

**USE OF PROSPECTUSES BY INVESTORS
AND PROFESSIONAL ADVISERS**

**Ian Ramsay
Harold Ford Professor of Commercial Law
and
Director, Centre for Corporate Law and
Securities Regulation
The University of Melbourne**

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2003

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- establish and promote links with similar bodies, internationally and nationally, and provide a focal point in Australia for scholars in corporate law and securities regulation
- promote close links with peak organisations involved in corporate law and securities regulation
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Executive Summary

This research report contains the results of two surveys of recipients of prospectuses: investors and their professional advisers. The objective of the surveys was to obtain information on how prospectuses are used and obtain views on the utility of prospectuses.

The distribution of the surveys was as follows:

- 4,000 surveys were distributed to individual investors who are members of the Australian Shareholders Association with 891 returned (22.3%)
- 2,000 surveys were distributed to professional investment advisers with 171 returned (8.6%)

A. Executive summary – Investor Survey

Background information

- 891 responses were received.
- Respondents range from a student with \$2000 in managed funds, to a retiree with over \$15 million invested directly in shares and \$1 million in managed funds to benchmark his own investment decisions.
- 76% of respondents are aged over 55 years.
- 81% are male.
- 56% are retired and 27% are in a professional occupation.
- The range of annual household income is fairly evenly spread above \$30,000, with 24% having an income between \$50,000 and \$74,999 per annum.
- Respondents have a total of \$101,923,500 invested in shares through managed funds, and \$605,018,250 invested directly in shares.

Shares owned directly

- Half of the respondents own shares in less than 20 companies each, but all have diversified investments.
- The industry most heavily invested in is banking and finance, followed by resources and mining, then retail.
- 60% of respondents use a stock broker who provides an advisory service, but only 27% have a financial planner.
- The most popular source of information before making an investment decision is the newspaper, followed by prospectuses. However, when investors are asked about sources of information for their most recent investment decision, the prospectus falls to fourth position, after newspapers, investment magazines and brokers.
- 76% of respondents check share performance at least weekly (44% daily), mainly in newspapers or on the internet.
- 80% of respondents trade shares at least annually, the majority of those, at least quarterly.

- 82% receive an annual report for each company in which they own shares, and the majority spend less than 1 hour reading them. Those who do not receive or read annual reports regard them as too long, too detailed, containing out of date information and not an effective use of resources. Respondents who do read the reports are primarily interested in performance projections, followed by details about the executive team and management, and returns.
- Over half of the respondents spent between 30 minutes and an hour reading the prospectus for their most recent investment. Those who did not read it were deterred by its complexity. Those who did read it were primarily interested in performance projections, followed by details about the executive team and management, and returns.
- Respondents were ambivalent about their confidence in the content of prospectuses, and the importance of a prospectus in comparison with other sources of information in making an investment decision, ranking both in the mid range between not at all important, and extremely important.

Managed investment fund prospectuses

- 460 respondents completed this section. 23% have money in only one managed fund.
- 23% of respondents have money invested in an international equity fund, 22% invest in Australian industrial equity funds and 20% invest in Australian diversified equity. 14% invest in combined Australian and international industrial equity funds. 1% of respondents are not sure what type of fund they invest in. 11% invest in property trusts.
- The need for diversification scored highest when respondents were asked for their main reasons for investing in managed funds, followed closely by capital growth.
- 45% of respondents learnt about the funds in which they invested through the media. 40% learnt about them through their financial adviser and 14% through friends or family.
- All of the respondents who completed this section of the survey own shares directly as well as investing in managed funds. The primary reason for combining the two is diversification.
- 57% of respondents sought professional advice before investing in a managed fund, the majority from an investment adviser. After professional advice, prospectuses, newspapers and investment magazines are the most used sources of information about managed funds. For information about their most recent investment, most respondents cited newspapers and investment magazines, just ahead of advisers and prospectuses, as the main sources.
- Respondents were fairly evenly divided between yes and no when it came to knowing the asset allocation of their managed fund investments.
- Most respondents have never withdrawn money from their managed fund investments, or switched between managed funds.
- 94% receive the annual report of their managed fund, and most spend 30 minutes or less reading it, looking mainly for information about performance. Most of those who do not read it find it too long and boring.
- When respondents received the prospectus for their most recent managed funds investment, most spent 1 hour or less reading it. Of those who did not read it,

most said it was because their investment decision was already made. Those who did read it were looking for information about performance, the executive team, the investment strategy and the asset allocation.

- Most respondents were ambivalent about the importance of the prospectus in making their investment decision.

