

1 **Q. Reference: Dr. Booth's Evidence, Page 40, Line 17 to Page 41, Line 9**

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3 **Does Dr. Fernandez, whose survey Dr. Booth relies on for his market risk**  
4 **premium, support the use of the CAPM to estimate the return on equity? If**  
5 **not, what concerns has Dr. Fernandez expressed with the CAPM?**  
6

7 A. Dr. Booth is not aware of Dr. Fernandez's published research. He is aware that  
8 similar to Dr. Booth he does not believe in mechanically using recent beta estimates  
9 as forward estimates of risk. Further, the market risk premium estimates he provides  
10 do not rely on the CAPM, which is an adjustment for risk from the overall market  
11 risk premium. There are multiple risk premium models that need the market risk  
12 premium, but not necessarily an ordinary beta estimate.