



AMF

**Investigation of investment information and management processes
and analysis of disclosure documents for retail investors**
(shareholders, fund investors and workplace savers)

Overview

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Finance**
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Finance

Objectives

- To respond more effectively to retail investors' expectations in terms of information, the AMF commissioned the Finance Department of TNS Sofres to conduct a wide-ranging survey of individual shareholders, fund investors and employees with workplace savings schemes.

- The purpose of this far-reaching study was to answer the following questions:
 - **How do retail investors get information?** Which processes and sources do they use? What kind of information do they expect? What are they responsive to?
 - **How much do they know about AMF documents?** Where applicable, how do they use them?
 - **How do they perceive different types of document?** Needs-adapted, contribution, understanding, fitness for purpose, etc.
 - **How can these materials be improved?** What is the best way of reaching, informing and protecting retail investors?

Methodology: two-phase survey

- 1) **Qualitative survey of retail investors: 7 group meetings lasting 3hrs15mins (7 to 10 persons per meeting) with a brief to work open-mindedly and creatively on information processes, the AMF's image and the documents it approves**

INDIVIDUAL SHAREHOLDERS

- 1 **"small"** investor group: not self-reliant or involved; portfolio size: €2k- €4k (7 July)
- 1 **"mid-sized"** investor group: moderately involved; chiefly privatisation stocks; portfolio: €4k-€10k (6 July)
- 1 **"savvy"** investor group: active and involved; portfolio size: > €10k (10 July)

FUND INVESTORS

- 1 **"small investor"** group: lacking self-reliance, dependent on bankers; portfolio: < €4k (20 July)
- 1 **"mid-sized investor"** group: ½ self-reliant, ½ banker-dependent, better informed, portfolio: €5k-€20k (19 July)
- 1 **"savvy"** group: very self-reliant, information-hungry; portfolio: €20K (18 July)

WORKPLACE SAVERS

- 1 group of investors in **workplace savings schemes operated by big companies** (IBM, Air France, Renault, PSA, Cetelem, Alcatel) (30 August)
- Good overall knowledge of the banking world and financial products.

- 2) **Telephone poll of 958 TNS Sofres panel members (1-13 Sept).**

Three groups of retail investors: joint question bank and specific questions for each group

- ✓ **331 individual shareholders** involved in managing their own portfolios (i.e. do not delegate everything to advisor or spouse)
- ✓ **293 fund investors** involved in managing their own portfolios (see above)
- ✓ **334 workplace savers** (incl. 271 persons holding products other than just a no-access current account)

A. Insights

A. Insights

1. Retail investors: profiles, information gathering processes, perception of securities investments
2. Retail investors: information available when making an investment

Retail investor profiles and attitudes to information

- Major differences in access to information, depending on financial literacy and level of savings (applicable to all target groups)



Hence the need for "real-time" information, to varying degrees depending on investment opportunities

Common sources: press, radio, internet, etc.

Different view on bank-sourced information:

Challenge banks' authority: advisor and documentation / advertising

Advisor plays a key role; bank-sourced information unchallenged

In principle, few expectations: bank satisfies most needs (advisor + literature). For equities, the media (broadly defined) plays a role.

On closer inspection: fairly critical about the lack of suitable materials and would welcome more easily accessible information

Retail investor profiles and attitudes to information

- **SHAREHOLDERS** and **FUND INVESTORS** are wary of information and want dialogue and communication as well as printed literature
- **WORKPLACE SAVING** takes place in a very different environment: because investors trust their company, they need less information

"Savvy" investors

"Midsized" investors

"Small" investors

- **Strong emphasis on dialogue and communication: with industry professionals, friends and relatives, etc.**
- **A degree of shared suspicion towards information** (particularly among "small" investors): **lack of impartiality, information sometimes incomplete → no automatic acceptance**
- **Especially as regards risk:** even more experienced investors tend to believe that information alone is not sufficient to keep all risks at bay, because the stock market is inherently unpredictable.

Workplace saving

- **Investing in workplace savings schemes assumes mutual trust between employees and their company** (implicit feeling that schemes are safe) → **almost no need for information**

- Retail investors understand the concept of risk...but not all investor profiles accept it in the same way.
- **Risk: is part and parcel of stock market investing. It is well known and accepted...**
Note: there is a feeling that funds and privatisation stocks (!) are less risky
- **But risk is more or less accepted:**
 - **Risk is fully accepted if it is taken knowingly and is factored in when investing ("savvy" investors feel that it's misguided to try and control risk)**
 - **Reactions are more heated when investors feel they have lost money for want of information**
- **In practice:**

"Savvy" investors

- **Risk will be controlled by diversifying the portfolio**

"Midsized" investors

- **Greater need for reassurance for each product**

"Small" investors

- **Categorical refusal to take risks**
→ **quest for safe products**

SHAREHOLDERS: involvement and information sources

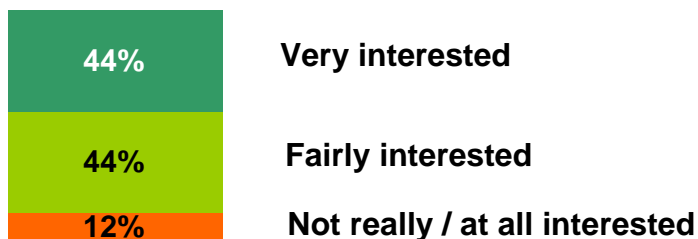
Quantitative phase

Equities
(n=331)

- Shareholders who are involved and, for the most part, claim to be self-reliant
- Information sources: chiefly banks (especially for the least self-reliant), followed by listed companies, national daily press, etc. Younger shareholders also rely on investing websites

Level of interest

A2. Are you very interested, fairly interested, not really interested, or not at all interested in managing your financial investments?



Self-reliance

B1/B2. Here are various ways of managing your share portfolio. Which comes closest to your own management method?

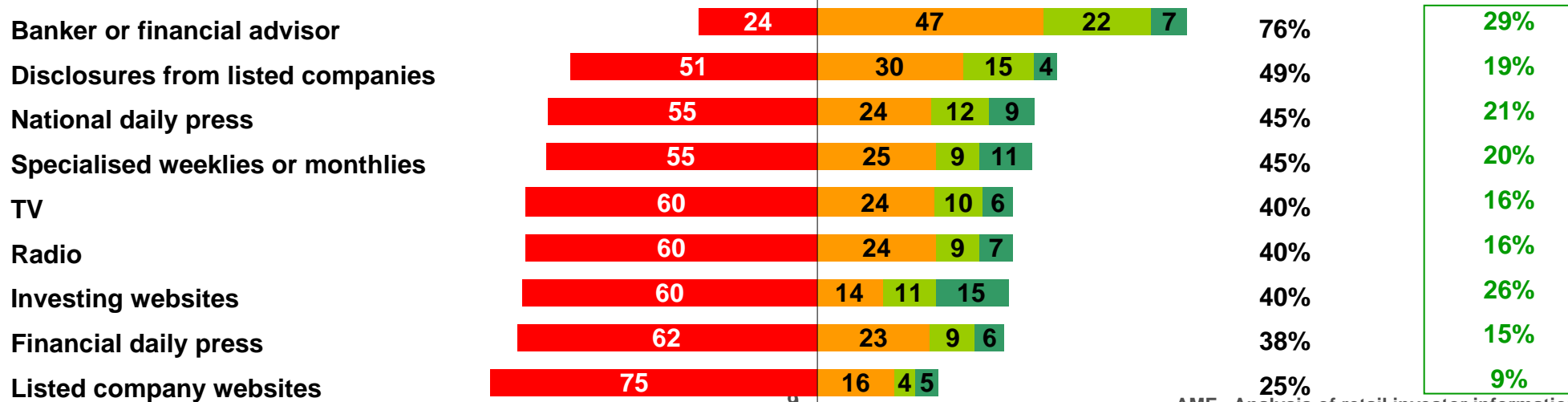
57% take decisions alone and the account officer executes their orders

43% take all or some decisions with their account officer

Information sources

B6. Here are various sources of information that can help you manage your share portfolio. Tell me whether you use each source very regularly, fairly regularly, occasionally, or never or almost never

■ Never / Almost Never ■ Occasionally ■ Fairly regularly ■ Very regularly



FUND INVESTORS: involvement and information sources

Quantitative phase

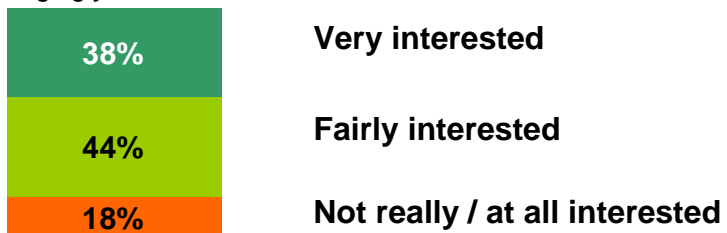
Funds

(n=293)

Fund investors are involved but less self-reliant than shareholders
 Much greater reliance on bankers and on documents published by financial institutions

Level of interest

A2. Are you very interested, fairly interested, not really interested, or not at all interested in managing your financial investments?



