The Future Architecture of Value Creation

How Leading Investors Are Rethinking Valuation and Why It Will Reshape Board Decision Making

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How Leading Investors Are Rethinking Valuation Now

Our work points to a shift in investor perspective with important value creation implications for the board.

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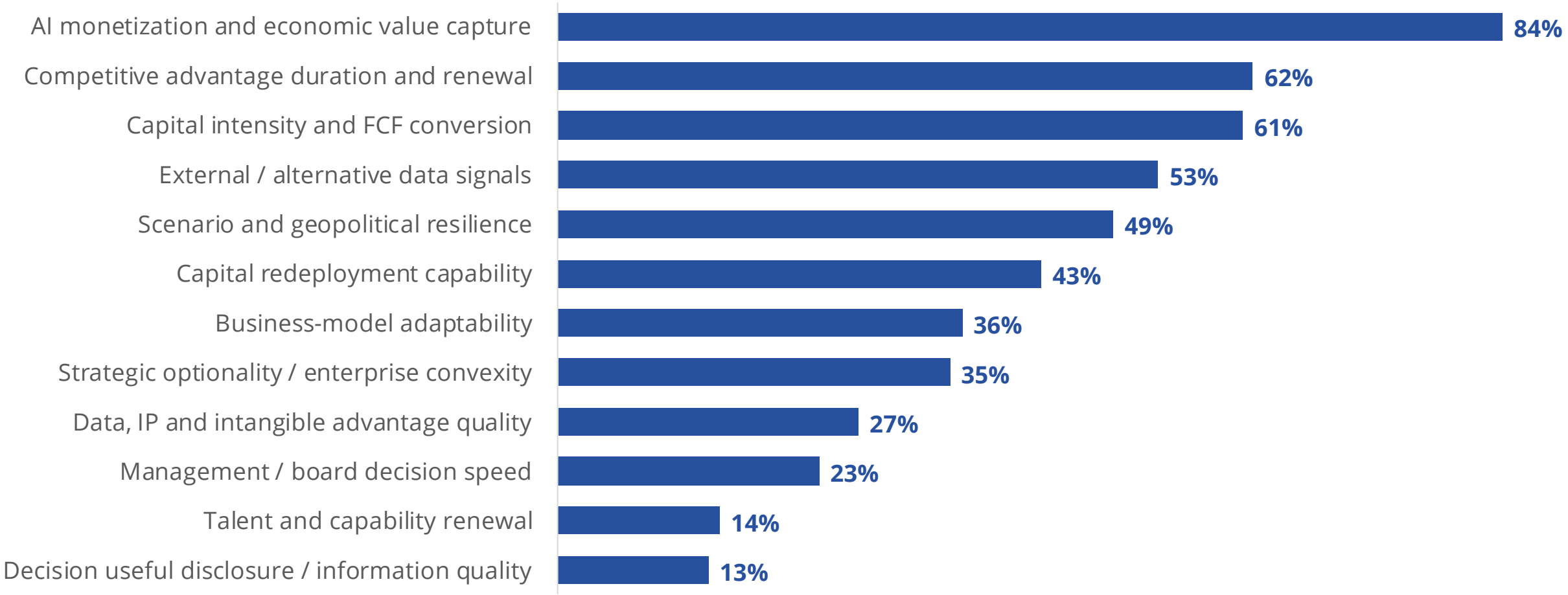
The market is moving upstream: investors are underwriting tomorrow's economics before today's results

What are you underwriting more heavily than one year ago?



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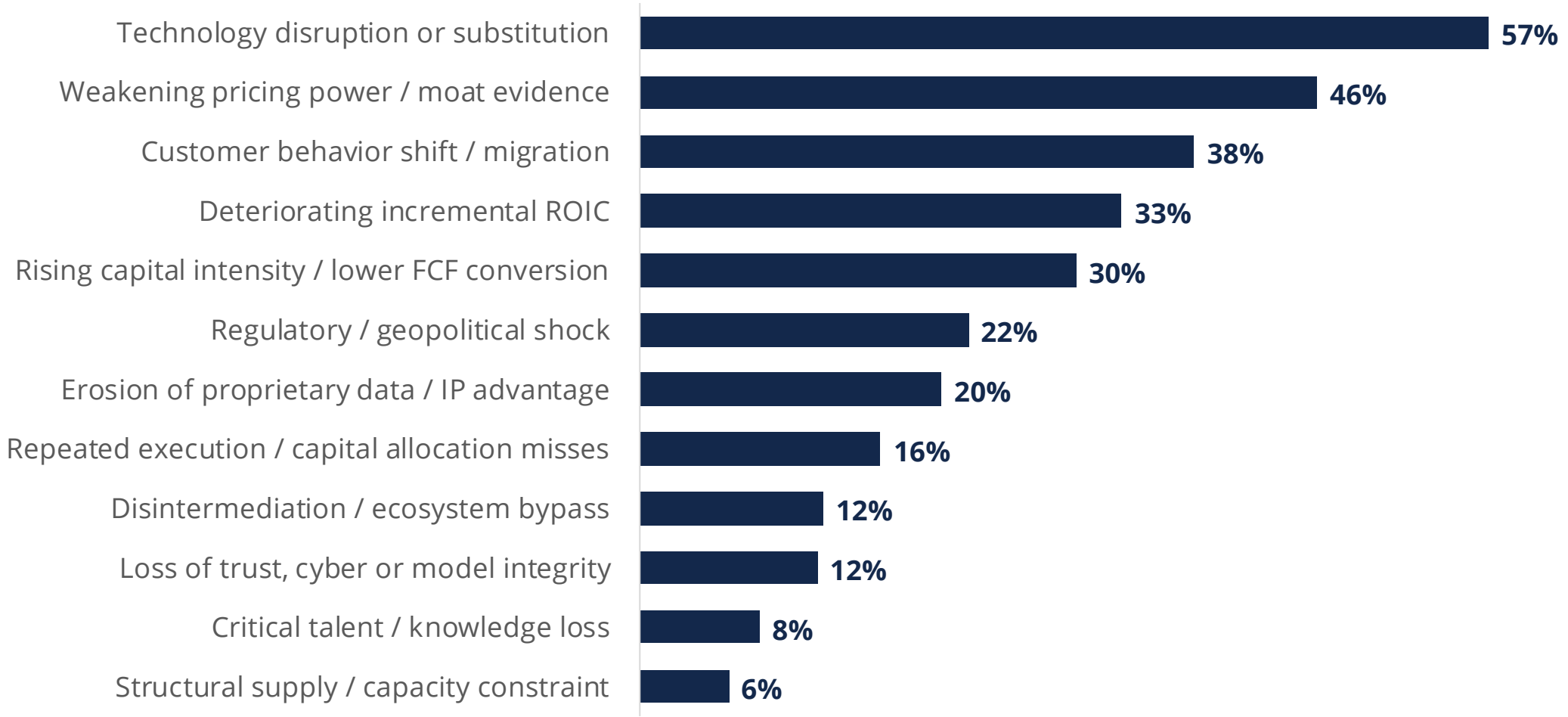
Source: Equal-weighted universe of 3,124 institutional investors

Duration cracks before earnings do

What most often causes you to shorten assumed competitive advantage duration?



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Source: Equal-weighted universe of 3,124 institutional investors

When new evidence materially challenges an investment thesis, how quickly do you think leading investors typically re-underwrite the company?

- Same day
- 2–5 days
- 1–2 weeks
- 3–4 weeks
- Next earnings

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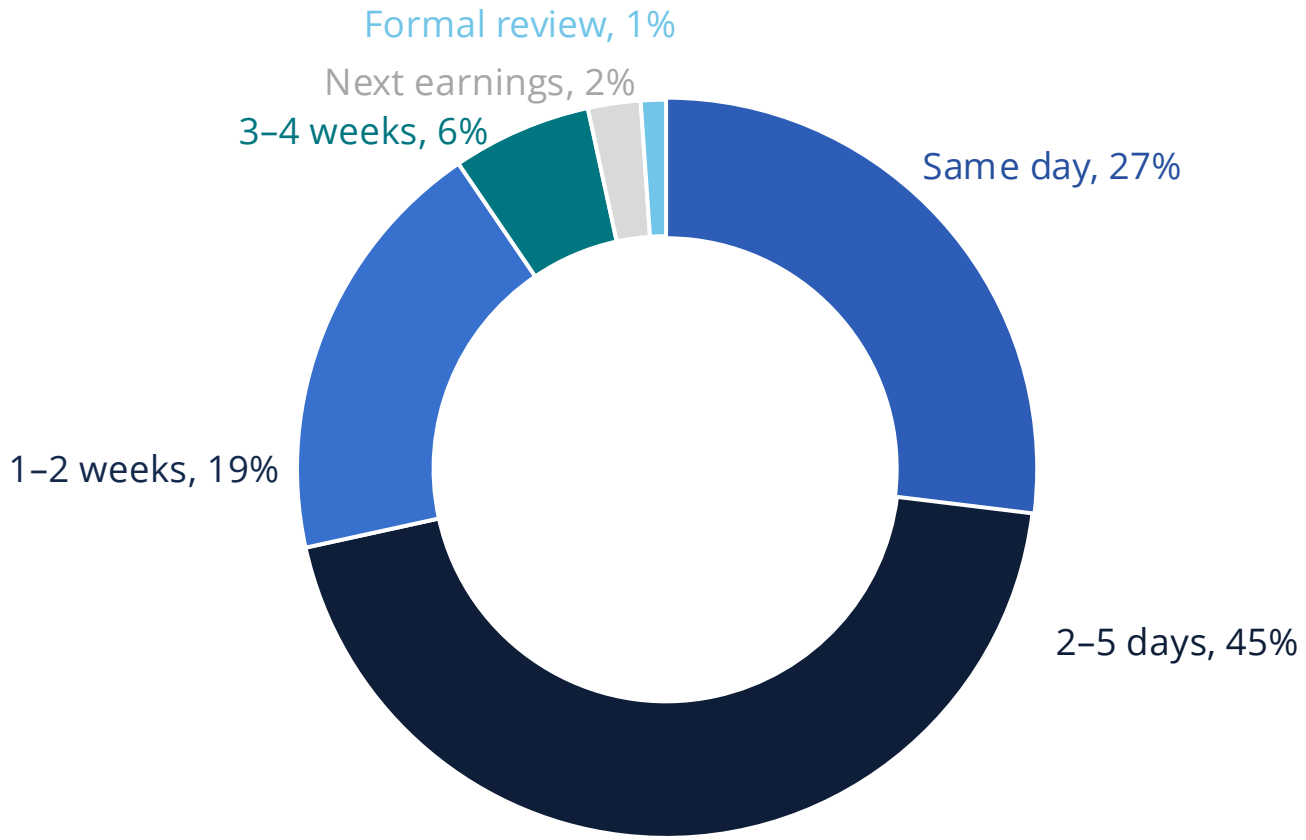
Investor time has collapsed from quarters to days

When new evidence challenges your thesis, how quickly do you typically re-underwrite the company?



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Source: Equal-weighted universe of 3,124 institutional investors

If two companies had identical five-year financial forecasts, what would most justify paying materially more for one?

- Advantage duration
- Capital mobility
- Business-model adaptability
- Strategic optionality
- Data / IP advantage
- Nothing. The valuations should be similar

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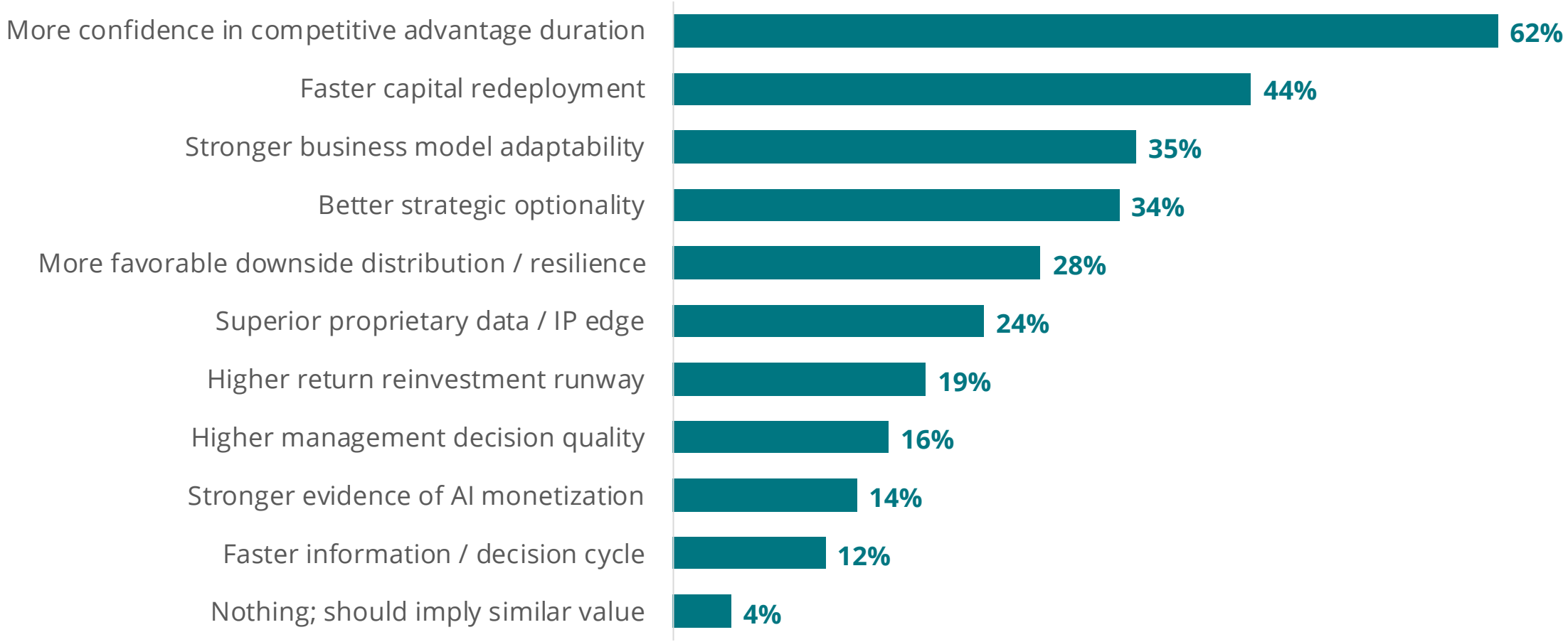
Same forecast, different value

If two companies had identical five-year financial forecasts, what would make you pay materially more for one?



