

## Bond Yields

**Yield to Maturity = Current Yield + Capital Gains Yield**

## Beta of a Portfolio

$$\beta_P = w_1\beta_1 + w_2\beta_2 + \dots + w_N\beta_N$$

## Security Market Line Equation

$$r_s = r_{rf} + \beta_s(r_M - r_{rf})$$

## Growing Perpetuity (Gordon Growth Model)

$$\hat{P}_0 = \frac{D_1}{r_s - g} = \frac{D_0(1+g)}{r_s - g}$$

## Free Cash Flow Method (Corporate Valuation Method)

**Intrinsic Stock Price = (Value of Firm – Debt) / # of Shares**

**The value of firm is calculated as the discounted present value of the firm's free cash flows using the weighted average cost of capital (WACC) as the discount rate.**