

- Q. At p. 23, line 24 Dr. Kalymon states that the realized average risk premium of the TSX Index over long-term Canada Bonds was -3.74% (geometric average). Please explain why the average risk premium is not -2.81%, i.e. the difference between 10.09% (stocks) and 12.90% (bonds).
- A. **The difference between the -3.74% and the -2.81% value arises from the different averaging methods which can be used. The -3.74% is the geometric average of the differences while the -2.81% is the difference of the geometric averages. These two measures can differ with high volatility conditions.**