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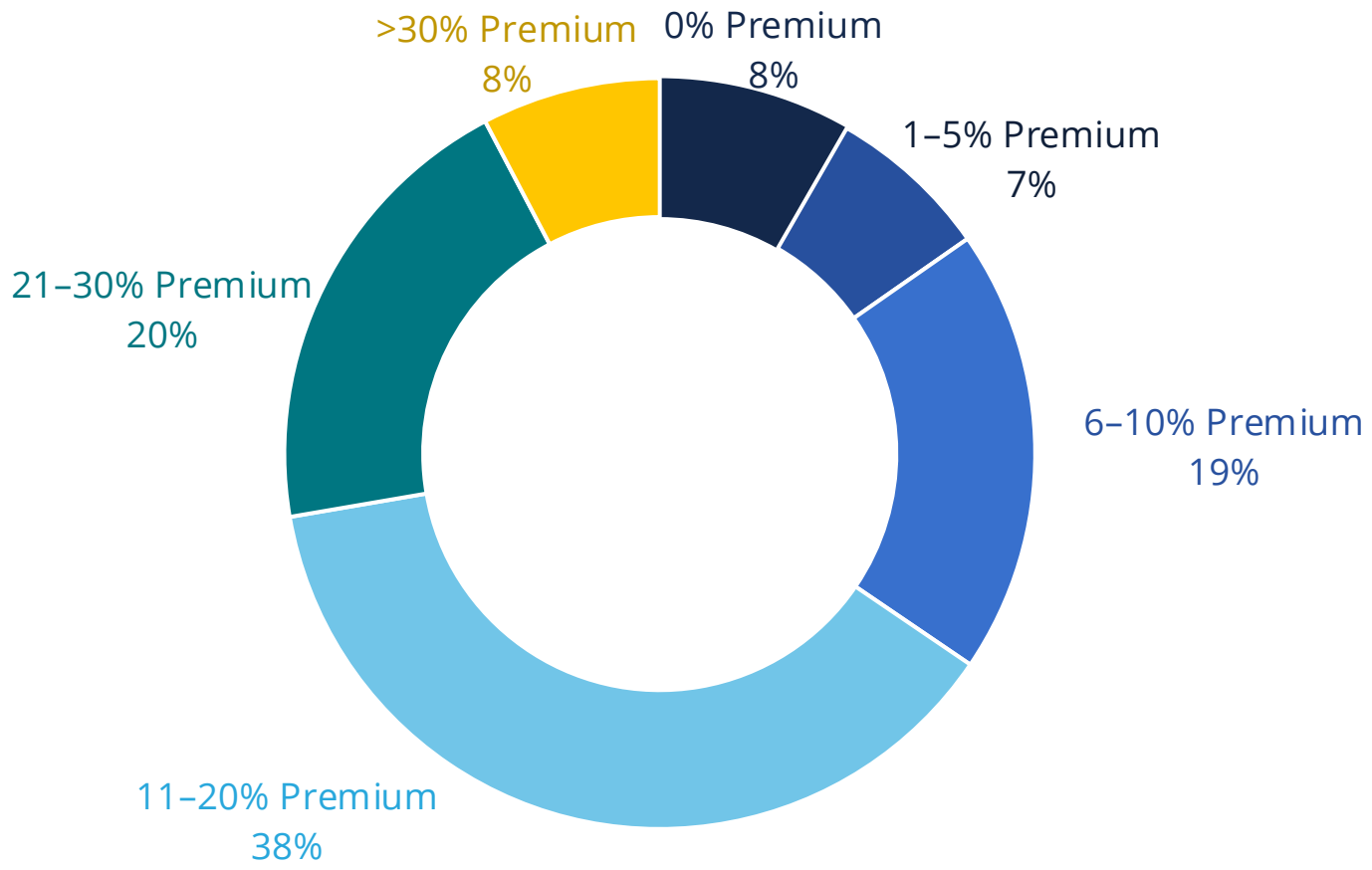
Source: Equal-weighted universe of 3,124 institutional investors

Future-value capacity can command a double-digit premium before the financial forecast changes

What maximum valuation premium could those differences justify?



Source: Equal-weighted universe of 3,124 institutional investors

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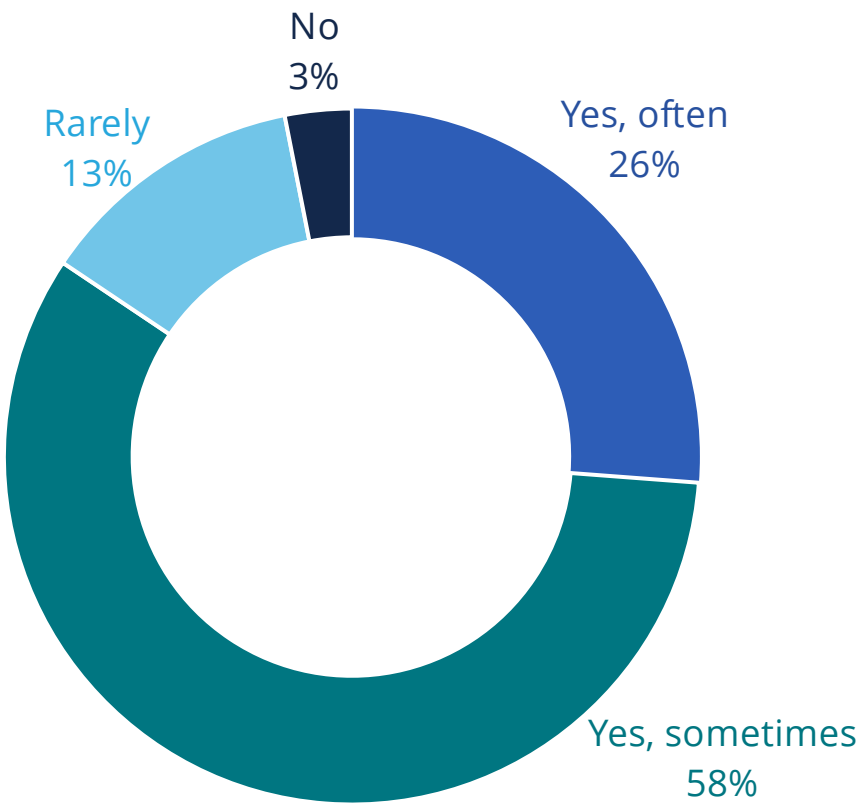
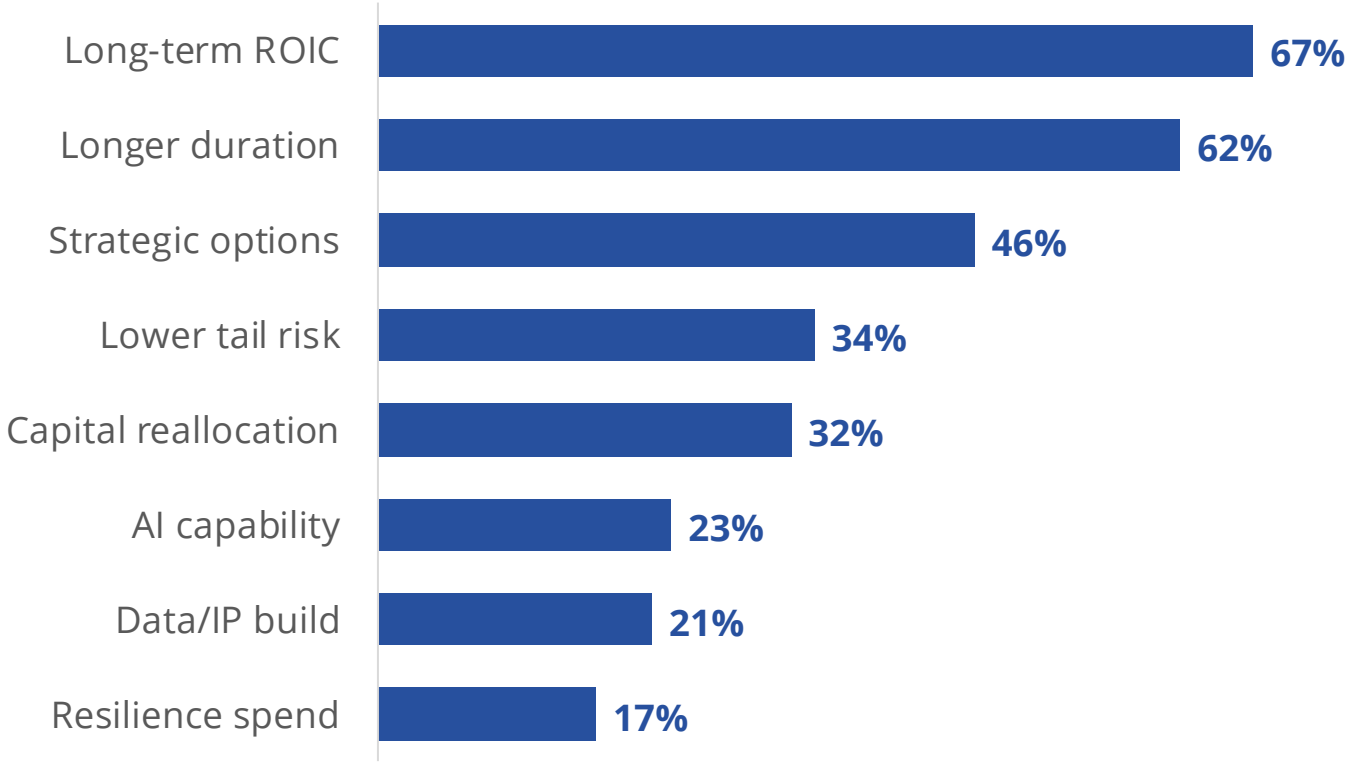
Earnings can fall while enterprise value rises

Could you raise a company's valuation while lowering its near-term earnings forecast? If yes, what would justify it?





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Source: Equal-weighted universe of 3,124 institutional investors

The Board’s New Value Creation Problem

Today's market value rests on assumptions that are changing faster than most governance systems can respond.

