
A. G. Becker & Co.

INVESTMENT BULLETIN

FOURTH QUARTER 1929

The Investment Company

THERE are some 300 to 400 investment companies—investment trusts, so-called—in the United States today. (A wide spread in the figures is necessary to allow for differences in definition of the term.) These companies represent invested capital estimated at well in excess of two billion dollars. Their securities are widely distributed in all parts of the country. Great blocks are held by institutional and large investors, while holdings of smaller size, tapering down to one- and two-share units are in the hands of a considerable part of the general public.

Advantages Offered

The more important advantages which the investment company is intended to incorporate are fairly well known:—diversification; experienced management; large scale operations. There are important technical advantages, too, which have received less emphasis:—underwriting opportunities; ability, by virtue of large resources, to take over promising enterprises which need only proper capital and management to become very successful; command of wide sources of information, making possible intelligent and conservative investment in fields which the ordinary individual would not be disposed to enter; access to information about special market situations which offer unusual opportunities for profit; etc.

Merely to catalogue some of these features of the investment company emphasizes the fact that it stands for a type of enterprise relatively new in American finance. It calls for new methods of evaluation. It is natural, of course, that an attempt should be made to measure it by the old yardsticks of investment—earnings, character of assets, capital structure, market quotations, etc.—and, indeed, these factors do have a bearing which entitles them to close consideration according as facts are available. But, as is pointed out later, many of the facts required for this sort of an analysis are not available, and, even if they were, they would count for much less in appraising an investment company than an enterprise of more conventional type. The investment company embodies principles of action so different from those commonly associated with a closely knit industrial organization that a considerable shifting of emphasis between the various factors to be weighed is necessary in order to arrive at a satisfactory conclusion.

Not a "Trust"

One fact is very clear. The "investment trust" has no relationship to a trust in the ordinary sense of that word. The typical American investment company, that is, a company of the management type, is not at all a trust. It is a

trading and financial company, organized to deal in securities on a very broad scale, to foster the development of business opportunities, and, often, to manage or aid in the management of business concerns. One commonly thinks of trust investments in terms of high grade bonds of relatively low yield; the portfolio of the typical investment company, on the other hand, will include not only securities of that type but a large proportion of equity investments, many of them held for future possibilities rather than for current income.

Judging the Assets

One of the chief advantages that an investment company presumably offers shareholders is diversification of assets. To what degree diversification is effected can only be determined by examination of its full list of holdings. Therefore, it is sometimes urged that the full list should be published periodically so that investors and investment counsellors may study it, judge for themselves the character of the company's assets, and form their own opinion of the investment policy followed by the management.

At first thought this does not seem to be an unreasonable request. But it is well known that the great majority of investment companies do not publish their holdings. In most cases their directors are men of known probity and regard for the proprieties in handling the funds of others. Obviously, then, there must be strong reasons for not publishing the contents of the investment portfolio. One needs but to recall the nature of investment company operations to appreciate those reasons.

The typical American investing company, as we have indicated, is a trading company. Its holdings presumably include well-known and seasoned investment issues of good earning power, together with less seasoned issues and some which are not currently profitable but which the management has reason to believe possess exceptional possibilities for the future. There is ordinarily no regular unit of investment. One security may be held in very large amount

and others in small blocks. Some items will be held for a long time, others will be sold when a satisfactory profit is offered. To weigh the entire list fairly, one would need to know, with respect to each item in the portfolio, why it was purchased, how long it had been held, the current market situation, the particular relation of the security to the entire investment structure which the management had built up, and its probable future as indicated by special information known to the management but not generally disseminated. Without knowledge of all these factors it would be of little value to attempt a serious judgment of the investment policy reflected by the company's holdings at any given time.

While the practice of making public the list of holdings is in no sense objectionable, in general, assuming a company to be honestly managed, no good end would be served by requiring it to disclose its holdings at regular intervals. Such a policy would deprive the company in some measure of the benefits of superior management and it might have important repercussions in some cases if a large body of investors were to base their own operations, as they might, on the indicated activities of trading companies. Investors would not ordinarily wish to sacrifice the ability of their managers for the imaginary advantage of occasionally seeing in print a list of what their company owned.

Earnings as an Index

Over a period of time the record of earnings is a fair index to the worth of a company's securities—whether in the industrial or the investment field. A few American companies are as much as five years old, and their earning statements are available for most of that period. Such figures are of value when obtainable. But a great many companies in which both the public and large banking interests have shown great confidence, have been in business for much less than five years. Most of them, in fact, are less than two years old; a very great many are less than one year old. The income figures of a

company only a year or two old possess little significance for index purposes. Good reports for a year or two do not necessarily give assurance that they will continue. And a record of small earnings may mean simply that the company has deliberately sacrificed quick profits in the interest of the future. This would particularly apply to companies which are devoting a good deal of their attention to undeveloped industries or undeveloped countries.

