

# The IPO Prospectus: How to Read the Fine Print



As a mutual fund manager, one of the ways I gauge market sentiment is the height of the stack of IPO red herrings (preliminary prospectuses) in my in basket. This past summer, my basket was overflowing.

An IPO or “initial public offering” is the first sale of stock to the public by the company or existing shareholders. This year, every conceivable type of company is coming public, which coincides with most major market indexes trading near multi-year highs during the summer, although in the past month the indexes have retreated markedly.

Due to investor complaints about the performance of past IPOs, this section is now placed early in the prospectus. Normally this section is several pages long and should be read with great care, since it details potential risks which may include...

[Read more »](#)