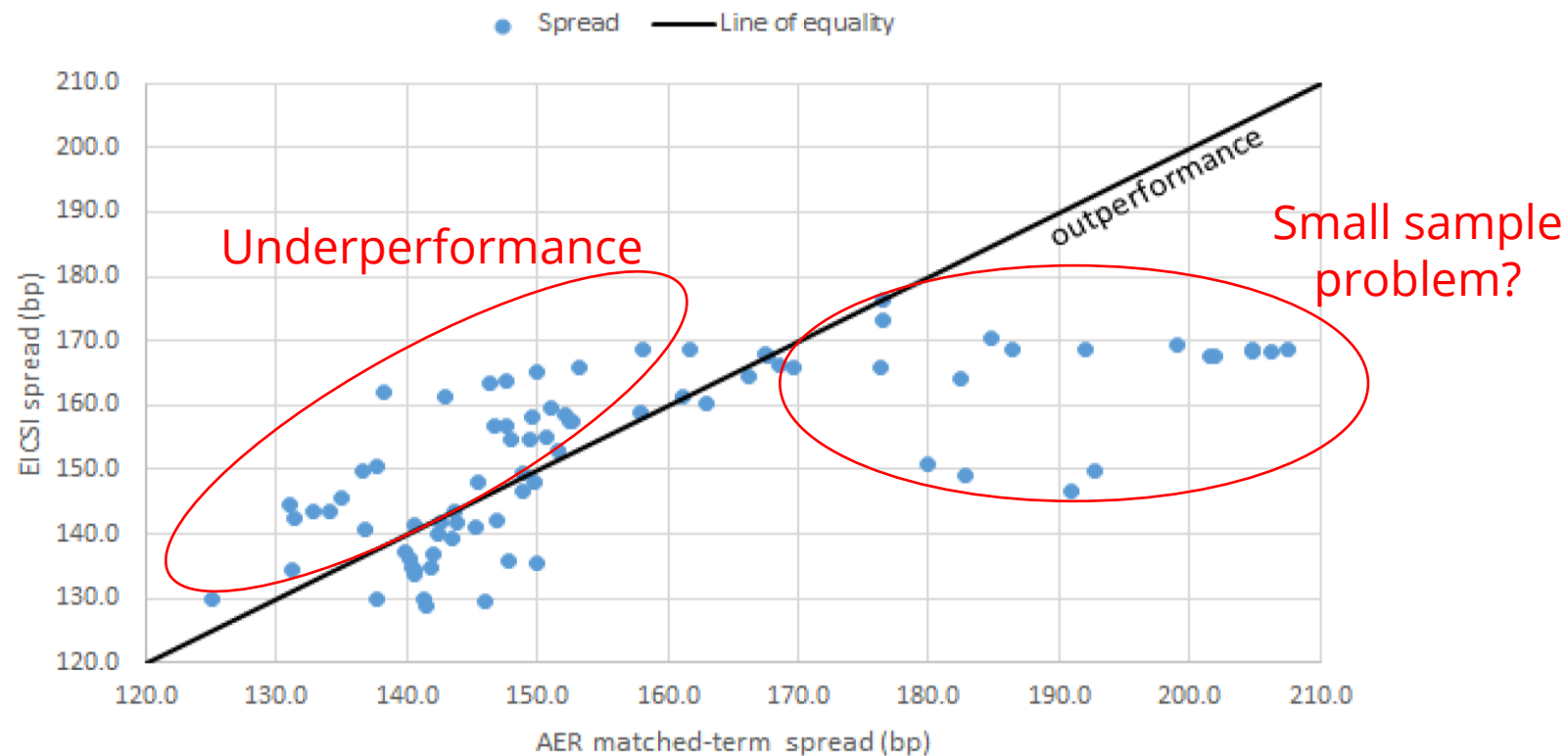


Further questions that might be investigated before deciding to remove or cap outperformance

- AER's main concern seems to be outperformance when benchmark spread > 170bps.
- Should AER make a symmetric adjustment for under-performance when benchmark spread < 170bps?
- How many debt issuances underly the EICSI when benchmark spread > 170bps?
 - Do businesses defer debt issuance when spreads are very high (e.g., unusual market conditions)?
 - If so, is the observed outperformance statistically significant?
- EICSI only reflects data of privately-owned businesses. Is it reasonable to apply adjustments based on this data to all businesses?

Figure 10 AER A/BBB 10 year rolling 12 month and matched-term outperformance (January 2015 to June 2021)



Source: AER overall rate of return, equity and debt omnibus, Final working paper, November 2021, p. 83