

# 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:

- Severe capacity limitation
- 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
- Management communication skewed, compliance filtered

### Rational Investing

#### AI Based Forward Looking Valuation

- Automates thousands of cash flow valuation rules + common sense
- 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 on portfolio construction, not coverage
- Quantified risk and event settings drive ranking of micro and macro uncertainties; sterile process, no 'consensus' or outside inputs
- Analyst team checks value swings, data and transactions information
- Senior analysts review cost structure and model consistency of highest / lowest valuation stocks
- General purpose, uniform solution

### 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:

- Narrow focus on multi-factor return analysis or anomalies
- Data history alone does not explain expectations or contingencies; SLB CAPM ignores cost of information
- Statistical horizon a challenge for hedged valuations
- Purely automated modeling ignores events, limited half life