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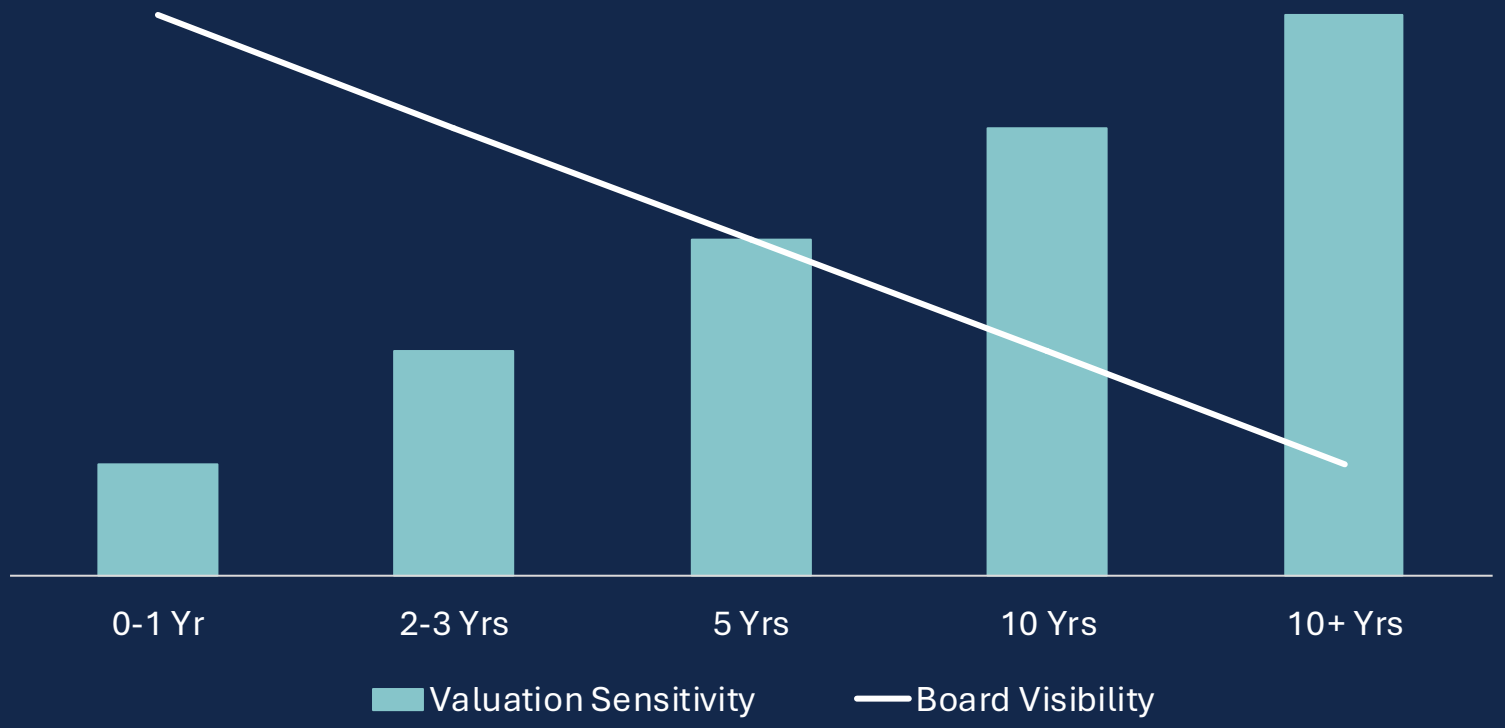
EV is increasingly long-duration while confidence in the supporting assumptions is increasingly short-duration

~78%

of S&P 500 equity value is attributed to cash flows more than ten years out

Yet many of the assumptions that dominate that value, including growth, margins, reinvestment, risk, and competitive advantage duration, are precisely what AI, geopolitics and business model disruption make harder to forecast.



The problem is not "long term matters." It is that the highest-value assumptions are becoming the least directly observable through conventional reporting.

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Source: S&P 500 | Composite Board Analysis

Boards now govern four clocks, and value is lost when investor inference outruns board awareness

ECONOMIC REALITY

Customers, costs, technology, talent

INVESTOR INFERENCE

Alternative data + AI update expectations

BOARD AWARENESS

Management aggregation + board cadence

ACCOUNTING RECOGNITION

Reported financial confirmation

The governance risk is not disclosure lag by itself. It is when slower awareness causes slower or value destructive decisions.

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The Object of Valuation Has Moved Upstream

Valuation is moving upstream from reported outcomes toward the capabilities that determine future economics in an accelerating and non-linear era.

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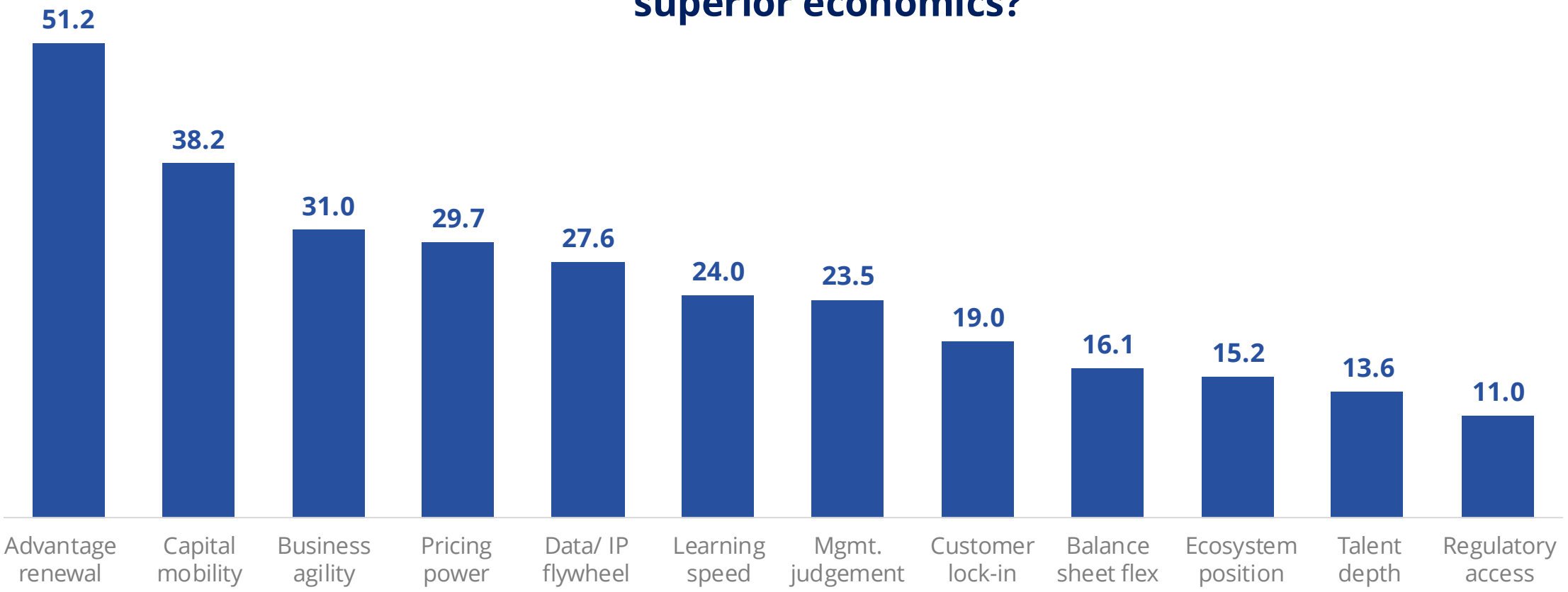
The moat is no longer enough; the premium is shifting to the ability to renew advantage

Which capabilities most influence confidence that a company can sustain or renew superior economics?



Source: Equal-weighted universe of 3,124 institutional investors

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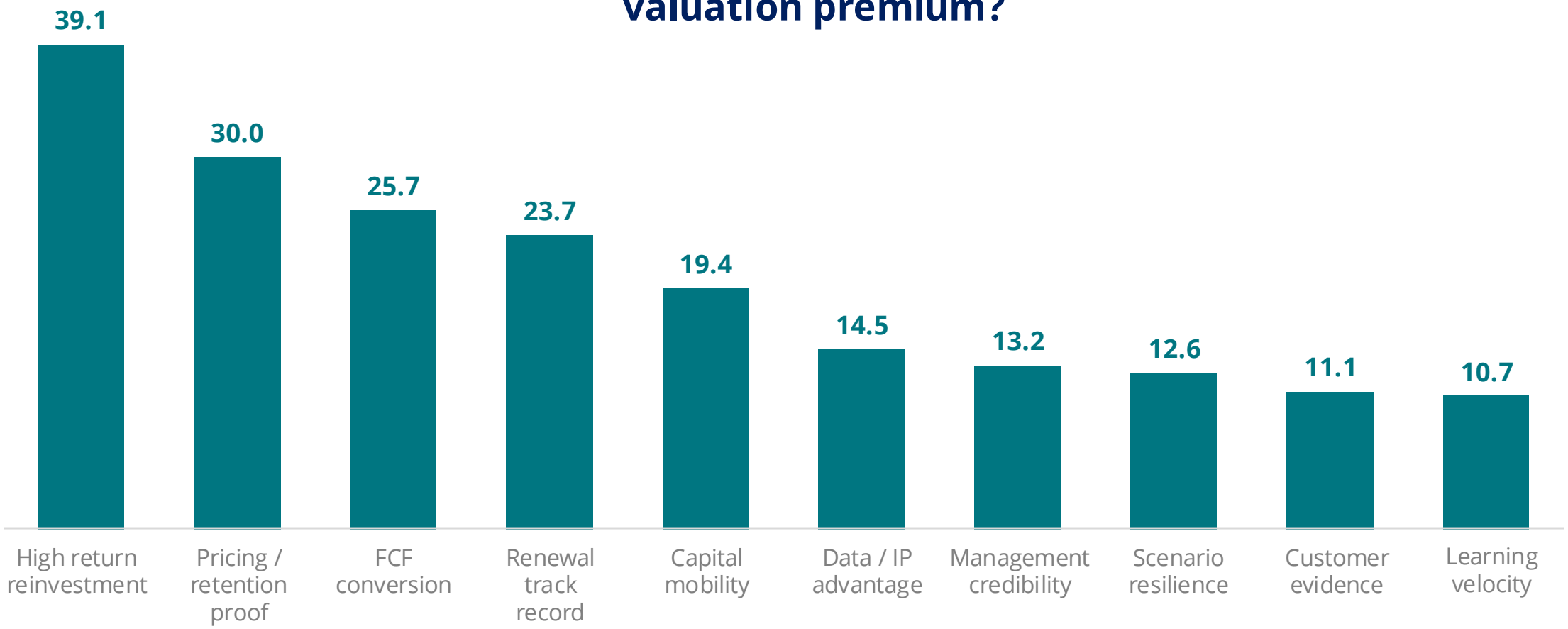
Long-duration value is no longer a forecast, it is a proof burden

What makes a long-duration strategic assumption credible enough to support a valuation premium?



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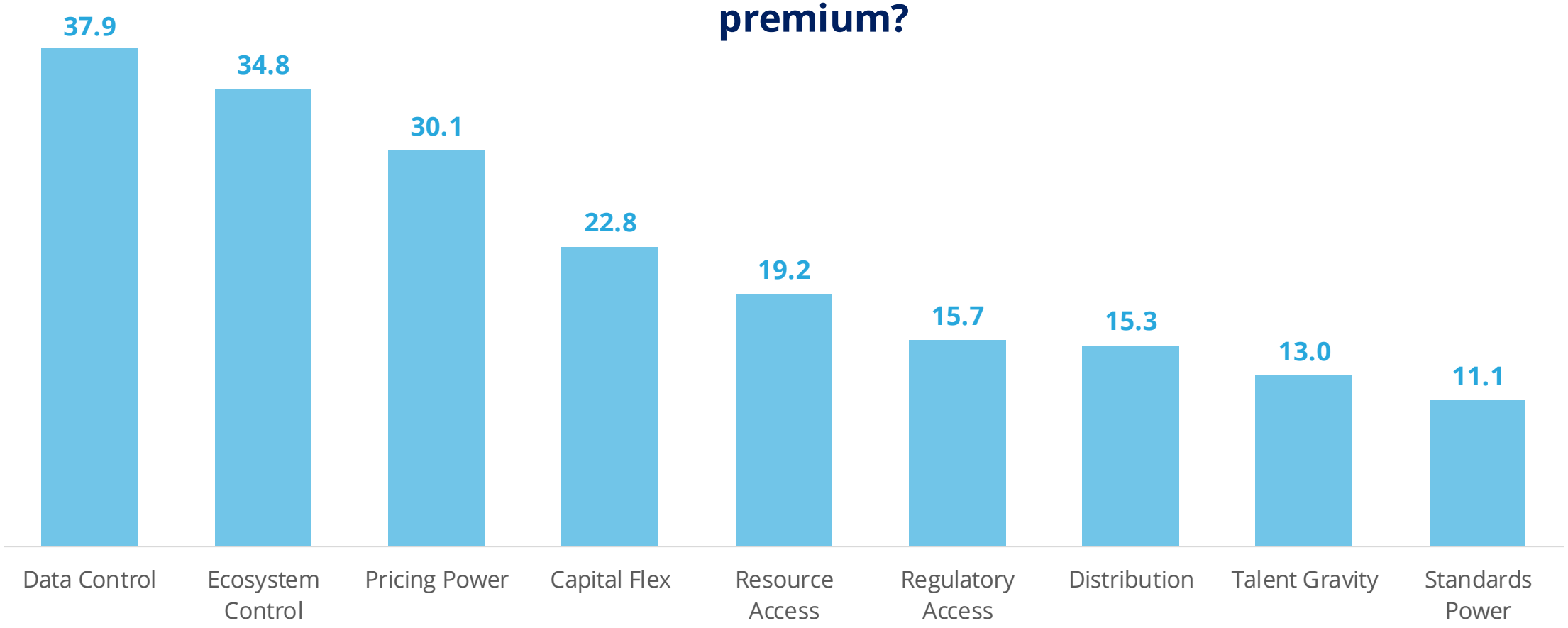
The next valuation frontier is strategic agency: the ability to shape outcomes, not merely survive them

Which forms of strategic agency do you expect to command the greatest valuation premium?



