Investment Company, Ltd. (9)
 Second Securities Trust of Scotland Ltd. (2)
 Securities Holding Corporation, Ltd. (13)
 Security Fixed Trust (1)
 Selected Investments Trust, Ltd. (13)
 Selective Fixed Trust (1)
 South Italian Railways Company, Inc (13)
 South Western Investment Trust Ltd. (13)
 Southern Stockholders Investment Trust, Ltd. (9)
 Southern United Investment Co. Ltd. (13)
 Sphere Investment Trust, Ltd. (9)
 Standard Trust, Ltd. (9)
 Status Investment Trust, Ltd. (4)
 Sterling Trust, Ltd. (17)
 Stockholders Investment Trust, Ltd. (2)
 Telephone & General Trust Ltd. (13)
 Tertius Trust, Ltd. (4)
 Third British Fixed Trust (1)
 Third Caledonian Trust Company, Ltd. (9)
 Third Canadian General Investment Trust Ltd. (13)
 Third Conversion Investment Trust Ltd. (16)
 Third Co-operative Investment Trust Ltd. (6)
 Third Diversified Standard Securities Ltd. (Consolidated Diversified Standard Securities, Ltd.)
 Third Edinburgh Investment Trust, Ltd. (2)
 Third Guardian Trust, Ltd. (9)
 Third Protected Fixed Trust (1)
 Third Scottish American Trust Company, Ltd. (17)
 Third Scottish National Trust Company, Ltd. (2)
 Third Scottish Northern Investment Trust, Ltd. (9)
 Third Scottish Western Investment Company, Ltd. (9)
 Tientsin Investment Trust, Ltd. (13)
 Tobacco Investments, Ltd. (4)
 Tobacco Securities Trust Company, Ltd. (4)
 Tor Investment Trust, Ltd. (13)
 Traction & General Investment Trust, Ltd. (2)
 Traction & Power Securities Company, Ltd. (Traction & General Investment Trust, Ltd.)
 Trading Investment Co., Ltd. (13)
 Trans-Canada Shares, Series A (1)
 Trans-Oceanic Trust, Ltd. (2)
 Triumph Investment Trust Ltd. (6)
 Trust of Bank & Insurance Shares (1)
 Trust of Bank Shares (1)
 Trust of British Transport (16)
 Trust Company of London & Scotland, Ltd. (9)
 Trust of Insurance Shares (1)
 Trust of Rubber & Tin Shares (1)
 Trust Union, Ltd. (2) (17)
 Trustees Corporation, Ltd. (2) (17)
 Trustees, Executors & Securities Insurance Corporation, Ltd.
 (Trustees Corporation, Ltd.)
 Tyneside Investment Trust, Ltd. (9)
 Union Commercial Investment Company, Ltd. (9)
 Unit Securities & Trust Company of South Africa, Ltd. (16)
 United Bond & Share, Ltd. (6)
 United City & Provincial Investment Company, Ltd. (United Trustees Investment Company, Ltd.)
 United Corporations, Ltd. (2)
 United Discount & Securities Company, Ltd. (London General Investment Trust, Ltd.)
 United Estates & Investment Trust, Ltd. (6)
 United Gold Equities of Canada, Ltd. (6) (7)
 United Services Investment Company, Ltd. (United Trustees Investment Company, Ltd.)
 United States Debenture Corporation, Ltd. (17)
 United States & General Trust Corporation, Ltd. (2)
 United States Investment Corporation, Ltd. (13)
 United States & South American Investment Trust Company, Ltd. (17)
 United States Trust Company of Scotland, Ltd. (4)
 United States Trust Corporation, Ltd. (United States & General Trust Corporation)
 United States Trust & Guarantee Corporation, Ltd. (United States Trust Corporation, Ltd.)

United Trustees & General Investments, Ltd. (United Trustees Investment Company, Ltd.)	West London & Provincial Electric & General Trust, Ltd. (9)
United Trustees Investment Company, Ltd. (6)	Western Canada Investment Company, Ltd. (13)
Universal Fixed Trust (1)	Western & Hawaiian Investment Company, Ltd. (Second Alliance Trust Company, Ltd.)
Upper Canada Investment Trust, Ltd. (13)	Westpool Investment Trust, Ltd. (13)
Utilities & General Trust, Ltd. (13)	Whitehall Electric Investments, Ltd. (4)
Waterloo Investment Trust, Ltd. (4)	Windsor Trust, Ltd. (6)
Were's Investment Trust Ltd. (Australian Foundation Investment Trust Ltd.)	Winterbottom Trust Ltd. (9)
	Witan Investment Company, Ltd. (17)

VI. SELECTED AND RECOMMENDED ISSUES

FROM the investor's point of view, results tell the final story. They are an especially valuable indication, provided the record for a sufficiently long period is available. However, it is not so simple as it may seem at first thought to determine the actual results and tabulate them in comparable form.

The British investor, because of his habitual viewpoint, would be apt to judge investment trust shares by the dividends paid over a long period of years. On the other hand, the American investor is usually much more interested in the price appreciation or depreciation which may have occurred. Comparisons have been made in the past involving the use of either one or the other of these criteria. However, each method conceals some facts, and may lead to seriously erroneous conclusions.

Some investment trusts have made it a practice to pay relatively small dividends as regularly as possible, and to use the surplus income received for increasing reserves. On the other hand, some investment trusts have paid in the form of dividends practically all income received, including capital gains from the sale of securities. Of course, the market valuation of a common stock which represents part ownership of substantial additions to the company's surplus could be expected to increase more rapidly than the price of an investment trust stock on which all earnings are paid out in the form of dividends. It is obvious that comparison of two such issues could not be made satisfactorily on the basis of either dividends paid or market price.

Because of the situation just described, we have adopted a method of determining actual results which takes into consideration both dividends and market price. Our analysis of results begins with the year 1920 for investment trusts of the representative group which were in existence at that time. We have assumed an original investment of \$1,000 in the shares of each trust.

Subsequent dividends paid to the investor have been reinvested in the stock of the trust concerned at the price which prevailed when the funds were available for reinvestment. (In some instances, it has not been practicable to obtain market prices on specific dates, and it has been necessary to resort to the use of averages covering a relatively short period. However, it is improbable that this procedure has introduced serious bias in the results shown.) This accumulation procedure, on a principle similar to the operation of compound interest, has been followed throughout the period, with the result that a final value is shown for each investment, which was derived in such a manner that it is comparable with the similar final values shown for the other investments.

Before proceeding to a discussion of the results, it seems advisable to describe briefly some of the special problems which were encountered. In general, it was relatively simple to apply this method in the case of the British investment trusts, primarily because by far the most of the representative issues had a record extending back to 1920. Because the investment trust movement developed much later in this country and only a few trusts were in existence in the early 1920's, the procedure has been somewhat complicated.

It would obviously be incorrect to compare an initial investment of \$1,000 made in a trust which was organized in 1924 with an initial investment of similar size made in a trust organized several years earlier, say in 1920. Therefore, except for the trusts which were in existence in 1920, we have assumed that the original investment was equal to the average value of the accumulated investments made prior to the time when the trust under consideration was formed. In other words, as each new investment trust was organized, we have assumed an investment in its shares equal to the average value of the accumulated investments in the trusts previously existing. By following this procedure, each trust has started at the average for the group, at the time of its organization, and has then followed a course determined by its accumulated reinvested dividends and the market price of the stock.

