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Consequences

"Critics say, 'You're making people change their behaviour', well, exactly. That's what accounting is all about. If they don't change their behaviour, why bother?"

Sir David Tweedie,  
Former chair IASB  
Interview with The Independent  
July 2002
Exploring perceptions

Picking the Right Valuation Multiple (1952-2017)

Large-Capitalization Stocks
Relative Returns to the Best Quintile of Select Valuation Factors
Measured Over One-Year Holding Periods
1952 Through October 2017

Source: Empirical Research Partners
Exploring perceptions

Picking the Right Valuation Multiple (2012-2017)

Large-Capitalization Stocks
Relative Returns to the Best Quintile of Select Valuation Factors
Measured Over One-Year Holding Periods
Five Years Ending October 2017

Source: Empirical Research Partners
Information value in “Other”? 

Change in mean asset allocation

- EQUITIES
- BONDS
- OTHER
- PROPERTY

-6 -4 -2 0 2 4 6 8

Treatment Group  Control Group
IAS 19 maths
Net pension interest income = (ERR% x Plan assets) – (Discount rate x DBO)
Summary

• Perception is important

• What is the impact of the financial crisis?

• Is the shift into other assets a risk reduction strategy?

• Do expected rate of return assumptions drive equity weightings?