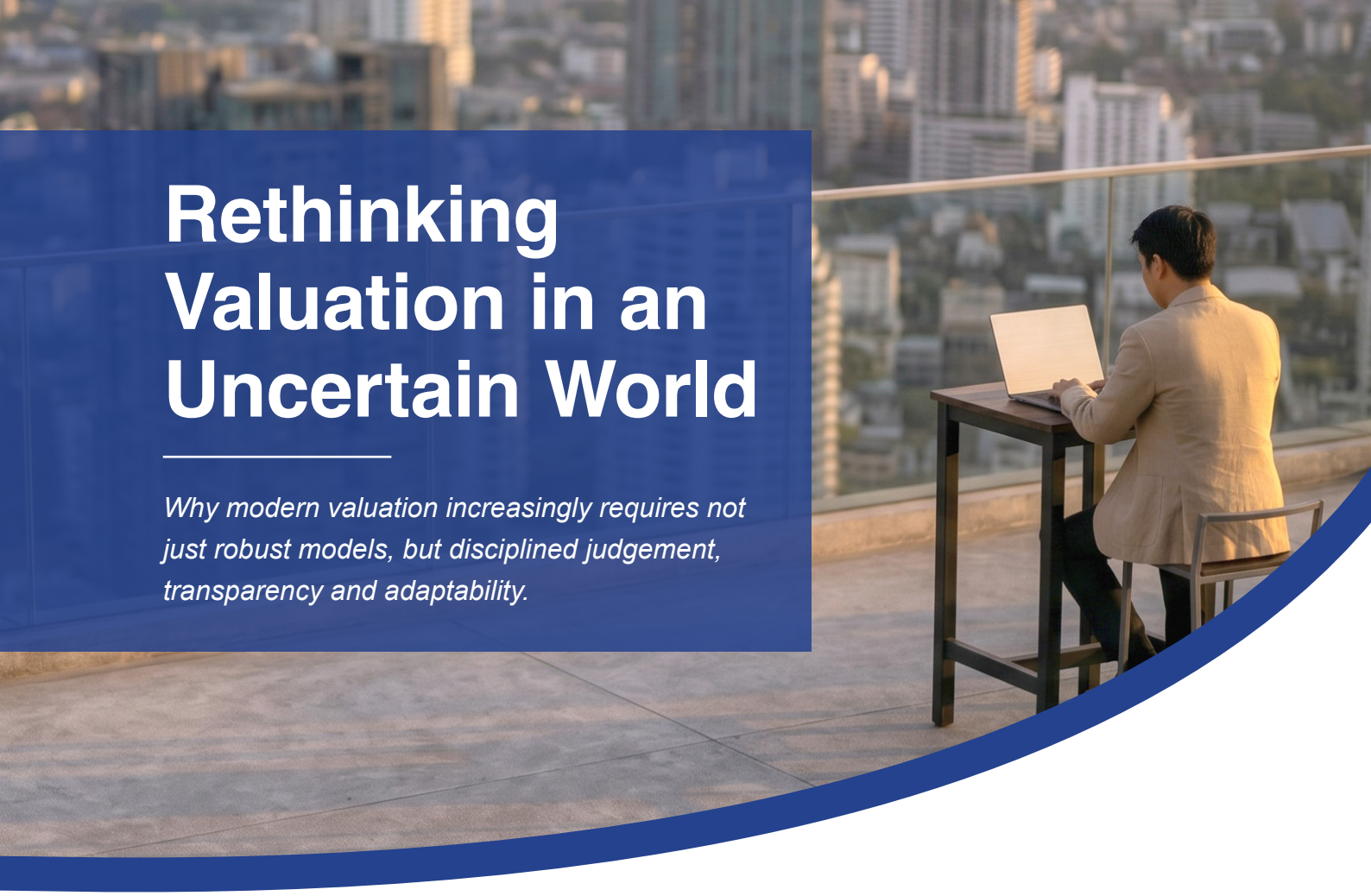
INSTITUTE OF VALUERS AND APPRAISERS SINGAPORE

IVAS PERSPECTIVES

RETHINKING VALUATION IN AN UNCERTAIN WORLD

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Rethinking Valuation in an Uncertain World

Why modern valuation increasingly requires not just robust models, but disciplined judgement, transparency and adaptability.

01 Rethinking valuation for a new age

As financial markets become more complex, interconnected and volatile, the role of valuation is evolving in fundamental ways. What was once largely a periodic exercise, conducted monthly or quarterly for compliance purposes, is increasingly becoming a timely, and in some cases near real-time, input into decision-making and risk management.

This shift has implications not only for how often valuations are performed, but also for how they are approached. In a more complex environment, practitioners must draw on a broader set of models and methodologies. As markets become more interconnected, developments in one sector or geography can quickly transmit across others, making it increasingly important to incorporate correlation analysis and cross-market linkages into valuation and stress-testing frameworks.