It would have been impracticable to include in the trusts subjected to this acid test of past performance all the companies listed in the preceding chapter. Furthermore, many of those investment trusts should not receive a moment's consideration by the investor. Therefore, we have first selected a group of American investment trusts and another group of British investment trusts. In selecting these representative groups of trusts, we first chose all of those which had no immediately apparent drawback, and then added several other trusts which are well known and widely held by investors in order to have a broader base for our comparisons of performance records. It should be definitely understood that these representative groups therefore include many trusts which we do not recommend for the average investor. Such trusts are indicated by appropriate reference notations on pages 50 to 68. To facilitate reference, we are listing the representative groups below:

Representative American Investment Trusts

Adams Express Company
Administered Fund Second, Incorporated
American Business Shares, Incorporated
Atlas Corporation
Boston Personal Property Trust
Broad Street Investing Company, Incorporated
Bullock Fund, Limited
Carriers and General Corporation
Century Shares Trust
Chartered Investors, Incorporated
Chicago Corporation
Commonwealth Investment Company
Consolidated Investment Trust
Dividend Shares, Incorporated
Eaton and Howard Management Fund A-1
Fidelity Fund, Incorporated
Fourth National Investors Corporation
Fundamental Investors, Incorporated
General Capital Corporation
General Investors Trust
Incorporated Investors
Insuranshares Certificates, Incorporated
Investment Corporation of Philadelphia
Investors Fund C, Incorporated
Lehman Corporation
Loomis-Sayles Mutual Fund, Incorporated

Loomis-Sayles Second Fund, Incorporated
 Maryland Fund, Incorporated
 Massachusetts Investors Trust
 Mutual Investment Fund
 National Bond and Share Corporation
 Nation-Wide Securities Company (Maryland)
 New England Fund
 Prudential Investing Corporation
 Prudential Investors, Incorporated
 Quarterly Income Shares, Incorporated
 Railway and Light Securities Company
 Republic Investors Fund, Incorporated
 Selected American Shares, Incorporated
 Spencer Trask Fund, Incorporated
 State Street Investment Corporation
 Supervised Shares, Incorporated
 Third National Investors Corporation
 Tri-Continental Corporation
 Trusteed Industry Shares
 United States and Foreign Securities Corporation
 Wellington Fund, Incorporated
 Wisconsin Investment Company

Representative British Investment Trusts

Alliance Investment Company, Limited
 Alliance Trust Company, Limited
 Anglo-American Debenture Corporation, Limited
 Army and Navy Investment Trust Company, Limited
 Bankers' Investment Trust, Limited
 Brewery and Commercial Investment Trust, Limited
 Camperdown Trust Company, Limited
 Debenture Corporation, Limited
 Debenture Securities Investment Company, Limited
 Edinburgh and Dundee Investment Company, Limited
 Edinburgh Investment Trust, Limited
 First Scottish American Trust Company, Limited
 General Investors and Trustees, Limited
 Guardian Investment Trust Company, Limited
 Indian and General Investment Trust, Limited
 Industrial and General Trust, Limited
 Investment Trust Corporation, Limited
 Investors' Mortgage Security Company, Limited
 Lake View Investment Trust, Limited
 London and Clydesdale Trust, Limited
 London and Colonial Investment Corporation, Limited
 London and Lomond Investment Trust, Limited
 London and New York Investment Corporation, Limited
 London General Investment Trust, Limited
 London Maritime Investment Company, Limited
 London Scottish American Trust, Limited
 London Trust Company, Limited

Mercantile Investment and General Trust Company, Limited
 Metropolitan Trust Company, Limited
 New Investment Company, Limited
 Northern American Trust Company, Limited
 Railway Debenture and General Trust Company, Limited
 Railway Share Trust and Agency Company, Limited
 Realisation and Debenture Corporation of Scotland, Limited
 River Plate and General Investment Trust Company, Limited
 Scottish American Investment Company, Limited
 Scottish Mortgage and Trust Company, Limited
 Scottish Northern Investment Trust, Limited
 Scottish Western Investment Company, Limited
 Second Alliance Trust Company, Limited
 Second British Steamship Trust, Limited
 Second Clydesdale Investment Company, Limited
 Second Mercantile Trust, Limited
 Second Scottish American Trust Company, Limited
 Sterling Trust, Limited
 Third Scottish American Trust Company, Limited
 Trust Union, Limited
 Trustees Corporation
 United States and South American Investment Trust Company, Limited
 United States Debenture Corporation, Limited
 Witan Investment Company, Limited

After selection of the investment trusts listed above, and the calculation of the results which would have been obtained by the theoretical investment in each, the next step was to select a means of presenting the results and making comparisons. Believing that the performance of any particular trust should be considered in relation to the average result for its group, we prepared a chart showing these average results for both the American and the British trusts. This chart is shown on page 76. On the facing page, for convenience in using the indicated trends, we have shown a similar chart with the American and British averages replaced by four compound interest curves. These lines show the results which would have been obtained by investing \$1,000 in 1920, and leaving it to accumulate at the rates of interest indicated (compounded annually).

It will be observed that ratio charts have been used for presentation of the data just mentioned, and for the other charts which are included. Ratio (or logarithmic) charts have a peculiar value in making comparisons such as those under consideration here. Ratio charts emphasize the relative value of percentage

changes. Referring now to the chart on page 77, it will be noted that the vertical distance from \$2,000 to \$4,000 is the same as that from \$4,000 to \$8,000. In other words, a given vertical rise from one year to the next indicates a definite percentage gain wherever it may appear on the chart. This makes it possible to compare results during any part of the period under consideration, and for any one of the trusts, with the result for the same trust at a different time, or for another trust at the same or a different time. It also makes it easier to judge the compound interest accumulation rate by reference to the chart previously mentioned, which shows compound interest accumulations as straight lines.

Certain characteristics of the averages shown are of especial interest. Obviously, the American investment trusts have been much more speculative in character than the British trusts. This is in part the result of developments during the boom decade, and in part it is the result of the British practice of establishing reserves over a period of years in order to provide protection against losses which may be incurred.

In spite of the extraordinarily severe declines from 1929 to 1932, the results shown for the average of the representative American trusts reached but did not fall below the 6 per cent compound interest line. During the period 1924 to 1929, the results shown for the American trusts substantially exceeded the 20 per cent compound interest accumulation rate; and during the entire period from 1920 to 1938, the British Average nearly equalled the 12 per cent compound interest accumulation result, and the American Average was not very far below. However, it is important to remember that the investor who purchased American investment trusts in particular during 1928 and 1929 has suffered a loss in the accumulated value of his investment at June 30, 1938. Nevertheless, considering the length and severity of the 1929-1932 depression and the rapidity of the recent decline in economic activity, the record shown is satisfactory. (It should not be considered a forecast of results to be anticipated in the future.)

Final Selections and Recommendations

After plotting the American and British averages, we then plotted the results calculated for each of the representative investment trusts. These were compared with the averages, and a final selection was then made for further study. This final selection included the investment trusts for which the results are shown in chart form on pages 78 to 87. For the most part, these include only those whose performance was above average, except for a few which it seemed desirable to include because of the unusually widespread interest in those particular securities.

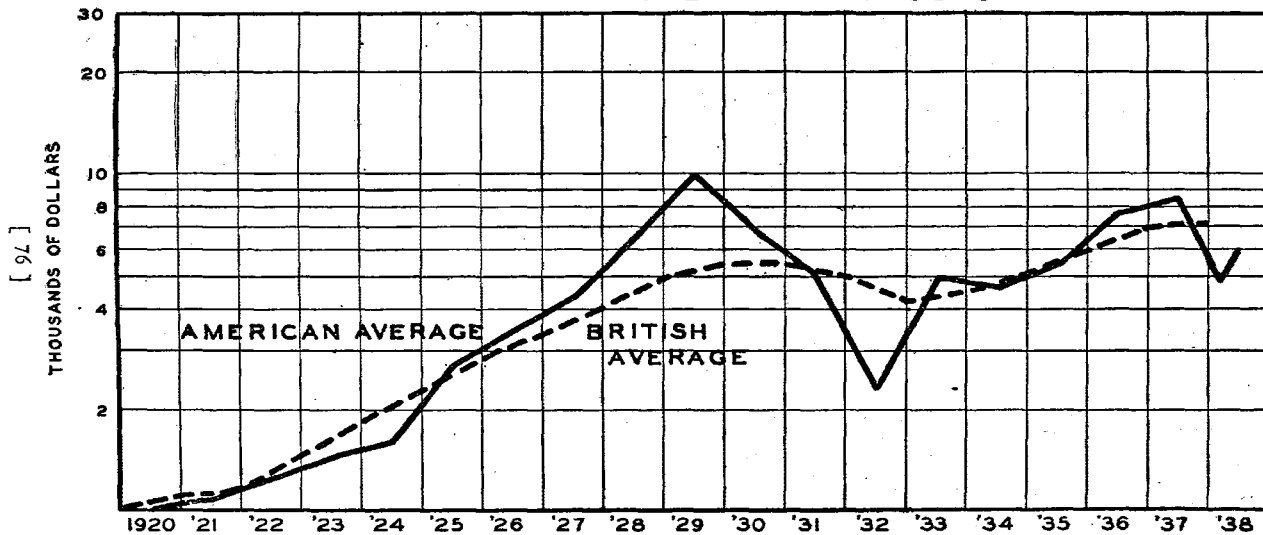
In order to select trusts for final recommendation from among those which had shown above average results during the period under consideration, additional studies were undertaken. A more detailed investigation was made of the past history and affiliations of the officers, trustees, and directors of each of these trusts. In particular, we wished to be sure that the management of any investment trust which we chose to recommend included only men of ability and integrity whose other affiliations would probably not interfere with the satisfactory performance of their duties. In the following paragraphs, we describe briefly the reasons for our selections and final recommendations.

