

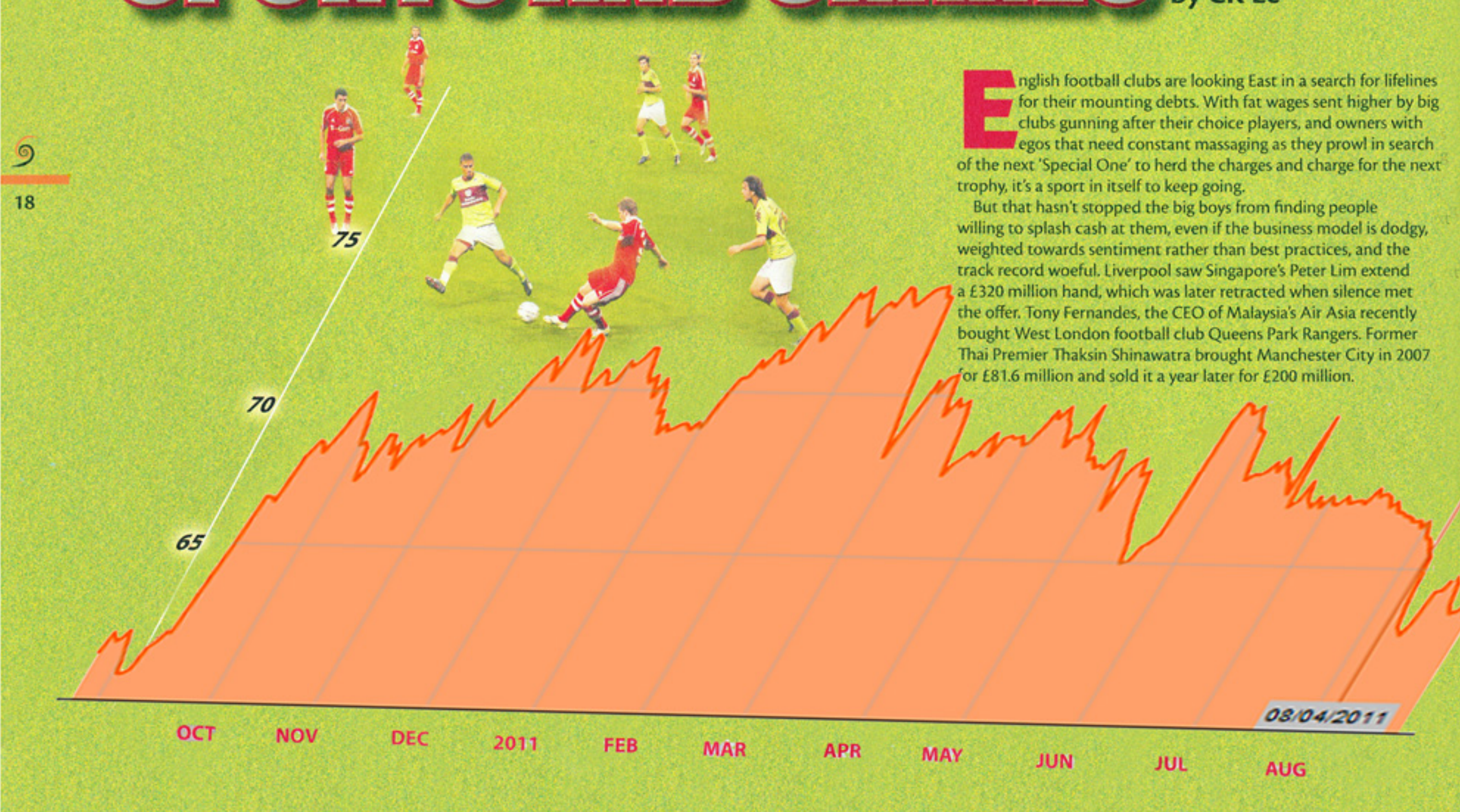


An Exclusive Interview on SPORTS and SHARES

C.K. Ee

SPORTS AND SHARES

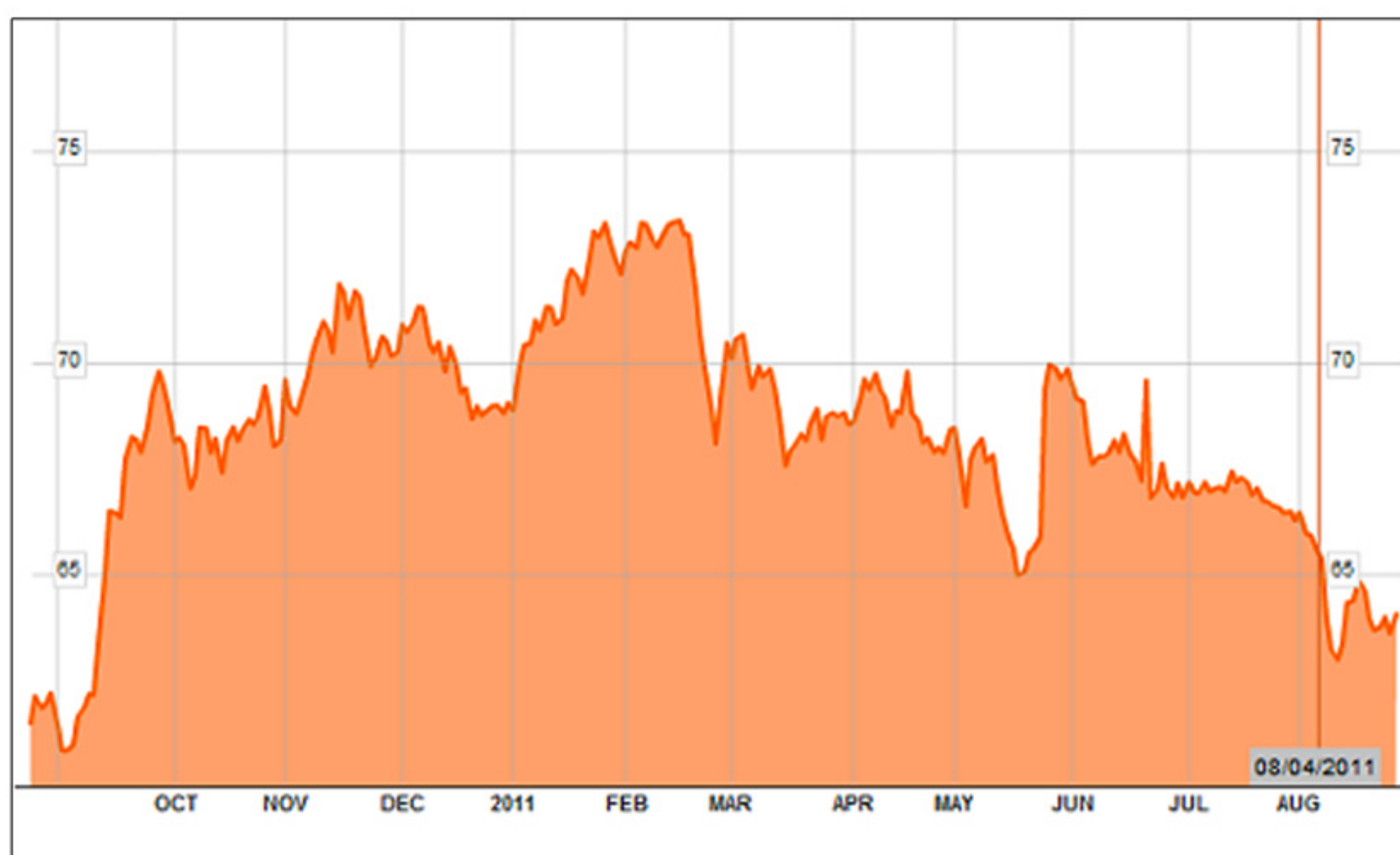
By CK Ee



STORM Is there a strategy you can adopt when it comes to evaluating the merit of a sporting franchise's IPO?

C.K.Ee : As a technical trader, our analysis is derived from the stock historical data with a view of "predicting" its future direction. It is therefore difficult to make any deductions. However, we can take our cue from the Bloomberg European Football Club Index which comprises 27 football clubs listed in the exchanges.

The index peaked out in Feb 2011 and has since been trending down. This trend is likely to continue on short to mid term basis.



Generally, IPOs including sporting franchise's IPO, tend to perform better in a bull market. In an uncertain market, investors are more likely to seek alternative investment opportunities, eg. gold, bond, etc.

IPOs often tank in bearish market conditions.

STORM How do you determine what is a good buy?

C.K.Ee : As a technical trader, a stock rated as "good buy" can only be determined after the stock has been listed for a while. With sufficient data, through technical analysis we can then make informed decision.

One should not be too concerned with initial purchase price of the stock but rather its future price.

STORM Should sports stocks be considered in a serious player's portfolio?

C.K.Ee : Sport stocks tend to be speculative in nature. They are usually not popular among the brokerages and institutional investors as it is difficult to value them. The main asset of football club is their players, whose performance is uncertain due to injuries, health, etc.

These risks are likely to be factored in the determining of the IPO pricing. Companies that are stable with consistent results and less operational risks are expected to fetch better pricing and vice versa.

