



Founded 1892
Wm. P. Harper & Son
 Municipal, Corporation, Mortgage
 Bonds



INVESTMENT BULLETIN

APRIL, 1928

Investment and Speculation Vs. Gambling

The above topic is quite apropos at this time in view of feverish activity in certain stocks on the New York and other exchanges, which recently has been so marked as to command space on the front pages of the newspapers. In some cases, these activities have left the realm of speculation far behind and entered that of pure gambling.

Speculation may be defined as the halfway point between investment and gambling. It involves some degree of risk in the hope of a return greater than that which can be obtained by buying conservative investment securities. The true speculator studies thoroughly the security he proposes to purchase and determines, or at least thinks he does, that the chances, everything considered, are in his favor.

The gambler, on the other hand—and it is easy to cross the border line between speculation and gambling—acts on tips and rumors. He buys or sells for a quick turn. Sometimes he wins, sometimes he loses. But his history, as a class, is that eventually he retires from the field minus his capital, or a considerable portion of it.

On the Pacific Coast this gambling fever has manifested itself chiefly in the frenzied buying of the stock of a corporation which controls a chain of banks and in addition has large and diversified security holdings. Despite the protests of the head of this institution, protests which began when the stock was selling much lower than at present and which frequently have been repeated, the price of the stock has been driven up until it is selling at better than three times its asset, or book, value and returns at the current dividend rate less than $1\frac{1}{4}\%$ on the purchase price.

But despite warnings, heavy buying continues and some financial daredevils have reaped fortunes by pyramiding their holdings and eventually selling out. As long as demand continues everything will be fine, but let realizing sales once start in volume and the price of the stock is quite likely to break badly. The law of supply and demand, it must be remembered, works both ways.

Re. Third Liberty 4 $\frac{1}{2}$ s Due September 15, 1928

Third Liberty 4 $\frac{1}{2}$ s, which mature September 15th next at par, can still be sold at some premium. They were quoted yesterday (March 25th) at 100 14/32. This premium will gradually disappear as they approach maturity date.

We suggest to holders that they sell and reinvest now, for two reasons, (1) To obtain the premium; (2) Because the money probably can be reinvested to better advantage now than six months hence, this because of declining interest rates.

Attractive Yield on First Mortgage Issue

There is a growing scarcity of well secured Seattle first mortgage real estate bonds on which a yield of as much as 6% can be obtained. For that reason, we call attention to the fact that we still have available at the original offering price, par and interest, first mortgage 6% bonds, due November 1, 1937, secured by American Bank Building, southeast corner Second Avenue and Madison Street. This is a fee loan covering both land and building.

The building is a 12-story reinforced concrete Class A structure located in the heart of the Seattle financial district. It is upwards of 95% rented to high class and responsible tenants. Average net income over a period of years shows a return of 6% on better than \$900,000. The amount of the loan is \$500,000. Sinking fund is provided to retire \$114,500 of the issue prior to maturity.

OVER ONE-THIRD OF A CENTURY OF RELIABLE INVESTMENT SERVICE



New Investment Company Organized

Given competent and careful management, an investment company of the mobile type on the model of the British and Scottish investment trusts, undoubtedly offers the best possible vehicle for the investor who wishes to employ a portion of his funds in the general investment market but who has neither the time nor the opportunity to study values and markets. It amounts to employing others to do these things for you in return for a fractional share of the profits and is analogous to employing a doctor, a lawyer or other professional help.

Bondshare Corporation is an investment company of this type which shortly will be launched under the management and sponsorship of Wm. P. Harper & Son. The incorporators, with the exception of Mr. J. N. Ivey of the well known firm of Kerr, McCord & Ivey, who handled

legal matters connected with the formation of the trust and who will continue as its legal adviser, are all officers of Wm. P. Harper & Son and the same men will constitute the first board of trustees.

Stock, of which there will be only one class, viz.: non-par common, will be offered to the clients of Wm. P. Harper & Son and to the public generally.

Instructive Booklet Offered

"Advantages of Investment Advice" is the title of a booklet to which we called attention in an issue of our Investment Bulletin some months ago. We have a limited quantity available and a copy is yours for the asking if you care either to come to our office or drop us a line telling where and to whom to mail it.