The Recommended American Trusts

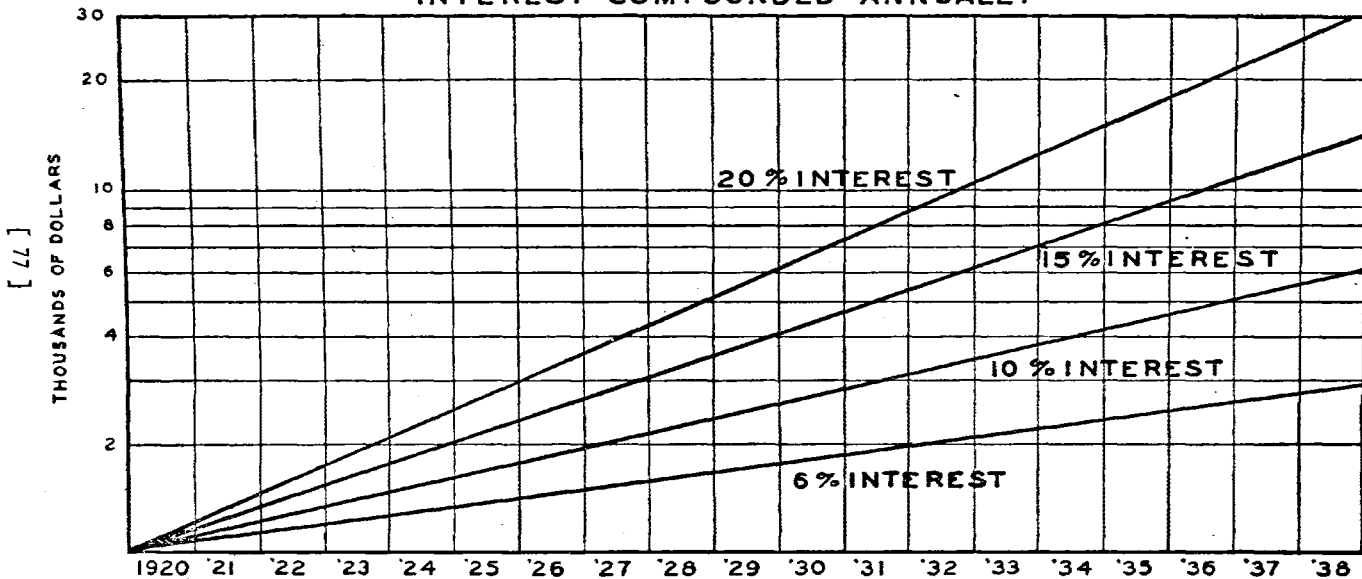
Selection of the American trusts which we have felt it desirable to recommend has been exceedingly difficult. The problem has been complicated by certain factors such as the varying capital structures involved, different methods of operation, and, for some of the companies, a relatively short record of performance.

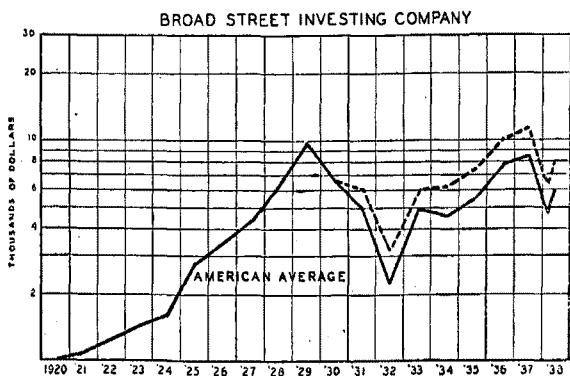
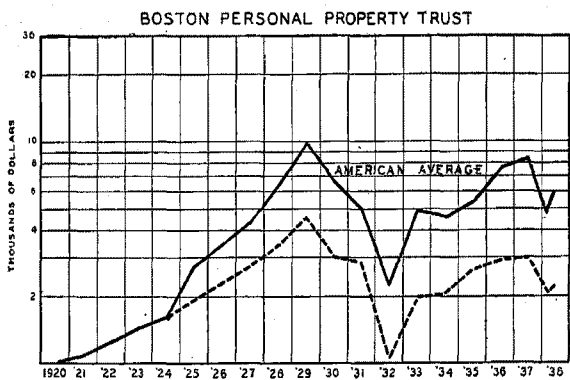
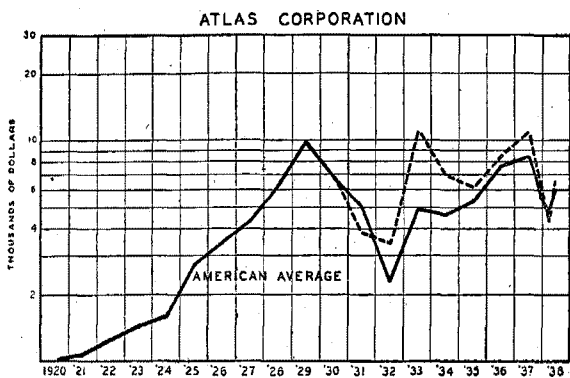
The record of Loomis-Sayles Mutual Fund, Inc. is outstanding. This company was organized in November, 1929, as a general management investment trust under the title of Shaw-Loomis-Sayles Mutual Fund, Inc.; the present name was adopted in February, 1931. The capitalization consists solely of common stock which is redeemable at liquidating value. The trust has qualified as a "mutual investment company" in accordance with the provisions of the Revenue Act of 1936, and will probably continue to take advantage of the substantial tax economies provided by