Sports stocks tend to be speculative in nature with their performance closely tied to the result of their matches. Their stock price can be volatile and returns are usually episodic.

A case in point is SS Lazio Spa, whose stock advanced 252% in 2010 to become the best performer in Bloomberg European Football Club Index. They won 7 of their first 9 games in 2010-2011 season. SS Lazio Spa is not a popular club by any standards. It is noteworthy that the stock is not covered by any investment analyst and the company was in the red despite the spectacular stock performance.

The lack of ability to attract smart money will severely affect the performance of a stock. Historically, most of the sports stocks performed poorly overtime. A serious investor should therefore view them with guarded consideration.

STORM Is this an even greater emotional play than buying stocks in companies that you support? As a team supporter, you'll buy into this scheme be it for a lark or just to have something else as a memorabilia.

C.K.Ee : Institutions tend to shy away from them for lack of certainty in revenue. Historically, sports stocks tend to appeal more to their fans, who invest in the stock more for sentimental reasons. This will definitely get in the way of rational investment decision.

It is prudent to establish the reasons for buying a stock and it should be backed up by a sound trading system

STORM How have previous sporting franchise and football IPOs fared?

C.K.Ee : Most of the sporting franchises lose its shine after a while. A number of the football clubs in LSE are delisted. Most if not all of such stocks are listed in AIM. (AIM is the sub-market for London Stock Exchange for small and medium companies).

There has not been any recent football IPOs. The most appropriate parallel is the listing of Birmingham City in HKSE in 2009. Performance has been lackluster over the last 2 years.