In course of time earning statements will come to be a valuable index to the character of American investment companies, as they are today with respect to British investment trusts which have been in existence for many years. Their index value, for the present, is relatively low.

Capital Structure

The capital set-up of an investment company is always deserving of examination. With respect to any given class of security, its relation to other securities outstanding or authorized is of concern. Likewise, the relation between senior and junior securities generally will throw some light on management policies. A three-to-one ratio between the various senior securities and the common stock is quite common among British companies. These companies have reached a much more settled position, of course, than any American company so that here again parallels can not be drawn between organizations on opposite sides of the water.

One phase of the capital set-up which may be inquired into is the interest of the company's managers or sponsors. The investor has a right to know if they have made a substantial investment of their own funds in the company—particularly in its junior securities.

The Market as a Guide

Market quotations are always an interesting index for quick reference. After an issue has been traded on the exchange for a reasonable length of time, its market price will reflect fairly

well the composite opinion of the investment world regarding it. On the other hand, considerations other than earnings and prospects have a part in the fixing of market prices, particularly in securities of this type. Popular fancy, the magic of certain names, special marketing operations, often lead an investor to pay a higher price for an issue than he needs to pay for another which is statistically as good or better. As an index to real value, then, market quotations are by no means entirely convincing.

The Key to the Situation

It is evident from the foregoing, that the list of the company's assets, even if available, is an unreliable guide to the value of its securities; that earning statements, in general, cover too brief a period to be conclusive; that while the capital structure is an important consideration, it leads to no final conclusions; and that market quotations are not an exact index to values. When, then, is the key to the situation? The answer, of course, is *Management*.

Who are the officers and directors of the company? Does their standing in business and financial circles command respect? Supposing the company to be of the specialized type, are they experienced in the special field which is to be its theater of operations? Do they supervise the investment policy in detail, or has a management contract been executed with some other organization? In that case, what of the qualifications of that organization? And does the compensation clause appear reasonable?

Who are the bankers sponsoring the offering of the company's securities? Are they identified with the company simply in an underwriting capacity or also as managers? In the latter case have they, to repeat a question suggested above, made a substantial investment of their own funds in the company?

These are not perfunctory questions. They go to the heart of matters which vitally affect shareholders. These companies are organized and sponsored, for the most part, by bankers and business men whose records are well known.

Though the corporate life of the company may have begun but recently, the men behind it have presumably been active in affairs for a long time, and by their record one may fairly judge their company.

Keeping in mind the essential nature of an investment company—that it is a device whereby men of ability, experience and integrity undertake to manage the investment funds of a great many individuals—it becomes apparent that the qualifications of the management furnish the

best index to the company's character and prospects. The investor who puts his funds into one of these companies invests primarily in management. The banker who extends credit upon its securities lends upon management. The advantages which belong to this particular type of organization depend almost wholly for their realization upon the calibre of the management. Inquiries will properly be directed, then, not so much to details of management as to the character of management.

Notes on the Federal Reserve Statements

THE Federal Reserve statement which is published each Friday represents, in highly concentrated form, an expression of the general state of the nation's business. Though it is not an index which may be read and fully comprehended at a glance, a clear understanding of what the various items mean is of help in following business trends. The four most significant items in it are, Total Gold Reserves, and Total Bills and Securities on the Resources side; Federal Reserve Notes in Circulation, and Total Deposits on the Liabilities side. They can be most easily considered in the reverse order to that in which they appear on the balance sheet.

Total Deposits

While this item includes deposits of the United States Treasury, of foreign banks and of non-member banks, it is made up preponderantly of deposits of member banks, and its fluctuations are caused chiefly by fluctuations in these deposits. The law requires member banks to keep with Federal Reserve institutions a fixed reserve against their own customers' deposits. The amount of this reserve varies between different classes of deposits and different classes of banks. On time deposits, the requirement for all banks is a 3 per cent reserve. On demand deposits it is 13 per cent for New York and Chicago banks, 10 per cent for banks in other reserve cities, and 7 per cent for country banks. The amount of Total

Deposits shown on the Federal Reserve statement varies, therefore, with the aggregate deposits at member banks, according as customers have made them from the proceeds of loans, the sale of securities to banks, the import of gold, or the contraction of the currency in circulation.

In general, this item rises as banking credit in the country expands, and falls as banking credit contracts.