Self-reliance

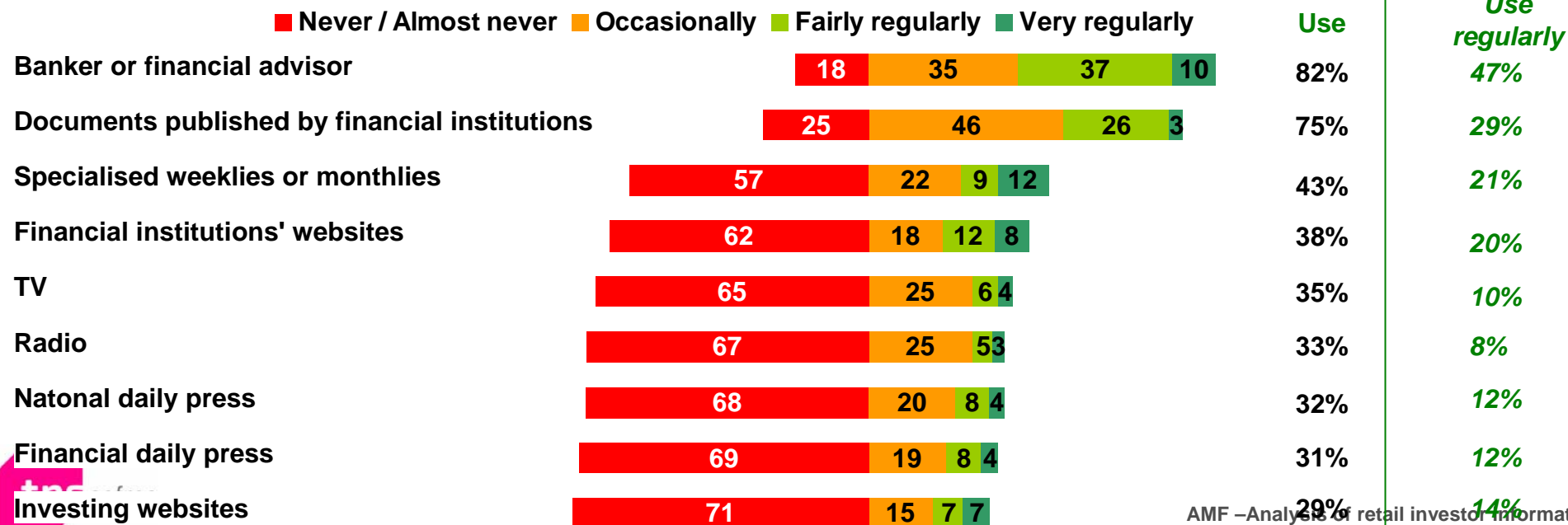
C1/C2. Here are various ways of managing your fund portfolio. Which comes closest to your own management method?

40% take decisions alone and the account officer executes their orders

60% take all or some decisions with their account officer

Information sources

C3. Here are various sources of information that can help you manage your portfolio of fund investments. Tell me whether you use each source very regularly, fairly regularly, occasionally, or never or almost never



WORKPLACE SAVERS: involvement and information sources

Quantitative phase

Workplace saving

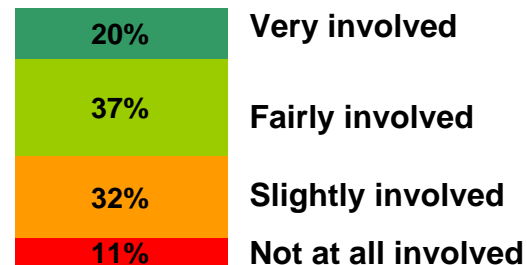
Workplace savers are moderately involved in monitoring their investments

The most useful information sources are company documents and colleagues' opinions

Involvement

D12. Are you very involved, fairly involved, slightly involved or not at all involved in monitoring your investment?

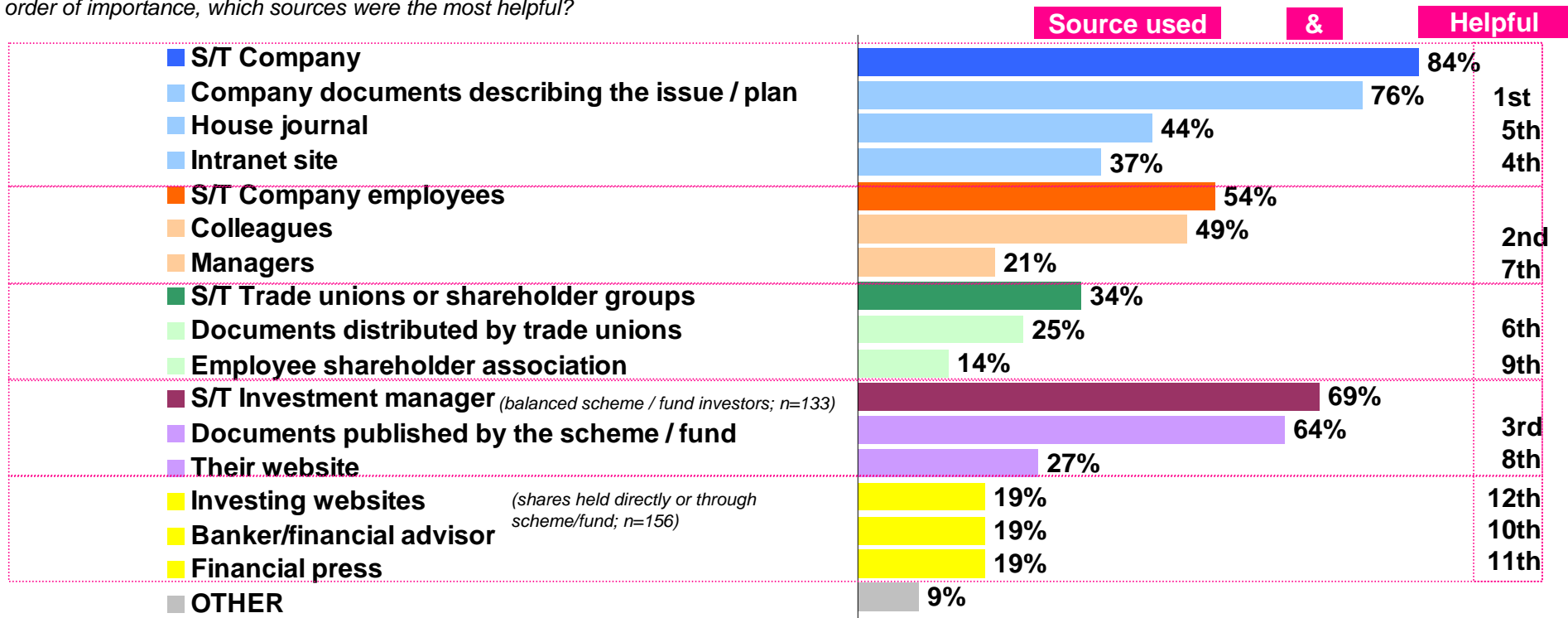
(Base: all workplace savers ex current account only; n=271)



Information sources

D14. When you invested in your company's savings scheme, did you use the following information sources...

D15. In order of importance, which sources were the most helpful?