Source: Equal-weighted universe of 3,124 institutional investors

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More disclosure will not improve valuation unless investors can trace capabilities through to cash flow and duration

ENTERPRISE STATE

Assets, capabilities, relationships, constraints

CONVERSION

How capabilities become customer value and operating advantage

CAPTURE

Who keeps the surplus: company, customer, supplier, labor or government

RENT + REINVESTMENT

Incremental ROIC, FCF and future investment runway

DURATION

Why the excess returns persist or fade

OBSERVABILITY + PRICE

What investors can see and what expectations already discount

DCF INPUTS

Growth, margin, reinvestment, risk, duration

Leading investors are not replacing DCF with "soft factors." They are underwriting the causal chain that makes the DCF assumptions credible.

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Identical forecasts can support materially different valuations when investors believe adaptability and duration differ

	Company A - Adaptive	Company B - Rigid
Revenue	$50B	
EBITDA	$10B	
Free Cash Flow	$7B	
5-Year Revenue CAGR	7.0%	
ROIC	18.0%	
Strategic Half-Life	8 years	3 years
Capital Redeployment Velocity	18.0%	5.0%
Information Parity Gap	7 days	75 days
Disruption Downside Probability	10%	30%

Company A - Adaptive	Probability	EV/EBITDA	Probability x Multiple
Downside	10%	9x	0.9x
Base	55%	14x	7.7x
Upside	35%	22x	7.7x
Weighted Multiple			**16.3x**

Company B - Rigid	Probability	EV/EBITDA	Probability x Multiple
Downside	30%	7x	2.1x
Base	60%	12x	7.2x
Upside	10%	18x	1.8x
Weighted Multiple			**11.1x**

PREMIUM
(A over B)
46.8%
$52B

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Source: Breakwater Capital Markets Scenario Model

The Continuous Investor Operating System

Today is the slowest the world will ever be. Multiple forces are compressing the time between economic change and investor inference and valuation.

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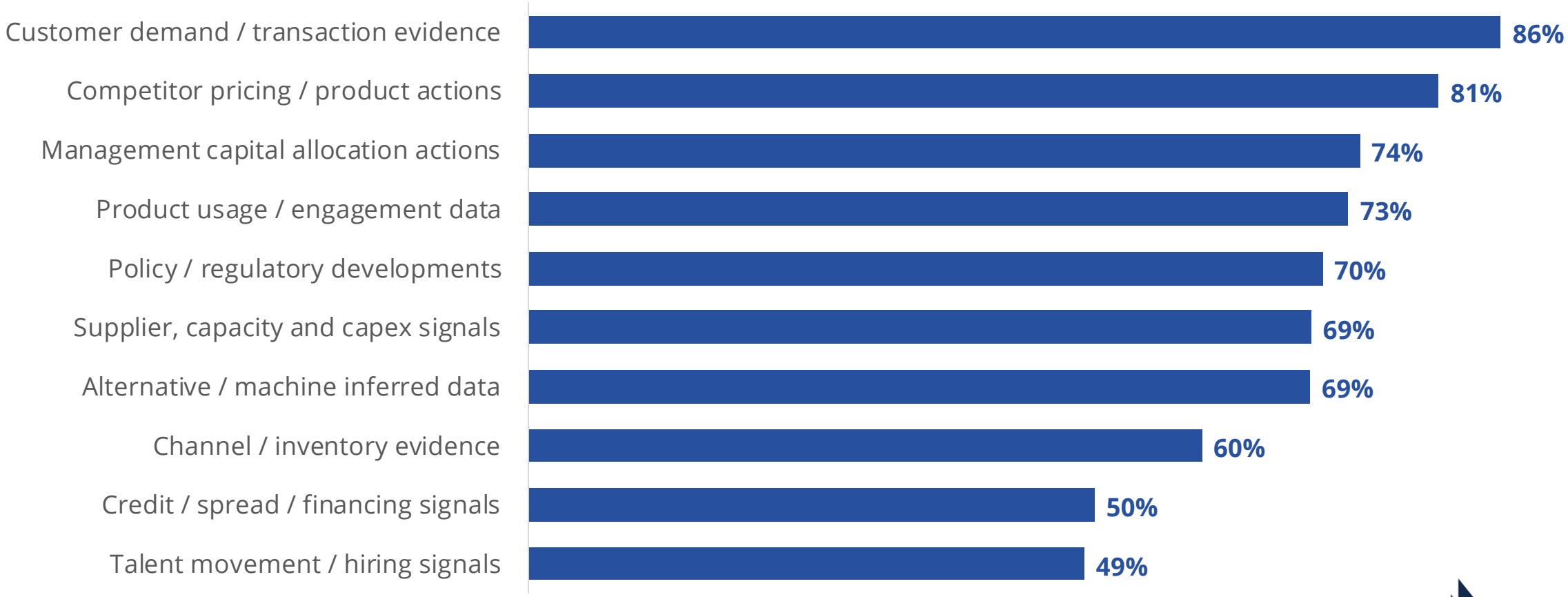
The market can see the inflection before it reaches the income statement

What evidence causes you to re-underwrite a company before reported financial results change?



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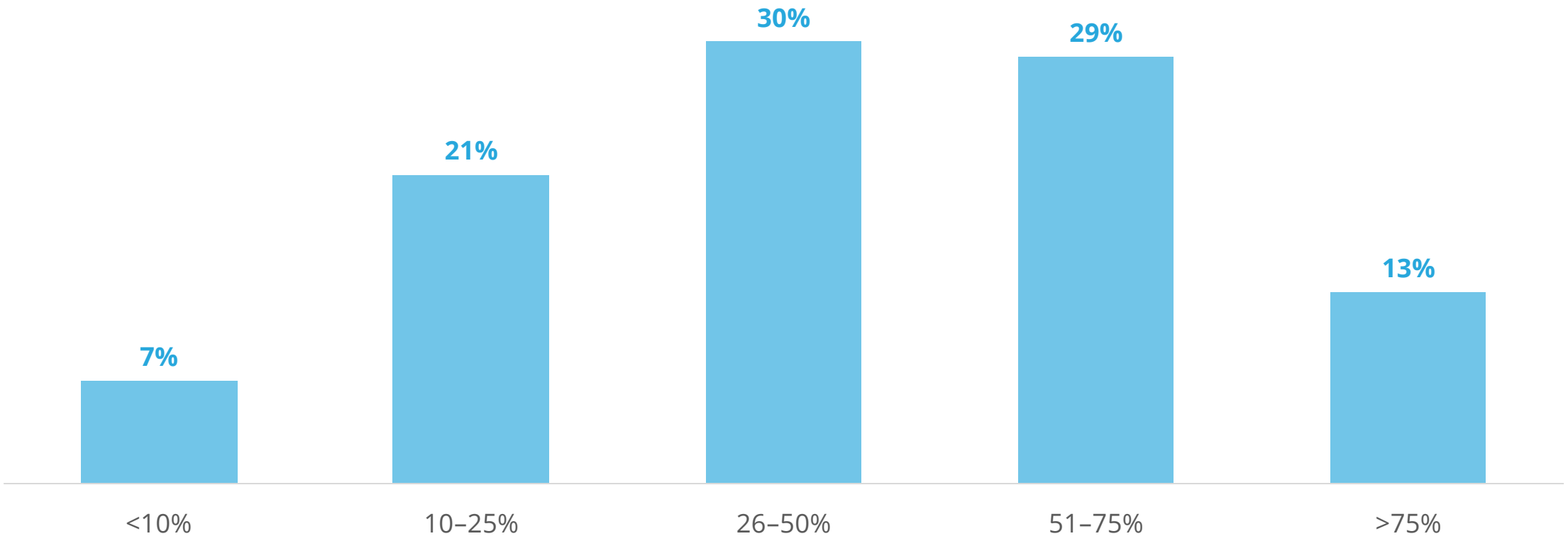
Source: Equal-weighted universe of 3,124 institutional investors

By 2030, underwriting may begin with an AI agent, not an analyst

What share of your investment underwriting do you expect AI agents to initiate or complete before human review?



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Our 2027 forecast: external evidence can overtake company disclosure in investor underwriting

The Age of	Print & Patience 1950s – 1970s	Big Money 1980s – 1999	Digital 2000 – 2019	Pre-AI 2020 – 2025	2027
Daily Information Volume (Approx. words/ day)	100,000	1-2 million	100 million	500 million	1 billion+
Information Analysis	1-2 Days	Minutes to hours	Milliseconds	Microseconds	Nanoseconds
Interconnectedness & Market Correlation	Low: 10%	Moderate: 30-40%	High: 60-70%	Very High: 80-90%	Hyperconnected: 90-95%
Nature of Financial Risk (Speed of changes)	Slow-moving: Weekly	Moderate-speed: Daily	Fast-moving: Hourly	Real-time: Minute-to-minute	AI-driven: Nanosecond
Risk Change Frequency (% of risk changing daily)	Daily to weekly: 1-5%	Hourly: 5-10%	Minute-by-minute: 20-30%	Second-to-second: 40-50%	Beyond real-time: 60-70%
Sources of Investor Information	Print media & personal brokerage	Television, stock terminals, analysts	Online news, HFT dashboards, AI analytics	AI-driven alerts, real-time feeds, social sentiment	AI-curated dashboards, real-time blockchain data
Information Mix (Company / Other Sources)	90% / 10%	75% / 25%	60% / 40%	50% / 50%	40%/60%

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Source: Breakwater Capital Markets Proprietary Analysis | 2027 Forecast

Investor theses can now be re-underwritten repeatedly before quarterly results arrive

2027-28 CONTINUOUS UNDERWRITING

Starting thesis: A global company is valued on durable growth + expanding margins + attractive incremental ROIC + management adaptability

Timing	Signal	Source	Investor Re-Underwrites
Day 1	Customer activity weakens	External	Revenue durability
Day 3	Competitor cuts price	External	Pricing power/moat
Day 6	Policy restriction emerges	External	TAM/Risk premium
Day 9	Supplier data implies higher capacity spend	External	CapEx/FCF/ROIC
Day 12	Management updates capital allocation	Company	Decision quality/adaptability
Day 18	Alternative data confirms demand recovery	External	Scenario probabilities/conviction
Day 30+	Quarterly results arrive	Company	Confirms or challenges the already revised thesis

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Source: Breakwater Capital Markets Illustrative Scenario

The future is harder to forecast, but easier to observe in real time

FORECASTABILITY FALLS

- AI discontinuity
- Geopolitical fragmentation
- Business-model change
- Bottleneck migration
- Customer behavior shifts
- Capital intensity reversal

The Valuation Tension

OBSERVABILITY RISES

- Alternative data
- AI-assisted research
- Customer signals
- Talent movement
- Pricing evidence
- Supply chain and ecosystem data

As a result, investors do not merely forecast farther out, they seek evidence that makes long-duration assumptions believable now.

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If an external signal materially challenged a core strategic assumption tomorrow, how quickly would your board receive it in decision-useful form?

- Same day
- Less than 1 week
- 1–2 weeks
- 1 month
- Next scheduled board meeting

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Investor evidence cycles are compressing far faster than board decision cycles

Workflow stage	2026 Elapsed Time		2027 Forecast		Primary technology / process
	Investor OS	Board OS	Investor OS	Board OS	
Capture external signal	1 hour	14 days	1 minute		Alternative data / agents
Aggregate / normalize evidence	6 hours	10 days	10 minutes		AI extraction / data layer
Analyze / compare / challenge	12 hours	7 days	30 minutes		AI research / human judgment
Update valuation / scenarios	2 hours	14 days	5 minutes	?	Machine-assisted models
Escalate decision	12 hours	30 days	1 hour		Risk limits / governance
Act / reallocate capital	24 hours	30 days	4 hours		Portfolio action / capital process
Total Cycle	**2.4 days**	**105 days**	**0.2 days**	**?**	