General results on prospectuses

- Only 36% of respondents said that the prospectus gives them sufficient information to make an investment decision. 52% still feel the need to seek professional advice after reading the prospectus.
- 56% of respondents think that, as a general rule, prospectuses are not easy to understand. They have most difficulty with legal or technical jargon. They also find prospectuses too detailed and repetitive and also have difficulty with the section dealing with financial matters. 66% of respondents think that prospectuses are too long.
- 51% of respondents find prospectuses for shares easier to understand than those for managed funds. 39% find those for managed funds easier to understand, and 10% thought that there was no difference.
- 52% of respondents do not find it easy to find the information they want in a prospectus. Suggested improvements are to summarise key points, simplify and clarify the contents, use less jargon, and make the prospectus more concise.
- 81% of respondents would apply for shares if the government were to privatise a profitable business, although 181 of these respondents gave a qualified yes, depending on factors such as the price, type of business, or their investment needs at the time. Most feel that the business would be more profitable after privatisation, particularly if it has a monopoly, and cite the success of previous similar floats. 115 respondents believe that the government always sells such businesses under value, for political gain. Along similar lines, the investment is seen as low risk because of confidence that the government would not risk political backlash by “selling a lemon”. Many respondents also express a desire to keep such businesses in the hands of Australians. One respondent stated “I need to maximise the returns on my money so that the capitalist system in which I live does not crush me.”

B. Executive Summary – Professional Adviser Survey

Background information

- 171 responses were received.
- The majority (80%) of respondents considered themselves independent advisers as defined in ASIC Policy Statement 116.
- Client bases consist mainly of less well-informed investors, including a large number of retirees.
- Investment in shares is recommended primarily to spread risk, although investment through managed funds was the preferred option. Many advisers put clients into direct share investment only at the client’s request, and on the understanding that the client will monitor the investment. Investment in managed funds is perceived as providing more diversification, less risk and a better sector

spread. Investment in managed funds is also recommended in order to utilise fund manager expertise.

- Most respondents work from dealer group recommended lists. Only 27% of respondents conduct their own research and analysis of companies.
- For those respondents who conduct their own research, the most important sources of information are analysts' reports and prospectuses, followed by company annual reports, the internet and management presentations.

General results on prospectuses

- 85% of respondents found that clients have difficulty understanding prospectuses, finding them too long, too detailed, and too full of legal or technical jargon.
- Most responses indicated that clients don't want to read, or can't understand, a prospectus, and rely on their adviser to describe and interpret the investment.
- Clients have more questions about fees and charges than any other aspect of the prospectus.
- The majority of respondents stated that the role of the prospectus in the process of providing advice to clients is either "very little", a legal formality, an application form, a sales tool, or at most, a backup to the adviser.
- 72% of respondents believe that clients do not fully understand risks associated with certain investments, at least until the adviser explains the risks.
- 83% believe that simpler prospectuses would be beneficial and 89% regard it as part of their role to explain prospectuses to investors. 73% believe that simpler prospectuses would make their task easier although 94% said that simpler prospectuses would not make their role less important.
- Most respondents to this question believe that it would be more cost effective to convey information currently contained in prospectuses through the internet, although many also suggested "less gloss" and longer life for prospectuses. Other suggestions included separate documents for advisers and investors.
- 75% think that the level of disclosure on the part of companies and fund managers is sufficient to provide informed investment advice.

Share prospectuses

- 19 respondents did not complete this section, saying they are unlicensed to offer advice on direct share investments.
- Risk factors, the company's dividend policy, the company's liabilities and the company's operations and business are seen as the most useful information in providing investment advice to clients.
- Prospectuses most successfully convey information on a company's directors and management, its industry, its operations and business, and how to apply for shares.
- 65% of respondents do not believe that any topics can be omitted from a prospectus without affecting the quality of advice to clients, although there were a number of suggestions regarding format – in particular, that there should be a standard format so that investors can find and compare information quickly.
- Most respondents stated that share prospectuses held too much information. 80% of advisers said that the information contained in them is set out in a manner that makes it incomprehensible to clients. However, 79% said that the information is set out in a manner that makes it comprehensible to investment advisers.

- Suggestions to improve comprehension included summaries, less jargon, more graphics and standard formats.
- Overall, there is no essential information currently not being included in prospectuses. However, most respondents felt that prospectuses should include information on strategic goals, market share and product development and quality.

Managed investment fund prospectuses

- Clients most frequently ask about fees and charges relating to funds (31%) followed by performance history (18%), risk (13%) and what the funds invest in (12%) A total of 17% either ask if they need to read the prospectus, ask the adviser to interpret the prospectus or rely solely on the adviser's recommendation.
- Only 2% of respondents said clients found share prospectuses easier to understand than those of managed funds, while 43% answered "neither".
- Asset allocation, risk and tax implications are regarded as the most important topics in providing advice to clients. However, prospectuses are most successful at conveying information on past performance.
- 64% of respondents said that managed funds prospectuses provide all information required to provide advice to clients.
- Assessment of the appropriateness of the amount of information contained in prospectuses varied among respondents. Overall, they contained either too much (45%) or the right amount (45%), with only 10% of respondents believing that they had too little.
- Most of the problems of prospectus content related to the length and detail of the document, and its format.

Acknowledgements

Sue Olney and Grant Moodie provided expert research assistance in the preparation of this report. The assistance of the Australian Shareholders Association (in mailing the survey to its members) is also gratefully acknowledged.

INVESTOR SURVEY

This section on the INVESTOR survey is divided into six sections:

- A. Introduction
- B. Background information
- C. Shares owned directly
- D. Shares held through managed investment funds
- E. General results on prospectuses
- F. Analysis

A. Introduction

891 responses were received from the 4,000 surveys distributed to members of the Australian Shareholders Association (a return rate of 22.3%). Whether it was due to the way in which the questions were posed, or to the respondents' desire for input into the research project, the survey responses were conversational and lengthy. Questions which asked the respondent to explain or describe something briefly produced, for each one, many different responses. For analytical purposes, they have been sorted by the gist of the response, into statistics.

