

Apart from the inquiries received from interested persons and corporate trustees in the United States, there is also evidence that the Common Fund is attracting the notice of trustees and others in other parts of the world, and that the essential features of the system—namely, the pooling of the moneys, the investment thereof in first-class securities, and the allowing of a fixed rate of interest on the moneys comprising the pool—are recognized as being eminently suitable for the investment of funds belonging to estates and trusts, whether the amounts involved be large or small. Recently inquiries for information regarding the Common Fund have been made by the Official Guardian of the Province of Alberta, Canada, and from the Public Trustee for the Protectorate of Zanzibar.

15. Before selecting executors or trustees men of affairs naturally ask what is the earning-power of trust funds in such hands. It is true that the Public Trustee cannot guarantee any definite percentage of return on investments for all time; but neither can any other executor or trustee. Such a return is subject to fluctuations from time to time in the rates of interest on securities, and, as the first concern of a trustee must be the safety of the principal, he must necessarily seek such investments as seem most certain to assure safety of both principal and income.

The real and solid advantages conferred by the Common Fund system and its assured return at a fair rate continue to prove attractive to the majority of testators and settlors who entrust their affairs to the Public Trustee, although, as I have previously explained, these clients have a perfectly free choice whether they will adopt that system or whether they will have the funds of their estates or trusts invested in the same mode as is prescribed for other trustees.

16. The requirements affecting life-insurance finance must necessarily somewhat resemble those bearing upon the finance of the Common Fund. The primary element of pooled funds is common to both. The first requirements of investments from both pools must be security and safety; and the necessity of having a proportion of the investments in a form liquid or readily realizable to meet any sudden call is also common to both systems. Evidence that the average rate of interest earned on the Common Fund is as high as possible compatible with the requirements just mentioned is afforded by the fact that for the year 1929 the average rate of earnings of the blended funds of a large insurance concern operating in Australia and New Zealand was slightly less than the average rate of earnings from the Common Fund investments. It may also be mentioned that in order to determine the average yield throughout the United States of America of funds left in trust with trust concerns an interesting survey was made some time ago, and the published result of this shows that the average return to beneficiaries is very little, if anything, in advance of that of the Common Fund of the Public Trust Office.

CONCESSIONS TO CLIENTS.

17. It may be said that the Office is, in effect, a mutual concern. Its object is not to make large profits, and its settled policy is to share with its clients and beneficiaries the benefits accruing from successful working. After providing for working-expenses, allocations to reserves required by prudent finance, and a return for the Government guarantee of the Common Fund, any residue of the earnings is returned in one form or another to the clients. In former years this was done by allowing bonus interest, the principle being somewhat the same as that followed by life-insurance concerns in distributing profit by way of bonuses to policyholders. Latterly the concessions to clients have taken the form of reductions in Office charges and increases in the rates of interest allowed. Although perhaps not so apparent, the principle now adopted is no less real than the former one, for the first charge is now made as low and the immediate return as large as possible. It is considered that the system now adopted is the sounder, for it seems preferable to make charges low and first returns as high as practicable, rather than to operate with a larger revenue, a portion of which will subsequently be returned to clients by means of a bonus. Notwithstanding that substantial concessions have been made in recent years both by way of reductions of charges and increases in the rate of interest allowed on funds held, I am pleased to report that, in accordance with the