

- Q. Please explain why Dr. Kalymon is no longer relying upon 15 yr. Canada bond yields in the Risk Premium Method.
- A. **The analysis of risk premiums Dr. Kalymon has provided is consistent with the measurement of the risk premium of equities over 10 year Canada bonds. In principle, the risk premium method can be applied with the use of any term provided that it is done consistently. The use of 10 year Canada bonds was chosen for convenience and as a compromise between very long bond rates and the very short money market rates which are required, in theory, by methods like the CAPM. In addition, the time series of 10 year Canada bond yields is longer as this maturity of bond was more consistently available and traded as compared to 30 year bonds.**