Federal Reserve Notes Outstanding

Federal Reserve Notes are the most elastic part of our currency. The more active the condition of business, the greater the need, generally speaking, for actual money in circulation. An acceleration of the business pace will presumably have its sequel in an increase in Federal Reserve Notes outstanding; conversely, a slowing down of business should result in contraction of Note circulation. This rule can only be applied, however, subject to modifying influences which discourage hasty generalizations.

For one thing, Federal Reserve Notes, though the chief, are not the only elastic form of our money. The circulation of Gold Certificates also fluctuates materially. Other factors being constant, as the circulation of Gold Certificates increases, the circulation of Federal Reserve Notes decreases; and vice versa. A variation in the Federal Reserve Note circulation may sometimes be traced to a change in the situation with

respect to Gold Certificates, rather than to fluctuation in the needs of business.

There has been a general tendency toward reduction in the volume of the circulating medium, due to the ever-growing habit of the American people to pay their bills by check rather than with cash. This habit undoubtedly explains the steady decline in the total amount of money in circulation during the last several years in spite of increasing business activity.

In the face of this decline, Federal Reserve Notes in the last year show a substantial increase. This, however, may be traced to an irregular influence — the effort of the United States Treasury to put the new small-size bills into circulation.

It will be seen, therefore, that while the volume of Federal Reserve Note circulation has an important significance, the various modifying factors must be known and appraised before it can be used as a basis for broad conclusions.

Total Reserves

Against their deposits and Federal Reserve Note issues, the Federal Reserve banks are required by law to maintain a certain reserve of gold. With respect to Federal Reserve Notes this amounts to 40 per cent of the circulation; with respect to Deposits it amounts (Gold and Other Reserves combined) to 35 per cent. "Other Reserves" include legal tender notes, silver certificates and standard silver dollars. The Federal Reserve Ratio shown in the weekly statements is the ratio of reserves to Deposits and Federal Reserve Notes combined, adjusted so that it can be expressed in a single figure. This ratio has recently been around 73 per cent. Obviously, credit could be very greatly expanded before the ratio would drop to the minimum prescribed by law.

Total Bills and Securities

This item is made up of Bills Discounted (including Bills Secured by United States Government Obligations, and Other Bills Discounted), Bills Bought in the Open Market, and United

States Securities. The total figure represents reserve bank credit. A great many persons look upon a rise in Total Bills and Securities as a sign of inflation. This might be so, but is not necessarily so. Suppose, for example, that, over a period, the volume of Federal Reserve Notes in circulation remains constant, and that the members' reserve Deposits also remain substantially unchanged, while at the same time, due perhaps to financing of foreign loans, heavy gold exports cause the Gold Reserves to fall. Inevitably, then, the item Total Bills and Securities must increase to balance the loss of Gold. In such a case the variation in Total Bills and Securities is purely of a balancing nature. Some economists prefer to use the item of Deposits rather than Bills and Securities as a quick index to the credit situation.

Interpreting the Statement

To make a thorough analysis and interpretation of a Federal Reserve statement, one needs to have access to a great deal of collateral information, and to possess a background of familiarity with Federal Reserve policies. Few persons, aside from professional economists, have the training or facilities for such a study. Still, for the financially-minded, the week-to-week figures, when examined in the light of this brief explanation of their significance, offer an interesting commentary on the banking situation and on the state of trade. Any inferences which one draws from them regarding business trends or outlooks must be regarded, of course, as purely suggestive.

INVESTMENT BULLETIN

The Investment Bulletin, issued quarterly by A. G. Becker & Co., contains articles of general interest to investors, current news about corporations with whose financing A. G. Becker & Co. has been identified, and facts about some of the current offerings of this house.

Business Briefs, published monthly except when the Investment Bulletin is issued, confines itself to current news items and comment.

We shall be pleased to send either or both publications regularly to any interested investor upon request.

Chicago Tool Expects \$5 a Share Earnings; Will Introduce New Drill Bit

ON the basis of operations for the first eight months of the year, during which net earnings of Chicago Pneumatic Tool Company ran more than 90 per cent ahead of the same period of last year, H. A. Jackson, President of the Company, recently declared that with a continuation of operations at the present rate the company should show earnings on its common stock of more than \$5 a share. This compares with \$3.07 a share last year. Net earnings for August were \$130,493, and for the entire eight months, \$949,207. The company has outstanding approximately 200,000 shares of common, preceded by 188,000 shares of convertible preference stock and funded debt of \$2,800,000. Interest on this latter amount, as well as depreciation and federal taxes were, of course, deducted before arriving at the earnings indicated above.