Summary of investor profiles and attitudes to information

Quantitative phase

- **EQUITIES:** more self-reliant and independent of banks
- **FUNDS:** more dependent on advisors and bank documents
- **WORKPLACE SAVING:** less involvement; feeling of being well informed (especially via the company)

(Base: equity and fund investors involved in decision making)

	Equities (n=331)	Funds (n=293)		Workplace saving (n=271)
Interest in managing			Involvement	
➤ Very interested	44%	38%	➤ Very involved	20%
➤ Fairly interested	44%	44%	➤ Fairly involved	37%
➤ Not really or at all	12%	18%	➤ Not really / at all involved	43%
Self-reliance				
➤ Take decisions alone	57%	40%		
➤ Take decisions with advisor	43%	60%		
Sources used regularly			Sources used	
➤ Banker	29%	47%	➤ Company disclosures	76%
➤ Specialised weekly/monthly	20%	21%	➤ Investment manager doc. <i>(balanced schemes/funds)</i>	64%
➤ Investing/financial websites	26%	14%	➤ Colleagues/managers	54%
➤ Bank documents	NA	29%	➤ House journals	44%
➤ Company disclosures	19%	NA	➤ Intranet	37%
		12	➤ Trade unions/associations	34%

A. Insights

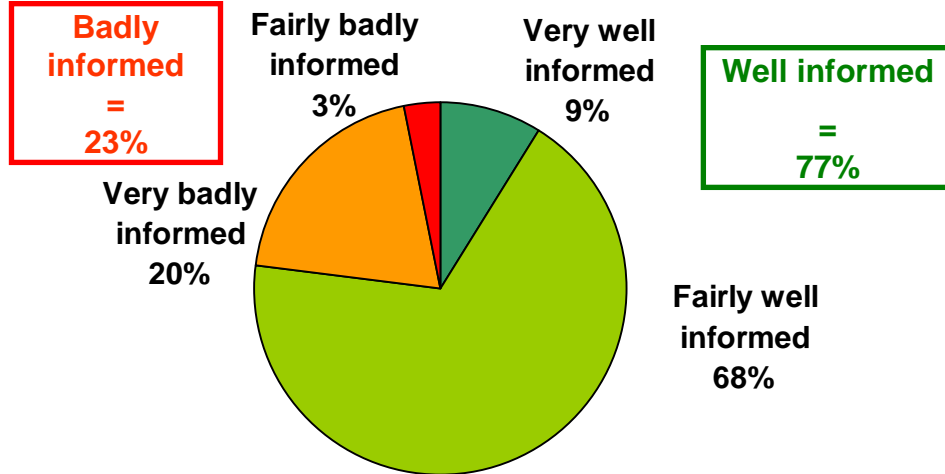
1. Retail investors: profiles, information gathering processes, perception of securities investments
2. Retail investors: information available when making an investment

Level of information available when investing

Quantitative phase

B7. Generally, do you feel that you were very well informed, fairly well informed, fairly badly informed or very badly informed before buying shares or investing in a stock market deal?

Equities
(n=331)

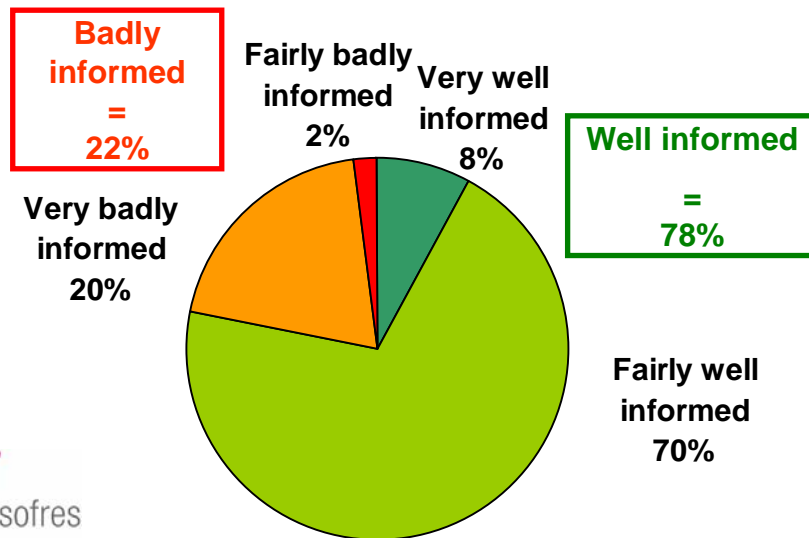


Depending on type of deal...

Privatisation	77 %
Flotation of small or mid-sized company	82 %
Share or rights issue by listed company	82 %

C4. Generally, do you feel that you were very well informed, fairly well informed, fairly badly informed or very badly informed before buying fund units/shares?

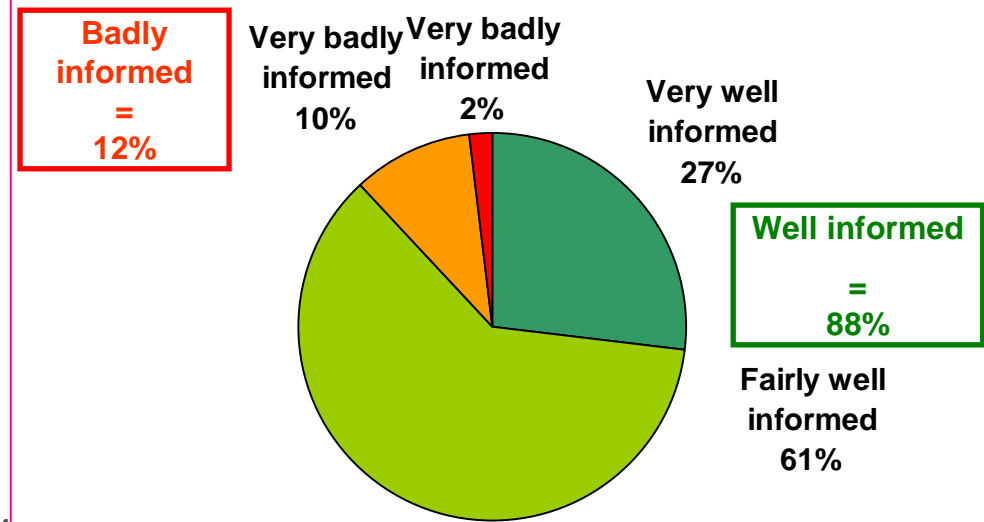
Funds
(n=293)



D20. Regarding this investment, do you feel you were

(Base: all workplace savers ex c/a only)

Workplace saving
(n=271)



Documents used by SHAREHOLDERS

Quantitative phase

Equities

- Bank documents and the press predominate. Disclosure documents produced by listed companies play an important role in share or rights issues
- Documents are used much less in privatisations (extensive media coverage creates a feeling of familiarity)

PRIVATISATIONS

B9/B10/B11 Among shareholders who invested in privatisation issues (n=231)

57%

say they read documents describing the company and the issue procedures (37% every time, 20% sometimes)

- Press 26%
 - Trade press 15%
- Bank documents 26%
- **Company disclosures 11%**
- COB/AMF-approved docs 7%
- Investment websites 7%
- TV / Radio 2%
- Other (no details) 10%

53%

say they received a brochure from the bank

SMALL AND MID-CAP IPOs

B17/B18 Among shareholders who invested in small-cap or mid-cap IPOs (n=79)

78%

say they read documents describing the company and the IPOs procedures (52% every time, 26% sometimes)

- Press 29%
 - Trade press 15%
- Bank documents 22%
- **Company disclosures 11%**
- COB/AMF-approved docs 10%
- Investing websites 16%
- TV / Radio 6%
- Other (no details) 16%

15

SHARE/RIGHTS ISSUES BY LISTED COMPANIES

B21/B22 Among shareholders who invested in share/rights issues by listed companies (n=136)

85%

say they read documents describing the company and the issue procedures (68% every time, 17% sometimes)

- Press 27%
 - Trade press 19%
- Bank documents 31%
- Company disclosures 38%
- **COB/AMF-approved docs 4%**
- Investing websites 4%
- TV / Radio 2%
- Other (no details) 2%