There was a general feeling that literature produced by companies, fund managers or advisers often lacked impartiality and credibility. The confusing format of such literature, and the jargon it contains, was seen by some as an intentional tactic. Similarly, the credibility of investment advisers was questioned by many respondents. Most respondents relied on the media, family and friends, or investment clubs for information:

- “After 30 years investment experience I find so called professional advice to be of little worth, often of low quality and usually motivated by potential commissions and self interest.”

- “Prospectuses have simply become a means of enriching lawyers, accountants and merchant bankers, who use up too much of the money the prospectus is seeking to raise, without, in my view, making a commensurate contribution to the company or to shareholder protection.”
- “I really don’t think most prospectuses or annual reports are of much use to the small investor.”
- [The prospectus] “is not an information document but a ‘cover your arse’ document.”
- “advisers only recommend shares that they receive commission on.”
- “have to sort the bumph, obfuscation and repetition – these can often (deliberately?) obscure facts.”
- “basis of offer usually couched in arse-covering legal gibberish”
- “[I] was very unconfident of the advice we were receiving, as I felt it was much the same as advice I received from a second hand car salesman when buying a car”
- “the stuff that is not in the prospectus is what I need to know”

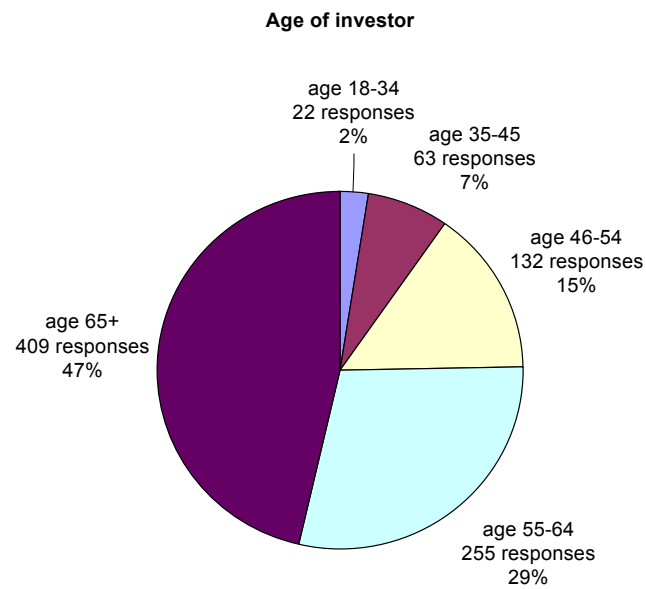
Direct share investment was regarded as a hobby by many respondents, particularly retirees who had worked in finance:

- “Because investment has now become a hobby as well as a source of income, I am inclined to have a flutter...substitute for horses or poker machines.”
- “[By] investing myself, can see my investments day to day, make my decisions, can have some fun (or cry).”
- “[Investing in shares] directly means that I can contribute to companies which I respect and which I believe make a contribution to my nation, also have a vote and a voice if I wish to exercise these”
- “get to play with own money (why let fund managers have all the fun)”.

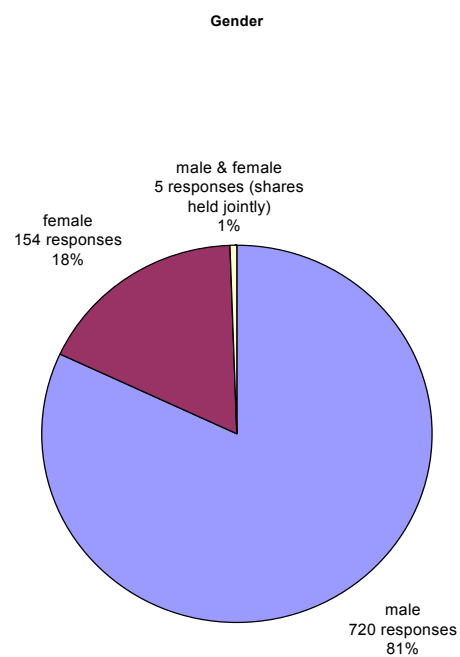
B. Background information

Basic statistical information about the investors participating in this survey:

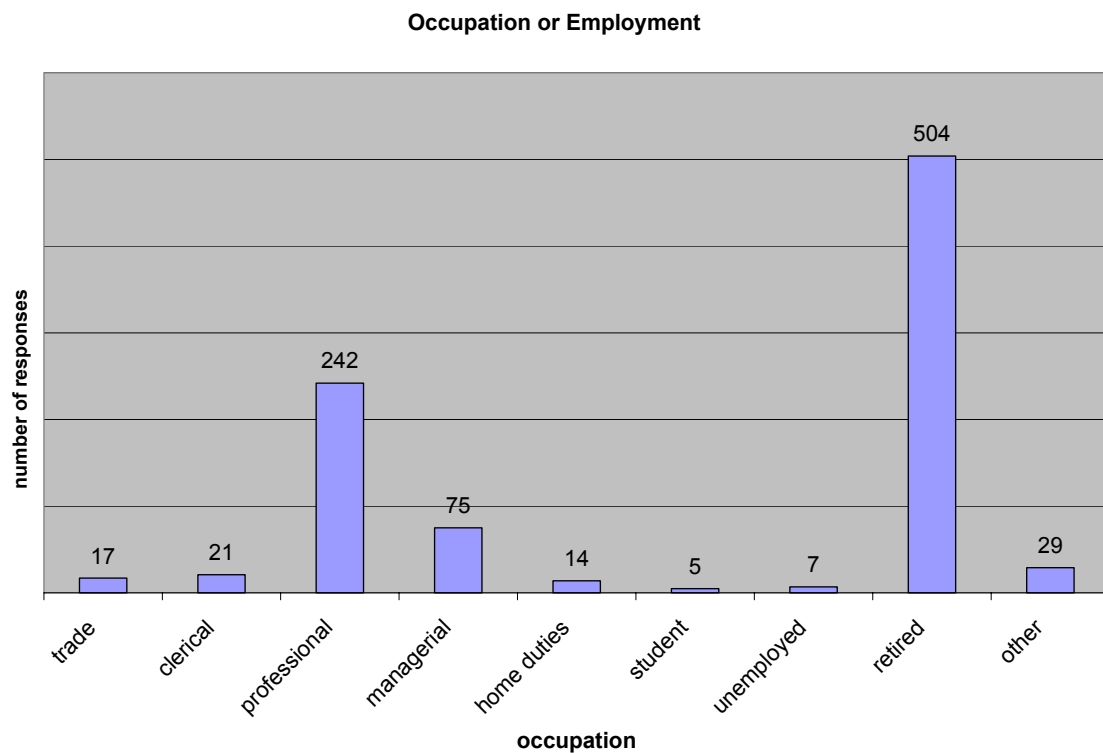
1. Age



2. Gender



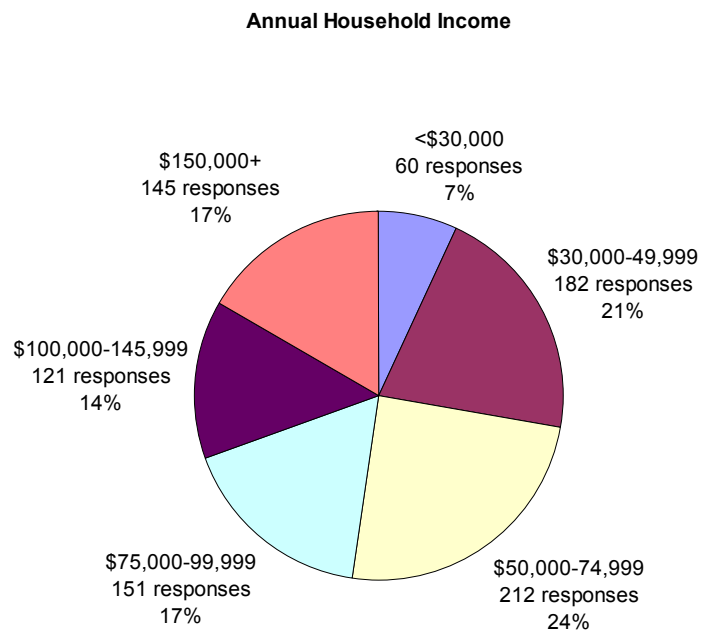
3. Occupation or Employment



Other occupations specified (29 responses):

- entertainer
- investor (4)
- self managed assets
- musician & music teacher
- newsagent
- sales agent
- share trader (3)
- transport
- self employed
- management consulting
- semi-retired grazier/investor
- farming (2)
- farming & investment
- communications consultant
- grain grower
- business owner
- company director
- investor/landlord
- grazier (3)
- primary production
- contract cartage

4. Annual Household Income



5. Amount of investment in shares owned through managed investment funds (not including cash management trusts)

459 investors answered this question. Their investment in shares owned through managed funds totaled \$101,923,500. 11 respondents had between \$1 million and \$2 million invested, 1 had between \$2 million and \$5 million, and 2 had over \$5 million.

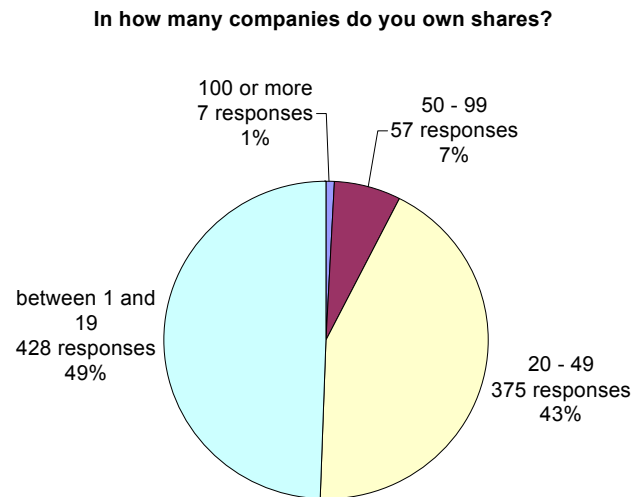
6. Amount of investment in shares owned directly (individually, jointly, or by a family company or family trust)

874 investors answered this question. Their investment in shares owned directly totaled \$605,018,250. 150 respondents had between \$1 million and \$5 million invested, 7 had between \$5 million and \$10 million, 2 had between \$10 million and \$15 million, and 3 had over \$15 million.

