

A Timely Article

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It is quite a common thing for a person who owns mining stocks or who has money available for their purchase to say, during the course of a conversation on mining matters, market conditions, etc., "I am not interested in the market." That this may be literally true is not doubted, but if he would stop to ask himself a few questions he would find that his lack of interest was more superficial than real. Anyone who has been interested in the stock market during a boom period has naturally accumulated securities in a number of types of companies. Some of these stocks may have been purchased with the view of making rapid speculative profits and some with the view of long time investments.

Is there any dead wood in his portfolio? Can he afford not to do a little pruning? Isn't this period of quiet trading, the very time in fact, when as a simple act of prudence, he should carefully go over his securities and separate the chaff from the wheat?

One of the most successful investors when asked what single factor contributed most to his success answered, "My habit of going through my list of securities at least once every six months and *pruning out the dead wood.*"

Years of experience in the investment business has proved that this is by far the major consideration in a successful investment program. Today, as well as yesterday or a year ago, one of the most dangerous things an investor can do is *to buy a stock and put it away in a safe deposit box and forget it.*

The second point that has probably caused more damage to individual investors than any other one thing is the prevalent idea that a person can buy "the market" or expect that he can sell individual issues which he might own when "the market" improves. It must be remembered that he can only buy or sell individual securities. It is impossible to buy or sell the market. It is only necessary to look back a short time to discover many issues on the local exchange which have become almost obsolete which a short time ago were believed to be in an investment category. On the other hand, there are issues selling at two, three or even four times their par value, the names of which, two years ago, were not even known to the public.

It is a reasonable assumption that some of the securities now listed on the local exchange may sink into oblivion while others may sell at prices much higher than their present levels.

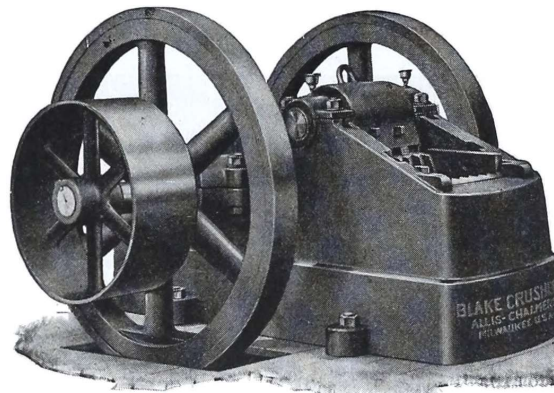
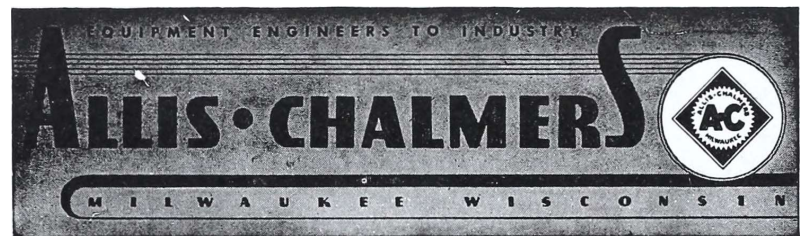
A sound investment program requires that investments should be diversified not only as to individual companies, but as to industries and classes of securities as well. Unfortunately it is almost impossible to diver-

sify to this extent on the local market. By reason of the types of securities available and their more or less limited marketability it is almost obligatory that the bulk of an investor's funds be confined to the mining industry.

Diversification, though in itself a safeguard, is not enough. The investor must appraise individual securities periodically in order to determine whether or not they

should be included in his investment list. A relatively short time ago there were leaders in the Philippine mining industry that are now practically extinct. On the other hand, some issues that were not even thought of some time ago are now among the market leaders; such as North Camarines, Ipo and Big Wedge.

If an investor were to keep himself informed of the securities which make up his portfolio, he would undoubtedly minimize some of his losses. He would also be able to transfer his funds from those companies rapidly approaching insolvency into those which are now in production and on a dividend paying
(Please turn to page 27)



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A Timely . . .*(cont. from page 19)*

basis. As matters stand, he is unable, in many cases, even to liquidate some of his holdings.