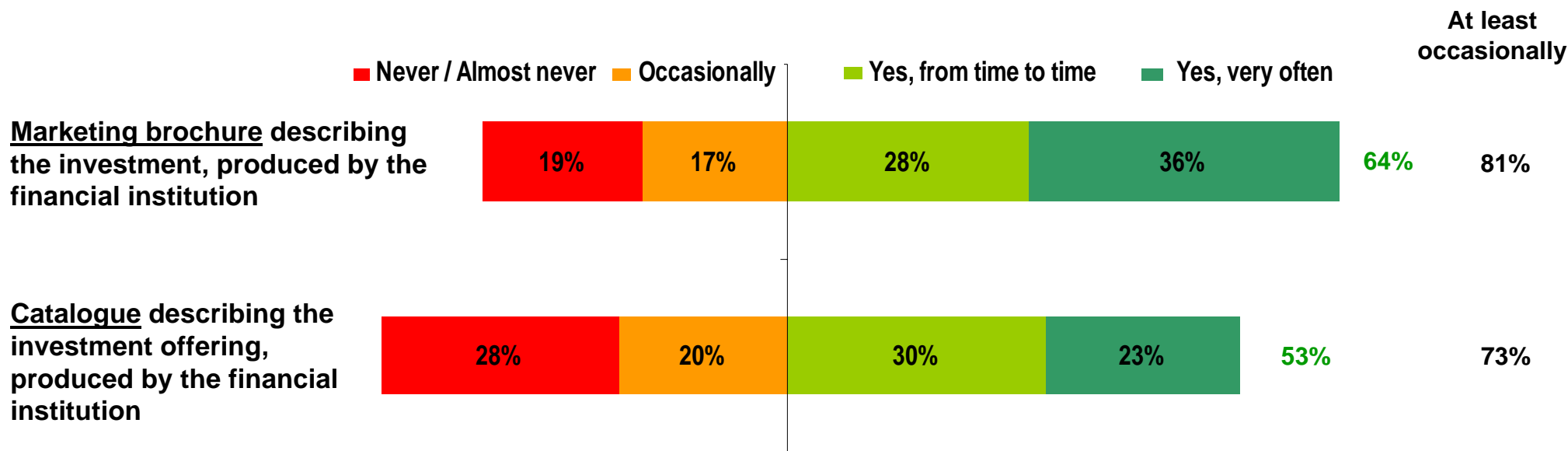
AMF –Analysis of retail investor information
Overview – November 2006

Funds

(n=293)

- Broad access to brochures and, to a lesser extent, catalogues produced by financial institutions about the investments they offer
- Even so, 1 retail investor in 8 had no access to either a brochure or a catalogue
- What's more, access to brochures and catalogues is certainly not systematic

C7. Were you given, or did you obtain, any of the following documents to help you reach a decision about your fund investments?



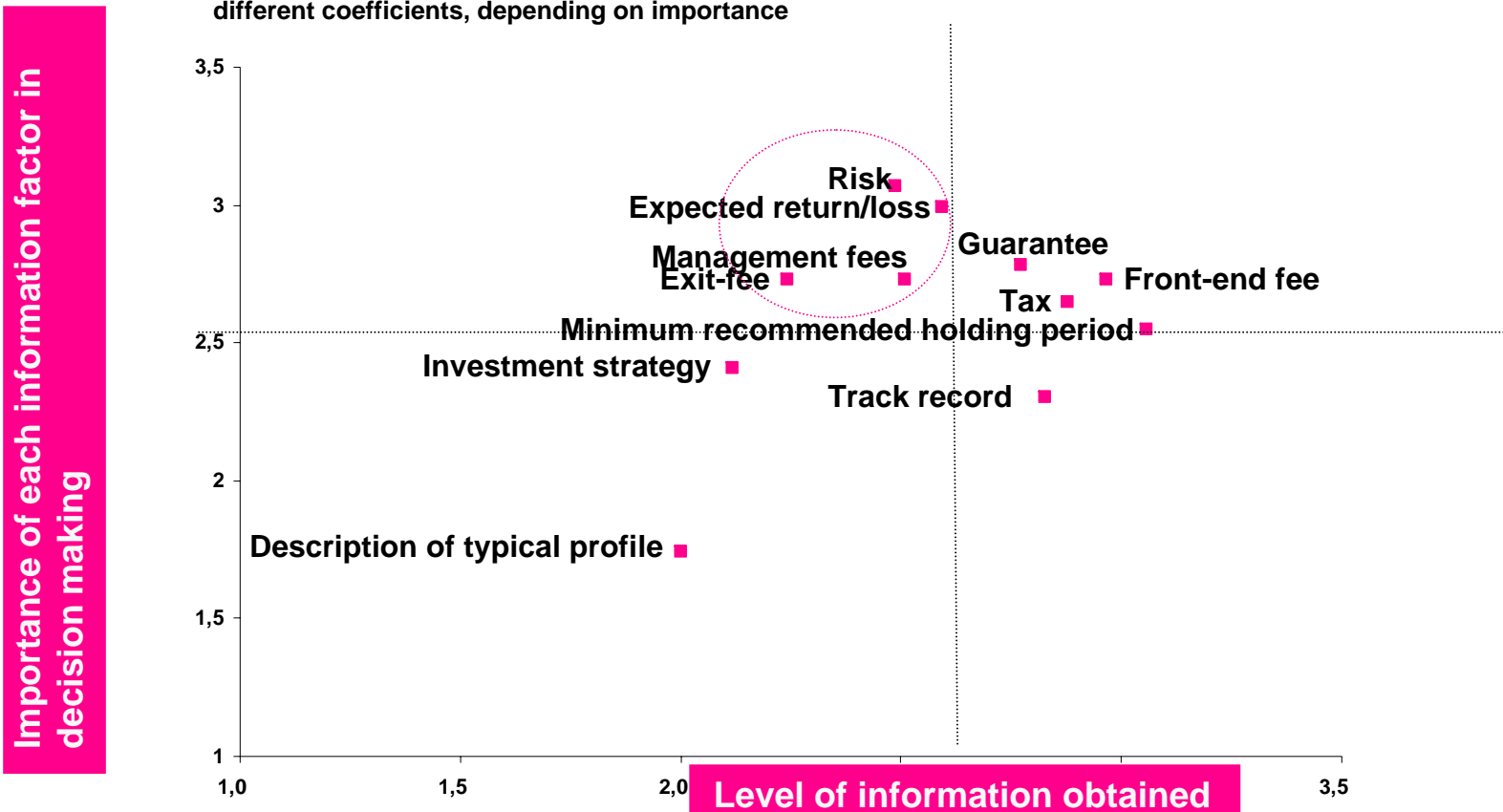
Information provided to FUND INVESTORS when making their investment

Quantitative phase

Funds

(n=293)

- Not enough information to satisfy demand for details about exit fees and management fees, product risk, and expected returns



C5. I'm going to list a number of factors to which you may be receptive when you decide to invest in a fund. For each factor, tell me whether it is critical (score 4), important (score 3), secondary (score 1) or unimportant (score 0).

C6. And generally for each factor, do you feel you were very well informed (score 4), fairly well informed (score 3), fairly badly informed (score 1), or very badly informed (score 0) when you decided to invest in a fund?

Workplace saving

- A large majority of retail investors say they received documents from their company or the investment manager

Company brochures (*)

D24. Before you invested in the scheme, did the company provide you with a brochure about the investment?

D25. Have you already read brochures produced by the company about a workplace savings plan (e.g. invested in the company's stock or shares in an equity or balanced workplace scheme or fund)
(Base: all workplace savers ex c/a only; n= 271)

- **82%** say they received a brochure from the company (87% of direct shareholders and holders of equity workplace schemes, 77% of holders of balanced workplace schemes)
- **51%** say they have read (21% in detail) (66% for direct shareholders, 74% for equity workplace schemes, 42% for balanced workplace schemes)

Brochures provided by the investment manager (*)

D24 Before you invested, did the investment management company give you a brochure describing the investment?

(Base: holders of balanced workplace schemes/funds; n= 190)