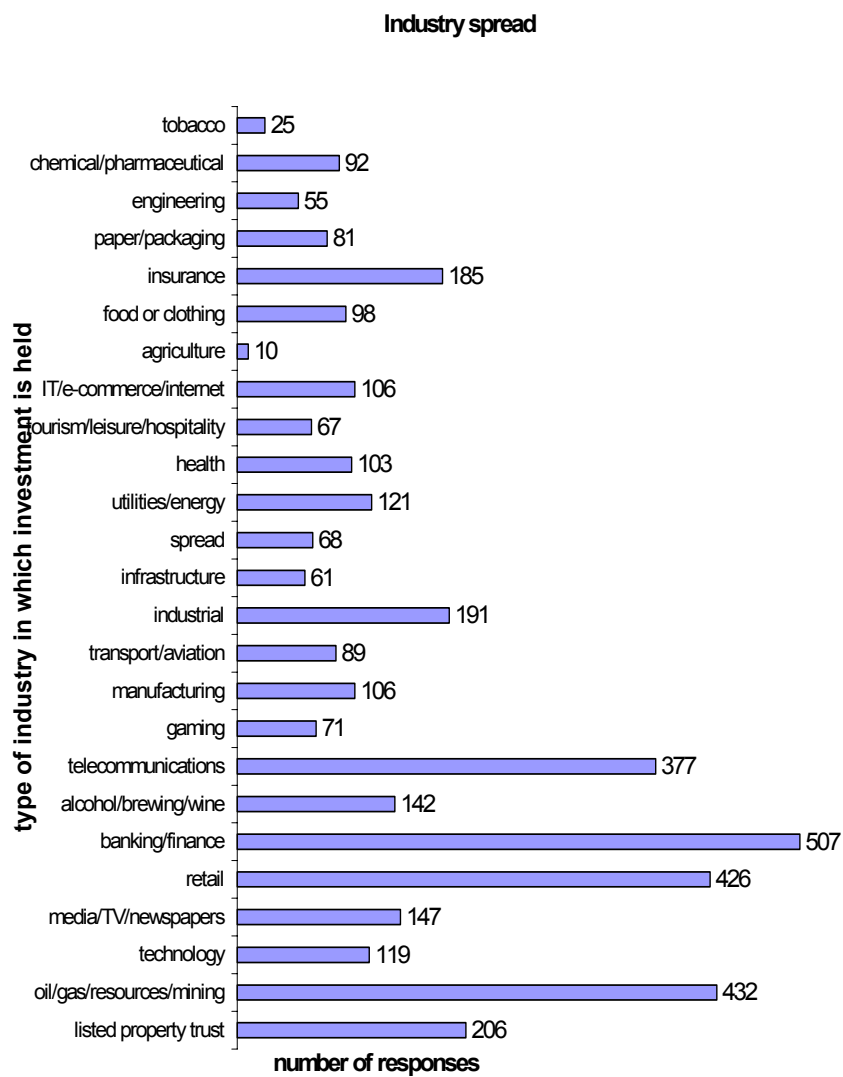
C. Shares Owned Directly

Basic information about investors and the basis on which they make decisions about their investments in shares:

1. In how many companies do you own shares?

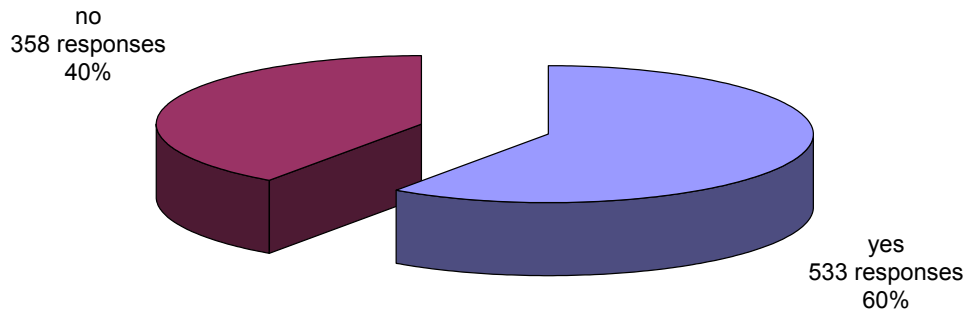


2. Please list briefly what industries these companies are in:



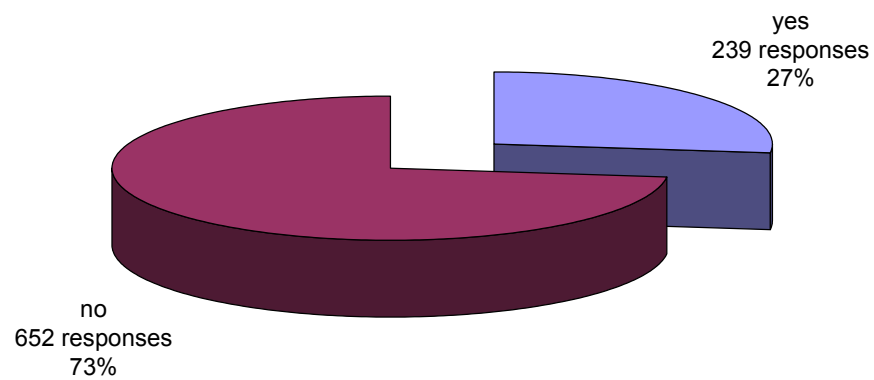
3. Do you use a stock broker who provides an advisory service?