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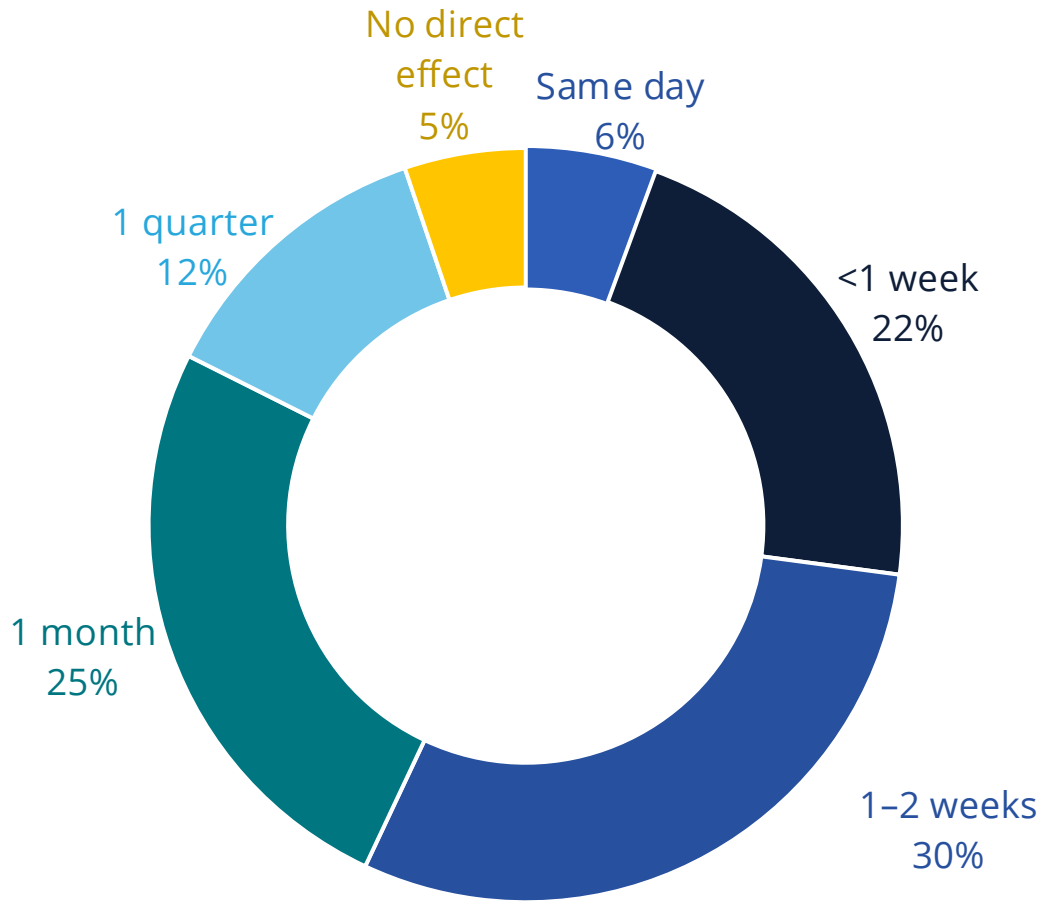
Source: Breakwater Capital Markets Proprietary Analysis | 2027 Forecast

Governance latency is becoming a priced risk

How much governance latency between an externally inferable change and board decision-useful awareness would materially reduce your valuation or confidence in management?



Source: Equal-weighted universe of 3,124 institutional investors

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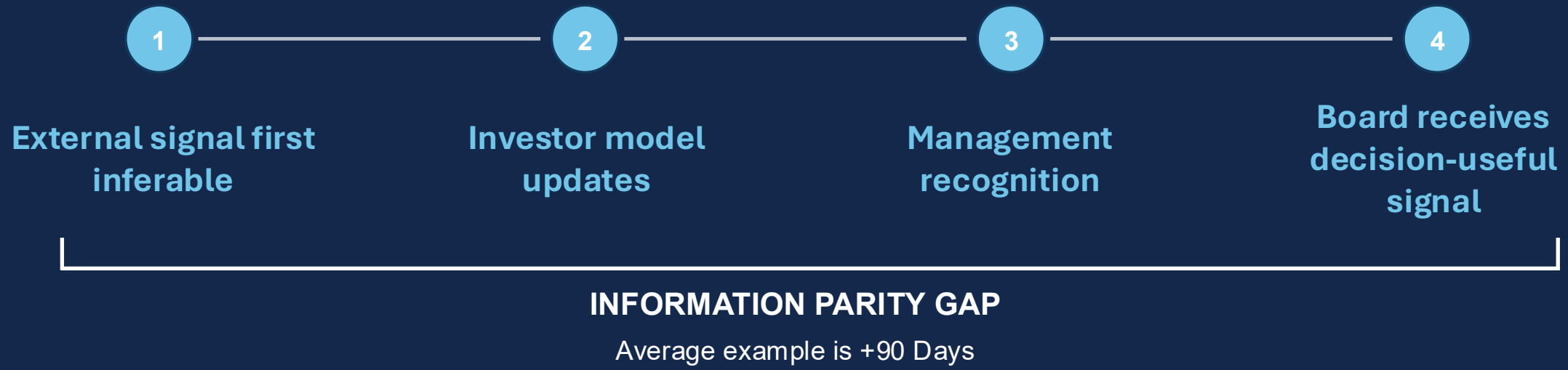
When investors can infer change before the board can act, governance is already behind



The Information Parity Gap is not an investor-relations metric, but a governance latency metric. A positive gap is a liability, while a near zero or negative IPG is the goal. The board should know where external inferability is materially ahead of internal decision-useful awareness.

Source: Breakwater Capital Markets Proprietary Analysis

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Scenario-Native Valuation

As uncertainty becomes more multidimensional, value must be governed as a range of distributions.

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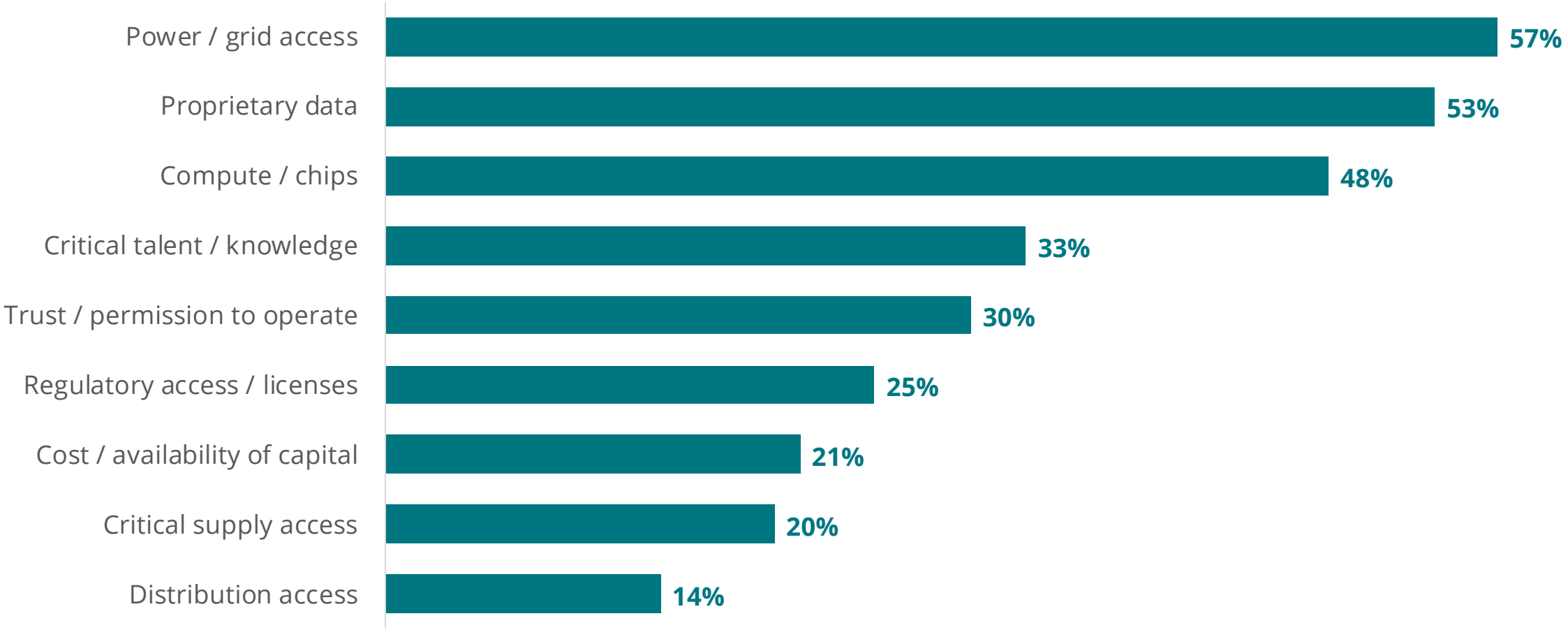
The next scarcity premium will be paid for control of power, compute and proprietary data

Which scarce inputs do you expect to constrain enterprise value creation most?



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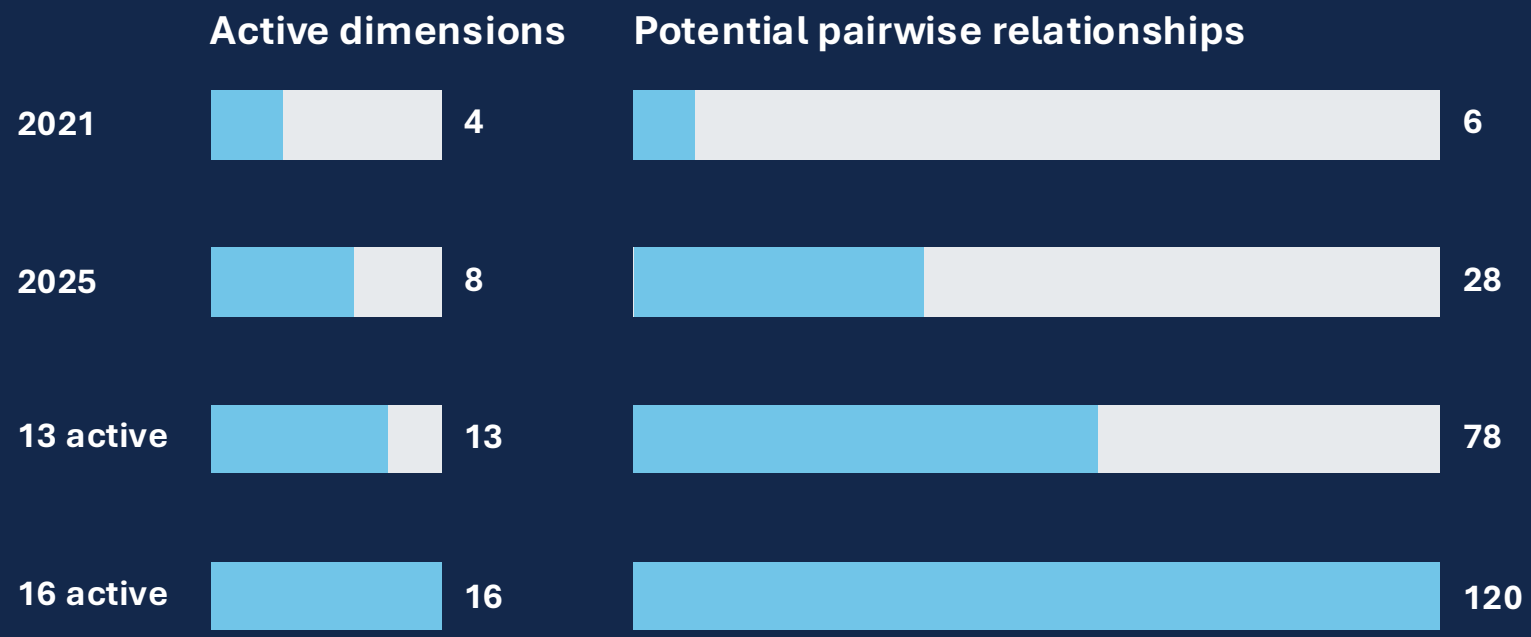
More active variables create a nonlinear jump in interaction risk: 2x the variables can mean nearly 5x the relationships



n(n−1) / 2

Relationship burden, not risk count, is the non-linear step-change.

A broader set of external forces is demanding management attention at the same time.

3.25x more active dimensions can create 13x more pairwise interactions

Source: Breakwater Capital Markets Risk Model

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Scenario-native valuation links future states to value sensitivities and explicit board decision triggers

Scenario	Critical assumptions	Value driver	Board decision trigger
• Productivity boom • Fiscal reflation • Fragmentation • Stagflation	• AI adoption > plan; inflation eases • Nominal growth strong; rates stay high • Tariffs, sourcing changes, regionalization • Weak growth + persistent inflation	• Margin expansion, higher terminal growth • Revenue resilience, WACC pressure • Margins, inventory, localization capex • Volume risk, margin compression	• Accelerate CapEx / talent • Stress test leverage • Reconfigure supply chain • Protect liquidity / options

Source: Breakwater Capital Markets Proprietary Analysis

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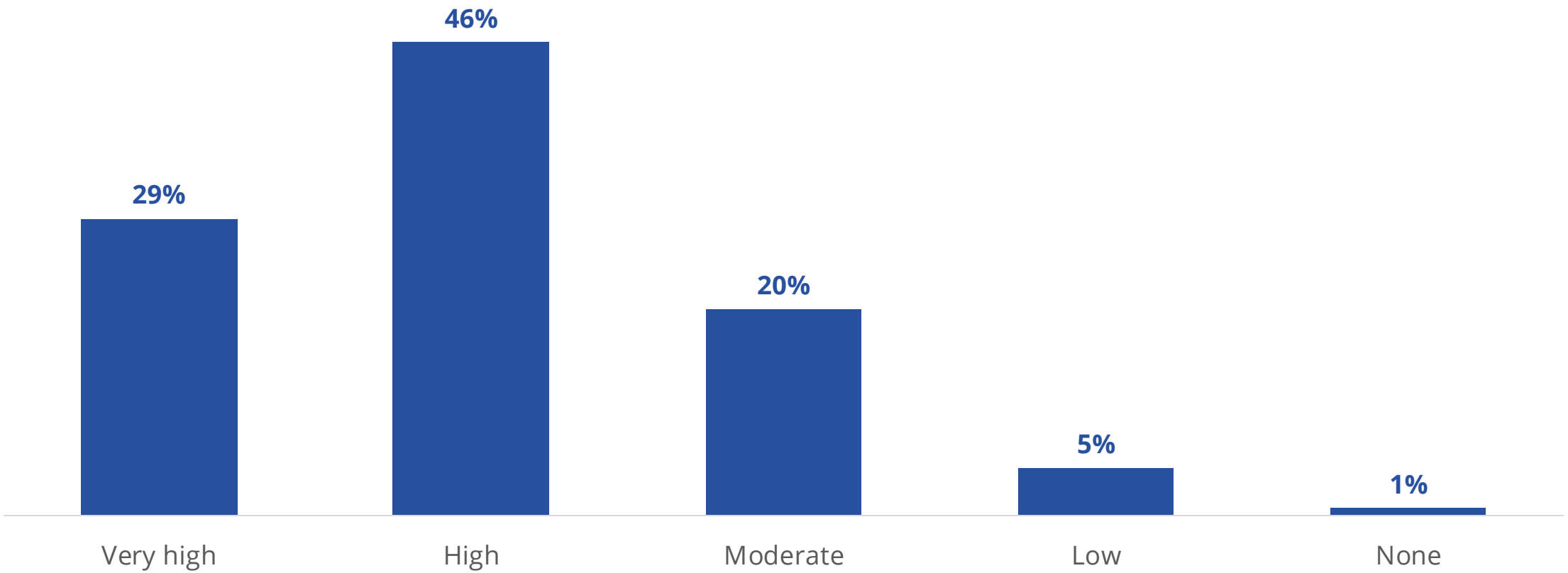
Optionality is becoming part of intrinsic value

How much value do you assign to preserving strategic options when the base case becomes less certain?



