Universidad de Navarra

Fixed Income and Equity Valuation

Teaching guide 2026-27

INTRODUCTION

The course covers the essentials of Fixed-Income and Equity Secutity valuation together with Portfolio Management.

Fixed- Income securities continue to represent the largest capital market segment in the financial ecosystem and the primary means in which institutions, governments, and other issuers raise capital globally. Institutions and individuals use fixed- income investments in a wide range of applications including asset liability management, income generation, and principal preservation. The aim of this course is to help students develop the necessary skills to understand the main features, valuation, and risk measures of the different types of fixed-income securities in the market place. Topics include the term structure of interest rates and portfolio management strategies, such as duration, convexity, and immunization.

For Stocks, the aim of this course is to help students gain a strong understanding of the basic valuation techniques used by professionals. Students will develop a habit for analyzing the macro-level forces as well as the company-level value drivers of a company's future performance.

The last part of the course, focuses on the fundamental conceps of portfolio management: risk-return trade-off, portfolio optimization and diversification. We will develop a thorough understanding of the key principles of portfolio management and asset pricing theory and we will learn how to apply them in practice using Excel.

Topics covered in this course are included on the CFA exam, Level 1.

According to previous year's students, this is a very tough course and yet extremely rewarding. Should you put the necessary time and effort into it, you will feel how your knowledge in finance advances and your understanding deepens every week.

- **Professor:** Carmen Aranda León (maranda@unav.es)
- **Type**: Mandatory for Finance and Accounting students
- **ECTS**: 9
- **Year and Semester**: Second year, First semester
- **Language**: English
- **Degree**: Degree in Management with Specialization in Finance and Accounting
- **Módulo y materia de la asignatura**: VII. Optativas. 7.2. Optativas específicas del perfil Finance and Accounting
- **Class schedule: Mondays**: 10:00 -11:45. Room: AMI-P0-Aula009; **Tuesdays**: 17: 00 - 18:45. Room: AMI-P1- Aula 108; **Thursdays**: 10:00 - 11:45. Room: AMI-P0-Aula 007

LEARNING OUTCOMES (Competencies)

CEOP19: Gain an in-depth understanding of the techniques used to draft financial statements and interpret them

CEOP20: Understand important aspects of the regulation as it applies accounting and finance and understand its implications

CEOP21: Master advanced concepts in auditing

CEOP22: Know about and manage advanced tools and techniques to value financial assets

CEOP23: Gain an in-depth knowledge of the workings of financial markets

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PROGRAM

FIXED INCOME SECURITIES

Topic 1: Overview of fixed-income securities

- Basic features
- Bond indenture
- Yield measures
- Structured of bonds' cash flows: coupons and principal repayment
- Bonds with contingency provisions: callable and putable and convertible bonds.

Topic 2: Fixed income markets

- Global Fixed-Income markets
- Primary and Secondary Markets

Topic 3: Fixed-income valuation

- Bond Prices and the Time Value of Money
- Bond pricing with spot rates
- Yield-to-Maturity
- Invoice (Full price), clean (flat price) and accrued interest
- The Yield curve (Term structure of interest rates)
- Yield spreads
- Credit scores and credit ratings

Topic 4: Fixed-income risk and return

- Sources of return
- Interest rate risk
- Bond duration
- Properties of bond duration
- Duration of portfolios
- Bond convexity
- Bond credit/Default risk

EQUITY SECURITIES & POTFOLIO MANAGEMENT

Topic 1: Overview of equity securities

- Equity securities in global financial markets
- Types and characteristics of equity securities: common and preference shares
- Risk and return characteristics of equity securities

Topic 2: Equity markets: Characteristics and institutions

- Regulators of equities markets
- Exchange market for listed stocks
- Exchange market for unlisted stocks
- Alternative trading systems
- The players: households, nonfinancial corporations, governments, depository institutions, institutional investors, securities brokers and dealers, etc

Topic 3: Industry and company analysis

- Uses of industrial analysis
- Approaches to identifying similar companies
- Describing and analyzing an industry
- Company analysis

Topic 4: Equity valuation

- Estimated value and market price
- Present value models: dividend discount models
- The method of comparables
- Asset-based valuation
- Free cash flow valuation

Topic 5: The valuation process

- Understanding the business
- Forecasting company performance
- Selecting the appropriate valuation model
- Converting forecasts to a valuation
- Applying the valuation conclusion: The analyst's role and responsibilities
- Communicating valuation results
- Research reporting responsibilities

Topic 6: Return concepts

- Holding period return
- Realized and expected (holding period) return
- Required return
- Expected return estimates from intrinsic value estimates
- Discount rate
- Internal rate of return

Topic 7: Evaluating portfolio performance

- Total rate of return
- The time-weighted rate of return
- The money-weighted rate of return
- The linked internal rate of return
- Annualized return

Topic 8: Portfolio risk and return

- Risk aversion and portfolio selection
- Portfolio risk
- Efficient frontier and investor's optimal portfolio
- Capital market theory
- Pricing of risk and computation of expected return
- The Capital Asset Pricing Model (CAPM)
- Beyond the Capital Asset Pricing Model
- Presentation of performance results

