

4.0 SUMMARY AND CONCLUSION

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As far as Kuala Lumpur Stock Exchange is concerned, there are hardly any study conducted on the performance of the Second Board's counters. This study concentrates on the performance of Second Board's initial public offerings (IPOs), listed in the period of 1989 to 1993. The research focus on the initial returns of IPOs, their aftermarket performance within two years after listing, and correlates their performance with the initial return, NTA/Share and market capitalization.

There are altogether 84 counters listed in the KLSE Second Board from 1989 to 1993. 83 counters are selected in the analysis with one missing value. There is an increasing pattern in term of number of counters seek for public listing in Second Board during this period.

The mean of initial return of all 83 IPOs is 56.82 percent, which is lower than the mean of Main Board's IPOs initial returns. However the overall stock market sentiment during the listing days is very critical in determining the initial returns.

NTA/Share and market value of the sample IPOs are averaging at RM1.22 and RM19.33 million. As the Second Boarders are generally small in capital paid-up and number of shares issued, hence it will not be appropriate to compare these value with the Main Boarders.

The overall performance of the 83 IPOs has been very impressive over the two years period after listing. The cumulative adjusted returns (CAR) of these IPOs is 72.91 percent by the end of two years period, which is very much higher than the three years CAR of Main Board's IPOs. The overall adjusted holding period returns are also achieving 35.73 percent and 86.67 percent for year one and year two respectively.

It may conclude that in the view of investor, the Second Board's IPOs are worth investing, at least for any points in the first two years as the growth of the return is fairly high and consistent within this period. of course the mix of portfolios should be taken into consideration in order to maximize the capital returns.

When the performance of IPOs correlates with their initial returns, the result shows that portfolio with medium initial return yielded the best CAR (99.12%). Whereas in term of

holding period returns, the low initial return portfolio contributes the most to the investors. It stands at 145.56 percent at the end of the second year after listing.

The NTA/Share also seems to be affecting the performance of IPOs. The study indicates that the portfolio with medium NTA/Share gives the highest CAR at 94.18 percent. However, the portfolio with the low NTA/Share outperforms other portfolios with higher NTA/Share, with two year holding period return of 144.40 percent.

As far as market value or firm size is concerned, the portfolio with medium firm size accumulated 98.55 percent of CAR at the end of two years period. The small firms effect apparently exists in the holding period return analysis of IPOs. Small size or low market value firms are observed to perform better than bigger sized firms. Again, in this area of study, portfolio with lowest market capitalization contribute the highest holding period return of 150.87 percent at the end of second year after listing.

The conclusion are, (I) The Second Board' IPOs outperformed the Main Board IPOs at least for the first two years after official listing, in term of CAR and holding period returns;

(II) Generally, IPOs with low initial return, low NTA/Share and low market value yield better return at the end of first and second year after official listing.

4.2 Implication of the Findings

The findings of this study may act as a general guideline for common stock or IPOs investors. In fact the trading volumes of Second Boarders have been surging to a very high proportion as compared to its big brothers, Main Boarders. On top of that, there are a couple of Second Board counters have been 'upgraded' to Main Board recently. In terms of market capitalisation, some counters' market prices have increased many folds since their first listing. Hence considering the number of share unchanged, some counters have ended up with large market value.

Based on the behaviour of Second Boarders, there must be a certain degree of attractiveness and speculation for the investors. This study provides a more rational and systematic view of the Second Board IPOs.

However, in the context of Malaysian stock market, especially Second Board, the performance may not be efficient to reflect to actual potential and value of the counters.

4.3 Possible Areas for Future Research

The recent KLSE market record indicated the dynamic behaviour of Second Boarders, especially from 1994 onwards, the number of IPOs listed increase tremendously. At the same time, the prices of the Second Boarders also show a lots of fluctuation.

Therefore, a continuation of the similar study for more recent years with the latest market information might be able to cover more IPOs samples and explain the behaviour of Second Board counter for post 1993/94 superbull period.