Source: Equal-weighted universe of 3,124 institutional investors

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The best strategy is not the highest base case, it is the one that preserves the most value across plausible futures

Strategic Architecture *Probability*	Base Case *30%*	AI Abundance *20%*	Regulation Shock *10%*	Capital Scarcity *15%*	Geopolitical Fragmentation *15%*	Customer Disintermediation *10%*	Probability-Weighted EV Index
Optimize current core	110	82	90	88	92	80	93.4
Balanced core + options	112	120	103	98	105	110	109.4
High-flex / modular	108	125	106	102	110	118	111.6
Concentrated AI bet	120	145	78	70	85	90	105.1
Current EV benchmark	**100**	**100**	**100**	**100**	**100**	**100**	**100**

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Source: Breakwater Capital Markets Illustrative Scenario

Future Value Capacity

When current advantages cannot be assumed to persist, investors increasingly underwrite the enterprise's capacity to regenerate economics.

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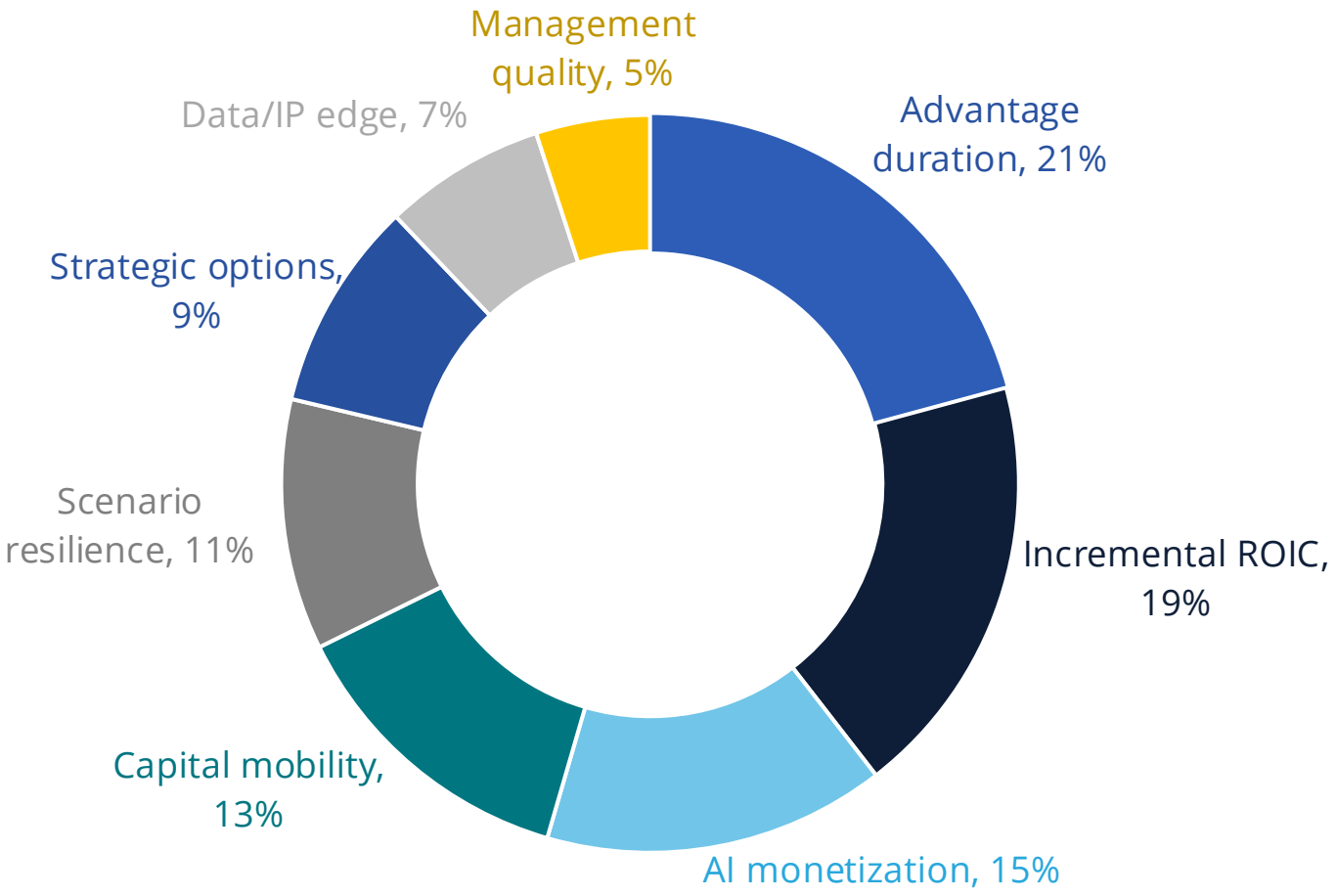
The valuation premium is shifting from growth alone to durable compounding

What evidence is most likely to change the multiple you are willing to pay?



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New board metrics matter only when they map to the drivers of future value

	What it Means	Best Use
Strategic Half-Life	How fast an advantage fades over time	Stress-test business durability
Capital Redeployment Velocity	How quickly capital moves to better uses	Assess allocation discipline
Information Parity Gap	The lag between outside signals and board understanding	Gauge governance speed
AI Monetization / FCF Conversion	Whether AI investment turns into real cash flow	Track realized AI economics
Optionality / Enterprise Convexity	The upside created by strategic flexibility	Compare flexible vs irreversible bets
Data / IP / Intangible Advantage	Valuable intangible assets that support returns	Link intangibles to outcomes
Disclosure / Information Credibility	How clear, usable, and trusted company information is	Support investor confidence

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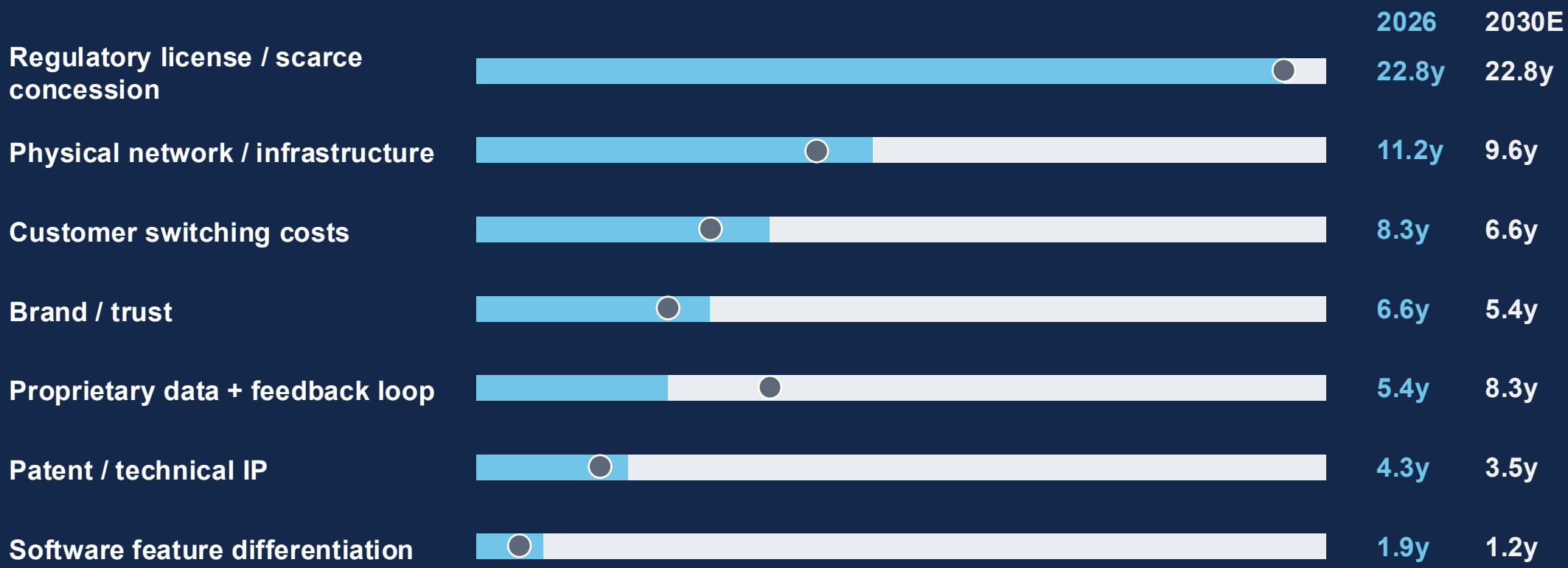
Competitive advantages decay at very different rates, making duration an explicit strategic assumption



A five-year strategy can be economically incoherent if the advantage supporting its terminal value has a two-year half-life.

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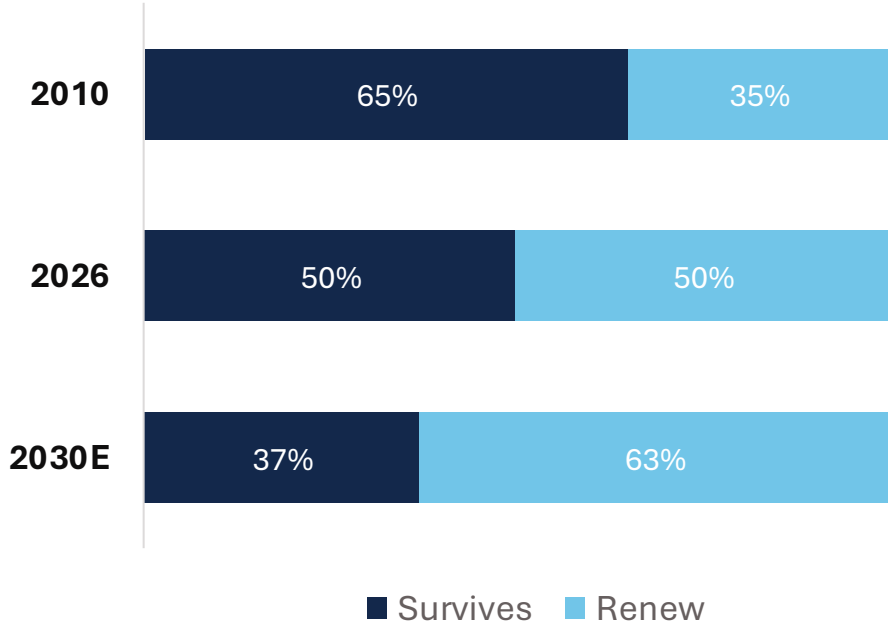
Source: Breakwater Capital Markets Proprietary Analysis and 2030 Forecast

Shorter advantage half-lives increase the share of future earnings that must be reinvented

As advantage half-lives compress, more of the future earnings base must come from renewed or newly created advantages.

