Asset valuation and selection

Academic Year: (2020 / 2021) **Review date: 11-08-2020**

Department assigned to the subject: Business Administration Department

Coordinating teacher: PEÑA SANCHEZ DE RIVERA, JUAN IGNACIO

Type: Electives ECTS Credits : 6.0

Year : 4 Semester :

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Mathematics (Linear Algebra and Calculus), Statistics, Econometrics I and II, Microeconomics III, Financial Economics, Corporate Finance, Financial Systems

OBJECTIVES

The design and management of Long-run and short-run investment strategies with special focus on the energy transition investing.

DESCRIPTION OF CONTENTS: PROGRAMME

PROGRAM:

Chapter 1. Introduction

What is this course about?
Grading
Data and Software
Project
Asset standardized description (Assignment #1)

Chapter 2. Investments: Assets and Strategies

Asset Classes
CFD
ETF (Assignment #2)
Investment Strategies: Passive and Active
Asset Allocation
Security Selection
Market Timing
Portfolio weights
Portfolio performance

Chapter 3. Green Investment Gap

Green Investment Gap (GIG)
GIG : Public sector initiatives
GIG: private markets
Road map
Sources of financing
Limitations of traditional instruments
New financial instruments for the energy transition
Chapter 4. Sources of financing and limitations of traditional products

Sources of financing
Return and risk: key factors
Who does what: Debt
Who does what: Equity

Limitations of traditional instruments: bonds and stocks (Assignment #3)

Chapter 5. Green Investment Banks

Green Investment Banks (GIB)
What they are
What they do
Risk mitigants
Transaction enablers
Key contributions
Measuring results

Chapter 6. Green Bonds

What is a green bond?
Labeling
The market of GB
Primary market
Secondary market
Portfolios
Corporate performance of GB issuers
Other green debt instruments

Chapter 7. Power Purchase Agreements

Why PPA?
Physical PPA
Virtual PPA (VPPA)
Cash flows VPPA
VPPA as a Financial Swap
Pricing Fixed-for-floating Swaps
Prons and cons of VPPA
Case: Cummins VPPA (Assignment #4)

Chapter 8. Securitization and YieldCos

Securitization
Solar Securitization
Refinancing
Master Limited Partnerships (MLPs)
YieldCos structure
CAFD
Pros and Cons
A Viable model for YieldCos

Chapter 9. Personal portfolio choice

Preliminaries
Life expectancy
Instruments
Insurance
Asset allocation
Investment funds
REITS
RoboAdvisors

Chapter 10. Behavioral finance

Efficient Markets?
Some experiments
Psychology
Biases
Preferences
Prospect Theory
Limits to Arbitrage
Bubbles
Behavioral Investment Strategies

LEARNING ACTIVITIES AND METHODOLOGY

Methodology:
(1) Theory.
(2) Cases
(3) Computer simulations.
(4) Exercises
(5) Class discussion.

ASSESSMENT SYSTEM

Grading: Project paper, Cases and exercises, Class participation.
Cases and exercises/class participation 40%.
Cases: groups of 4 persons
Project: Individual 60%

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% end-of-term-examination:	0
% of continuous assessment (assigments, laboratory, practicals…):	100

BASIC BIBLIOGRAPHY

- - COCHRANE, J.H. Asset Pricing, Princeton University Press. , 2005

- - DIMSON, E., P. MARSH, and M. STAUNTON Triumph of the Optimists: 101 Years of Global Investment Returns, Princeton University Press, 2002

- - SHEFRIN, H. Beyond Greed and Fear: Understanding Behavioral Finance, Oxford University Press. , 2002

- A. Ilmanen Expected returns, Wiley, 2011

- CAMPBELL, J. y VICEIRA, Strategic Asset Allocation, Oxford University Press, . 2002.

ADDITIONAL BIBLIOGRAPHY

- H. Minsky Stabilizing an unstable economy, McGraw Hill, 2008

- Monnery, N. Safe as Houses?. A Historical Analysis of Property Prices. ., London Publishing., 2011