

1 **Q. Evidence of Ms. McShane, Equity risk premium tests, Pages 44-56: If interest rates**  
2 **do affect equity prices why would she compare the actual returns on equities with**  
3 **the income component of the return on bonds (Table 7) when you are missing part**  
4 **of the return to the bond holder.**

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6 A. Please see footnote 55 of Ms. McShane's testimony and Appendix pages A-5 to A-6.  
7 Further, bond holders who hold bonds until maturity do not actually experience the  
8 capital gain or loss that is implied by a total bond return calculation.