

Artificial Intelligence Supported by the Human Kind



EQUITY VALUATION SPECTRUM

Traditional Sell Side Research

Alpha Source

- Analyst's experience and skill

Pros:

- Human judgment assigns value to information – outlier vs. trend
- Knowledge of operating details, all data is verified

Cons:

- Broken business model
- Research universe driven by relationships, not valuation
- Limited coverage of small caps, mismatches with portfolio needs, 'value', infrequent issuers ignored
- Sector specialists fight liquidity cycles, often trailing indicators
- High rate of false positives, benchmark against 'consensus' misses turning points
- Relies upon skewed management communication

Rational Investing

AI Based Forward Looking Valuation

- Automates thousands of cash flow valuation rules + common sense in a pattern recognition model
- Transparent projection heuristics applied uniformly across sectors supports relative value analysis
- Data scrubbing and sophisticated interpolation reduce errors, false positives, yet incorporate 'outliers'
- Client drives focus of update; entire US market valued, international tickers on short notice
- Quantified risk and event settings drive disciplined ranking of micro and macro uncertainties
- Analyst team checks volatile data and transactions information
- Senior analysts review cost structure and discount rate of highest / lowest valuation stocks

Statistical / Legacy Models

Alpha Source

- Multi-factor or principal components modeling

Pros:

- Scalability, capture short term momentum and factor relationships, breakup value
- Familiar interface, statistical and accounting concepts

Cons:

- Only automated data scrubbing mishandles events
- Disparate approaches to sectors and market caps
- Cannot decipher data history for expectations and contingencies; SLB CAPM ignores cost of information
- Statistical horizon a challenge for hedged returns; models can under perform for years