>> Bernstein Research

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>> Can we predict which IPOs will outperform in the aftermarket?

My note on reading this paper:

I think the main purpose of this paper is Bernstein Research trying to promote their BOOM (Bernstein One Month Model) and BAM (Bernstein Alpha Model). Which is used to predict the expected return of stock after the IPO. And these 2 models are for aftermarket performance instead of participating the initial trade.

Two models are focused on different time horizon: BOOM focused on predicting the first year of trading, and because the lack of fundamental information from newly IPO company (fundamental factors are more useful when considering long term time horizon), it relies on short term factors, statistical factor, and technical analysis on stock performance. BAM focused on predicting the performance after one year. Which is target the forward 12 months time horizons. As time passes, the efficiency of both models converge as the mix of investors approaches that of the market as a whole.

First, this paper conducted a lot of statistical researches on post IPO performance on entire market, and conclude many characteristics of the IPO universe. These researches are just statistical but not fundamental. Then the paper compare the efficiency of both BOOM and BAM model. Show us the above conclusion.

Reading this paper help me understand more about the possibility outcome of an IPO, although this paper doesn’t show any details about BOOM and BAM, it's still good to see some interesting facts of the after IPO performance. And some statistical factors it presents might be useful for us if we also want build a model.