

ABSTRACT

The aftermarket performance of 83 IPOs listed in KLSE Second Board during 1989-1993 is examined. The study is performed by evaluating the weekly CAR and holding period return of IPOs for the year one and year two after official listing. This study also extended to the correlation of IPOs' performance and their initial returns, NTA/Share and market capitalization.

The study has shown that the Second Board IPOs performed better than both Main Board's IPOs and the KLSE Composite Index. Both CAR and holding period return showed high positive values within the two years period. The aftermarket performance of IPOs partitioned by size of initial return, NTA/Share and market value concludes that portfolio of IPOs with low initial return, low NTA/Share and low market value outperformed other portfolios, as well as the overall market in the long run.

The bottom line of this study suggests that investment in Second Board's IPOs either during initial issues at offer price, or open market trading at market price, will not incur losses in general, at least for the first two years after official listing.