What have we learned?

- The appropriate discount rate, using CAPM
- rf : take into account maturity and risk premium
- β: choose the appropriate “assets”; if you use equity beta, de-lever (need debt and equity ratios and debt beta)
- the market price risk
- Three important tools:
  - term structure of interest rates (expectation and/or risk)
  - decomposing assets’ betas
  - promised versus expected returns