

1 **Q. Evidence of Ms. McShane, Equity risk premium tests, Pages 44-56: Please confirm**
2 **that the market risk premium defined as the average return on equities minus that**
3 **on bonds has been 4.7-4.8% in Canada and 5.6-5.7% in the US over her time**
4 **periods.**

5
6 A. As shown on Ms. McShane's Table 7 (page 48), the average differences between the one
7 year holding period return on equities and on bonds (i.e., the return achieved by buying
8 and selling long-term government bonds annually) were 4.7-4.8% in Canada and 5.6-
9 5.7% in the U.S.