Recent press dispatches state that the company expects shortly to introduce a new rock bit for drilling which should prove important in the oil industry. The principal advantage claimed for the new bit is its ability to drill straight holes, thus overcoming one of the major difficulties of oil exploration. In many cases the drills now in use go off at an angle when they strike a hard stratum, and occasionally turn upward again. In consequence, drillers have sometimes been unable, even in fields of known productivity, to get through to the oil. Tests which have been conducted by a number of oil companies have demonstrated that the new drill bit will hold to the desired direction even through the most difficult strata.

Our interest in the company has extended over a long period, during which time we have offered its commercial paper, convertible preference stock, and common stock.

Economist Gives High Opinion of German Investment Bonds

A high opinion of German-dollar bonds is expressed by Prof. Jacob Viner, a University of Chicago economist, in a recent magazine article. Professor Viner was in charge of the round table on "Interallied Debts and Reparations" at the recent Institute of Politics in Williamstown, Mass.

"The long tradition of sound and even over-conservative financial policies of Germany," he says, "was not destroyed by the war, and only temporarily weakened by the inflation period. If one considers the acute economic distress to which Germany was subjected as a result of the war and the post-armistice allied blockade, one is forced to express admiration for the extraordinary recuperative powers which German industry and commerce have displayed.

"There is going on in Germany a steady and gratifyingly rapid process of economic restoration and advance-

ment. Industries are being reorganized, technical processes improved, factories rebuilt, new products developed, and connections with old markets re-established. At present rates of return, no securities should seem more attractive to investors for long-run investment than the great bulk of German securities floated here."

C. I. T. to Finance Hudson Sales

An important contract entered into recently by Commercial Investment Trust Corporation and the Hudson Motor Car Company provides for the financing by the former of the motor company's products on a world-wide basis.

Commercial Investment Trust has recently opened an office in Santiago, Chile, to serve American and other foreign manufacturers who distribute their products in that part of South America.

Ruhr Gas Gets Cologne Contract

Ruhr Gas Corporation has concluded a contract with the City of Cologne, according to press reports, providing for the delivery of coke oven gas to that city. Cologne, with a population of more than 700,000, will furnish an important outlet for the company's product. It was pointed out last fall, when the company's 6½ Per Cent Secured Sinking Fund bonds were offered by a group including A. G. Becker & Co., that the company expected, before 1930, to add to its then existing contracts, others with the cities of Cologne, Duesseldorf and Duisburg, as well as with a number of industrial concerns.

Parker Gets New Canadian Site; Uses Radio Advertising

A site for a new Canadian plant in Toronto has been acquired by The Parker Pen Company. The present Parker plant in that city is a leased one. The new site is ample in size for the company's requirements, is well located and has the important advantage of a railway siding.

The company has recently extended its advertising program by the use of radio advertising on the West Coast. The program consists of music, short talks on graphology, and Parker announcements. The company has been a heavy national advertiser for years, supporting its distributive facilities not only with space in newspapers and magazines of national circulation, but by use of the newer forms of publicity. An example of the latter was the goodwill flight last year of the company's airplane, the Duofold, which cruised the country in promotion of the company's interests. Announcement was recently made of an additional appropriation of \$100,000 for the current year's advertising fund to promote autumn and holiday business.

To Convert Twice-Wasted Wood into Building Material

THE efficiency credited to packing-house operations by the saying that "they use everything but the squeal" has an interesting counterpart in another field, according to plans for converting waste wood to economic uses which A. A. Schlesinger, president of The Newport Company, recently announced. This company, a leading factor in the chemical and wood distillate industry, obtains a large part of its supply of resin, turpentine and pine oil from stumps and other discarded light wood which represent waste from the lumbering industry. After the extraction process has been completed the wood becomes waste a second time in the form of spent wood fibre.

A process has now been developed by which this by-product can be converted into insulating material and building board, and a new corporation has been formed by The Newport Company and the Armstrong Cork Company, which jointly carried on the experimental work, to conduct the business. Construction of the first unit of the manufacturing plant will be undertaken shortly at Pensacola, Fla., according to Mr. Schlesinger, who heads the new company. It is planned for The Newport Company to operate the plant and for the Armstrong Cork Company to market the product.

AutoStrop Shows Gain During First Nine Months

Profits of AutoStrop Safety Razor Company, Inc., for the first nine months of the year will run around \$625,000, according to reports in the financial press. This figure represents a substantial increase over the corresponding period of 1928. It is of particular interest in that it reflects a material acceleration of operations in the summer quarter.

The company is now in production on Probak blades, a double-edged blade which has been well received in the early marketing activities. Recent completion of a new plant in Toronto doubles the capacity of the Canadian unit, and places the company in a good position to take care of the rapidly expanding market for its products there.

