



Part B Assignment

(Total 10 marks)

Question 1

An active equity investment manager needs to estimate the intrinsic value of an equity security and is considering which valuation model to employ.

Contrast the dividend discount model to the free cash flow model approach, including the assumptions required.

(6 marks)

Answer is

<type your answer>

Question 2

The table below summarises a Telstra Corporation debt security issued in 2017, with information as at 29 June 2023.

Explain two of the key risks for corporate debt, with respect to this particular security.

Issuer	Telstra Corporation Ltd (a listed Australian telecommunications provider)
Issue Date	19 April 2017
Maturity date	19 April 2027
Capital structure	Senior Unsecured
Coupon Type	Fixed
Coupon Rate	4.00% pa
Payment frequency	Semi-Annual
Next interest payment date	19 October 2023
Issue Size	\$550 Million
Market	Bonds were issued to wholesale investors. Not traded on a listed market.
Telstra Corp Credit Rating Long Term	S&P A- (stable)
Telstra Corp Market Cap (ASX)	\$50 Billion

(4 marks)

Answer is

<type your answer>

END OF PART B ASSIGNMENT