AMERICAN VS. BRITISH TRUSTS

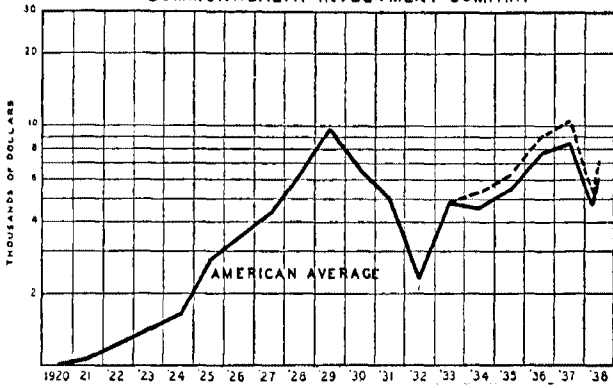


VALUE OF \$1,000 ORIGINAL INVESTMENT
INTEREST COMPOUNDED ANNUALLY

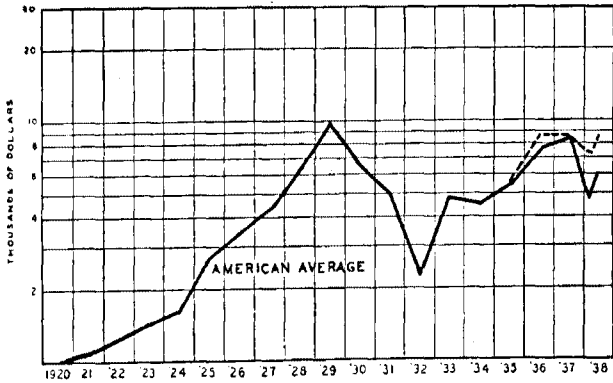




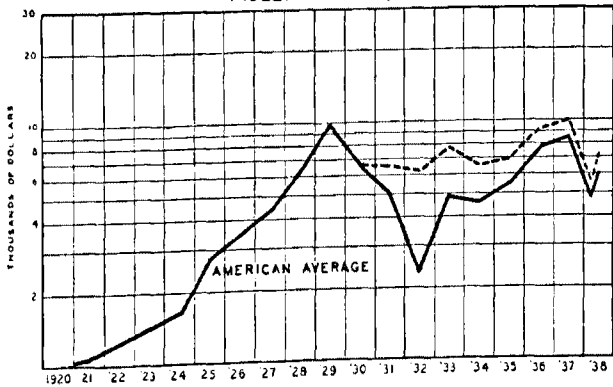
COMMONWEALTH INVESTMENT COMPANY



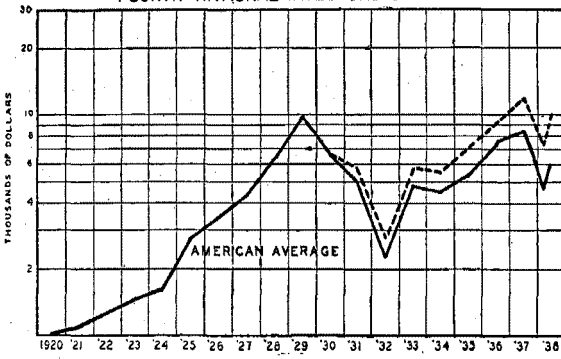
CONSOLIDATED INVESTMENT TRUST



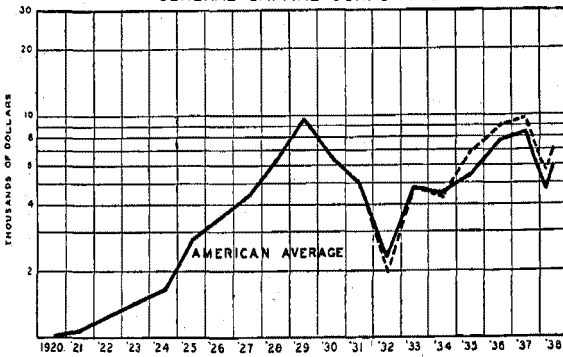
FIDELITY FUND, INC



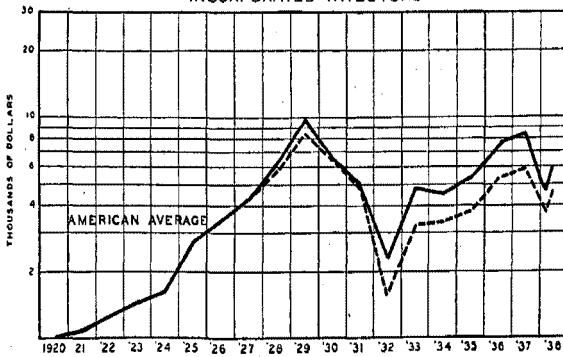
FOURTH NATIONAL INVESTORS CORPORATION



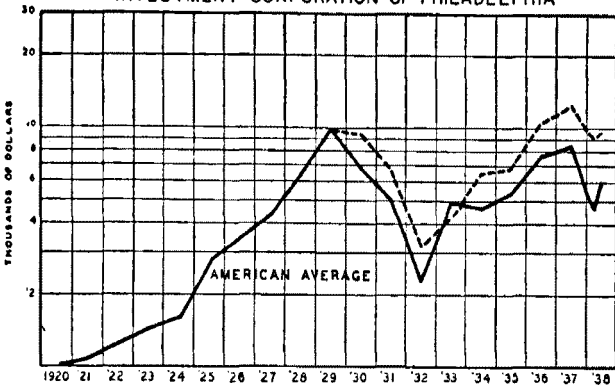
GENERAL CAPITAL CORPORATION



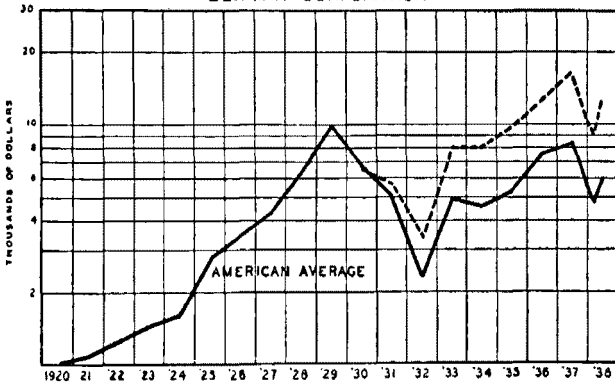
INCORPORATED INVESTORS



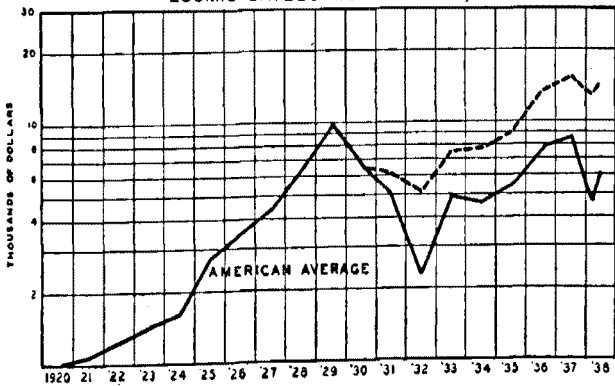
INVESTMENT CORPORATION OF PHILADELPHIA



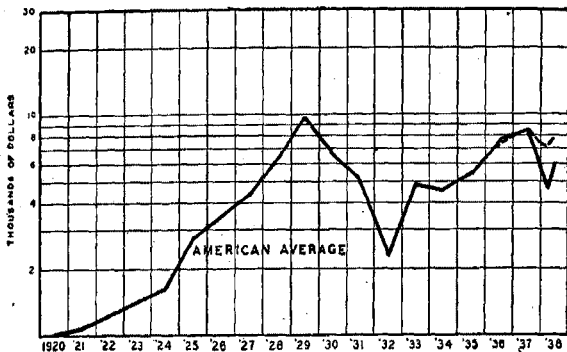
LEHMAN CORPORATION



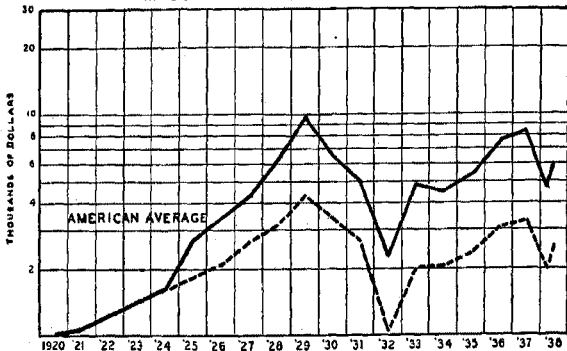
LOOMIS-SAYLES MUTUAL FUND, INC.



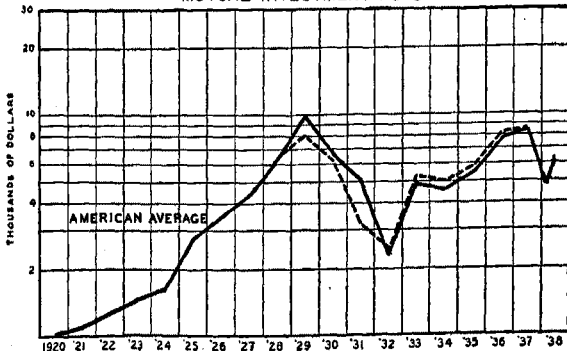
LOOMIS-SAYLES SECOND FUND, INC.