Morrell Increases Facilities

An increase of 40 per cent in the stock yard facilities of the Sioux Falls, S. D., plant of John Morrell & Co., Inc., is being effected by enlargements which were initiated recently. It was planned to have the work completed around October 1 so that the additional facilities would be available for the heavy hog runs of the early fall. A new power plant is also being installed at Sioux City. Announcement has been made, too, of plans for erection of a new branch house at Philadelphia.

Experienced observers regard conditions as favorable for

the packing industry. The maintenance of domestic prosperity and the satisfactory export situation have combined to give support to the market. Morrell has been operating on a very satisfactory basis this year, earnings for the six months ended March 30 being the highest in the company's history for a similar period.

Common stock of the Morrell company (its only security outstanding) was offered last fall by A. G. Becker & Co.

Bancorporation Assets Pass \$400,000,000

The group of northwestern banks affiliated in the Northwest Bancorporation has been materially strengthened recently by the addition of several new units, including four in the State of Montana and one in Washington. Total resources of the group now exceed \$400,000,000. Recent additions to the group include the Spokane and Eastern Trust Company, Union Bank and Trust Company of Helena, Mont., Great Falls National Bank, First State Bank of Malta and Hill County State Bank of Havre.

Other banks which have lately affiliated include the First National Bank of Winona, the Midland National Bank & Trust Co., of Minneapolis, the Metropolitan National Bank of Minneapolis, and the Union Investment Company, the latter a holding company in operation since 1904 which controls thirty-one banks located in smaller towns in Minnesota, North Dakota and Wisconsin.

Directors of the Northwest Bancorporation recently voted to increase the company's capitalization from \$75,000,000 to \$300,000,000, and authorized additional sale of shares, the amount to be determined later. Priority rights will be given present shareholders. The common stock of the company has been listed on the Chicago Stock Exchange.

Fashion Park Has 30 Stores

More than thirty retail stores are now comprised in the system operating under the name of Fashion Park Associates, Inc., which was formed recently by a merger of some of the largest clothing interests in the country. It is reported that additional manufacturing facilities may shortly be brought into the group. The Hub, Henry C. Lytton & Sons, which is the Chicago unit of the company, recently acquired the exclusive Michigan Avenue store of Dockstader & Duncan. A. G. Becker & Co. is closely identified with Fashion Park Associates, Inc., and is represented on its directorate.

Wieboldt's to Enlarge New Store

Enlargement of Rosenberg's, the Evanston department store recently acquired by Wieboldt Stores, Inc., of Chicago, is being planned, and is expected to start immediately. When completed, it will give the Wieboldt group, including the three stores now in operation and a fourth in Englewood which is to be finished next year, a total floor space exceeding 1,300,000 square feet.

Sound Stocks for Investment

During the last several years, A. G. Becker & Co. has been closely identified with a number of successful investment companies. The two described below possess very interesting possibilities.

A brief statement of facts is also presented regarding an industrial issue of which our close acquaintance with the company has given us a very high opinion.

National Securities Investment Company

Allotment Certificates

(6% Cumulative Preferred Stock, Common Stock and Common Stock Warrants)

THIS company, formed in 1926 as an investment company of the general management type, has been unusually successful. At the end of 1928, realized profits for the two and a half year period of operations, plus unrealized appreciation on securities held, totaled more than \$8,000,000—approximately 265 per cent of the estimated average investment by stockholders during the period. Common stockholders received a stock dividend of 1400 per cent in the Spring of this year. For the first eight months of this year (resources having been increased to approximately \$31,000,000 in the meantime through a recapitalization) net income, realized profits and unrealized appreciation on securities held represented a high return on the company's capital funds.

The present capital structure of the company comprises 200,000 shares of 6 per cent Cumulative Preferred Stock (\$100 par) and 950,000 shares of Common. In addition, 350,000 shares of Common Stock are reserved against outstanding warrants, and 200,000 shares are available for future corporate purposes.

Allotment Certificates of National Securities Investment Company represent units of 1 share of Preferred stock, one-half share of Common, and the right to buy an additional half-share of Common for \$7.50. Certificates and Common are listed on the Chicago Stock Exchange.

Both Allotment Certificates and Common stock are in our opinion attractive investments at current levels.

Priced at the market

John Morrell & Co., Inc.

Common Stock

With a background of more than one hundred years of continuous operations, the business of John Morrell & Co., Inc., today is in an exceedingly strong position. This meat packing company's last fiscal year showed profits of

\$9.06 a share—the largest in its history. Productive facilities have been steadily enlarged during the last few years, and sales volume is reported as substantially larger this year than in 1928.

All profits accrue to the common stock, as there is no funded debt and no preferred stock.

