

The record of the R. J. Reynolds Tobacco Co. entitles its management to first rating (entire executive personnel is constantly at the factory in Winston-Salem, N. C.) and its stock is among the industrial issues of real investment merit.

Southern Pacific Co.

Alone among the railroads the Southern Pacific Co. has let its dividend rate stand twenty years without change. Approximately half the earnings have been reinvested. The property still needs finishing touches doubtless, but this year several major improvements are complete including some first undertaken a generation ago, and the earnings are due to benefit.

A record business for Southern Pacific system in 1926 was well handled, for revenues increased \$3,699,000 and train movement cost decreased \$5,715,000, and though maintenance was \$2,643,000 more the operating net showed \$5,753,000 gain. Expenses remained above 72% of gross, however, and have ranged from 72% to 74% for five years. The neighboring Atchison system reduced its operating ratio from above 72% in 1923 and 1924 to 69% in 1925 and 65% in 1926. Southern Pacific and Atchison appropriate about the same part of receipts for maintenance but if Southern Pacific had had similar transportation cost its earnings in 1925 and 1926 would have been \$4.70 and \$3.70 per share greater than in actuality. To take up some of this earnings discrepancy the work of last year need only be continued.

Applicable to Southern Pacific stock the earnings have been exceptionally stable if not large. Since the \$6 dividend was begun never has less than \$7 been earned. With 62% expense ratio in 1917 an \$18 share net was shown. Results in the past six years were as follows:

1926.....	\$10.40	1923.....	\$12.90
1925.....	9.60	1922.....	9.50
1924.....	10.20	1921.....	8.90

For the last three years, the company has disclosed the income of solely controlled affiliated companies, averaging an additional 98 cents a share annually. Assets of these are greatly potential, such as 9,705,000 acres of lands including 3,297,000 unpledged and unvalued on the books, 29,000 acres of coal land, 20,500 acres of oil land with 4,000,000 barrels present production, and the 1,400-mile line adventuring down the fertile west coast of Mexico and just now operating in full. Here is plenty of speculative promise to go with the investment solidity of the transportation system