This is neither an isolated nor an occasional case. It is a characteristic of security trading which happens daily. Undoubtedly, in any one person's investment list are securities approaching insolvency. There is no time like the present to weed these out and to replace them with vigorous expanding issues. A study of the many securities listed on the local exchanges will reveal a number of issues that are selling at what appear to be bargain levels. Whether or not they will suffer temporary market rises or declines is impossible to foretell but for a long pull they are to be considered as good mining investments.

Another point to remember in planning an investment program or in shifting an existing investment list is the stock market axiom, "Never buy price". Price is always a relative proposition. Many holders of securities have found that a stock selling at .002 is much more expensive than a stock selling at P10.00. It is true that one can buy more shares at .002 than at P10.00, but this fact alone should never influence a buyer or seller of securities. Another important point is to forget what is commonly called, "The market". All security markets have witnessed certain individual issues drop to a new all time low upon the advance of averages. The reverse is seen when in a downward market some issues advance.

If an investor is working for the prime single requisite that governs stock investments he should reappraise his portfolio continually. His motto might well be, "Look for the dead wood and cut it out."

He chose his . . .*(cont. from page 16)*

partment was first proposed by Judge Hord but dates only some twelve years back.

The property occupied by this bank is its own, very valuable, in the heart of the city's financial and wholesale district, and plans for a modern bank building on it will no doubt be carried out within a few years.

Church funds are decisive in the stock and management of this bank. Vice presidents are Santiago Freizas and Rafael Moreno, who is also the secretary. Directors are Luis Ablaza, José Araneta, E. J. Deymek, Manuel Elizalde, Adrian Got, Leopoldo Kahn, Eusebio Orense, and Manuel Perez Rosales. These are all potent names in Philippine business. Bank of the Philippine Islands assets are 41 million pesos.

Phil. National's . . .*(cont. from page 8)*

Bank's patrons. Not very far off is the possibility of farm tenant credit, a question the Bank is studying carefully. So the Bank extends its usefulness. We checked on the small-loans department at the National Anti-Usury Board, where real effort against usury is measurably successful and where it was reported the Bank had been repeatedly willing to grant credits to clients the board recommended, able to offer surety.

As the *Journal* has recently remarked, this cheaper popular credit will in time induce a large volume of buying power by diverting into channels of active general commerce large sums, in the aggregate, that have heretofore gone into a few usurious fortunes; and more than that, it will found a small-capital business class beneficial to the city.

The older activities of the Bank, general banking and exchange, and agricultural banking, are well known among our readers. President Carmona's report of June 30 gives assets of P186,870,549.41 of which cash on hand or due from banks was P70,259,056.61 and P14,551,006.40 was U. S. government securities and P12,120,583.75 were Philippine government securities. Loans were just short of P60,000,000. The capital is P10,000,000, the surplus the same amount, reserves P6,717,334.25 (and for taxes, interest, unearned discounts and uncollected interest, P5,118,000.98). Individual deposits were just under 40 million, government deposits just under 60 million, semi-government deposits just under 38 million, bank deposits P2,200,985.84.

President Quezon voting the Bank stock (practically all of it is owned by the Commonwealth) created two vice presidencies recently, Dalmacio Pekson long in charge of the loans department, and Primitivo Lovina were promoted to these higher staff positions on grounds of merit. Chairman of the board is José Yulo, secretary of justice while Carmona is vice chairman. Other directors are Eulogio Rodriguez, secretary agriculture & Commerce, Jorge B. Vargas, secretary to President Quezon, Guillermo Gomez, under-secretary of finance, Salvador Lagdameo, head of the National Loan & Investment Board, Victor Buencamino, manager of the rice & corn cartel, Mayor Juan Posadas of Manila, and Rafael R. Alunan, with Eulogio Reyes the secretary.

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