Metric	2010	2026	2030E
Average advantage half-life	8 yrs	5 yrs	3.5 yrs
Existing advantage remaining after 5 years	65%	50%	37%
Advantage requiring renewal / replacement	35%	50%	63%

Advantage surviving after 5 years = (0.5)^(5 / half-life)



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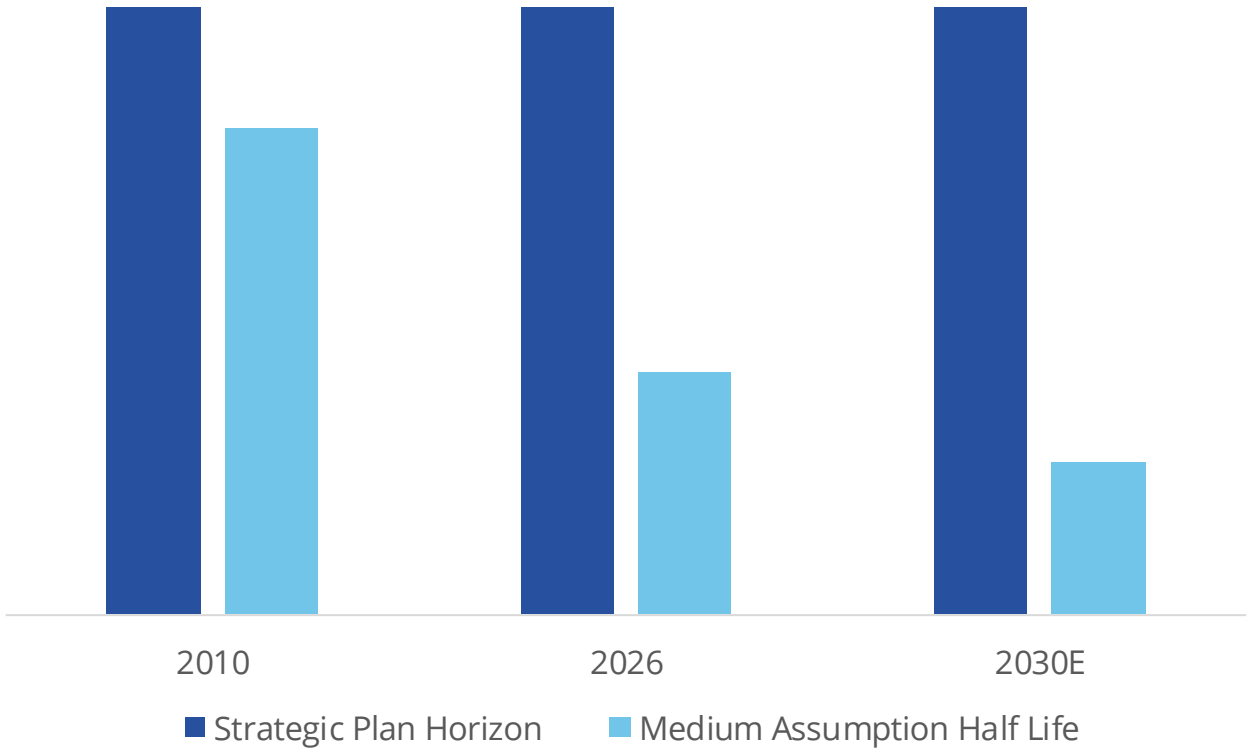
Source: Breakwater Capital Markets Illustrative Scenario

Shorter advantage half-lives increase the share of future earnings that must be reinvented

A five-year plan increasingly rests on assumptions that may need to be re-underwritten multiple times before the plan ends.



Metric	2010	2026	2030E
Assumptions re-underwritten inside one 5-year plan	~1×	~2×	~4×
Plan / assumption mismatch	1.25×	2.5×	4.0×

Plan-Assumption Mismatch = Plan duration ÷ median assumption half-life

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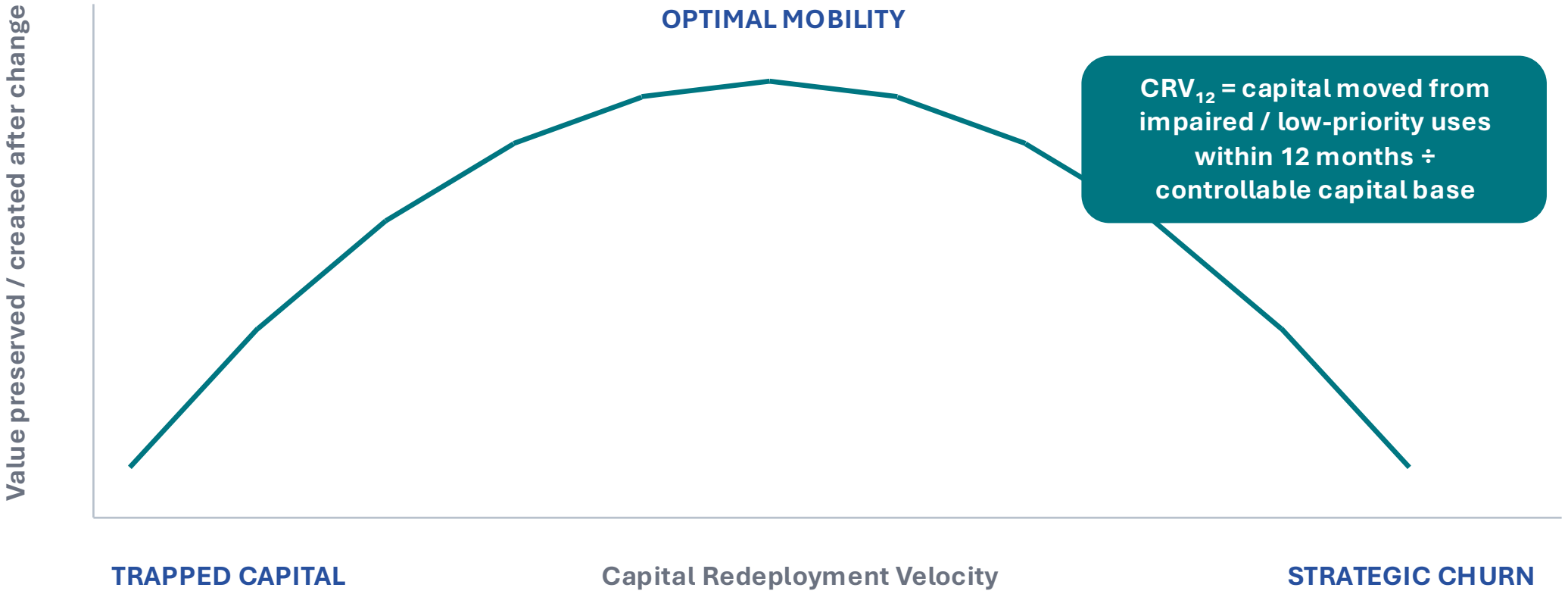
Source: Breakwater Capital Markets Illustrative Scenario

Capital mobility creates value up to a point; too little traps capital and too much creates strategic churn



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Source: Breakwater Capital Markets Illustrative Scenario

AI should be underwritten like any major capital program: through revenue, margins, ROIC, reinvestment, and moat duration

Investor Translation of AI Claims

Revenue Growth
New product attach, pricing, conversion

Margin
Labor productivity, service cost, SG&A leverage

Moat Duration
Data advantage, switching cost, speed of learning

Reinvestment
Data, compute, CapEx, model cost

ROIC
Profit gained per dollar of AI investment

Proof
Beats pilots – investors will underwrite KPIs

ROIC
Over spend, not “AI budget” alone

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Boards need to track both what the company produced and whether it can keep producing value

CURRENT VALUE
Lagging outcomes

ROIC	18%
Free cash flow	$7.2B
Revenue growth	6.8%
TSR vs peers	+4 pp
Net leverage	1.7×

FUTURE-VALUE CAPACITY
Leading capacity

Strategic Half-Life	5.4 yrs
Information Parity Gap	+18 days
Capital Redeployment Velocity	11%
AI FCF conversion	31%
Reinvention requirement	50%

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Source: Breakwater Capital Markets Proprietary Analysis

Governing Future Value

Governing future value requires directors to distinguish signal from noise before the market fully prices the difference.

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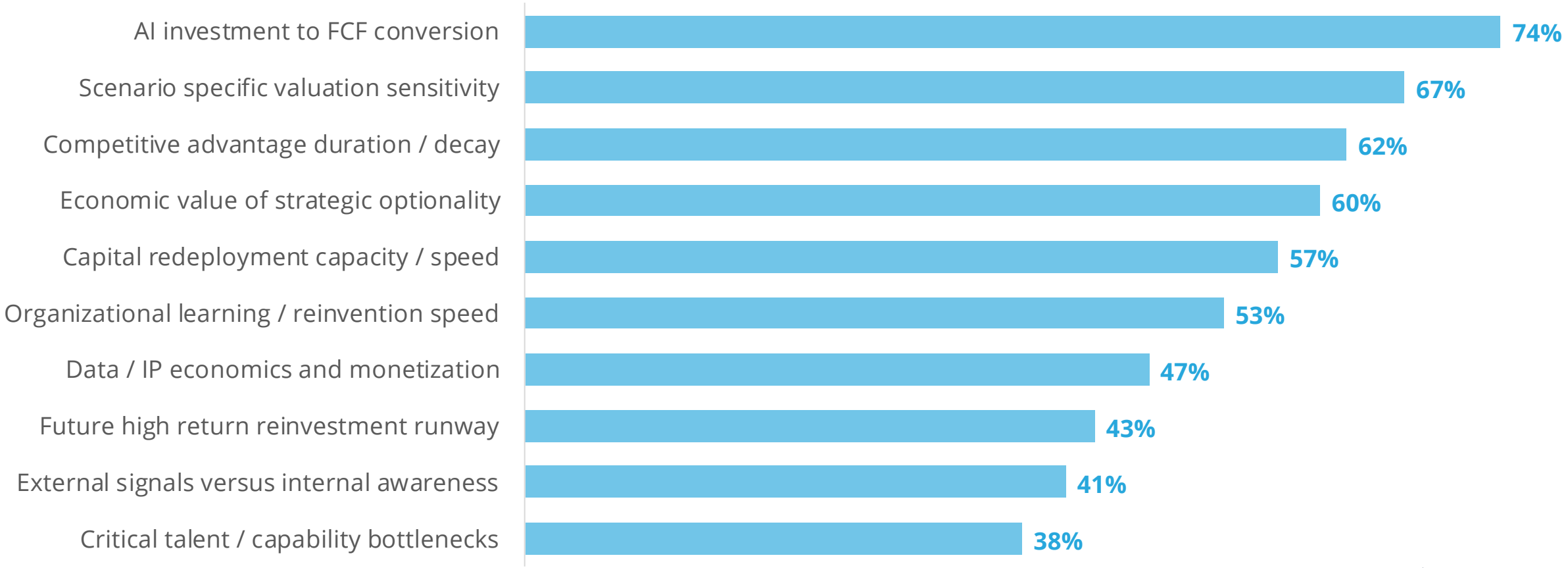
The assumptions carrying the most value are often the ones companies evidence least well

Which strategic assumptions do you expect to remain least well evidenced in company disclosure?



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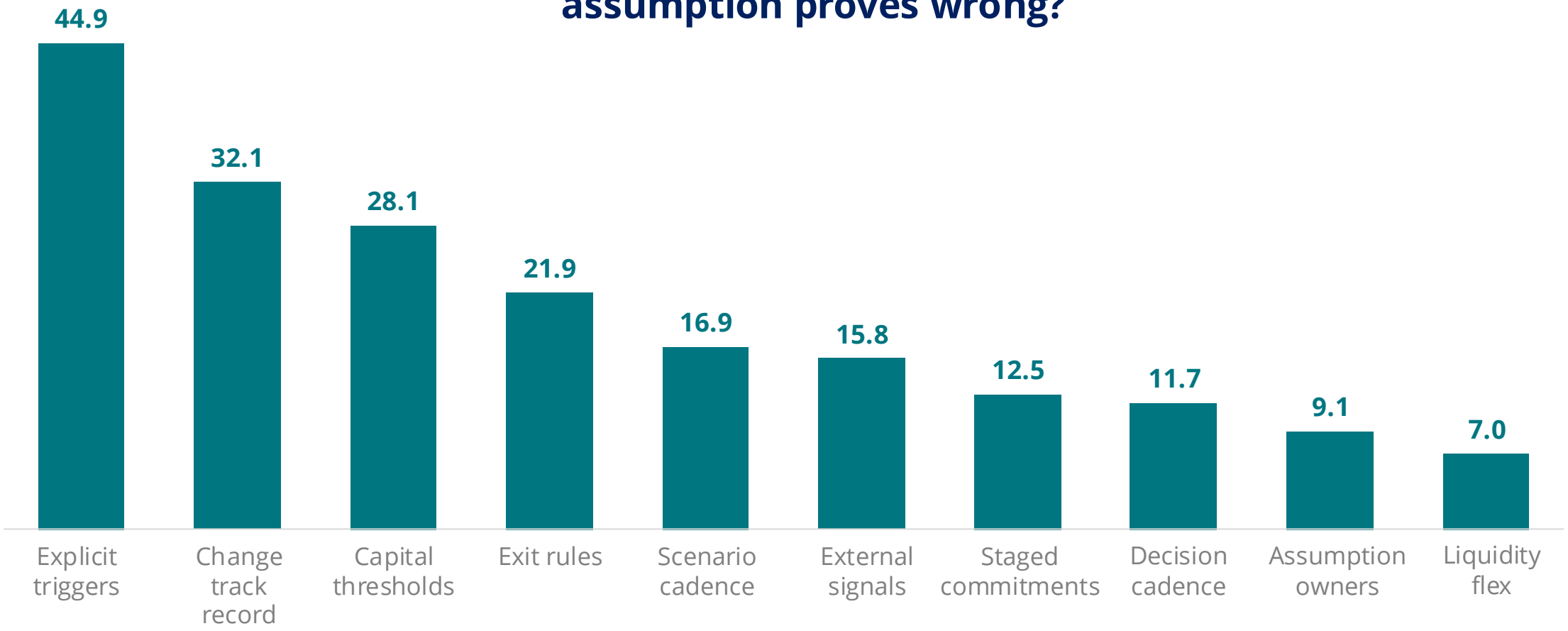
Source: Equal-weighted universe of 3,124 institutional investors

Value rises when companies define the trigger to change course before conditions force it

What gives you confidence a company will change course quickly enough when a core assumption proves wrong?