It is a reprint of an article by Paul Tomlinson which appeared in a leading magazine and we believe is well worth the few minutes time necessary to peruse it.

Business Conditions and Outlook

STEEL—Output, earnings and unfilled orders for the current quarter all show considerable improvement over the last quarter of 1927, for which period the United States Steel Corporation, leader of the industry, earned only \$1.05 per share on its common stock against dividend requirement for the three months of \$1.75 per share. Prices at the mills are also higher, indicating that the steel companies should show substantially better earnings than for the preceding three months, viz., October to December, 1927. The outlook for the balance of the year is considered favorable.

AUTOMOBILES—Production and sales are proceeding at a rate which promises to eclipse even 1926, the year which holds the record for output. General Motors is in the vanguard in both respects and predictions of record earnings for the year have resulted in the price of the company's common stock advancing materially on the New York Stock Exchange. Ford is gradually getting into quantity production with his new low-priced gear-shift model. This is having a stimulating effect not only on the motor industry itself but also on the business of concerns which supply motor accessories and of those which furnish raw materials entering into the manufacture of cars. A good deal of the revival in steel is credited to the enlarged demand for automobile construction. Manufacturers of tires and accessories are, of course, profiting from the expansion of the automobile industry.

RAILROADS—With few exceptions, the earnings of the railroads for 1927, now being

published, were disappointing as compared with those for 1926, which was the best year for a long time. The northwestern roads are showing increased car loadings over the corresponding weeks of last year, but for the country generally they are less. This is due largely to decreased movement of coal because of strikes in the eastern producing fields. Rail managers, however, look for better business as the year progresses. Return on property investment was 4.40% in 1927 as compared with 5.13% in 1926.

BUILDING—Including public and institutional buildings and heavy construction, such as roads and engineering projects, more building is going on than a year ago. This activity is reflected in the business of those who supply cement, steel, lumber and other building materials. The housing shortage, however, seems to have been caught up with and building of new houses and apartments is now pretty much restricted to the number needed to meet the demands of normal population increase.

AGRICULTURE—Prices of wheat and corn are improving, while the cattle industry has completely recovered from the after-the-war slump which hung on for several years. Prices of pork products have suffered because of over-production of hogs in this country, while at the same time Europe is coming closer to meeting its own hog requirements to the injury of our export trade. The price of cotton has declined several cents from the high of about 23½ cents last August, but most producers sold at the higher prices and dealers are carrying the load. However, spot cotton currently is worth about 19½



cents, which is still a good price. Generally speaking, the agricultural community is prosperous and this prosperity is being reflected in increased orders for the agricultural implement, fertilizer, mail order and other lines of business which depend wholly or in part upon the purchasing power of the farmers.

LEATHER—This industry, depressed for years, finally has turned the corner and is decidedly on the upward trend. Prospects are bright for the earning hereafter of a fair rate of return on the capital invested in the industry.

OIL—Earnings of practically all companies were very much lower for 1927 than for 1926, due to over-production and consequent drop in prices received for both crude and refined products. Surplus production still continues and is world wide, despite considerable capping of wells and some limiting agreements. Leaders of the industry are somewhat hopeful that the problem can be solved and the industry placed on a stable basis, but the nature and extent of the business are such as to make solution extremely difficult. The difficulty is mainly in the crude producing end, which can be entered by anyone who can get money enough to sink a

well, and thus force owners of adjoining acreage to drill to prevent drainage of their oil.

RAILROAD EQUIPMENT—Companies engaged in this line are suffering from lack of business. Railroad efficiency is such that much more service is being obtained from engines and cars.

SUGAR—Cuban producers, who supply the bulk of this product consumed in the United States, are barely able to get back their production cost. Over-production is again the cause. Domestic producers of beet sugar are, of course, affected by the low price of cane sugar. Restrictive measures in Cuba imposed by the government may give some relief, although this is not certain, as sugar is a world crop and efforts of Cuba to have other producing countries join her in limiting agreements are understood to have been at best only partially successful.

In other lines, business, including retail trade, shows a fairly normal trend, with expectations that there will be improvement as winter is succeeded by spring and summer. Competition is tending to become even keener in all lines, and profits are becoming more and more the result of increased efficiency and operating economies.

