

## Macro Roundup Article

**Headline:** [Mr. Toad's Wild Ride: The Impact Of Underperforming 2020 and 2021 US IPOs](#)

**Article Link:** <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/eye-on-the-market/mr-toads-wild-ride-amv.pdf>

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**Tweet:** Michael Cembalest @jpmorgan notes the 2020/2021 IPO class has performed extremely poorly relative to the overall equity market. IPO returns since 2010 were highly skewed; if the top 5% were removed, returns were strongly negative vs the market.

**Summary:** Since 40%-60% of IPOs generate negative returns even in good times, their value proposition is whether a small subset of winners offsets all the losers. A highly skewed investment universe is characterized by average returns that are much higher than median. As shown below, IPOs are an example of that; in many years, average net returns were positive while median net returns were close to zero. But these positive average returns are highly skewed: look how quickly they decline when excluding the best 3%, 5%, and 7% of IPOs. Even when only excluding the top 3%, average net returns become negative, and average absolute returns fall by more than half. In other words, long-term IPO survival odds are low and skewed to a small number of mega-winners.

**Primary Topic:** Financial Markets

**Topics:** Database, Financial Markets, GDP, Other Source, Weekly

### PDF File

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