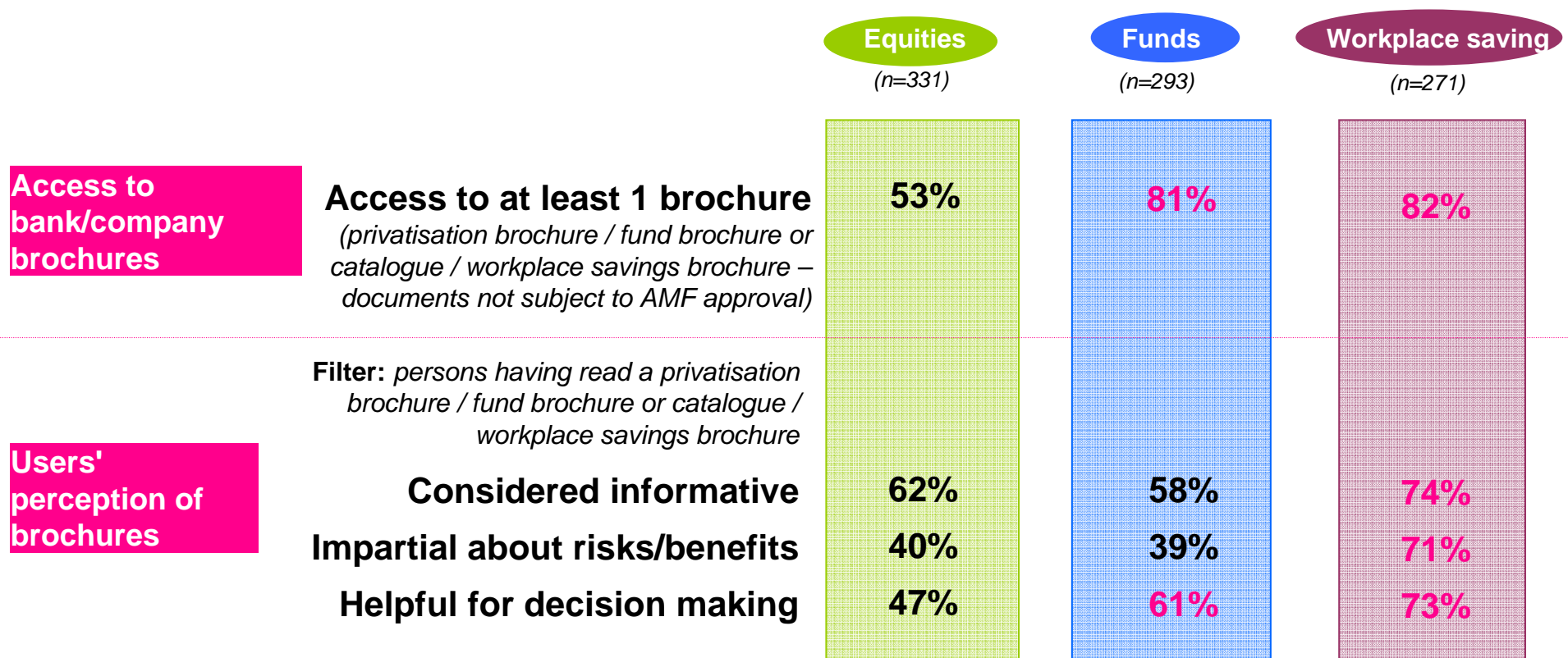
- **58%** of holders of balanced workplace schemes/funds say they received a brochure from the investment manager

(*): brochure issued by the company or investment manager and not subject to AMF approval

Summary: information provided when investing

Quantitative phase

- Varying degrees of access to brochures depending on the target group (easier access for fund investors and workplace savers)
- Brochures provide information, regardless of the type of investment
- Universally recognised to be useful, especially by workplace savers and fund investors
- **WORKPLACE SAVING** in particular: strong belief in impartiality





- Except for the most tech-savvy profiles, advisors and banks in general are the authoritative sources of information and advice. For more experienced shareholders, the press and websites also play an important part.
Note that workplace savers have an atypical profile characterised by strong trust in their company, thus reducing the need for information.
- More than three-quarters of retail investors feel they are well informed when making an investment.
That finding should be put into perspective because there is still room for improvement: the percentage of "very well informed" investors is still small (below 10% for shareholders and fund investors).
But fund investors and workplace savers find it easier than shareholders to gain access to brochures (81% and 82% compared with 53%, respectively).

B. Awareness and image of the AMF and regulator-approved documents

Awareness

- **The AMF does not readily spring to mind:**
 - **Only a handful of experienced investors** (fund investors) **mention the AMF's role as an information provider.** Very few have ever obtained an AMF-approved document.
 - **Among the other respondents, awareness is patchy and superficial**
- **Note: there is still a strong tendency to mention the AMF's predecessor, the COB**

Image

- For most respondents, the AMF has a dual function: **policing and surveillance**
- It carries out that function chiefly in relation to and for professionals. Its role vis-à-vis individuals is less obvious
- A fairly ambivalent view of the AMF's remit:
 - Among more experienced investors: doubts about its effectiveness and considerable confusion about its role.
 - "Midsized" investors trust the AMF in principle (need for a reassurance)
 - The least involved respondents ("small" and fund investors) feel indifferent

- **At present, AMF-approved documents do not seem to be among the information sources used by retail investors. They are never mentioned spontaneously; and only a few "savvy" or "midsized" investors are actually aware of them.**
They play no role in **providing preliminary information** because they are rarely available before the investment is made.
- **Nevertheless, approved documents do seem familiar, especially among fund investors and workplace savers**
 - **They are viewed in the same way as a contract or regulatory document...**
 - **...that people sign or keep, without actually reading** (there is an implied feeling that they are not designed to be read!). **Their role is thus symbolic rather than informative.**

Use of and access to AMF-approved documents by SHAREHOLDERS

Quantitative phase

Equities (Base: n=276)

Among shareholders who have invested in at least one market deal (privatisation, small or mid-cap IPO, share or rights issue):

- **47%** say they read, saw or heard about AMF-approved documents when the deal was taking place:

- *34% in the press / 33% in a company brochure / 24% on the radio / 15% on TV*

Accessing and reading the documents:

- **28%** believe they have had access to official disclosures or information approved by the AMF
- But they are vague about the documents/information they received: 11 % cannot name the document, only **17%** cite documents by name and **12%** cite one of the official disclosures
- **Likelihood of confusion** with brochures received from banks:
 - Documents sent by banks: 23%; sent by companies: 9%; accessed on the AMF website: 3%; received via the press: 2%

B25. In particular, while the deal in which you invested was taking place, do you remember reading, seeing or hearing about AMF-approved documents? / B28. When you invested in the deal, did you have access to official disclosures or information approved by the AMF? / B29. Which documents or information? / B30. How did you obtain the official disclosures or information?

Use of and access to AMF-approved documents by FUND INVESTORS

Quantitative phase

Funds

(Base: n=293)

Among fund investors

After a description of the simplified prospectus:

- **38%** of those taking part in investment decisions **say they are aware** of the simplified prospectus

Accessing and reading the documents:

- **29%** say they have had access at least once to the simplified prospectus
 - 24% through a bank / 4% on the bank's website / 1% on the AMF website
- **26%** say they have already read or skimmed the document at least once
 - 13% have read at least one in detail / 13% have skimmed at least one

NB: Here, too, there is a risk of confusion with other documents

"All financial institutions are required to publish an official disclosure document for each of the investments (open-ended fund, common fund, etc..) they offer to their clients. This document differs from the commercial brochure and the product catalogue. It is inspected and approved by the Autorité des Marchés Financiers (AMF) [...] The AMF is the financial market regulator. The AMF was created through the merger of the Commissions des Opérations de Bourse (COB) and the Conseil des Marchés Financiers (CMF). [...]"

C13. This official disclosure document, which must be authorised and approved by the AMF, is called a simplified prospectus and contains between one and fifteen pages. It was previously known as a notice d'information (summary prospectus) and contained one or two pages. Are you aware of these documents?

C14. When buying shares or units in an investment fund, have you already had access to this official disclosure document (or simplified prospectus or summary prospectus)?

C15. How did you obtain access to the document(s)?

C16. Have you already read these official disclosures (or simplified prospectus or summary prospectus), which are approved by the AMF and which describe the investment product?

Workplace saving (Base: investors in workplace schemes/funds; n= 190)

Investors in workplace savings schemes and funds

Prior to a description of AMF-approved documents:

- **39%** say they are aware of documents inspected and authorised by the AMF

Accessing and reading these documents (after they have been described)

- After a description of the documents, **74%** say they received at least one of the following documents when investing in an equity or balanced scheme or fund:

- Plan regulations: **58%**
- Scheme regulations: **56%**
- Summary prospectus: **54%**
- From the company: **60%**
- From the investment manager: **15%**
- Downloaded from an intranet: **12%**

- **70%** say they have read at least one of these documents

(26% read it in detail, 44% skimmed it)

D30. Have you heard of the AMF? / D31. Are you aware of the official disclosures on employee stock ownership, published by the company and inspected and approved by the AMF?

D32. When you invested in an employee stock ownership scheme or fund, did you have access to the following documents?

Summary prospectus (several pages summarising the highlights of the scheme/fund and approved by the AMF) / Scheme regulations (or articles of incorporation of the fund) / Plan regulations

D33. How did you obtain them? / D34. Did you read these documents? / (Base: fund/scheme investors; n= 190)

- The impact of AMF-approved documents is limited by several drawbacks:

PRESENTATION

- **Length:** documents are frequently off-putting because they are much too long (especially for equities)
- **Austere layout:** black-and-white with no visuals and tightly packed text
NB: an austere presentation is a turn-off, even for more "mature" investors
- **Little or no highlighting or distinguishing levels of information** to enable faster reading

- **But once the documents have been read, they show some potential: acknowledged as serious, objective/neutral; felt to be exhaustive** (in most cases)

CONTENT

- **Technical and inaccessible**
→ hard to understand, occasional misunderstandings about products (e.g. funds: not all respondents were able to properly describe the main features)
- **Prioritisation of information: useful/expected items are not always presented first** (e.g. share prospectus with the "risk analysis" section at the end)
- **Information can seem alarmist, or off-putting** (e.g. way of presenting risks, simulations, etc.)



