



The Lumen Global Value Compass

By Lumen Advisors, LLC

"...The only innovation that the financial industry has come up with over the last couple of decades is the ATM machine".

Paul Volcker, Former Chairman, United States Federal Reserve

Executive Summary

1. In investment, there is no such thing as absolute value: there is only relative value or opportunity cost.
2. Despite this obvious fact, the market has been fixated with using single, albeit incorrect pseudo absolute value metrics such as Multiples.
3. P/E, despite being the most popular and widely quoted value metrics in the industry, has little to do with value. It is borderline deceptive and is at best a momentum indicator.
4. **The only and true monetary value of any investment is quite simply the sum of the future cash flow discounted back to the net present value.** The challenge is to find the "right" discount rate, or the Holy Grail of Finance.
5. The CAPM is the most popular model used to determine ex-ante the discount rate. This popular model however is full of assumptions and guesstimate undermining its utility.
6. The Lumen Global Value Compass (the Compass) extracts directly from the live market data the Implied Cost of Equity without using forecasts, subjective assumptions or flawed theories...just what is implied and priced in the market.
7. Thus, the Compass provides a map of value across countries and asset classes, avoiding virtually all of the shortcomings of the CAPM or Multiples; it measures exactly what the market is pricing in, right or wrong.
8. The Compass' ultimate objective is to rank global value using one single value metric faithful to the most basic law of finance.

CONTACT US FOR THE PRIMER AND TRIAL:

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