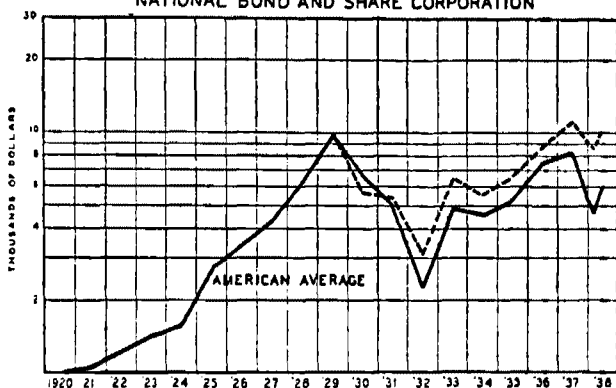
MASSACHUSETTS INVESTORS TRUST



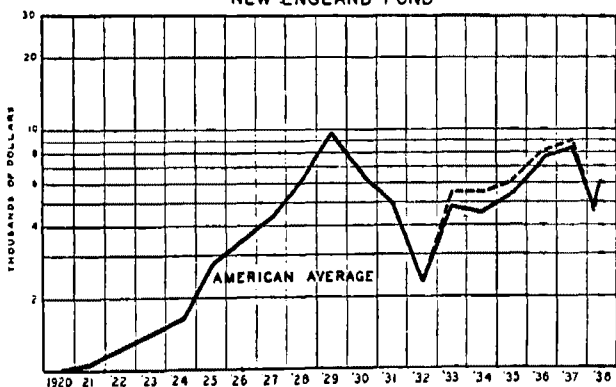
MUTUAL INVESTMENT FUND



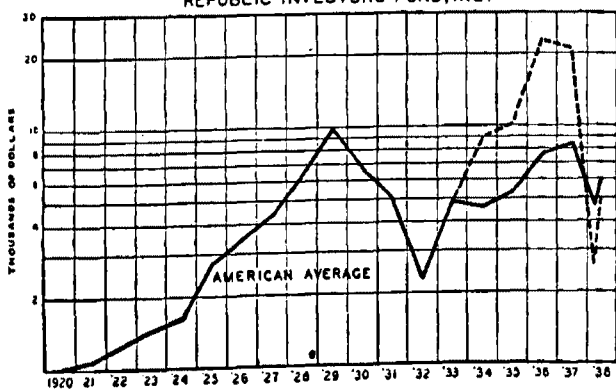
NATIONAL BOND AND SHARE CORPORATION



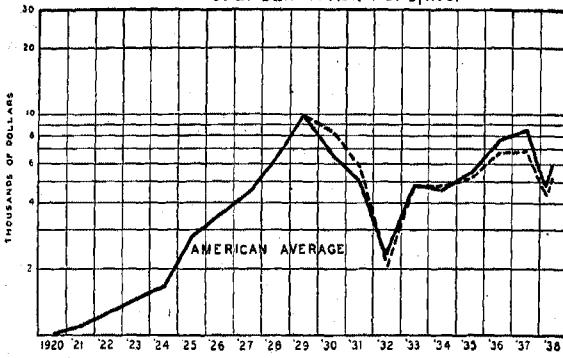
NEW ENGLAND FUND



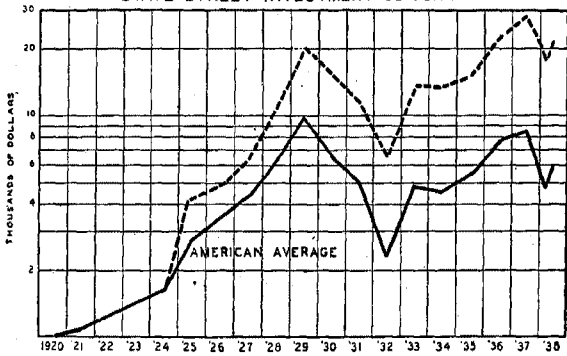
REPUBLIC INVESTORS FUND, INC.



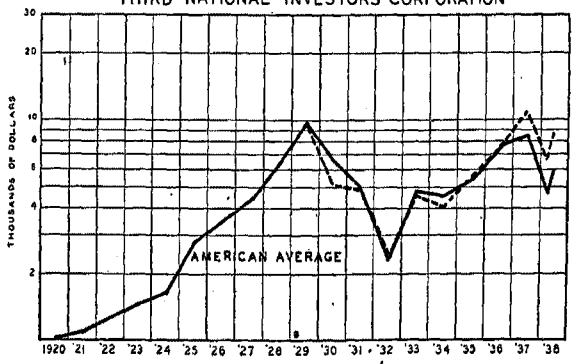
SPENCER TRASK FUND, INC.



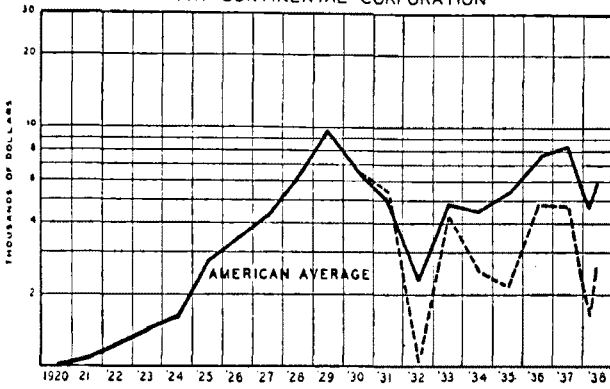
STATE STREET INVESTMENT CORPORATION



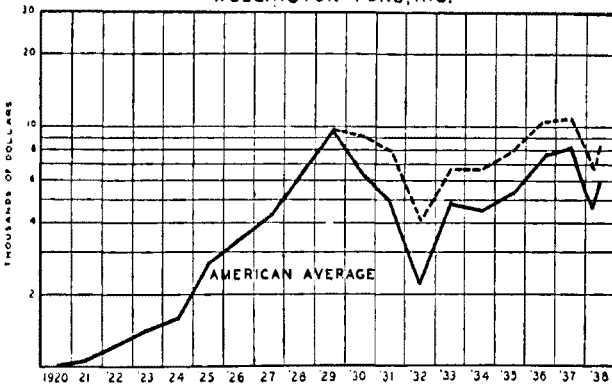
THIRD NATIONAL INVESTORS CORPORATION



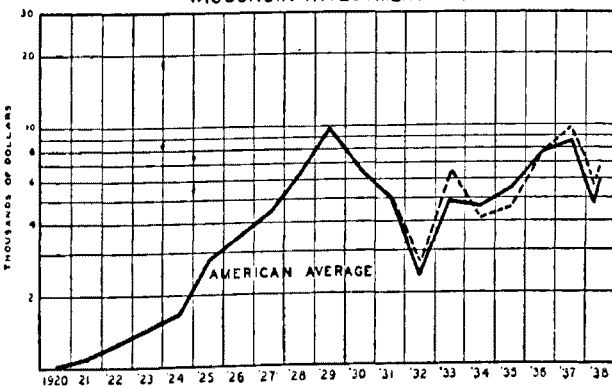
TRI-CONTINENTAL CORPORATION



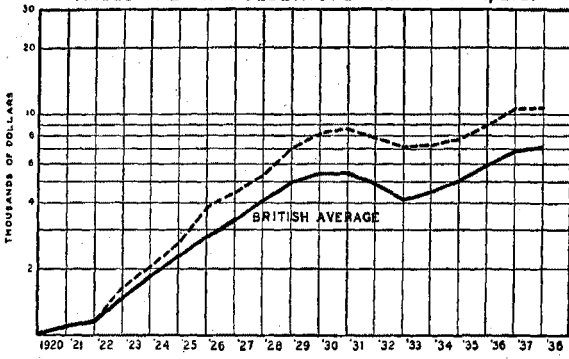
WELLINGTON FUND, INC.



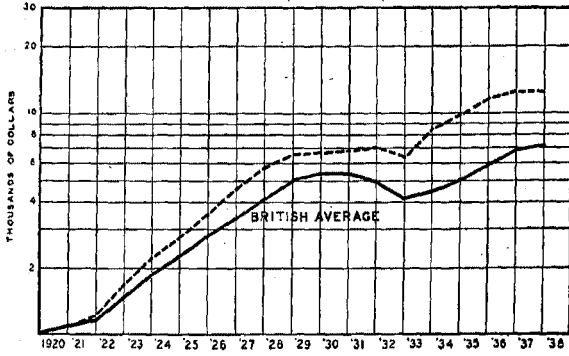
WISCONSIN INVESTMENT COMPANY



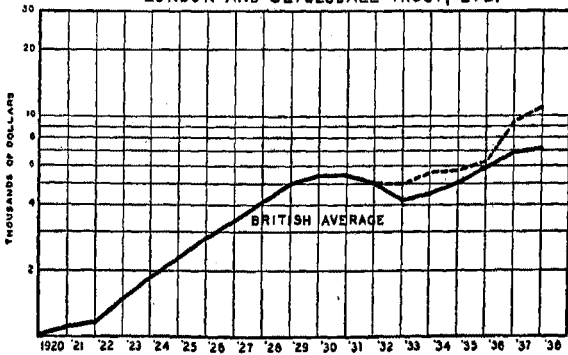
ANGLO-AMERICAN DEBENTURE CORPORATION, LTD.



