



Background

Our general opinion of the Simplified Prospectus (S.P.), as for other issues, is that full transparency is almost never obtained. Usually only politicians and related parties refer continuously to their transparency. We Euroshareholders believe in the need for reliable information and this applies to the Simplified Prospectus.

We are sure that the idea of SP for retail investors is based on good intentions to inform properly. We do not like the idea of considering individual investors to be less capable of understanding full prospectuses, but we believe an average investor will only read a kind of executive summary. If it really is the intention to inform the reader, the average investor will have no difficulty in understanding a prospectus, full or simplified.

1. What information should be included?

We think it is a good idea to start with a summary of key information, with some visually presented data; and then to have a fuller text and explanation. The first part that should be very accurate and examined with care, because it is probably the only part that most will read.

2. What substantive UCITS features do consumers need to know about?

Strategy and objectives must be clearly explained. If the capital of the investment is said to be guaranteed, it has to be explained, how conservatively the funds will be invested, not to take high risks if the market is moving down. Then the investor must be warned that much of the investment will be both less risky and less profitable, and that high returns should not be expected. In many cases, if clearly explained, the investor may prefer to stick to classical UCITS without capital guarantee.



3. What information should be provided about risks and rewards?

We believe if informing properly, the text will be easily understood.

We would like to impose a narrative text that shows pros and cons of the investment. We do not strongly believe in the value of synthetic risk indicators drawn from numerical scales. The main characteristics should be mentioned in terms of risks, kinds of investment, sectors of industry and geographical regions, and recommended holding periods. Investors should be told of the potential gains as well as risks, but we would propose this in a narrative form. Past performance does not mean much,, certainly if starting periods are left to the management.

4. What information should be provided about strategy and objectives?

There should be a clear description of the strategy and objectives including the choice of financial instruments, spread of risks, etc. Looking for young and medium size companies with high risk potential or investment in blue chips should have the risks explained, especially about the types of research used (technical analysis, scientific research, experienced financial experts, captains of industry, financial gurus, scientific committees, fundamental economic studies, etc.).Reference to official benchmarks, as from stock exchanges, is recommended.

5. How should past performance information be presented, and for what time period?

A reference can be made to rating agencies which enjoy public recognition in financial markets. Starting periods for graphs should not be left to the the writer of the prospectus. He should at least be consistent,, year after year, and he shouldn't change periods without explicit reason.



A problem is that when funds merge to become funds of funds a meaningful graph can be difficult to draw.

The sentence referring to the fact that past performance is no guarantee of future performance is to be recommended even if it probably has not much more impact on investors than health warnings on cigarettes!

6. How should information about charges and fees be presented?

Charges should be clearly presented. There should also be reference to the fact that not all the charges are visible. The investor should know that some transaction commissions favour the group since fund managers usually belong to groups which include brokerage companies, but not investors. These are so-called hidden commissions. At least three categories of costs should be shown explicitly: introduction costs, exit costs, management costs. In case of additional charges, for example for exceptional returns, they should be mentioned as well, also clearly.

7. How could the packaging of funds into different end-products be handled?

As we already said we do not believe in full transparency as referred to by politicians. We think that reliable information has to be given. Some confusion must be expected between costs affecting the segments concerned. It must be said in clear terms. If some publicity costs are imposed to certain segments and paid by them, it should be disclosed (and avoided!).



8. How far should the information be harmonized between firms and between EU members?

We think that the main frame of information should be standardised but that some freedom regarding additional information should be given. When the texts are too standardised, as for example in the present day auditors' reports, there is a tendency not to disclose most essential features.

9. Would it be useful to specify how this information should be presented?

We should leave some freedom to the writers provided that whatever they write is reliable. They should be responsible for any misleading information, and should be named in the prospectus.

10. In what form should the information be delivered?

We are in favour of information provided via web, but thinking about many traditional investors (elderly people), hard copies are also to be provided.

11. How should we ensure consumers get information in sufficient time for it to be useful for their investment decision?

All the essential information referred to in the prospectus should go to the public together with the publicity for attracting investors. Confirmation that information was provided can be done via box ticking on electronic documents or by asking the subscriber to sign the purchase document.