

Long-Run Performance and Impact of War on Risk-Return Characteristics of Initial Public Offerings in an Emerging Market: Evidence from Colombo Stock Exchange

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This study analyses the long-run performance of 34 Sri Lankan Initial Public Offerings listed during 2000 – 2014 and focuses on the changes in risk-return characteristic since there is only handful of prior investigates regarding the impact of civil war on IPO risk-return changes relatively to developed markets. The first objective is to provide evidence on long-run underperformance or over performance. Hence, IPOs underperformed the benchmark in the long-run subject to Event-time Approach. The second objective is detecting the changes in the performance of IPOs relatively to Market-adjusted-Average Cumulative Abnormal Returns and Buy-and-Hold Abnormal Returns. Thirdly, the analysis discusses how risk-return characteristics differ between two IPO samples. Post-war IPOs appear to be less risky while pre-war IPOs revealing higher risky and subject to non-systematic risk in the long-run, yet with same magnitude of returns. Authors believe that investors can use this information to identify profitable strategies to overcome long-run underperformance.

Keywords: *Initial Public Offerings, Long-run performance, Cumulative abnormal returns, Buy-and-hold abnormal returns, Risk-return characteristics*

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