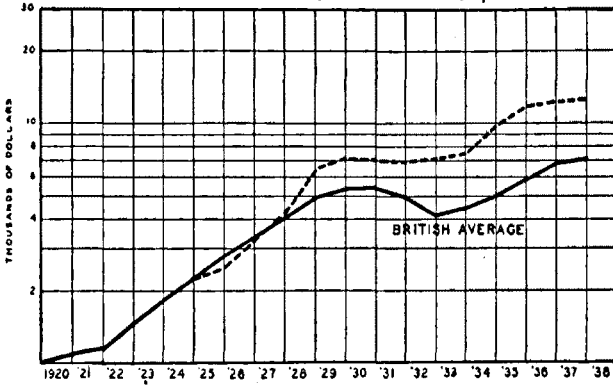
DEBENTURE CORPORATION, LTD.



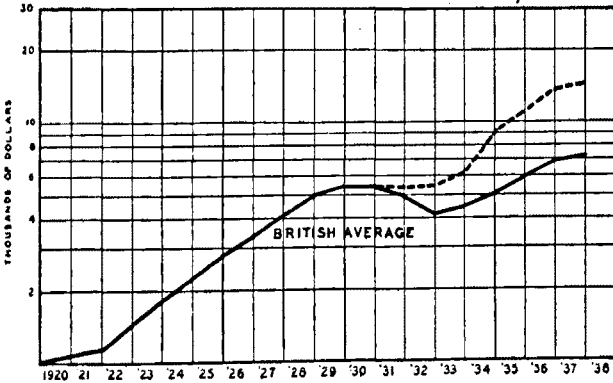
LONDON AND CLYDESDALE TRUST, LTD.



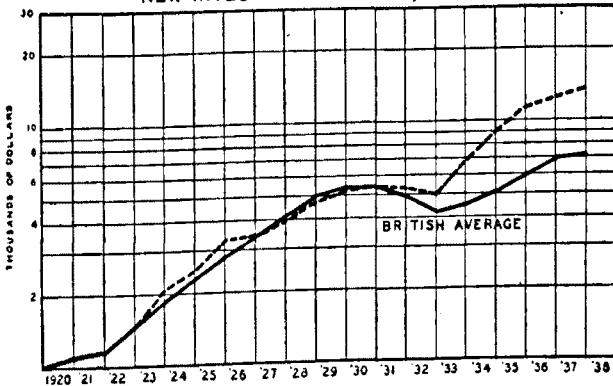
LONDON GENERAL INVESTMENT TRUST, LTD.



LONDON AND LOMOND INVESTMENT TRUST, LTD.



NEW INVESTMENT COMPANY, LTD.



such classification. Although the funds of the trust have on occasion been committed almost entirely to the common stocks of important American companies, at other times bonds and cash have been the predominant investment media. We believe that the annual management compensation fee of 1 per cent of the assets is excessive; but this drawback has been offset by the management's demonstrated ability to date.

Since July 1, 1933, no public subscriptions have been accepted for the Loomis-Sayles Mutual Fund, Inc. However, the Loomis-Sayles Second Fund, Inc. is similar in both organization and management, and its shares are available to the public. We believe that, for all practical purposes, there is no essential difference between these funds, and therefore recommend that the Loomis-Sayles Second Fund, Inc. be regarded as the equivalent of the Loomis-Sayles Mutual Fund, Inc. Reference to the respective charts of these two trusts indicates that their records of performance closely parallel each other. The Loomis-Sayles Second Fund, Inc. has the advantage that its stock can be purchased at liquidating value without the payment of any premium charge, whereas the shares of the Loomis-Sayles Mutual Fund, Inc. can be obtained only by purchases in the open market from present holders. In addition to the common stock being available to the public at its liquidating value, a shareholder can have his stock redeemed at liquidating value, less a withdrawal charge of 2 per cent. It is understood that this fee is eliminated in the case of shareholders who have held their securities for more than three years.

The shares of Loomis-Sayles Second Fund, Inc. are offered to the public by Loomis-Sayles & Company, Inc., 140 Federal Street, Boston, Massachusetts. Current liquidating values of this stock can be found daily, with the exception of Saturday through Monday, in the Unlisted Securities section of The Boston Herald. The address of the trust is 140 Federal Street, Boston, Massachusetts.

State Street Investment Corporation, the second investment trust which we recommend for the average investor, also has a remarkable record. This company was organized in July, 1924,

and was operated at first as a private investment medium. Although the public has subsequently been offered shares in the trust, the managers and their associates still hold a substantial interest. As of December 31, 1937, they owned approximately 21 per cent of the outstanding shares, for which the trust had received full liquidating value at the time of purchase. In many respects the trust is similar to Loomis-Sayles Mutual Fund, Incorporated. It is a "mutual investment company", and its capitalization consists solely of common stock. Formerly, shares were sold to the public at liquidating value plus a premium of approximately 6.4 per cent; but, except in the case of certain warrants, no capital stock has been sold to the general public since December 31, 1935. The funds of the trust are invested chiefly in common stocks of American industries.

The investor who purchased the stock of State Street Investment Corporation in 1924 has received the equivalent of more than 20 per cent compound interest, on the average, to date. This is a truly remarkable record. Even eliminating the marked increase from 1924 to 1925 and judging the record from 1925 to date, the value of the accumulated theoretical investment has nearly equalled 14 per cent, compounded annually.

Unfortunately, the common stock of this company is no longer available at liquidating value plus a reasonable sales premium. Although the current market price (July, 1938) is approximately 7 per cent in excess of the stock's liquidating value, the premium a year ago was about 10 per cent. Therefore, we have made a special study of the situation in order to determine how large a premium the investor would be justified in paying for this investment trust stock which has such a remarkable record of performance. If an investor had paid an 80 per cent premium for this stock in 1925, he would still be as well off today as though he had purchased the average American investment trust. (This is based on the average of the representative companies for which we have shown the results in a separate chart.) Even in 1929 a premium of nearly 20 per cent could have been paid without reducing the net return to date below the American Average. During more recent years, a premium of from 10 to 15 per cent

would not have been unreasonable by this test. We conclude that a premium of 10 per cent is not excessive. Furthermore, we believe that the investor might pay as high as about 15 per cent in excess of the liquidating value without fear that his net return over a period of several years would be reduced below that obtainable in the average American investment trust. If this stock is not obtainable except by paying a still higher premium, we suggest that the investor confine his commitments to the other recommended issues, for the time being, and plan to purchase the stock of the State Street Investment Corporation at some future time when depressed market conditions again bring it within the reasonable range which we have suggested.

For an investor to determine the prevailing premium on the stock of State Street Investment Corporation, it is necessary of course to know the current liquidating and market values. The quotations printed in most newspapers and financial periodicals are in excess of the liquidating value and represent the "over the counter" market. However, both the liquidating and market values are printed daily, with the exception of Saturday through Monday, in the Unlisted Securities section of *The Boston Herald*. The quotation given in the Over-the-Counter Securities section of the *New York Times* represents the liquidating value of the stock less \$1, which is the trust's charge per share for purchasing stock from shareholders. Once the liquidating value is known, it is a relatively simple matter to calculate the prevailing premium. Any broker who is a member of the New York Stock Exchange should be able to handle purchases and sales of the stock. The office of State Street Investment Corporation is located at 140 Federal Street, Boston, Massachusetts.

The Fourth National Investors Corporation and the Third National-Investors Corporation should be considered as a unit, inasmuch as they are now parts of the new National Investors Corporation. The record of results for the old companies entitles the new organization, operating under the same management and with a similar policy, to our recommendation. Like the two trusts previously recommended, National Investors Corporation is a "mutual investment company", with its capitalization consisting

entirely of common stock, and most of its funds invested in American equities.

Early in 1937, the theoretical investments in Third National Investors Corporation and Fourth National Investors Corporation were adjusted to reflect the exchange of their capital stocks for the shares of the new company. Therefore, the results in 1937 and 1938 reflect the operations of National Investors Corporation, and reference to the charts for the original two trusts will show that, during the last two years, the records of performance have been parallel. It will be noted that the current value of each of these theoretical investments, used in computing the values shown in the charts, is substantially better than the results shown for the American Average.