- At present, the AMF is little-known, and few retail investors think of it spontaneously when seeking information. Accordingly, AMF-approved documents have only a limited impact on these investors.
- When prompted, workplace savers seem to have easier access to approved documents: once the documents are described, 74% say they received one when they made their investment. This compares with 29% for fund investors and 28% for shareholders.
Note: During phone interviews, there is a likelihood of confusion between AMF-approved documents and other publications.
- The proceedings of the qualitative groups show that the documents are unpopular with retail investors and, in some cases, are off-putting: over-long, technical, austere layout, unbalanced presentation of benefits and risks.
- However, some positive feedback for summary prospectuses (equities) and fund prospectuses: the desire to inform retail investors is welcomed; documents are acknowledged to be honest and transparent, not too lengthy, etc. These qualities pave the way for wider dissemination and are a first step towards providing retail investors with better information.

C. Key issues for AMF-approved documents

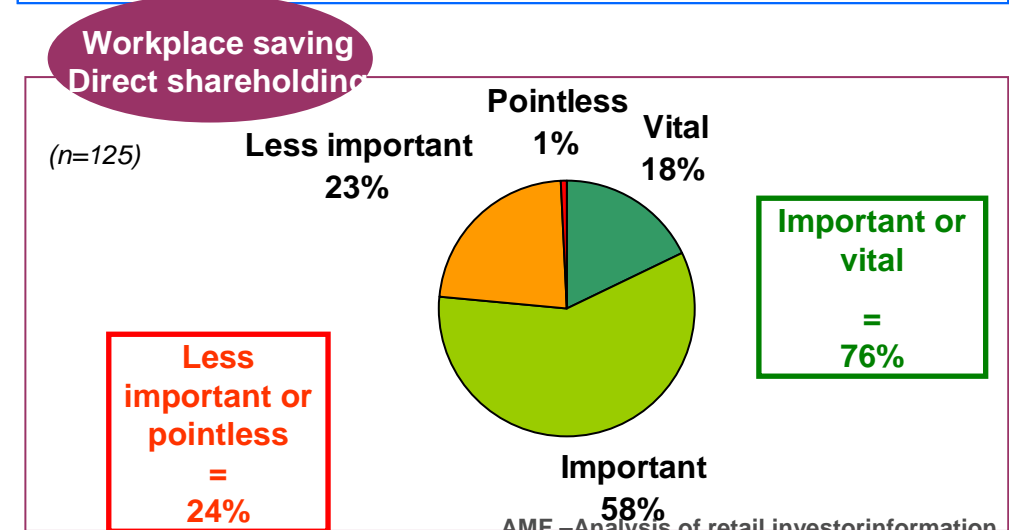
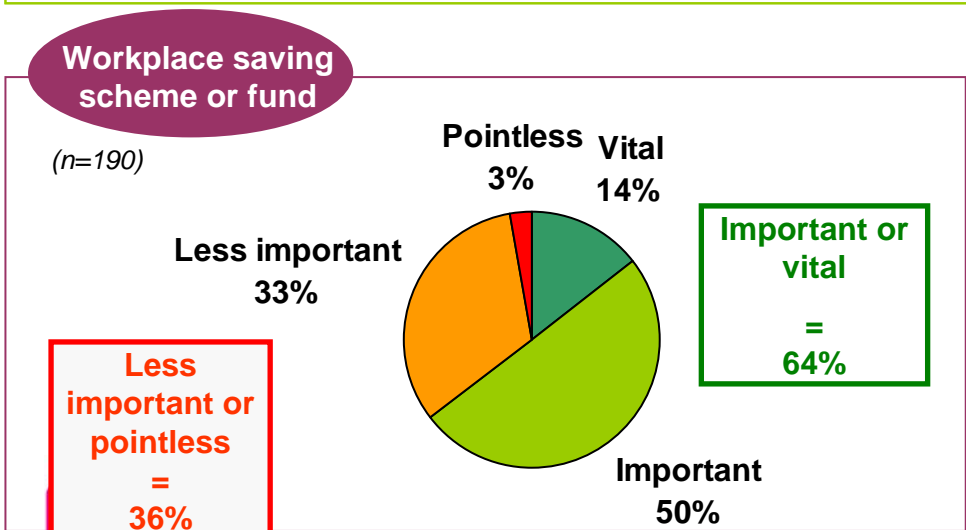
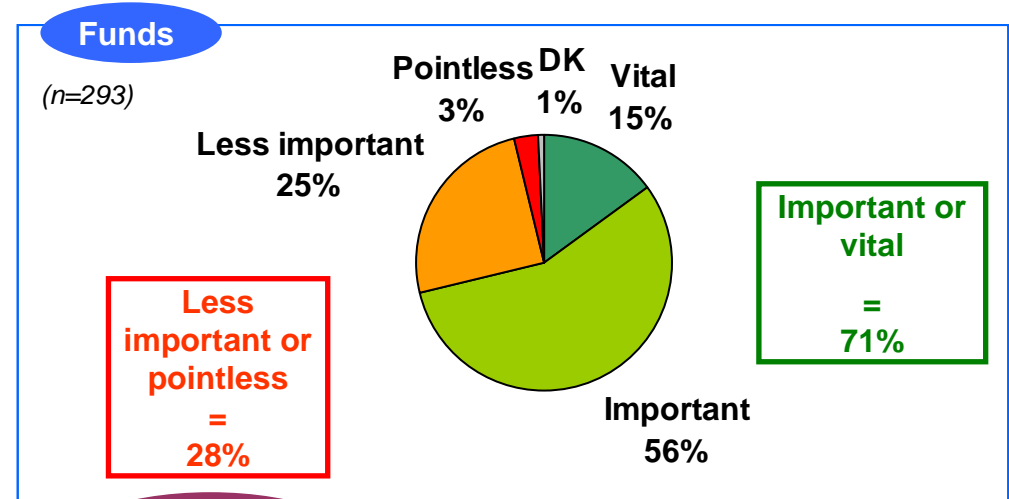
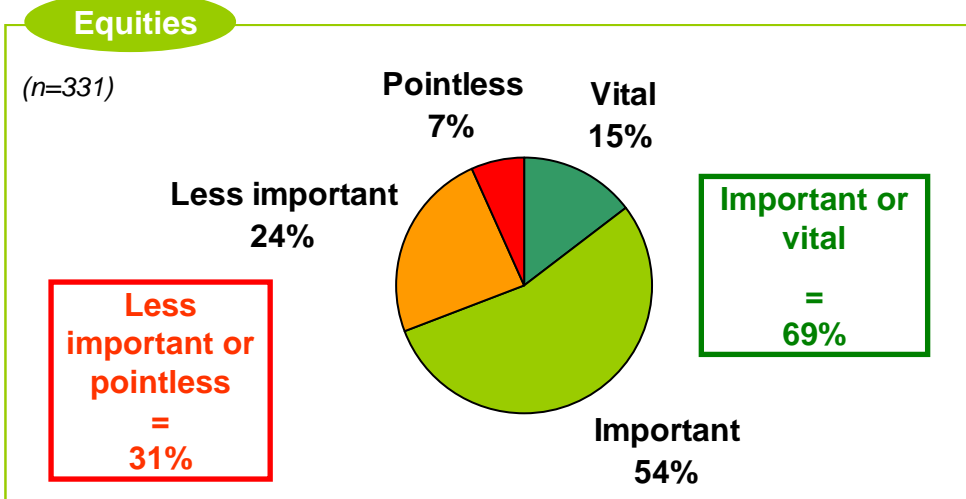
C. Key issues for AMF-approved documents

1. Appeal of the documents, role of the AMF
2. The issues in detail: presentation, content and distribution methods

AMF-approved documents

- 2/3 to 3/4 of the retail investors interviewed (depending on the product category) think it is important or vital to have access to an official AMF- approved document before investing

B40 / C20 / D37 / D40. Is the fact of having these official AMF-approved documents before investing (shares/fund/workplace savings)....



- With these documents, the AMF's role would appear to consist firstly in informing retail investors (exhaustiveness, impartiality) and secondly in alerting them to the level of risk
- But half the respondents are confused about the AMF's role in validating/approving investments
→ these ambiguities must be eliminated

B41 / C21 / D41. In your view, the fact that the AMF has approved these documents means that...

