Q. **Evidence of Dr. Vander Weide: US DCF risk premia, Pages 26-30: Please confirm that earnings are generally more volatile than dividends and consequently their expected arithmetic growth rate is always higher.**

A. Dr. Vander Weide confirms that earnings are generally, but not always, more volatile than dividends. However, he cannot confirm that the greater volatility in earnings compared to dividends implies that the expected arithmetic growth in earnings is always higher than the expected arithmetic growth in dividends. Although it is possible to demonstrate that the difference between the arithmetic mean and geometric mean of a single variable such as the historical rate of return on stocks will be greater, the greater the volatility of that single variable, there is no relationship between the relative volatility of two variables, such as earnings and dividends, and the relative arithmetic means of those two variables.