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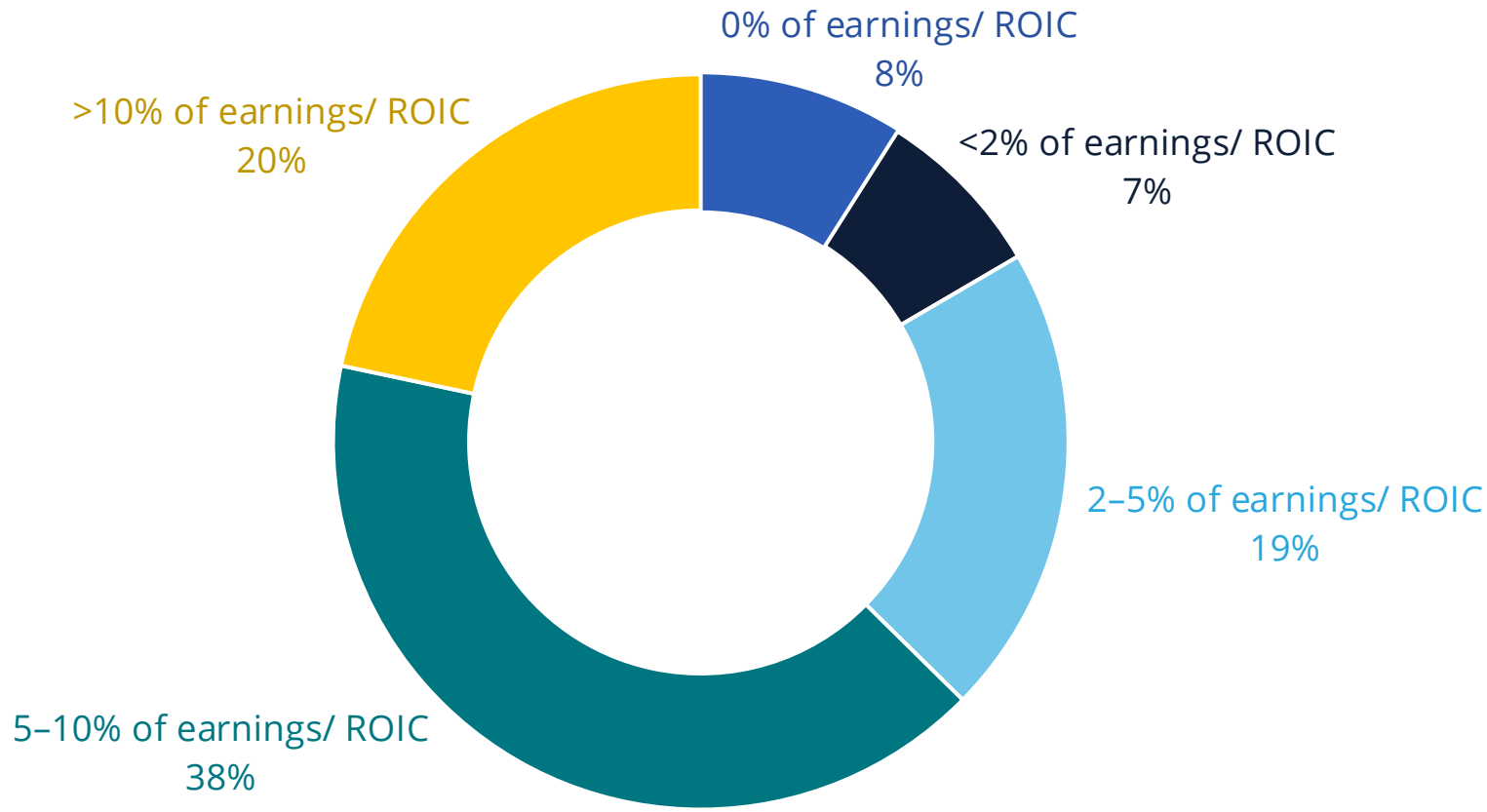
Source: Equal-weighted universe of 3,124 institutional investors

Near-term dilution can create long-term value when it buys resilience, optionality and renewal

How much near-term earnings or ROIC would you accept giving up for demonstrably greater future value capacity?



Source: Equal-weighted universe of 3,124 institutional investors

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Which area will require the greatest change in board oversight over the next three years?

- AI economics / ROI
- Capital redeployment
- Scenario resilience
- Advantage duration
- Strategic optionality
- Information parity / decision speed

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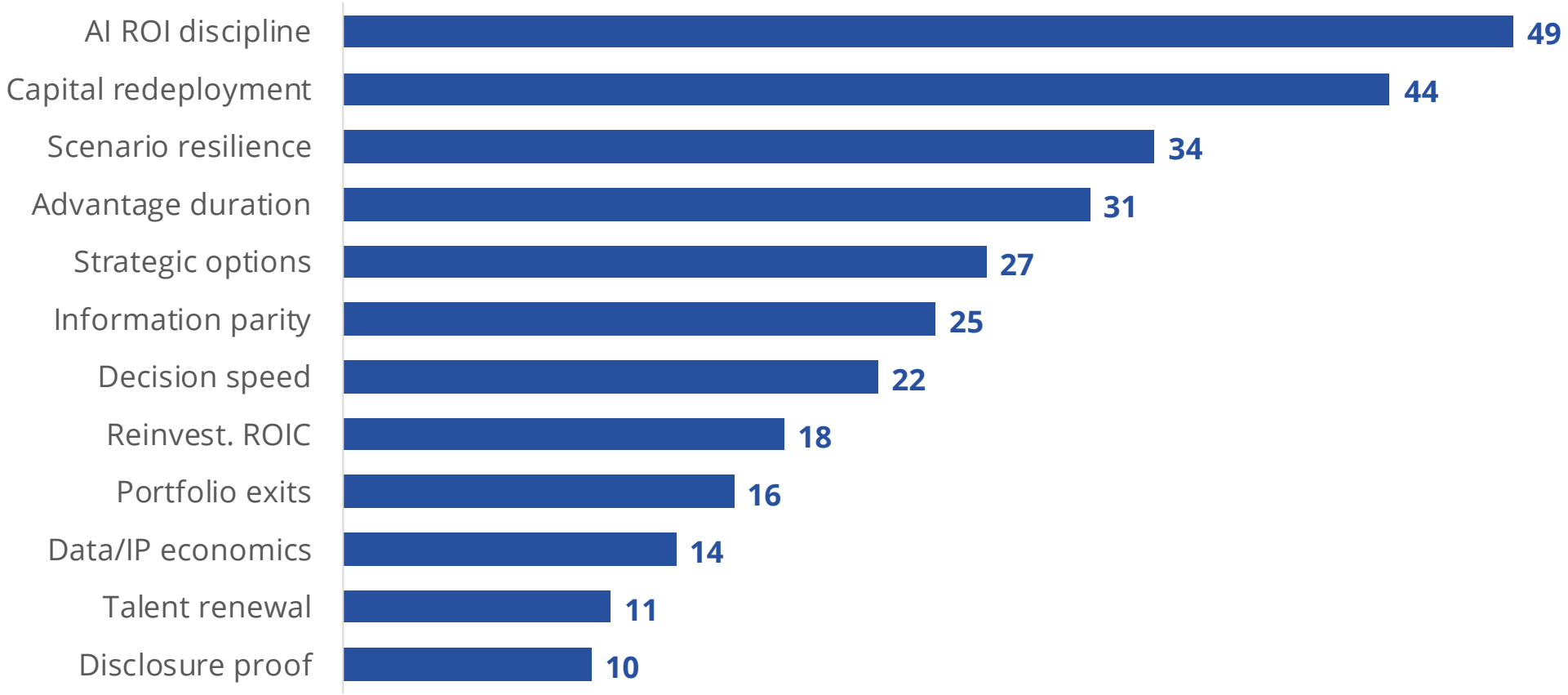
Investors want boards to spend more time on governing future economics

Where do boards most need to change oversight to protect or expand future enterprise value?



Source: Equal-weighted universe of 3,124 institutional investors

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The major decisions boards already oversee should be tested for how they change future value capacity

Board Decision	Traditional Question	Future Value Question	Value Transmission
AI & Automation	What are we spending and what is the ROI?	Where does AI change revenue, margins, reinvestment, ROIC or advantage duration and what evidence proves it?	Growth • Margin • ROIC • Duration
Technology & Data	Is the program on time and on budget?	Does it create proprietary capability, improve decision speed, reduce structural constraints or strengthen competitive advantage?	Growth • Risk • Duration
Talent & Organization	Do we have the people to execute the plan?	Which capabilities become bottlenecks across plausible futures, and how quickly can the organization learn, redeploy and rebuild them?	Growth • Margin • Adaptability
Portfolio / M&A	Is it accretive and are the synergies achievable?	Does it improve the portfolio of future outcomes, capital mobility and strategic options, not merely the base-case EPS?	ROIC • Reinvestment • Optionality
Business-Model Transformation	Does the transformation case meet its hurdle rate?	What assumptions must remain true, how quickly is the current advantage decaying, and what evidence should trigger acceleration, redesign or exit?	Margin • Risk • Duration
New Growth Platforms	What revenue and NPV will this create?	What is the cost of preserving the right to scale, redirect or stop as evidence about the future improves?	Growth • Reinvestment • Optionality

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Seven questions can recast board oversight from current earnings toward the enterprise's capacity to remain valuable

1. **DURABILITY**
   Which advantage expires before the plan?

2. **ASSUMPTIONS**
   Which strategic assumptions will be re-underwritten first?

3. **INFORMATION**
   Where can investors infer change before the board?

4. **CAPITAL**
   How much capital can move within 12 months?

5. **REINVENTION**
   What share of 2030 earnings needs a new advantage?

6. **OPTIONALITY**
   Which choices preserve value when the base case is wrong?

7. **SPEED**
   Where does decision latency destroy option value?

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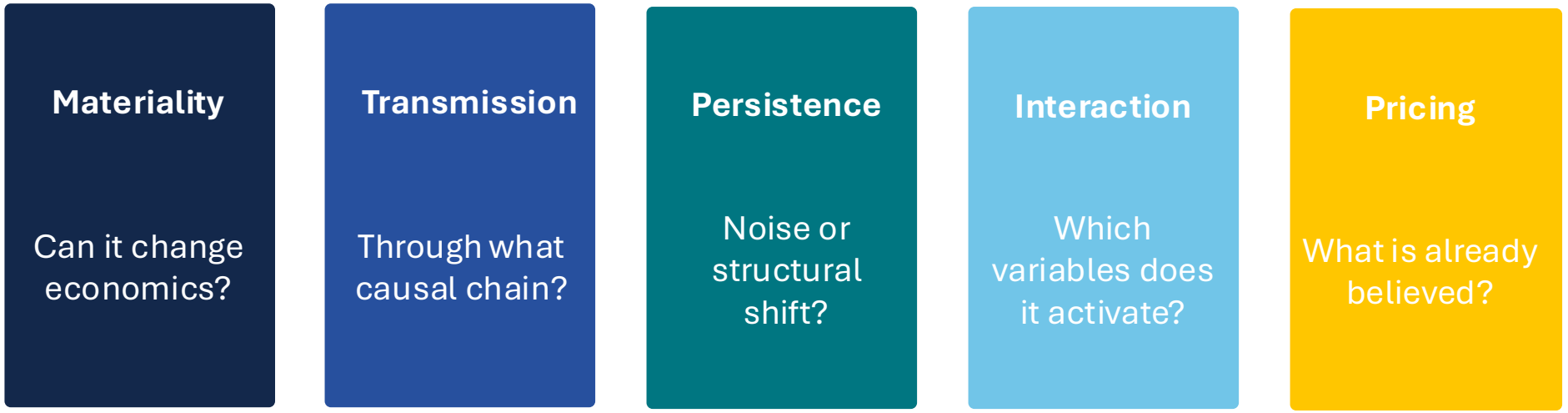
Boards should demand information architecture, not more information

Every material signal should translate into an assumption change, value sensitivity and decision trigger



Signal → Assumption → Value → Trigger → Owner → Cadence

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