(Base: all)

The AMF...

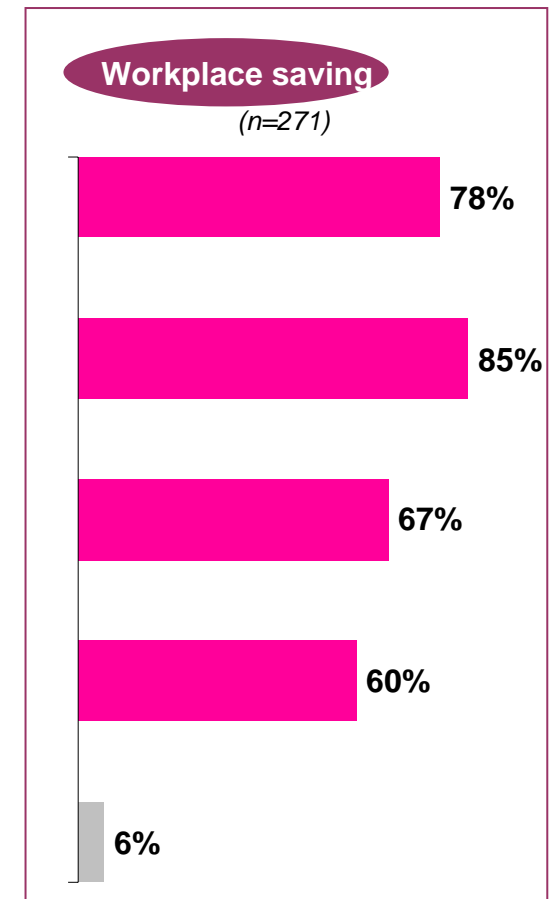
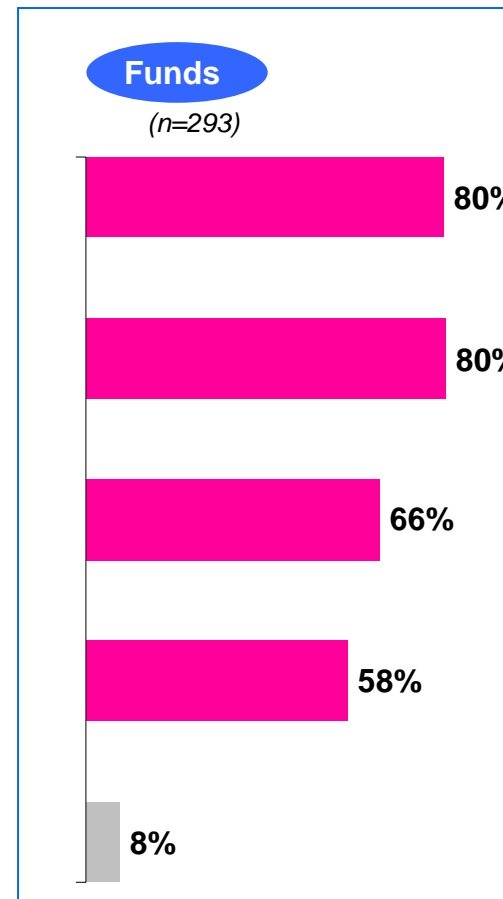
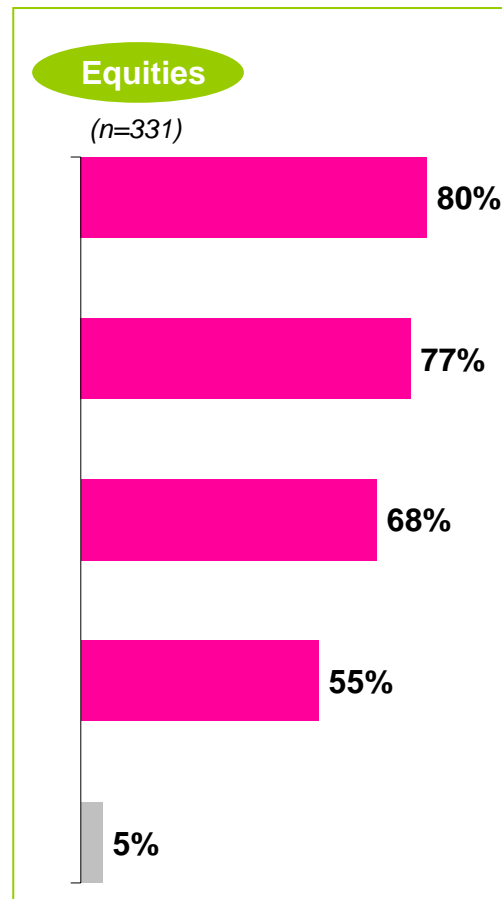
Ensures that investors are **fully informed**

Ensures that investors are **reliably informed**

Alerts investors to the **level of risk**

Ensures that the investment is **financially advantageous** for the investor

Don't know



AMF – Analysis of retail investor information
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C. Key issues for AMF-approved documents

1. Appeal of the documents, role of the AMF
- 2. The issues in detail: presentation, content and distribution methods**

PRESENTATION

Seen as the first tangible sign of a determination to inform



- Need to encourage people to read documents.
Two key aspects:
 - Length (no more than 6 pages)
 - Layout: use of colour, visuals and space, well-paced text
- Readability: remember that layout enhances content: prioritise information and make it easier to identify, etc.
- **NB**: in general, hostile to anything that smacks of advertising and/or mass consumption (cf. visual keys, brash slogans)

COMMUNICATION / DISTRIBUTION METHODS

Networks play a key role, but the Internet also has its place

What communication methods are used to publicise documents?

NB:

- Major expectations in this area, but the AMF has little leeway.

CONTENT

Reconcile the need for information and trustworthiness with reader appeal



- Need to provide information that is understandable and useful to retail investors by factoring in their needs and limitations:
 - Topics: address their concerns
 - Describe the product or company and its characteristics.
Note about funds: operational details (investment style, holdings, etc.) are very hard to get across and, ultimately, are rarely expected.
 - Give information about the "investor benefits"
 - Formulation: attuned to customer logic and language
 - Register:
 - +++ **Honest** (e.g. weigh up risks and benefits)... **but not off-putting!**
 - +++ **Accessible** (be clear, give examples, etc.)... **and trustworthy**
 - ++ **Concise**
 - For the "risks" section in particular: well received in principle, abundant information that needs to be treated clearly and objectively

Equities

Several parameters must be taken into account in the preparatory stages for a better understanding of individual shareholders' mindset and needs

- A purchasing process and motivations that are specific to shares:
 - **Intuition** often plays a major role: many investors talk about "gut feeling"
 - Or "**me-too**" behaviour (cf. privatisations, which attract heavy media coverage)
 - Very few investors analyse companies in depth
- Other parameters, in addition to wealth-related criteria, influence the way that shareholders obtain information
 - "**rational**" parameters: type of issue and, sometimes, the amount involved
 - and/or "**personal**" parameters: thrill of speculation, attitude to risk, intellectual attitude to the stock market as a whole

Equities

Organisation of the information mechanism

- Shareholders are clearly unwilling to read a wide array of disclosure documents.
- By contrast, they are willing to consider a mechanism organised around a single large document midway between a marketing brochure and a summary prospectus
→ Key component of the information mechanism, which will often supplement other information sources
- But it is important to have slightly more exhaustive documents, particularly for investments involving companies with a low public profile and/or for exceptional investments, since shareholders will not necessarily be able to obtain comprehensive information elsewhere.

Key issues relating to AMF-approved documents for **SHAREHOLDERS**

Qualitative phase

Equities

Expectations for content

Document for a broad readership

Document about specific investments and/or low-profile companies

■ Address shareholders' concerns about:

- +++ the company:
 - +++ strategy, outlook, etc.
 - ++ earnings
 - + industry
- ++ the share price: track record
- ++ the investment
- + the key characteristics and terms and conditions of the offering
- **NB:** to "grab" the reader as quickly as possible, the document should start with these topics rather than, say, with the section on the board of directors, which is ignored

The main principles are the same, but there are few slight differences:

- **Length:** can be slightly longer, since shareholders expect more information and have more to find out

- **Cross-references** to more detailed information: investor hotline, AMF website, etc.

Funds

What are the issues?