Volatility adds a further dimension. More frequent valuation and stress testing, sometimes on a daily basis, may be required to reflect rapidly changing market conditions. With richer data, practitioners are also better positioned to identify patterns and emerging trends. Taken together, these developments point to a broader shift: valuation today is no longer purely a technical exercise, but one that increasingly combines analytical rigour with disciplined professional judgement.

02 Complementing models with judgement

Against this backdrop, modern valuation models remain indispensable. They provide consistency across large and complex portfolios, and are particularly effective for instruments with well-established market conventions and reliable data inputs. Advanced techniques, such as stochastic modelling or sensitivity-based analysis, allow practitioners to capture a wide range of risk factors and better understand valuation drivers.

At the same time, models are most effective within the boundaries of their assumptions. In practice, there are many situations where professional judgement plays a critical role: when inputs are illiquid or not directly observable, when markets are one-sided, or when data from different sources diverges. Complex instruments with discontinuous payoffs, or bespoke structures, can further challenge model outputs.

These limitations become more evident during periods of stress. Traditional approaches such as discounted cash flow or static multiples may struggle when underlying assumptions, such as stable growth or historical relationships, no longer hold. Market behaviour can also deviate from established patterns. For instance, in recent geopolitical tensions involving the United States and Iran, rising oil prices and inflation concerns might have been expected to support gold prices. Instead, gold prices declined while the US dollar strengthened, highlighting how relationships can shift in unexpected ways.

Such episodes underscore the importance of applying judgement alongside models, particularly when markets move beyond the conditions under which those models were calibrated.

03 Strengthening valuation in practice

In this context, maintaining robust valuation practices requires a more adaptive and forward-looking approach. Scenario-based analysis is increasingly important, not only through the use of historical stress scenarios, but also through hypothetical and forward-looking scenarios. Reverse stress testing can further help identify the conditions under which valuations may break down.

Practitioners must also pay close attention to the inputs that underpin valuation models. This includes ensuring that market data is as timely and relevant as possible and making appropriate adjustments to key parameters such as discount rates or volatility assumptions. In less liquid markets, such as private credit or alternative assets, where timely data may be limited, greater reliance may be placed on proxies and scenario-based adjustments.

Equally critical is an awareness of model assumptions and their limitations. Many models rely on simplifying assumptions that may not hold universally. For example, certain foreign exchange models assume homogeneity across currency pairs, even though pegged or managed currencies can behave differently. In areas such as intangible asset valuation, or emerging sectors like technology, judgement is needed to assess appropriate inputs and long-term prospects, including changes in risk profiles or future competitiveness.

Balancing model outputs with market insight is therefore essential, including benchmarking against observable market data where available, conducting sensitivity and scenario analyses, and using back-testing to refine both models and judgement over time. Engaging with industry specialists, conducting site visits, and building local market knowledge can also provide valuable context to support or challenge model-derived valuations.

Ultimately, models should be viewed as tools that support valuation, not substitutes for professional expertise.

04 Building trust through transparency

As judgement plays a more prominent role, transparency becomes increasingly important. Clear documentation of assumptions, methodologies and judgement frameworks helps ensure that valuations are understandable, reproducible and subject to appropriate challenge.

This includes increasing the frequency of reviews, as well as making use of independent validation where appropriate. By opening up valuation processes to scrutiny, practitioners can better identify and address common blind spots, such as over-reliance on model outputs, confusion between data observability and reliability, or insufficient consideration of model choice and calibration.

Strengthening transparency also supports better governance. It enables more effective communication between risk, finance and senior management functions, and facilitates more informed decision-making. At a broader level, it contributes to greater confidence in valuation outcomes.

05 Moving valuation forward

As markets continue to evolve, so too must valuation standards and practices. Key priorities include providing clearer guidance on the use of judgement, uncertainty and model risk, as well as improving consistency across accounting, risk management and regulatory frameworks. Enhanced disclosure around key inputs and valuation adjustments can further support transparency and comparability.

Emerging areas, such as private credit, private assets and digital assets, also present new challenges and opportunities for the profession. Addressing these will require continued dialogue, as well as ongoing development of methodologies and data sources.

Encouragingly, the industry has begun to make progress, with greater emphasis on uncertainty disclosures, increased alignment with prudent valuation and stress-based frameworks, and more active engagement across the valuation community.

Organisations such as the Institute of Valuers and Appraisers Singapore (IVAS) can play an important role in supporting this evolution. By facilitating dialogue among practitioners, regulators and other stakeholders, promoting consistent professional standards, and supporting the development of valuation frameworks across asset classes, IVAS can help strengthen both practice and confidence in valuation.

In a more uncertain and interconnected world, valuation will continue to evolve. By combining robust methodologies with sound judgement, and underpinned by transparency and strong professional standards, the discipline can remain a reliable foundation for decision-making, even in increasingly complex markets.

This article reflects the personal perspectives and professional experience of the author and does not necessarily represent the views of IVAS or the author's organisation.

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