The Company is under the able management of men who have grown up with the business, and are descendants of the founder.

Morrell common stock is listed on both the New York Stock Exchange and the Chicago Stock Exchange, and has been recently quoted around 76, or about $8\frac{1}{2}$ times last year's earnings. In our opinion, it is a stock of investment calibre and decidedly worthy of our recommendation.

Priced at the market

Manhattan-Dearborn Corporation

Common Stock

Manhattan-Dearborn Corporation, organized by Lawrence Stern and Company and A. G. Becker & Co., is an investment company with broad powers but giving particular attention to the field of real estate equities. It is generally appreciated that large opportunities for profit exist in this relatively neglected but important investment field. This Company, which begins operations with capital funds of \$18,750,000, is in excellent position to take advantage of them.

Directors of the Corporation include executive officers of the two banking firms mentioned and the following well-known business men: William Wrigley, Jr., John Hertz, Albert D. Lasker, Herbert Bayard Swope, Charles A. McCulloch, Herbert L. Stern and Charles S. Pearce.

Of the 375,000 shares of Common stock recently offered, more than 190,000 shares were purchased for investment by the bankers and closely affiliated interests. Among the larger shareholders are interests whose co-operation is expected to be of material advantage to the Corporation in managing its funds.

The stock is currently quoted on the Chicago Stock Exchange around 53. We recommend it as an investment for permanent holding.

Priced at the market

Well Secured Foreign Bonds of High Yield

The current bond situation enables the investor to obtain foreign issues which combine a generous yield with excellent security. The bonds described on this page exemplify that fact.

They include two German issues of our own underwriting and an attractive guaranteed bond of South American origin.

Koholyt Corporation

*First {Closed} Mortgage 6½% Sinking Fund
Gold Bonds*

Due 1943

KOHOLYT is one of the largest European producers of sulphite pulp and sells its products internationally. Its two main factories, at Koenigsberg, East Prussia, are situated at the mouth of the River Pregal, convenient to large sources of raw material, and well located for shipments by water. Half of the company's production is exported.

The company has plants in western Germany also—a paper factory at Bielefeld; two establishments near Cologne—one producing chlorine and caustic soda, the other emery paper and grindstones; and another known as The Oberlahnstein Vegetable Parchment Mill.

This issue of bonds, totaling \$4,000,000, is secured by first mortgage on properties appraised at more than \$11,000,000. Latest published figures show average annual earnings of more than four times the maximum interest requirements. The sinking fund provisions call for retirement of the entire issue by maturity.

These bonds are comparable to very high grade industrial issues of domestic origin. Their current high yield makes them decidedly attractive.

Priced to yield approximately 7.55%

Unterelbe Power & Light Company

*25-Year 6% Sinking Fund Mortgage Gold
Bonds, Series A*

Due 1953

This issue will bear comparison with domestic utility bonds yielding from 2½ per cent to 3 per cent less. It therefore affords an unusual opportunity even at a time when bond yields in general have advanced to high levels.

This municipally owned company supplies the complete electric, gas and water requirements of the city of Altona. Altona, with more than 225,000 population, lies on the lower Elbe immediately adjacent to Hamburg. Its interests and developments are virtually identical with those of that great German port just as Brooklyn and the City of New York have closely interrelated interests.

The property securing these bonds is appraised at more than two and a quarter times the amount of the issue.

Net earnings of the company for the last two years reported have averaged annually more than five and one-third times maximum interest requirements.

On the facts, these bonds are obviously well secured. The return is most unusual.

Listed on New York Stock Exchange

Mortgage Bank of Chile

Guaranteed Sinking Fund 6% Gold Bonds of 1929

Due 1962

These South American bonds furnish yet another instance of the exceptional opportunities in the current bond market. Aside from the issuing bank's promise to pay, they are, in addition, unconditionally guaranteed as to principal, interest and sinking fund by the Republic of Chile. The Mortgage Bank of Chile is itself a quasi-governmental institution, its principal officers holding position by appointment of the president of the republic. The bank has been in operation more than 73 years and has never failed to meet its obligations. Its bonds are a legal investment for savings banks and trust funds in Chile.

The operations of the Mortgage Bank of Chile consist

in making credit available on reasonable terms for the development and improvement of real estate in Chile. All loans are secured by first mortgages or pledges registered in the name of the bank. Of this \$20,000,000 issue, \$10,000,000 is to provide for loans secured by agricultural products or farm machinery and implements, and the balance to provide for the redemption of bonds which the bank deems it advantageous to retire.

The high character of the security and liberal yield should give these bonds an especial appeal for conservative investors.