Do you use a stockbroker who provides an advisory service?

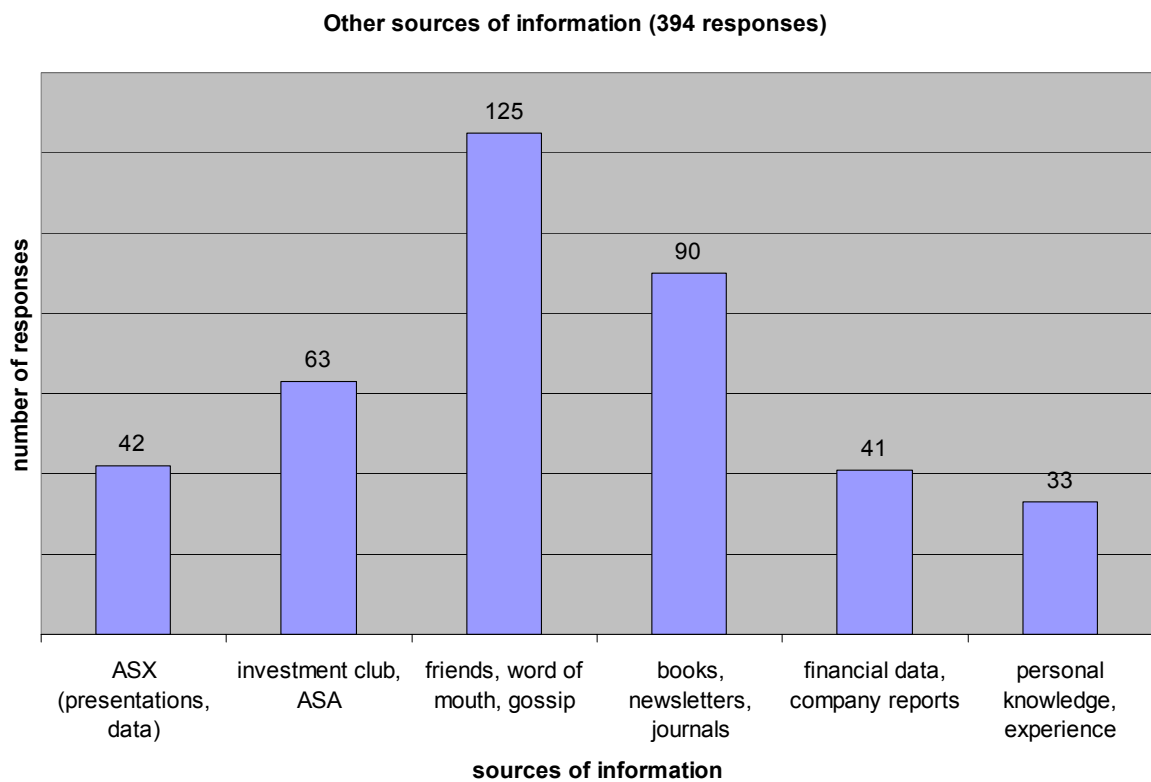
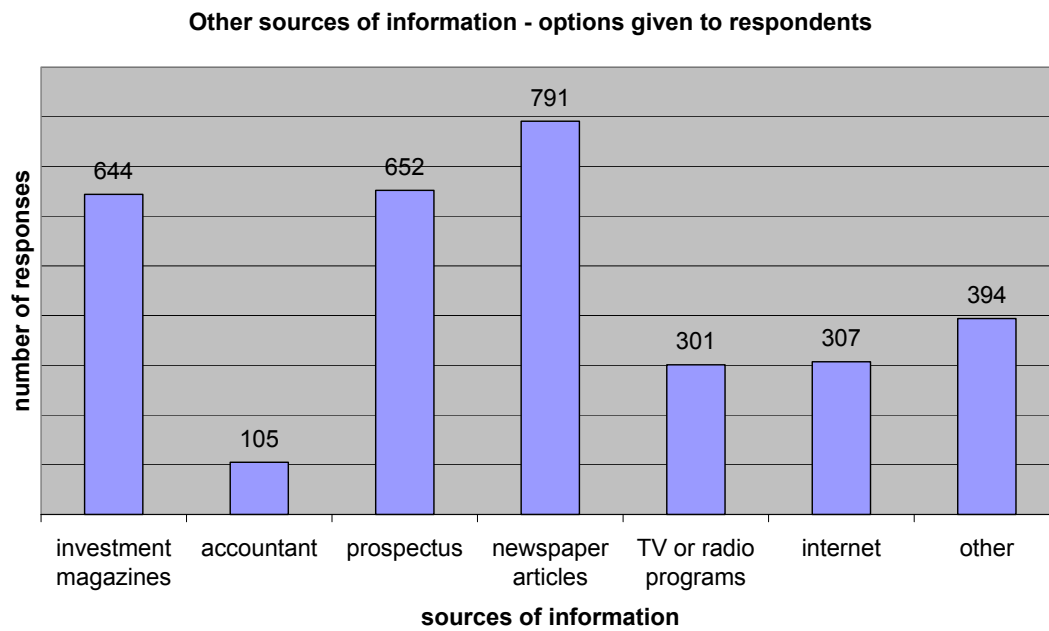


