

Project Draft Workshop / Valuation Hierarchy Proof (T2)

Session 30 · Both tracks: peer review · T2 bonus theorem

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Primary Text: Liquidity Illusion (Forthcoming, 2026)

Graduate Finance Course · Spring 2027 · Session 30 of 32

What we'll cover today

1

Recap and structure

Project draft is the through-line

2

Project workshop: pairing

Peer review exchanges

3

Workshop: feedback rubric

Three required questions

4

Workshop: instructor walks

Office-hour style consultations

5

Common pitfalls observed

Across project drafts to date

6

Track 2 bonus: valuation hierarchy

$DCF \subseteq LAV \subseteq GE-LAV$

SAMIR ASAF

Recap: Session 29 • Frontier asset classes / Jensen + Pigouvian

Three takeaways carried forward:

1

Frontier asset classes (digital, climate) show where GE-LAV currently stretches

2

Jensen bias rigorously derived as second-order moment correction

3

Pigouvian tax $\tau^*(L)$ is provably optimal — closes 75%+ of the welfare gap

Project workshop structure (75 min)

Both tracks together for the workshop. T2 has additional theorem at the end.

0-5 min

Distribute drafts, randomly assigned pairs

5-30 min

Read partner's draft carefully (silent)

30-50 min

Discuss in pairs: three required feedback questions

50-65 min

Instructor 1-on-1 walks (3 students at a time)

65-75 min

Class debrief: most common drafts strengths/weaknesses

After class

Both write 1-page feedback memo for partner; due 24h later

Three required feedback questions

From partner reviewer (you)

- ▶ Is the GE-LAV connection explicit? Which concept (OU, $\pi(L,T)$, MFG)?
- ▶ Is the methodology numerically tractable with available data?
- ▶ Is the deliverable concrete and falsifiable?
- ▶ What's the biggest risk to completion?
- ▶ One specific suggestion to tighten the scope.

From instructor walk

- ▶ Are you on track to finish by Session 32?
- ▶ Do you have the data you need? If not, what's the backup?
- ▶ Have you tested the simplest version of the analysis?
- ▶ What's the elevator pitch for your finding?
- ▶ Pre-submission checklist: 5 items, all checked

Common project draft pitfalls (observed so far)

Pitfall 1

GE-LAV used as flavor, not as method — final paper just describes GE-LAV

Pitfall 2

Data sources not specified — handwave 'from the literature'

Pitfall 3

No calibration step — just verbally argue for $L=-1.5$

Pitfall 4

Hypothesis not falsifiable — 'GE-LAV does something' is not a hypothesis

Pitfall 5

Track mismatch — T1 student tries theoretical proofs, vice versa

Pitfall 6

Scope creep — promises 'all asset classes' instead of one

Instructor walks: come prepared

60-min total / 3 students at a time / ~5 min each. Use it well.

Bring

Printed draft + 3 questions you have

Don't bring

A laptop — this is verbal, not screen-share

Priority topics

Methodology validity, data feasibility, scope right-sizing

Common ask

Help interpreting a paper or running a calibration

After walk

Update your project plan with notes within 24h

Track 2 bonus • The valuation hierarchy theorem

Theorem 5.1: $DCF \subseteq LAV \subseteq LA\text{-CAPM} \subseteq GE\text{-LAV}$. Each is a strict refinement.

Strict means: there exist asset configurations where each successive theory produces different prices than its predecessor.

DCF	Constant premium, single discount rate	<i>Cash flows + $\pi = \text{constant}$</i>
LAV (Section 4.5)	Adds Jensen bias for stochastic r	<i>DCF + $\frac{1}{2}T^2\text{Var}(r)$ correction</i>
LA-CAPM (Acharya-Pedersen)	Adds four liquidity betas to discount rate	<i>LAV + $\beta^2, \beta^3, \beta^4$ corrections</i>
GE-LAV	Adds general equilibrium + collective dynamics	<i>LA-CAPM + MFG + Pigouvian</i>

Proof: each \subseteq shown by setting the new parameter to zero recovers the previous theory.

Project writeup tips: structure

What a strong final project paper looks like.

Length

8-12 pages excluding appendices • 1.5 spacing • 11pt

Structure

Abstract • Intro • GE-LAV setup • Calibration • Results • Discussion • Refs

Abstract

150-200 words • question, method, finding, implication

Intro

1 page • why this matters now • what's new in your work

Calibration

Show data sources • estimation methodology • uncertainty bands

Results

≥1 quantitative finding • ≥1 figure or table

Both tracks reconvene: what we agree on

Both tracks today: workshop discipline + T2 theorem

Track 1 produced

Peer-reviewed project drafts with documented feedback. Each student also did the instructor walk.

Track 2 produced

Bonus: a hierarchy theorem placing DCF, LAV, LA-CAPM, and GE-LAV in strict containment.

Common ground

By Session 32, projects are due. Today's workshop is your last structured peer review.

Project rubric (revealed today)

How your final project is graded. 60% of course grade (vs. 30% midterm, 10% participation).

Methodology fit (25%)

Does the GE-LAV framework genuinely apply, or is it window dressing?

Numerical rigor (25%)

Calibration step shown • sensitivity tested • uncertainty quantified

Original contribution (20%)

What's new vs. lecture material? Even small extensions count

Writing & presentation (15%)

Clarity • structure • figure/table quality

Defensibility (15%)

Could you defend in a 10-min Q&A session?

Bonus criteria

Replication code attached: +5% • Track 2 theorem in appendix: +5%

Session 30 summary

What we accomplished today

- 1 Project workshop discipline: pair review, instructor walks, structured feedback
- 2 Six common project pitfalls identified — check yours against the list
- 3 T2 bonus theorem: $DCF \subseteq LAV \subseteq LA-CAPM \subseteq GE-LAV$ (strict)
- 4 Each successive theory adds one missing element; GE-LAV is the full theory

Next session

Session 31: Research Frontiers • Course Synthesis

What to do this week (between S30 and S31)

Concrete next steps in the project final stretch.

Mon-Tue

Incorporate peer review feedback. Track changes.

Wed-Thu

Run all calibrations + sensitivity tables. Generate all figures.

Fri

Write or rewrite the discussion section • most-revised section

Sat-Sun

Read aloud once. Have a non-expert read. Iterate.

Before S31

Submit a 1-paragraph 'state of the project' update for instructor review

Office hours

Friday + Saturday for last-mile help; sign up via course site

Final-week common questions (FAQ)

Questions that come up every semester at this stage.

Can I extend?

By 48 hours yes, no penalty. Beyond that requires written request.

Reference style?

APA or Chicago — either acceptable, be consistent.

Code attached?

Bonus +5%. Use a public GitHub link or Jupyter notebook in zip.

Track-mix OK?

Yes. Track 1 students with light theory appendix → fine.

Presentation S32?

Yes — every student presents. 12 min slot.

Group projects?

Permitted if both contribute and clearly identify roles.

Session 31 preview: research frontiers

Next week's focus: open questions and where to go after this course.

Topic

Four research frontiers · what we don't yet know about GE-LAV

Audience

Both tracks together; T2 problem set retired

Career talk

Practitioner paths (LP, GP, regulator) · academic paths (PhD)

Time

75 minutes · lecture + Q&A · no problem set

Preparation

Read book Ch. 21 (Synthesis & Frontiers)

Action item

Identify your favorite open question — discuss at start of class