Priced to yield approximately 6.73%

Additional Recommendations

Representative of Our Current Offerings

Corporate Obligations

	APPROX. PRICE	APPROX. YIELD
SOUTHERN PACIFIC CO., Gold 4½s (with warrants), due 1969.....	97¾	4.63%
BELL TELEPHONE CO. OF PENNSYLVANIA, 25-Year 1st & Ref. 5s, due 1948.....	102½	4.80%
ILLINOIS BELL TELEPHONE CO., 1st & Ref. 5s, due 1956.....	101½	4.88%
AMERICAN TELEPHONE & TELEGRAPH CO., 35-year Sinking Fund Deb. 5s, due 1960..	101½	4.89%
AMERICAN SMELTING & REFINING CO., 1st Mtg. 5s, due 1947.....	101½	4.88%
ILLINOIS CENTRAL RR. CO., and CHICAGO, ST. LOUIS & NEW ORLEANS RR. CO., Joint 1st Ref. 5s, due 1963.....	99¾	5.03%
YOUNGSTOWN SHEET & TUBE CO., 1st Mtg. Sinking Fund 5s, due 1978.....	99½	5.12%
BOSTON STORE (Chicago), Secured Gold 5s, due 1938.....	99	5.10%
CANADIAN NATIONAL RAILWAY CO., 40-year Guaranteed Gold 5s, due 1969.....	98½	5.10%
MILWAUKEE ELECTRIC RY. & LIGHT CO., Ref. & 1st 5s, due 1961.....	98	5.12%
EASTERN UTILITIES INVESTING CORP., Deb. 5s (with warrants), due 1954.....	94	5.45%
MONSANTO CHEMICAL WORKS, 1st Mtg. Sinking Fund 5½s, due 1942.....	100	5.50%
NORTH AMERICAN EDISON CO., Debenture 5½s, due 1963.....	99¾	5.52%
WEIL-McLAIN CO., 5% Serial Gold Notes, due 1931-35.....	Var.	5.75%
GOODYEAR TIRE & RUBBER CO., 1st Mtg. & Coll. 5s, due 1957.....	89	5.80%
INTERSTATE IRON & STEEL CO., 1st Mtg. 5½s, due 1946.....	96	5.88%
EDGEWATER BEACH HOTEL CO., Gold Deb. 5½s, due 1932-38.....	Var.	6.00%

Foreign Bonds

AUSTRALIA (Commonwealth of), External Gold 5s, due 1955.....	92¾	5.47%
DENMARK (Kingdom of), External Gold 6s, due 1942.....	102¾	5.70%
ARGENTINE GOVERNMENT LOAN, External Sinking Fund Gold 6s, due 1961.....	98	6.13%
UNTERELBE POWER & LIGHT CO., 2-Year 6% Note, due 1931.....	99	6.70%
TOKYO ELECTRIC LIGHT CO., LTD., 1st Mtg. 6s, due 1953.....	88	7.03%
GERMAN BUILDING & LAND BANK, 1st Mtg. 6½s, due 1948.....	95	7.05%
FREE STATE OF ANHALT, External Gold 7s, due 1932-46.....	Var.	7.30%

Investment Stocks

L. GREIF & BRO. INC., 7% Cumulative Pfd. Stock.....	At the Market	7.37%
Listed on the New York Curb Exchange		
CONSTRUCTION MATERIALS CORP., \$3.50 Convertible Pfce. Stock.....	At the Market	8.40%
Listed on the Chicago Stock Exchange		
THE LAWBECK CORPORATION, 6% Cumulative Pfd. Stock.....	At the Market	6.12%
Listed on the Chicago Stock Exchange		
MONSANTO CHEMICAL WORKS, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange and New York Curb Exchange		
NATIONAL SECURITIES INVESTMENT COMPANY, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange		
NORTH AND SOUTH AMERICAN CORPORATION, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange		
NORTHWEST BANCORPORATION, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange		
THE PARKER PEN COMPANY, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange		

*Offered subject to prior sale and to change in price.
Full details on any issue listed will be furnished upon request.*