4. Do you have an investment adviser (financial planner)?

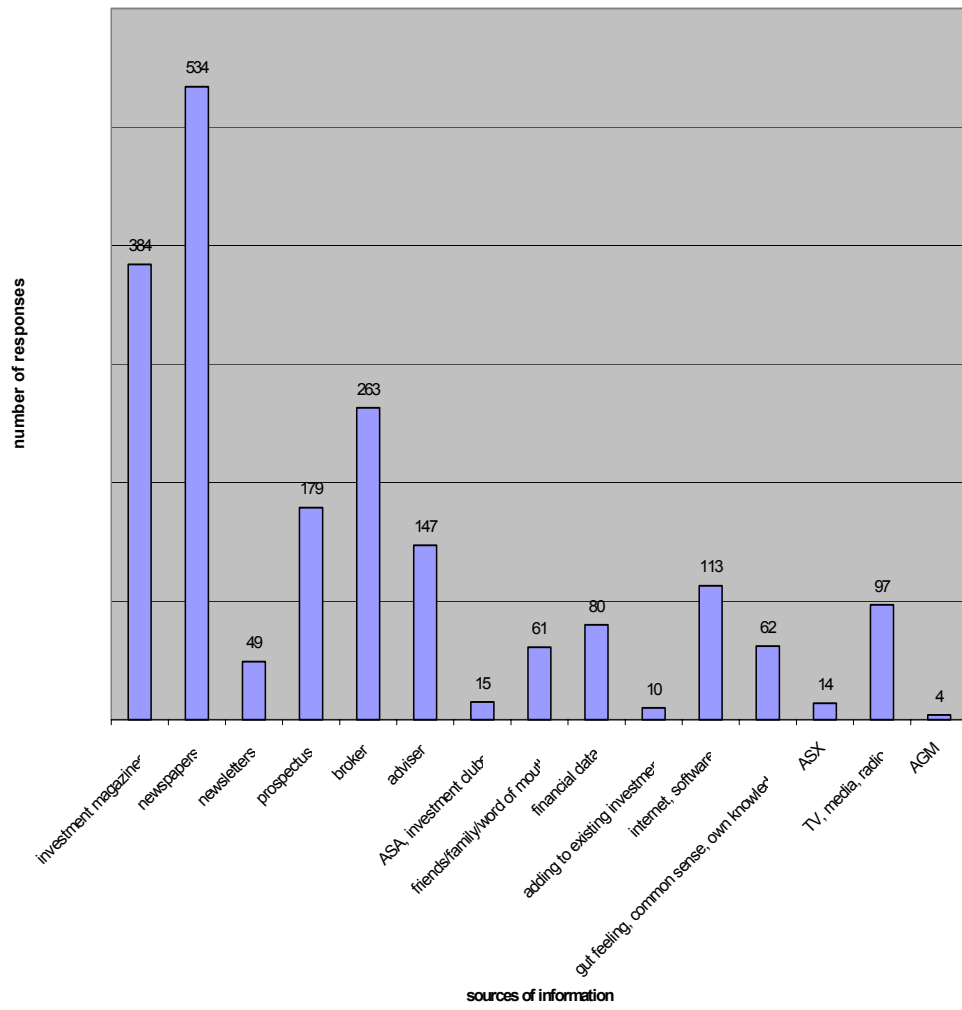
Do you have an investment adviser?



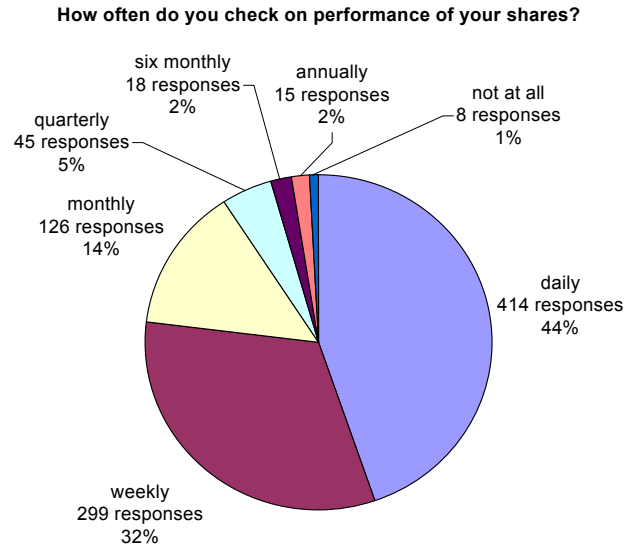
5. What other sources of information do you refer to before making your decision to invest in shares?