The shares of National Investors Corporation are being offered currently to the public at their asset value plus a premium of approximately 6.4 per cent by the general distributors, Don C. Wheaton & Company, Incorporated, 15 Exchange Place, Jersey City, New Jersey. Current quotations are printed in the over-the-counter securities sections of many important newspapers and financial publications. In the event that a stockholder desires to withdraw from the trust, he can receive full liquidating value for his holdings. A 1 per cent withdrawal charge may be levied, but the directors of the trust have suspended this fee for the time being. Offices of National Investors Corporation are maintained at 120 Broadway, New York City, and at 1 Exchange Place, Jersey City, New Jersey.

Mutual Investment Fund is the fourth of the five recommended American investment trusts. Its record has been good, albeit not remarkable. There is only one class of certificates outstanding, and the funds of the company are invested almost entirely in common stocks. It is a "mutual investment company." The principal objections to the Mutual Investment Fund are that the sales charge seems excessive (about 9.3 per cent of the asset value) and that the management compensation is considered high ($\frac{1}{4}$ of 1 per cent quarterly of the trust's asset value). Stockholders can have their shares redeemed at liquidating value without the deduction of a withdrawal charge.

The Mutual Management Company of 15 Exchange Place, Jersey City, New Jersey, is both manager and general distributor for Mutual Investment Fund. An office is also maintained at 43 Cedar Street, New York City. Like National Investors Corporation, current quotations can be found in the over-the-counter securities sections of many important newspapers and financial publications.

The fifth investment trust which we recommend is Massachusetts Investors Trust. Inasmuch as it was organized in March, 1924, this trust is one of the oldest of the mutual companies. It is managed by five trustees, who are assisted by an advisory board. The personnel includes such outstanding men as Charles Francis Adams and Dr. O. M. W. Sprague. Like the other "mutual investment companies," the capitalization consists solely of common stock, and the funds of the trust are invested principally in American equities. One objection to this trust is its method of management compensation, which is 5 per cent of gross income, excluding capital gains. Because it urges concentration on dividend-paying stocks, we believe that this method of computing management compensation is unsound.

The capital stock of Massachusetts Investors Trust is available to the public at net asset value, plus a charge of approximately 6.1 per cent. The general distributors of the stock are Massachusetts Distributors, Incorporated, 85 Devonshire Street, Boston, Massachusetts. Shares can be returned to the trust for redemption at their liquidating value, less no more than 1 per cent. Current quotations are available in the over-the-counter securities section of many important newspapers and financial periodicals. The office of the trust is at 19 Congress Street, Boston, Massachusetts.

Of the representative American investment trusts, there are several others whose records of performance, especially during recent years, are as good or better than some of the recommended trusts; but for various reasons, the former are considered unsuitable for the average investor. Most of these reasons are listed in the preceding chapter; however, additional criteria used in our more detailed examination of the representative trusts include:

extremely broad charter powers, failure to qualify as a "mutual investment company," or capital stock not readily available. Following are the American investment trusts whose records of performance entitle them to special mention.

Broad Street Investing Company, Inc.
Commonwealth Investment Company
Consolidated Investment Trust
General Capital Corporation
Incorporated Investors
Investment Corporation of Philadelphia
Lehman Corporation
National Bond and Share Corporation
Wellington Fund, Incorporated

Insofar as the American investment trusts are concerned, our recommendations are summarized as follows:

We recommend that the average investor who has only a few hundred dollars, or possibly a few thousand dollars to use for this purpose, confine his purchases to the following three investment trusts:

Loomis-Sayles Second Fund, Inc.
State Street Investment Corporation
National Investors Corporation (Maryland)

If it proved to be impossible, during prosperous periods, to purchase State Street Investment Corporation shares without paying an excessive premium, we suggest the substitution of Mutual Investment Fund for State Street Investment Corporation.

Many investors with larger funds in their possession have expressed a desire to place their capital in investment trusts. Of course, when the value of a fund is several thousand dollars or more, an investor is in a position to make commitments directly in the securities of American industries and thus obtain diversification without the expense of the investment trust management fee. However, many investors who have large funds feel that, even though they can obtain diversification directly, commitments in investment trusts are desirable because of the management provided by such organizations. Therefore, for the benefit of these investors, we recommend two additional investment trusts.

We recommend that investors who have moderate sized funds to use for this purpose, ranging from a few thousand dollars up to about fifty or sixty thousand dollars, divide their investment equally among four investment trusts, including the three tabulated above, and the following:

Mutual Investment Fund

We recommend that investors who have a very large fund which they desire to invest in this manner purchase the shares of five American Investment trusts, and the three British trusts recommended in the following section of this chapter. The fifth American investment trust which we recommend is:

Massachusetts Investors Trust

Before making any purchases of investment trust securities, it is strongly recommended that investors read carefully the preceding sections of this booklet, and that they give especial thought to the concluding section of this chapter.

The Recommended British Trusts

Based on the results obtained by applying our theoretical investment method, the London and Lomond Investment Trust, Limited has the best record of any of the British trusts. However, it was organized in January, 1931, and its record is therefore much briefer than most of the British investment trusts, for which there are records at least as far back as 1920. A partial explanation of this investment trust's excellent record is found in its high leverage. Data given in the latest report indicate that the ordinary or common stock is only 20 per cent of the par value of securities outstanding, and is 34 per cent of the capitalization, including the surplus and reserves. The high leverage would not alone be sufficient to condemn this trust, from the viewpoint of the average investor. However, the assets owned by this trust apparently do not parallel the liabilities. The latest available information indicates that nearly 45 per cent of the fund was invested in common stocks, substantially greater than the approximately 34 per cent common stock liability of the company. Therefore, and in spite of the excellent record, we believe that the common stock of this trust is not suitable for the average investor.

The next best British trust, from the viewpoint of our theoretical investment, is the New Investment Company, Limited. However, we are excluding it from further consideration, likewise, because of a special small issue of deferred shares entitled to a share of the profits at the expense of the common stock holders. These deferred shares have the further advantages of 50 per cent of the surplus assets in the event of liquidation, and conversion into common stock at any time at par. Although these advantages are at present largely counteracted by other provisions, we believe that the principles involved are unsound, and that this capitalization involves a potential risk for the common stock holder which the average investor should not assume.

London and Clydesdale Trust, Limited has an excellent record of performance; but, like the London and Lomond Investment Trust, Limited, London and Clydesdale was organized in January, 1931, so that its history is considerably briefer than most of the British investment trusts. Furthermore, a lack of balance between the trust's capital structure and its portfolio makes this company, in our opinion, unsuitable for the average investor. The common stock is only 24 per cent of the par value of securities outstanding, and is about 28 per cent of the capitalization, including the surplus and reserves. In contrast, almost 40 per cent of the portfolio is invested in common stocks.

Debenture Corporation, Limited is the first of the British investment trusts which we can recommend. The common stock is approximately 31 per cent of the securities outstanding, and is about 44 per cent of the capitalization, if surplus and reserves are taken into consideration. The British investment trusts of course follow a different practice from the American trusts, in that they have a substantial portion of their funds invested in bonds. In the case of Debenture Corporation, Limited, approximately 68 per cent is invested in bonds, 13 per cent in preferred stocks, and 19 per cent in common stocks. This company's earnings record during the depression was remarkably stable. The directorate has continued almost unchanged throughout the entire period covered by our survey, and the management is obviously capable and ex-

perienced. This is one of the older British companies, inasmuch as it was first registered in December, 1885.

London General Investment Trust, Limited is the second British investment trust which we recommend. It is one of the so-called "Mattinson Group" of trusts, which have been among the most successful as a group throughout the depression. The lower leverage of the London General Investment Trust and the fact that no debentures are outstanding, account in large part for the satisfactory performance during recent years. Common stock is approximately 38 per cent of the securities outstanding, and represents nearly 50 per cent of the capitalization, if surplus and reserves be included. The management includes men who have held office for a long period of time, and who have both ability and experience. This company likewise has a long history, extending back to March, 1889.

Anglo-American Debenture Corporation, Limited is the third British Investment trust that we recommend. Although the common stock is only 22 per cent of the securities outstanding, it represents 35 per cent of the capitalization, if the surplus and reserves be included. It is a higher leverage trust than either Debenture Corporation or London General Investment Trust, but the assets parallel the liabilities sufficiently well to minimize the dangers which would otherwise be inherent in a high leverage trust. The portfolio is divided approximately 38 per cent bonds, 30 per cent preferred stocks, and 32 per cent common stocks. The management has proven its ability and has had long experience. Two of the six directors are connected with brokerage concerns, but in our judgment this has a somewhat different implication than would be the case in the United States. The company was formed in February, 1890, and the connections of the directors mentioned have apparently not been an adverse influence, although they are of long standing.

