

From the Editor

Karen Eilers Lahey

Jenny Ridge and Martin Young present the first of two articles in this issue on interesting international financial investments. They examine the history and operation of a savings scheme in New Zealand and why it appeals to individual investors in their article entitled, “Innovations in Savings Schemes: The Bonus Bonds Trust in New Zealand.” It combines elements of both bonds and lottery tickets in the United States, and is held by a third of all New Zealanders.

“Closed-End Investment Companies: Historic Returns and Investment Strategies” by Carolyn Reichert and J. Douglas Timmons examine simple trading rules that individual investors could follow. They provide a review of the literature on closed-end funds and find that institutional investors have been successful in earning excess returns through complex trading strategies. Their study tests a buy and hold yearly rebalancing of closed funds by individuals.

Judson W. Russell focuses on United States exchange-listed investments as a potential vehicle for international diversification. His article, “The International Diversification Fallacy of Exchange-Listed Securities” examines closed-end country funds, American depository receipts (ADRs), and multinational corporations (MNCs). Results suggest that they do not provide United States investors with expected diversification.

“An Analysis of Personal Financial Literacy Among College Students” was initially presented at the 1997 Academy of Financial Services Meeting in Hawaii. Haiyang Chen and Ronald P. Volpe survey college students to determine their level of personal financial knowledge. Their results indicate that there are differences based on college major, gender, rank, age, and work experience. They argue that college students do not understand personal finance and that steps should be taken to correct this problem.

The second international article by Diana Beal and Michelle Goyen provides an explanation for possible motivations for investing in “ethical firms” in Australia. In their article, “‘Putting Your Money Where Your Mouth Is.’ A Profile of Ethical Investors,” they explain the problems facing individuals who wish to select socially responsible firms and report on a survey they conduct of shareholders in a publically owned firm called Earth Sanctuaries Limited (ESL). They compare their findings with a survey conducted by the Australian Stock Exchange.