

for the risk of loss. The nature of the system and the magnitude of its operations have enabled substantial advantages to be made available which could not be offered under the alternative of investment in separate securities for the individual trust estates. Moneys coming to the credit of the estates, however large or small the individual amounts may be, become interest-bearing immediately, the interest is credited continuously—without broken periods of investment—while the moneys form part of the Common Fund up to the day when they are withdrawn for purposes of distribution or to meet maturing liabilities or commitments of the estates.

Where, as is generally the case, the interest is required for distribution among beneficiaries, payment is made without fail at regular intervals fixed with a regard to their needs or convenience, and they have the material benefit of knowing definitely in advance the exact amount of income which will be available to them. If, on the other hand, the circumstances of the individual estates require the accumulation of the whole or a part of the interest this is capitalized periodically and itself becomes interest-bearing.

When capital moneys or accumulated interest are required for estate purposes or for distribution the exact amounts required are available immediately without the delays or difficulties often attendant upon the realization of investments and without the necessity and consequent inconvenience of deferring realization if market conditions are unfavourable at the time, or, in the alternative, accepting a loss on realization in order to have the funds available immediately.

Beneficiaries and clients are in these circumstances entirely freed from the anxieties and difficulties arising out of the control of individual investments, which become so greatly accentuated during the recurring periods of adverse economic conditions. Most of all, they are protected against the risk of loss of their funds for, under the Common Fund system, this risk is borne by the Public Trustee, and the beneficiaries and clients have the further assurance that the security of their moneys is guaranteed by the Dominion of New Zealand.

31. A brief examination of the general circumstances surrounding trust estates administration and of characteristic requirements of the classes of trust estates most frequently encountered will demonstrate the special suitability of the system for the investment of trust funds.

A testator making a will in terms of which trust funds will pass into the hands of his trustee for investment, or a settlor creating a settlement with similar trusts, is generally making provision for the needs of dependants or is creating benefits to be made available at some future time for persons whom he considers to have claims upon his bounty. His main object is to ensure that these persons will be provided for to the extent of his available resources under conditions providing the greatest possible safeguards, and the most important single factors are those of security for the capital moneys and the securing of a regular income for those who will be dependent on the trust estate. Both of these requirements are met in the fullest degree by the Common Fund system with its guaranteed security of capital and regular and unfailing payment of interest. The extent of these advantages is adequately realized only in times such as the present when the revenue from individual investments, even though made prudently and strictly within the requirements of the trustee law, may, through the effect of adverse conditions and the operation of the special legislation for the relief of mortgagors, be seriously reduced or even stopped.

Turning to the individual trust estates, a class very frequently met with is that where a life interest, perhaps terminable on remarriage, is created, followed by a distribution among a number of beneficiaries. In these cases the exact period of distribution cannot be foreseen, so that no method of investment in separate securities is possible which will ensure that the estate moneys will be readily available for distribution immediately on the termination of the life interests. Under the Common Fund system, however, the moneys are always available in full immediately the appointed time for distribution arrives. A somewhat similar position arises where the trust fund as a whole or a designated portion of it is held for a number of minor beneficiaries attaining their majorities at different times, or where legacies payable out of the general estate at some future time are provided for. In these cases the