

Not only has the Common Fund system fully justified itself, but corporate trustees in other parts of the world are being driven to adopt what is in fact practically the same system. It is interesting to record that a scheme of pooling trust investments, which is the basis of the Common Fund system, has now been adopted by some of the largest trust companies operating in the United States of America. Advice has been received from an authoritative source that the arrangement arrived at has followed to a great extent upon information gathered from New Zealand in regard to the Common Fund of the Public Trust Office in this Dominion, and has been influenced by the reputation for convenience and security which the system bears and the experience gained in its operation.

8. In comparing the rates of interest earned by investments made by private trustees with those allowed in the Common Fund, it has to be borne in mind that there are serious disadvantages connected with the former mode of investment. In the first place, the rate of interest at which the investment is made is not the net return received by the beneficiary in the trust, since a charge is necessarily made for the collection of interest and the management of the trust. Moreover, in many cases a private trustee cannot find a suitable security immediately the moneys fall in for investment, and thus valuable periods of time are occupied in finding investments, with consequent loss of interest to the beneficiary concerned. Frequently where sums of money are held waiting investment on suitable securities practically no interest is earned. The difficulty of finding suitable investments without loss of interest is marked where sums to be invested are either very large or very small. Even if an investment is satisfactorily made the money is tied up for a definite period, and if it becomes necessary that the whole or any portion should be made available during the currency of the investment difficulty may be experienced in arranging the necessary advance, and the securities may have to be realized at a loss.

9. On the other hand, interest on amounts invested for definite periods in the Common Fund runs, at latest, from the first of the month following their receipt and continues without interruption until the moneys are required. No matter how large or how small are the sums resulting from the realization of trust assets, they can be immediately invested without difficulty. Where moneys are needed in the course of administration they are readily available. There are numerous ways in which the necessity for disbursement of invested capital funds may arise—*e.g.*, distribution on the termination of a life interest, redemption of debentures in the case of sinking funds, payment to a beneficiary on his coming of age, provision for the maintenance, education, and welfare of children and dependants, payment of legacies, &c. Whenever for any cause moneys are needed for disbursement in connection with a trust, the exact amount can be withdrawn from the Common Fund at once. Interest ceases only on the amount so withdrawn from the date of withdrawal, and the balance, however small or broken it may be, is in no way affected.

10. The Common Fund is especially suited for the investment of sinking funds on behalf of local bodies. It ensures that the instalments (even though small and trifling in amount) as they become payable shall be immediately and continuously invested, and also that the requisite moneys for the redemption of the debentures shall be available at maturity. Moreover, the smallest accumulations of interest themselves become interest-bearing immediately they are capitalized. These facilities are of very great value in the investment of those sinking funds where the instalments are so small as to make investment in other directions impracticable, and the interest earned in the earlier stages could find no opening for investment except at a low rate of interest.

In contrast to the advantages of the Common Fund for the investment of sinking funds, it may be pointed out that the greatest difficulties exist where such funds are entrusted to private commissioners for investment, as obviously it is practically impossible to find suitable forms of investment which will absorb, without loss of interest, the instalments as they are paid in by the local bodies, and that will be sufficiently liquid to permit of the requisite funds being available for the redemption of the debentures immediately the maturity date arrives. Thus it is often found that considerable sums are held by private commissioners awaiting