Certain-Teed 5½% Attractive Issue

Our current list includes a general market industrial bond which we believe merits special mention. We refer to Certain-Teed Products Corporation twenty-year sinking fund 5½% gold debentures.

Management is probably the most important factor entering into the success of any company, and management of Certain-Teed Products has been and continues to be of such excellent character as to command nation-wide respect and admiration. Starting as a small concern in 1904, it now ranks as the largest manufacturer in the United States of prepared roofings. Other products manufactured and marketed under the "Certain-Teed" brand, which has come to be recognized as synonymous with quality, include floor coverings, gypsum products, paints and allied lines, in all of which the company is an important factor.

The "proof of the pudding is in the eating." In other words, excellence of management is reflected in earnings and financial condition. Combined net earnings of the company and of Beaverboard Companies and subsidiaries, in connection with the recent acquisition of which these bonds have been issued, for the three years 1925-1927, inclusive, averaged \$3,706,558 after depletion and depreciation charges. This is at the

rate of approximately five times interest charges on the bonds, a splendid showing.

Consolidated balance sheet as of December 31, 1927, adjusted to give effect to this financing, shows net assets of more than three times the bond issue. Net quick assets, included in the above, were alone more than the amount of the bonds. Ratio of current assets to current liabilities was better than 5½ to 1. If you are not financially minded, ask any intelligent banker what he thinks of the financial condition of a company concerning which such statements can be made.

Offered at 98½, these bonds, due March 1, 1948, yield 5.63% to maturity. They are not a mortgage, but are protected by an agreement not to mortgage or place any lien upon the properties without securing them ratably. They are redeemable at 105 to March 1, 1929, less ¼% for each year thereafter. Securities of the company junior to the bonds have a market value of approximately \$29,500,000. Bonds to be presently issued amount to \$13,500,000. Total authorized is \$25,000,000, but additional bonds will, of course, not be issued except for their equivalent or more in additional earning assets.

Lastly, the bonds are to be listed on the New York Stock Exchange, and thus will have a wide market.



Current Bond Offerings

FIRST MORTGAGE

		Due	Yield	Denom.
A. V. Love Dry Goods Company.....	6½%	1935	6½%	M-D
American Bank Building (Seattle).....	6%	1937	6%	M-D
Oregon-Washington Bridge Company.....	7%	1932	6½%	M
Security Bank Building (Olympia).....	6½%	1936	6½%	M-D
Crystal Palace Public Market (Tacoma).....	7%	1931	7%	D
The Exeter Company (Seattle).....	6%	1937	5¾%	D
Pike Place Public Markets, Inc.	7%	1938	6¾%	M

CORPORATION AND PUBLIC UTILITY

Oregon-Washington Bridge Company Debenture.....	6½%	1933	7%	M-D
General Vending Corp. (with stock pur. warrants).....	6%	1937	Mkt.	M-D
St. Louis-San Francisco Railway Company.....	4½%	1978	4.65%	M
National Public Service Corporation.....	5%	1978	5.35%	M-D
Certain-teed Products Corporation.....	5½%	1948	5¾%	M-D
Southern Counties Gas Company of California.....	4½%	1968	4.80%	M-D

FOREIGN

Greek Government.....	6%	1968	6.65%	M
Oslo Gas & Electricity Works (Guar. by City of Oslo).....	5%	1961	5.30%	M
Free State of Anhalt.....	7%	1936-38	6.87%	M
Westphalia United Electric Power Corporation.....	6%	1953	6.60%	M-D
"Terzi" Hydroelectric (Italy).....	6½%	1953	7.30%	M

MUNICIPAL

Yakima & Benton Counties Drainage Dist. No. 1.....	6%	1937	6%	M-D
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STOCKS

	Price per Share	Dividend Rate	Yield
Puget Sound Power & Light Pfd.....	\$100.00	6.00	6%
*Diversified Trustee Shares ("Shares in America").....	Mkt.		

*Yield depends on dividends paid by companies stocks of which are held.

M—denotes \$1000 pieces.

D—denotes \$500 pieces.

C—denotes \$100 pieces.

Periodical analysis of your investments is a safeguard. We maintain a department for such purpose and invite you to use its services.

Detailed descriptive circulars concerning any of the above securities will be sent upon request. Orders may be telephoned or telegraphed at our expense.

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