Additional Recommendations

Representative of Our Current Offerings

Corporate Obligations

	APPROX. PRICE	APPROX. YIELD
SOUTHERN PACIFIC CO., Gold 4½s (with warrants), due 1969.....	97¾	4.63%
BELL TELEPHONE CO. OF PENNSYLVANIA, 25-Year 1st & Ref. 5s, due 1948.....	102½	4.80%
ILLINOIS BELL TELEPHONE CO., 1st & Ref. 5s, due 1956.....	101½	4.88%
AMERICAN TELEPHONE & TELEGRAPH CO., 35-year Sinking Fund Deb. 5s, due 1960..	101½	4.89%
AMERICAN SMELTING & REFINING CO., 1st Mtg. 5s, due 1947.....	101½	4.88%
ILLINOIS CENTRAL RR. CO., and CHICAGO, ST. LOUIS & NEW ORLEANS RR. CO., Joint 1st Ref. 5s, due 1963.....	99¾	5.03%
YOUNGSTOWN SHEET & TUBE CO., 1st Mtg. Sinking Fund 5s, due 1978.....	99½	5.12%
BOSTON STORE (Chicago), Secured Gold 5s, due 1938.....	99	5.10%
CANADIAN NATIONAL RAILWAY CO., 40-year Guaranteed Gold 5s, due 1969.....	98½	5.10%
MILWAUKEE ELECTRIC RY. & LIGHT CO., Ref. & 1st 5s, due 1961.....	98	5.12%
EASTERN UTILITIES INVESTING CORP., Deb. 5s (with warrants), due 1954.....	94	5.45%
MONSANTO CHEMICAL WORKS, 1st Mtg. Sinking Fund 5½s, due 1942.....	100	5.50%
NORTH AMERICAN EDISON CO., Debenture 5½s, due 1963.....	99¾	5.52%
WEIL-McLAIN CO., 5% Serial Gold Notes, due 1931-35.....	Var.	5.75%
GOODYEAR TIRE & RUBBER CO., 1st Mtg. & Coll. 5s, due 1957.....	89	5.80%
INTERSTATE IRON & STEEL CO., 1st Mtg. 5½s, due 1946.....	96	5.88%
EDGEWATER BEACH HOTEL CO., Gold Deb. 5½s, due 1932-38.....	Var.	6.00%

Foreign Bonds

AUSTRALIA (Commonwealth of), External Gold 5s, due 1955.....	92¾	5.47%
DENMARK (Kingdom of), External Gold 6s, due 1942.....	102¾	5.70%
ARGENTINE GOVERNMENT LOAN, External Sinking Fund Gold 6s, due 1961.....	98	6.13%
UNTERELBE POWER & LIGHT CO., 2-Year 6% Note, due 1931.....	99	6.70%
TOKYO ELECTRIC LIGHT CO., LTD., 1st Mtg. 6s, due 1953.....	88	7.03%
GERMAN BUILDING & LAND BANK, 1st Mtg. 6½s, due 1948.....	95	7.05%
FREE STATE OF ANHALT, External Gold 7s, due 1932-46.....	Var.	7.30%

Investment Stocks

L. GREIF & BRO. INC., 7% Cumulative Pfd. Stock.....	At the Market	7.37%
Listed on the New York Curb Exchange		
CONSTRUCTION MATERIALS CORP., \$3.50 Convertible Pfce. Stock.....	At the Market	8.40%
Listed on the Chicago Stock Exchange		
THE LAWBECK CORPORATION, 6% Cumulative Pfd. Stock.....	At the Market	6.12%
Listed on the Chicago Stock Exchange		
MONSANTO CHEMICAL WORKS, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange and New York Curb Exchange		
NATIONAL SECURITIES INVESTMENT COMPANY, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange		
NORTH AND SOUTH AMERICAN CORPORATION, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange		
NORTHWEST BANCORPORATION, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange		
THE PARKER PEN COMPANY, Common Stock.....	At the Market	
Listed on the Chicago Stock Exchange		

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The Underwriting Background of an Investment Security . . .

WHETHER the investor always realizes it or not, he has as vital a concern in the facts about the origination and distribution of a security he buys as in its price and yield. Public financing of a corporation's requirements must be sound both in conception and in execution if the investor's interests are to be properly safeguarded. Much more is involved than merely underwriting the issue and passing it on to the public.

There must be thorough preliminary analysis to determine, among other things, the exact form of issue the conditions call for; intelligent determination of the fair offering price; distribution through channels that will effect wide placement; continuing interest in the Company's affairs and in the issue after it has been sold. The experienced investor will wish to select his securities from the offering list of a house whose facilities and experience warrant confidence in its ability to handle all these matters in a competent manner.

For more than thirty-six years A. G. Becker & Co., has been engaged in corporate financing. Our contacts with industry are broad, and the enduring character of our connections has made them close. In serving the financial requirements of representative business concerns we have underwritten and distributed a large volume of securities—bonds, short term notes, preferred stocks, common stocks, commercial paper, and other securities.

Out of this long and comprehensive experience has developed an organization equipped at all points to serve the interests of the investor. We welcome an opportunity to place the full facilities of that organization at your disposal.

A. G. Becker & Co.

Sound Securities for Investment

100 South La Salle Street, Chicago

New York and Other Financial Centers