

COURSE TITLE: Understanding Equity

PROFESSOR: Rodrigo Hurtado

Course Description:

This short course offers a comprehensive overview of equity, focusing on key areas such as equity capital markets, valuation techniques, equity risk management, and investment strategies. Designed for financial advisors, the course aims to deepen their understanding of the role of equity in capital markets and portfolio construction. Participants will explore the key attributes and types of equity, the functioning and importance of global equity markets, and the various methods used to value stocks. The course also covers the risks associated with equity investments and strategies to manage them effectively. By completing short video lectures, readings, and activities, learners will develop the skills needed to evaluate companies, identify investment opportunities, and build diversified portfolios that align with clients' financial goals and risk profiles.

Learning objectives for the course:

- Understand the **fundamentals of equity** by explaining what equity is, why companies issue it, and the differences between equity and debt in a company's financial structure
- Analyze the scope and scale of global **equity markets**, the role of major stock exchanges, and the factors influencing market performance
- Evaluate **equity valuation** techniques including absolute and relative valuation and explore models such as DDM and DCF to assess stock values
- Assess the different types of **risk** associated with equity investments and learn strategies for managing these risks
- Develop **equity investment strategies** tailored to meet specific financial objectives and risk profiles

Student dedication: 6-8 hours

Course difficulty: Intermediate

LESSON 1: Introduction to Equity

Learning objectives:

- Explain what equity is and how it connects to relevant financial statements
- Distinguish between equity and other sources of funding
- Analyze different types of equity
- Evaluate the evolution of trading in equity

LESSON 2: Equity Capital Markets

Learning objectives:

- Understand equity capital markets and why they are important
- Analyze primary and secondary equity capital markets
- Describe the functioning of global stock markets and their roles
- Evaluate the internal and external factors that influence the performance of equity markets

LESSON 3: Equity Valuation

Learning objectives:

- Discuss fundamental vs. technical analysis in equity valuation
- Distinguish between absolute and relative valuation
- Use multiples and ratios in equity valuation
- Evaluate if a stock or company is under or overvalued
- Explore valuation methods, such as the DCF and DDM, at a general level

LESSON 4: Equity Risk, Beta, and CAPM

Learning objectives:

- Identify different types of equity risk and understand the factors that determine risk
- Apply portfolio theory in the context of managing risk and building a diversified portfolio
- Use equity risk measures like beta and CAPM

LESSON 5: Equity Investment Strategies

Learning objectives:

- Compare and contrast the characteristics and goals of five common equity investment strategies: Growth investing, value investing, income investing, momentum investing, and quality investing
- Analyze the differences between short-term and long-term investing

LESSON 6: Putting It All Together

Learning objectives:

- Apply the key concepts learned in previous lessons to practice exercises

FINAL QUIZ

15 multiple-choice questions