- Little or no product information in the sources most frequently used by retail investors (*press, etc.*) + the concept of risk is not always properly gauged
 - Prospectus considered to be vital
 - The AMF has a potentially important – or paramount – role to play

Expectations for the simplified prospectus

- Despite their shortcomings, these documents are generally popular with investors, especially because of their neutral stance
- The documents are reassuring (they provide welcome explanations). Investors like to have them but do not always manage to take them fully on board. The documents appeal even more to smaller investors than to other groups

Funds

Expectations for the simplified prospectus (cont.)

- **All investors want to receive a copy of the simplified prospectus before investing** (as stated in market regulations!) **to help them make up their minds**
 - **They also want a clear description of the product and its characteristics...**
 - ++ Lock-up period/investment horizon
 - ++ Guarantee
 - ++ Investment objectives
 - ++ Level of risk.
Most respondents are receptive to the idea of a composite indicator for measuring risk.
 - - Investor profile
 - +/- Scenarios are useful forecasts but should be used carefully
 - ...and information on the **"investor benefits"**:
 - +++ Yield
 - +++ Fees and expenses
 - = Taxation
- ➔ **The document is considered (wrongly) as a purely contractual instrument; it should be restored to its rightful place as a decision support tool (*subject to modifications*).**

Key issues relating to AMF-approved documents for WORKPLACE SAVERS

Qualitative phase

Workplace saving

Several parameters must be taken into account in the preparatory stages

for a better understanding of savers' mindset and needs

- An **atypical investment product**: investment closely linked to the employee's **trust** in his/her company (*and vice versa*); product considered **safe**; investor saves painlessly, etc.
- **Minimal information processes**, with strong emphasis on **word of mouth** and information from colleagues, which displace all other media

→ Risk of false and/or inadequate information is considered to be low
Few or no expectations in terms of information

Organisation of the information mechanism

- Only a **limited** number of documents should be given to employees:
 - **One brochure** that gives clear explanations is enough. Attractive and concise, it must highlight the key investment information (lock-up period, horizon, employers' contribution, etc.)
 - A simple **subscription form** that can be filled in quickly
- But it is important to offer "**progressive**" access to information: the most technical information (prospectus) could be supplied separately (intranet, hardcopy)
- The **hardcopy version should have priority** because it is more credible and longer-lived

Key issues relating to AMF-approved documents

Quantitative phase

- Investors want a document that is fairly short, eye-appealing and easy to understand → accessible and reader-friendly.
- But to fulfil its informational role, it mustn't be too short or simplistic (especially in relation to other documents or brochures)

B43 / C22 / D42. In your view, in order to be effective and practical, the document should be... (Base: all)

- Simple and easily understandable for all investors, or
- more technical, with details about the investment

- Brief (key information only), or
- exhaustive, with plenty of detail

- Official presentation (B&W, formally worded), or
- more reader-friendly (colour, tables, graphs)

B44 / C23 / D43. What would be the ideal length of such a document?

- Short (2 - 4 pages)
- Medium (5 - 10 pages)
- Long (more than 10 pages)

Equities

(n=331)

90%
10%

67%
32%

27%
70%

78%
21%
1%

Funds

(n=293)

87%
13%

54%
46%

26%
70%

70%
28%
1%

Workplace saving

(n=271)

90%
10%

56%
44%

16%
82%

77%
22%

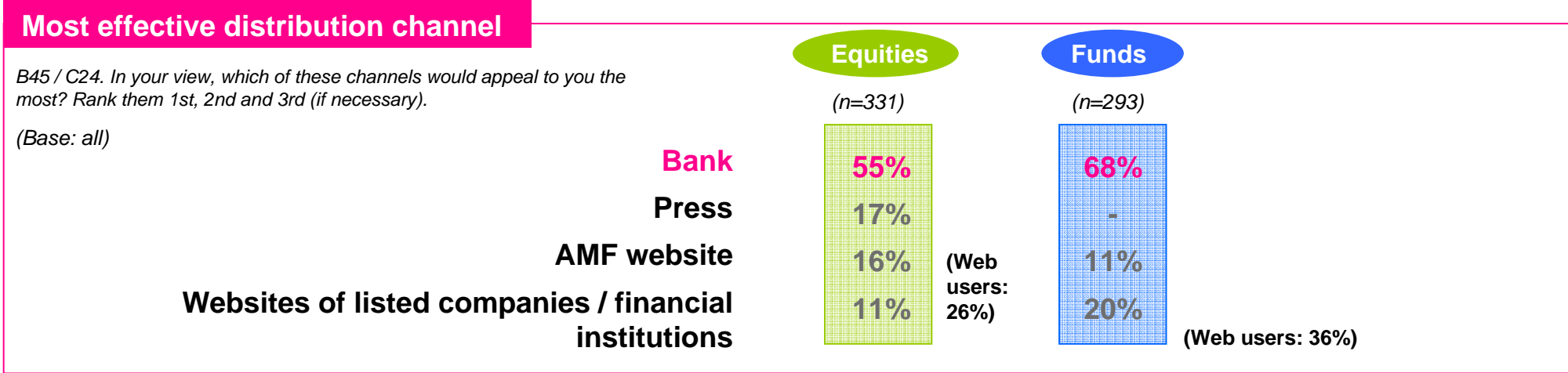


DISTRIBUTION METHODS

- Important to rely on the main information channels that shareholders use when investing:
 - bank advisors = key figure for most shareholders → their role in passing along AMF information is unavoidable
 - Press: think about how to emphasise the importance of the AMF, the information it approves and the means of accessing exhaustive disclosure documents
 - Internet: be named on issuers' websites and investing websites, with cross-references and links to the AMF's site

DISTRIBUTION METHODS

- As expected, financial institutions are the most effective channel for distributing AMF-approved documents to fund and equity investors
- The press is a potentially important information conduit for shareholders
- Websites are not yet attracting many visitors but are nevertheless appealing





- AMF-approved documents are certainly important for retail investors. But to enhance their impact, the AMF should make itself known early on. It can do this by getting closer to consumers, communicating with them, explaining what it does and eliminating misunderstandings.
- Most investors find these documents useful to some extent, subject to modifications.
- The key issues for the AMF are to raise its profile with consumers and to highlight its role and tasks. To do so, it can rely among other things on its main information conduits, e.g. the press and the Internet.
- To ensure that approved documents are more widely read, it is necessary to focus not only on presentation (making them more eye-appealing) but also on content. The main challenge is to strike a balance between the need to be accessible and non-technical and the need to be trustworthy.

ANNEX:

Detailed profiles of the categories of retail investor interviewed for this study

Social and demographic data:

Equities

(n=331)

Gender

Male	59%
Female	41%

Age

Under 35	15%
35-44	19%
45-54	18%
55-64	20%
65 and over	28%

Profession

Farmers	1%
Trade, retail, company directors	4%
Professional, executive & managerial	18%
Intermediate professions	14%
Clerical	11%
Workers	7%
Retirees	37%
Other non-working persons	8%

Total financial portfolio

Under €3,000	4%
€3,000 - €6,000	4%
€6,000 - €9,000	4%
€9,000 - €15,000	8%
€15,000 - €37,500	22%
€37,500 - €75,000	26%
€75,000 - €107,500	8%
€107,500 and over	24%

Social and demographic data:

Funds

(n=293)

Gender

Male	56%
Female	44%

Age

Moins de 35 ans	14%
35-44 ans	18%
45-54 ans	17%
55-64 ans	20%
65 et plus	31%

Profession

Farmers	1%
Trade, retail, company directors	5%
Professional, executive & managerial	20%
Intermediate professions	14%
Clerical	9%
Workers	5%
Retirees	38%
Other non-working persons	8%

Total financial portfolio

Under €3,000	2%
€3,000 - €6,000	3%
€6,000 - €9,000	4%
€9,000 - €15,000	10%
€15,000 - €37,500	20%
€37,500 - €75,000	27%
€75,000 - €107,500	9%
€107,500 and over	25%

Social and demographic data:

Workplace saving

(Base: ensemble des détenteurs d'épargne salariale; n=334)

Gender

Male	66%
Female	34%

Age

Under 35	31%
35-44	31%
45-54	20%
55-64	15%
65 and over	3%

Profession

Farmers	-
Trade, retail, company directors	-
Professional, executive & managerial	24%
Intermediate professions	24%
Clerical	18%
Workers	20%
Retirees	10%
Other non-working persons	4%

Total financial portfolio

Under €3,000	8%
€3,000 - €6,000	9%
€6,000 - €9,000	5%
€9,000 - €15,000	13%
€15,000 - €37,500	29%
€37,500 - €75,000	15%
€75,000 - €107,500	7%
€107,500 and over	14%



Thank you for your attention