

## The Case for Indexing Chinese IPOs

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### ABSTRACT

We apply an event study methodology to the performance of China domiciled companies going public in Hong Kong and abroad between 1995 and 2008 and study the case for indexing the Chinese IPO sector with IPOX, an innovative IPO indexing solution. For a sample of 373 Chinese IPOs, we find substantial initial returns. IPO performance is sensitive to the market condition at the time of going public and IPO issuing characteristics. IPO underperformance appears to be a short to medium term phenomenon and linked to the initial IPO characteristics such as the market condition at the time of going public, initial return, size and listing exchange. In the long-run, we do not find that Chinese IPOs underperform. This is driven by the return of few companies which describes the essence of the IPO market. We underline the case for indexing the performance of this dynamic sector by using IPOX, which has been able to competitively capture the performance of IPOs within a semi-passive and scalable index approach. This study comes at an important juncture in Asian Equity Capital Markets Activity at a time when applications for listings of Chinese domiciled companies in Hong Kong are at an all-time high, promising a potentially large number of new entrants into the IPO sector, generally perceived to be a true proxy for China-linked growth and innovation.

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