



**UNIVERSIDAD  
DEL PACÍFICO**

Course:	<b>Renta Variable</b>
Semester:	<b>2023-I</b>
Professor:	<b>Juan José Ponce</b>
Teaching Assistants:	<b>Roy Portilla / Mauro Prado</b>

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## **SYLLABUS**

### **1. Description**

Understanding and valuing equities are fundamental tasks within the financial spectrum. These assets are usually a fundamental part within the portfolios, and in many cases they tend to have a very high importance in achieving an adequate balance between risk and return. It should be noted that, if we understand a portfolio as the efficient combination of equity, fixed income and alternative investments, the understanding of each asset class is essential for its planning, execution and monitoring.

### **2. Objective**

The course aims to provide the student with theoretical and practical tools related to equity valuation. In this framework, the classical theories in these fields and their adaptation to emerging markets will be reviewed. In addition, various practical cases of portfolio valuation and construction will be analyzed, including asset management of Peruvian institutional investors. Finally, the course will seek the closest approximation of the students to financial systems and tools like Bloomberg.

### **3. Methodology**

Although the teacher will explain the main points of each topic, the aim is for students to learn self-taught by reading the assigned academic texts before each class, solving assignments and exercises throughout the course. Additionally, throughout the course, analysts or local portfolio managers (pension funds, insurance companies or mutual funds) will be invited to provide students with their vision of asset management in the Peruvian market. The intention of the latter is to give a practical approach to the theory reviewed in class.

### **4. Evaluation**

Quizzes (4), tasks and participation	40%
Midterm exam	30%
Final exam	30%

## 5. Contents

**Topic 1:** Introduction to equity investments and stock valuation. Brief development of: i) Discounted cash flow models; ii) Valuation by multiples and comparable transactions; iii) Review of Financial Statements; and iv) Analysis by industries.

Readings: L1 (Reading 56, Reading 57, Reading 58 and Reading 59), L2 (Reading 38, Reading 39 and Reading 40).

**Topic 2:** Dividend Discount Models. Development of the “Gordon Growth Model” and growth models by stages (including the H Model).

Readings: L2 (Reading 42)

**Topic 3:** Discounted Cash Flow Models: Free Cash Flow to the Firm (FCFF), Free Cash Flow to Equity (FCFE). Determination of the appropriate discount rate. Sensitivity analysis with respect to the main variables of the model.

Readings: L2 (Reading 43)

**Topic 4:** Relative Valuation: P/E, EV/EBITDA, P/B, P/S, P/CF multiples, among others. Trailing vs forward multiples. Fundamentals behind multiples.

Readings: L2 (Reading 44)

**Topic 5:** Residual income valuation. Development of the model and comparison with the other valuation methodologies. Accounting considerations of the model.

Readings: L2 (Reading 45)

**Topic 6:** Equity Portfolios. Equity fund analysis, style considerations (value, growth, blend), return analysis.

Readings: L3 (Reading 23)

**Topic 7:** Efficient market concept. Types of efficiency. Implications of market efficiency. Empirical evidence on weak, semi-strong and strong market efficiency. Market anomalies: fundamental and temporary. Implications of efficient market.

Readings: L1 (Reading 54 and Reading 55)

**Topic 8:** Introduction to alternative investments: Private Equity, Venture Capital, Real Estate, Commodities, Infrastructure and Hedge Funds.

Aima’s Roadmap to Hedge Funds, November 2008

Investing in Hedge Funds - A Survey. CFA Exam Prep Schweser Notes Level II

Readings: L5 (Chapter 9 “Mechanics of Options Markets”).

## 6. Bibliography

- L1: Equity and Fixed Income – CFA Program Curriculum - Volume 5 – Level I 2010.
- L2: Equity - CFA Program Curriculum - Volume 4 – Level II 2011.
- L3: Equity - CFA Program Curriculum - Volume 4 – Level III 2016.
- L4: CFA Exam Prep 2016 Schweser Notes Level I, Book 4.
- L4: Bodie Z., A. Kane y A. Marcus (2002) Investments. McGraw-Hill Irwin.
- L5: John C. Hull (2012) Options, Futures and other Derivatives (Eighth Edition). Pearson

## 7. Referential schedule

Week	Contents
1	Introduction to equity investments
2	Introduction to equity investments
3	Dividend Discount Models
4	Dividend Discount Models / Bloomberg
5	Relative Valuation - review of the main multiples
6	Relative Valuation - review of the main multiples / Bloomberg
7	Discounted cash flow models
8	<b>MIDTERM EXAM</b>
9	Residual Income Valuation
10	Equity portfolio analysis
11	Equity portfolio analysis
12	Practical case - guest presentation (Analyst or Equity PM)
13	Review of the efficient market concept in financial markets
14	Introduction to alternative investments (Private Equity / VC) / Bloomberg
15	Introduction to alternative investments (Real Estate, Infra, Hedge Funds) / Final course review / Bloomberg
16	<b>FINAL EXAM</b>