Our recommendations regarding the British investment trusts may be summarized as follows:

We recommend that British investment trusts be purchased only by the investor with large funds who is seeking world-wide diversification for his portfolio. For that purpose, we believe that

at least three different British investment trusts should be purchased, and we recommend the following:

Debenture Corporation, Limited
London General Investment Trust, Limited
Anglo-American Debenture Corporation, Limited

Final Considerations

Because most of the readers of this booklet are familiar with our series of investment plans, it seems desirable to discuss investment trusts briefly in the light of principles which have been emphasized in our investment bulletins. It is believed that this discussion will also prove especially useful even for those who have no prior knowledge of our investment bulletins.

Our investment plans are intended to meet the needs of three classes of investors, who may be described briefly as follows:

The Investor: that is, one who is dependent upon the income from his investments. This class includes men who have retired, widows, funds used for the support of children where there is no other family income, etc.

The Speculative-Investor: that is, the individual with a business or professional income, who can afford to assume some risk and who does not need income from his investments to meet current living expenses.

The Speculator: that is, the individual who is wholly independent of his investment funds, or who has such large funds that a portion of them can be used for investments in securities involving a substantial degree of speculative risk. (We do not give advice on margin trading or short term trading operations.)

Inasmuch as investment trusts may serve a different function for each of these classes of investors, we are describing the method of using investment trusts which should be followed by each class.

The investor who is dependent on the income from his securities is faced at this time with the possibilities of inflation and a rising cost of living. It is therefore necessary for him to

have some protection against this hazard, and we recommend that approximately 50 per cent of the investor's funds be in common stocks, or the equivalent. For those investors who cannot devote the time necessary to select a satisfactorily diversified list of common stocks, or whose funds are so small that adequate diversification would be difficult, investment trusts offer an ideal solution to their problem. The portion of their funds which should be invested in equities can properly be invested in the American investment trusts which we have recommended. In this connection, it seems desirable to emphasize the fact that investment trust stocks are speculative in nature; and in normal times, when not faced with the danger of a rising cost of living, the investor dependent on the income from his securities should not have substantial holdings of investment trust stocks.

In connection with the point just made, further comment is in order. We believe that there is a field for sound investment trusts which would specialize in income-producing securities, and which would be satisfactory investment media, during normal times, for the investor of small means who is dependent on the income from his investments. We have been unable to find any such investment trust securities on the American market today. No doubt, the time will come when there will be such organizations. Of course, we cannot undertake to form such trusts, even though we are reasonably sure that such efforts would be successful; but when and if such organizations are formed, we shall be glad to recommend their securities to the public, provided the organization has no objectionable features, and provided the managing personnel are men in whose ability, experience, and integrity we have confidence.

Turning now to a consideration of the speculative-investor's problem, it would, in our opinion, obviously be desirable if many business men and professional men placed their funds in a few investment trusts, rather than follow the customary hap-hazard speculative policy. From long experience in attempting to solve the problems of speculative-investors who have wandered far afield in making their so-called "investments", we are convinced that relatively few people have either the time, the specialized

education, or the ability to manage speculative-investment funds. Investment trusts should prove especially suitable if the speculative-investor will make his investments periodically and not confine his purchases of investment trusts to a few months during the excitement of a speculative boom.

In the case of the speculator, we believe that, unless he is in a position to study his problem continuously, the purchase of investment trusts might well be the best procedure. It is certain that an insignificantly small percentage of those who speculate in the stock market are able to show results, over a long period of years, which are at all comparable to the American and British averages shown earlier in this chapter.

The record of the American and British averages since 1920 indicates that the holder of good investment trust stocks should not be concerned about minor fluctuations in their market price. Of course, it would be wiser to dispose of such securities in the event of extreme speculative activity of boom proportions. On the other hand, it is obviously wiser to make purchases during a 1932 depression or its equivalent. However, depressions as severe as that one do not occur frequently. It is safe to say that only the long term cyclical changes should influence the attitude of the investment trust stockholder toward his investments.

In closing, we desire to emphasize the fact that the purchase of investment trust common stocks necessarily involves a speculative risk. Furthermore, no one should expect to buy these securities and forget them, any more than he would other securities. He should take an intelligent interest in the management policies, and if unable to make satisfactory judgments himself, should seek independent judgment regarding the merit of his holdings, from time to time. A properly organized investment trust with wise provisions governing the management, plus an experienced, capable, and honest personnel can accomplish a great deal for the investor. However, anyone who accumulates savings or surplus funds, no matter how small, should not forget that he cannot get something for nothing, that some intelligent thought and study is required if he is to make successful investments.

IMPORTANT INFORMATION

AMERICAN INSTITUTE FOR ECONOMIC RESEARCH

Details of Its Program and Procedure

Hoping that many individuals who read this book and find it useful will wish to know more about the American Institute for Economic Research, there is presented in the following pages a brief statement of the program for research and useful information available to contributors.

Of Practical Value to the Man of Small Means

That the average man of small means needs a source of unbiased information in regard to his personal financial problems and public economic questions, there can be no doubt. Newspapers and other periodicals are apt to be influenced by advertisers' or their owners' interests. Politicians sometimes cater to sectional interests at the expense of the public welfare. At present, there is practically no source to which the average man can go with assurance that the information he receives will be based on adequate knowledge, free from hidden ties to vested interests, and not subject to bias because of the adviser's personal source of profits.

American Institute for Economic Research is intended to fill this need. Its program includes not only theoretical and statistical analyses of major economic problems, but studies of an immediate practical nature as well. This work includes the chief financial problems of the average man, his life insurance and his small investments.

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The studies made of many leading insurance companies include all the companies of nation-wide importance. In addition, complete analyses have been made of the various types of policies. It has already been found that most individuals can make substantial savings by bettering their insurance programs. This information is highly valuable to the individual. By charging a small fee for assistance with individual problems, funds are obtained for carrying on the Institute's work.

First Aid for the Small Investor

There have also been made available at low cost detailed plans and lists of securities suitable for three classes of investors, as follows:

1. Those dependent on the income from investments, such as widows who have received life insurance funds to invest, retired individuals living on the income from their savings, etc.

2. Those who are not dependent on the income from investments but who wish to supplement other income and are able to take what is commonly called a "business man's risk."

3. Those who are entirely independent of their investments and can afford to take speculative risks. (This does not include advice to speculate on margin, and does not attempt to give advice on day-to-day trading, etc.)

The three classes of investment advice mentioned include a complete list of securities quarterly for each group, including detailed instructions as to diversification, etc. Changes in the general plan of any group, and changes in the specific securities recommended are announced from time to time by special bulletins. The contributor who requests any of these services may expect to receive about twenty-five bulletins annually.

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The economic research activities of the Institute are conducted along broad lines:

They deal with the underlying influences which account for the major changes in business activity. Basic trends in production, purchasing power, and prices are analyzed with a view to revealing the important relationships which give a clue to the future.

The results of research are presented to clients in several forms. The Institute's Research Report service presents weekly reviews of economic events, discussing their effects on future conditions, and monthly bulletins present the more elaborate studies of basic problems.

Occasionally the results of the Institute's research, relating to important national problems, are issued in bound volumes. Since it is becoming more evident that an impartial study of the larger problems of the civilization cycle will be of increasing importance, the Institute hopes to do constructive work in this field also.

It is an unfortunate fact that economists do not have a common language at this time. Therefore, one of the chief objects of the Institute is to define and clarify basic economic concepts. The growing complexity of the economic structure makes it necessary to apply, in the field of economics, the same thorough scientific procedure which has met with success in other fields.

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38	646	48	545	58	433	68	316	78	215
39	637	49	535	59	421	69	305	79	203
40	628	50	524	60	409	70	295	80	194
41	618	51	513	61	397	71	283	81	186
42	608	52	502	62	385	72	273	82	177
43	599	53	490	63	374	73	262	83	169
44	588	54	479	64	362	74	251	84	161
45	578	55	468	65	351	75	241	85	153

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