Topic 9: The Portfolio management process and the investment policy statement

- Investment management
- The portfolio perspective
- Portfolio management as a process
- The Portfolio management process logic
- Definition of portfolio management
- Investment objectives and constraints
- The dynamics of the process

Topic 10: Managing individual investor portfolios

- Investor characteristics
- Investment policy statement
- Setting return and risk objectives
- Constraints

Topic 11: Managing institutional investor portfolios

- Pension funds
- Defined-benefit plans: Background and investment setting
- Defined-contribution plans: Background and investment setting
- Hybrid and other plans
- Foundations and endowments
- The insurance industry
- Banks and other institutional investors

Topic 12: Risk management

- Risk management as a process
- Risk governance
- Identifying risk: market risk, credit risk, liquidity risk, operational risk, etc.
- Measuring risk
- Managing risk

NOTE: FOR A DETAILED CONTENT AND TIMELINE OF THE COURSE, STUDENTS SHOULD VISIT THE SECTIONS "COURSE ROADMAP" AND "SYLLABUS & LBL PLAN" IN THE RESTRICTED AREA OF ADI

EDUCATIONAL ACTIVITIES

- **Lectures**: The teacher will explain the contents of the program, always encouraging the active participation with questions. These contents will be material for the examinations. In some cases, depending on the time, the instructor will assign readings so that each student can work on his/her own and can answer any questions with the teacher during office hours. The lectures will include activities such as concept maps, kahoots or online games to improve understanding and create discussion.
- **Discussions**: articles/videos/podacasts and other materials will be assigned for classroom discussion. The article items will be distributed in advance for students to prepare (see the Lesson-by-Lesson plan in the restricted area). The contents of these discussion items will be part of the assessments.
- **One-to-one Tutorials** : the teacher will be available to students during office hours and outside of the class to answer questions or to provide support for course-related activities.
- Need for hours of **study outside the classroom** : individual study, presentation of papers, group meetings, etc.

EVALUATION

DECEMBER

The course includes two parts: (1) Fixed_income Securities, and (2) Equity Valuation & Portfolio Management.

The grade is on a scale of 0 to 10. A pass is a grade >= 5.

Each part is worth 50% of the final grade, and for each part the assessment is:

December announcement	% of total grade	Points over 10
“Take-home” Tests (using Students CFA Test Bank)	25%	2.5 points

“In-class” Tests (using ADI/or paper-based format)	20%	2 points
Class participation	10%	1 point
Exam	45%	4.5 points

- **"Take-home" Test:** There will be one test per topic that will be completed using the Wiley CFA 1 level platform.
- **“In-class” Tests:** Several short, unannounced quizzes will be given throughout the semester. Missed quizzes, including those due to medical absences, cannot be made up or individually excused; however, because multiple quizzes are scheduled, missing one should not materially affect your final grade.
- **Class participation:** participation will be regularly taken. With two absences, participation grade will be 0.5 points. With three or more absences participation grade will be 0. No excuses. **NOTE: With five or more absences without medical causes, students will loose the right to take the final exam.**
- **Fixed-Income** Securities' **exam** will be **October 26th, room and time TBA.** The exam will consists of between 40-55 multiple chocice questions, following the structure of the CFA, Level 1 exam. The resit exam will take place in June; there will be no second chance in December.
- **Equity Valuation and Portfolio** Management's **exam**. **December 18.** The exam will consists of between 40-55 multiple chocice questions, following the structure of the CFA, Level 1 exam. The resit exam will take place in June as well.

Criteria to pass the course

The course consists of two parts, and **students must pass each part separately**.

To pass a part, **two conditions must be met**:

1. **Score at least 4.5 out of 10 on the final exam** for that part.
2. **Achieve a weighted average grade of at least 5.0** for that part.
3. If a student **fails either exam**, the final course grade will be the **lower of the two exam grades**.
4. Even if both exam scores are above 4.5, **a weighted average below 5.0 in either part** will result in a failing grade (**Suspenso**).
5. Students who **do not sit in each of the two final exams** will be graded as **No presentado** (Not Submitted) and will not pass the course.

Exams review

- Students will be able to review the exams in an interview with the professor, after publication of the grades, in a day and place that will be indicated.

JUNE ANNOUNCEMENT

June announcement	% of total grade	Points over 10
“Take-home” Tests	25%	2.5 points

“In-class” Tests	20%	2 points
Class participation	10%	1 point
June Exam	45%	4.5 points

NOTE: June Exam. Students will have to retake only the part(s) of the subject not passed in the December announcement. In case they pass one of the two parts, the grade will be saved and averaged with the June grade for the part failed in December.

CALCULATOR POLICY

Students are allowed to bring to exams only the calculators models allowed by CFA Insititute exams.

OFFICE HOURS

Prof. Carmen aranda (maranda@unav.es)

To book a slot, please fill in the information in the in the excel file provided in the internal area of ADI.

Office hours will be held in my office (#3070), which is located in Amigos

BIBLIOGRAPHY AND RESOURCES

1. We will use Wiley 2024 CFA® Level 1 Program Study Guide. Specifically, we will cover Study Sessions 12, 13, 14, 17 and 18.

2. Collection of complementary articles, videos and websites selected by the professor. (See the restricted area, Lesson-by-Lesson plan).