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From the Chair of the Editorial Board

As investment markets around the world grapple with the fallout from the meltdown in US sub-prime mortgage markets, it is not surprising that several articles in this issue of JASSA are about security analysis.

Christine Brown SF Fin and Kevin Davis SF Fin examine the distortions in the tax treatment of rights issues. Brown and Davis show that the current concessional tax treatment of long-term capital gains creates an incentive for long-term shareholders to sell rights rather than participate in rights issues of shares by Australian companies.

In a similar vein, Kim Wyatt and Jarrod McDonald SA Fin review off-market share buy-backs, which have become an increasingly contentious issue within the investment community. Previous research, which typically employed the discount capital gain method, illustrated the benefits for low marginal tax rate shareholders of participating in off-market share buy-backs. However, Wyatt and McDonald explore some alternative scenarios to the discount capital gain method in which it may be beneficial for higher individual marginal tax rate shareholders to participate.

Also on share buy-backs, Graeme Gould examines the impact of share buy-backs on earnings per share. He notes that in order to determine the conditions under which share buy-backs will increase a firm's EPS, the impact on earnings from which the firm's resources are diverted must be considered, as well as the reduction in the number of shares.

Continuing the equity markets theme, Baljit Sidhu and David Simmonds report on a study sponsored by the ASX into the level and depth of analyst coverage of Australian listed stocks. Perhaps not unexpectedly, their analysis suggests that Australia's largest companies attract the lion's share of equity analyst coverage. They do, however, find some evidence that analysts are starting to pay more attention to smaller stocks.

The final two articles deal with emerging markets. Daniel Radcliffe and Geoffrey Warren F Fin reassess the arguments for investment in emerging markets from an Australian perspective. They suggest that these markets should be viewed by Australian investors as a high-risk, but potentially high-return, equity sub-class of world equities rather than a diversification opportunity. They also note, however, that features such as a positive correlation with the Australian dollar can help to offset the impact of equity fluctuations, enhancing the attractiveness of emerging market equities for \$A-based investors.

Necmi K. Avkiran SA Fin highlights some of the information challenges faced by Australian banks in trying to identify potential partners (or presumably acquisitions) in less

regulated financial markets. Using the UAE as a case study he notes that when evaluating the performance of banks in less regulated markets, caution should be exercised as disclosure and market practices in these markets can be quite different from more highly regulated markets.

Finally, Tony Crilly F Fin provides a review of the recently published book by N.E. Renton – *Family Trusts, a Plain English Guide for Australian Families of Average Means (4th edition)*.

The high standard of contributions in our first issue of JASSA for 2008 augurs well for Finsia's ongoing efforts to provide opportunities for thought-leadership by financial services professionals, academics, policy makers and regulators on critical issues affecting the industry. I look forward to your continued interest and contributions to the publication. The guidelines for submission are available on our website: www.finsia.com. Any comments on our articles are also very welcome at m.fahrer@finsia.com.

JASSA ARTICLES

Contributions:

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