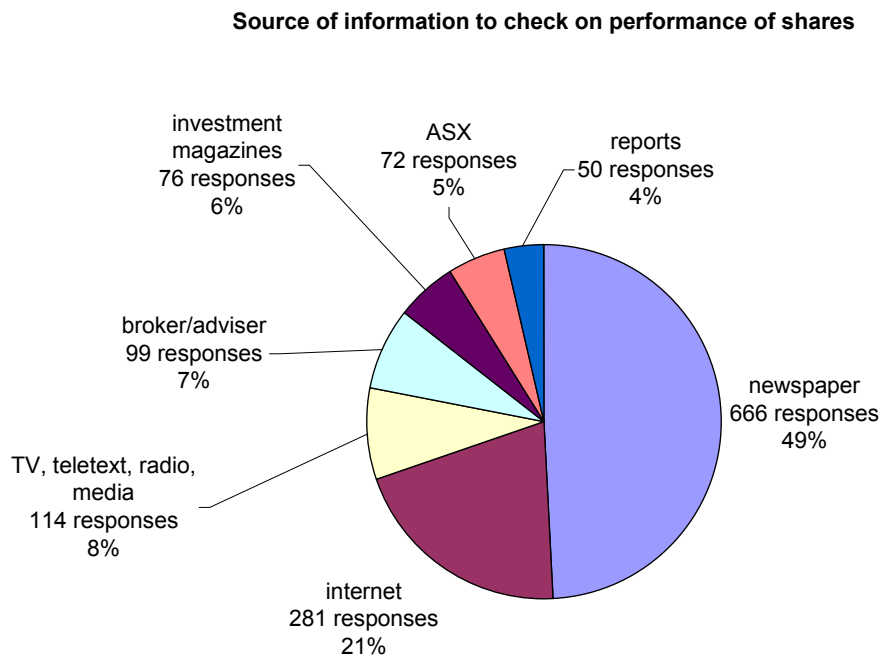
Most important sources of information for most recent share investment



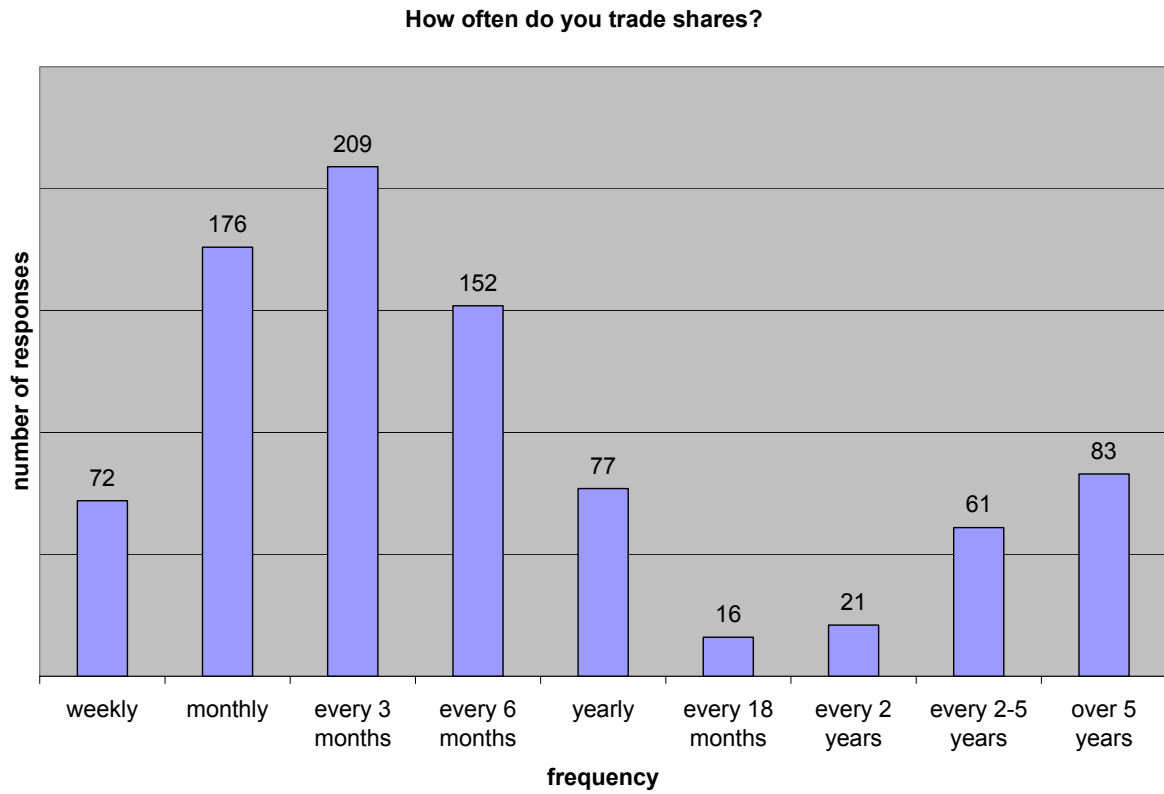
6.(a) Approximately how often do you check on the performance of your shares?



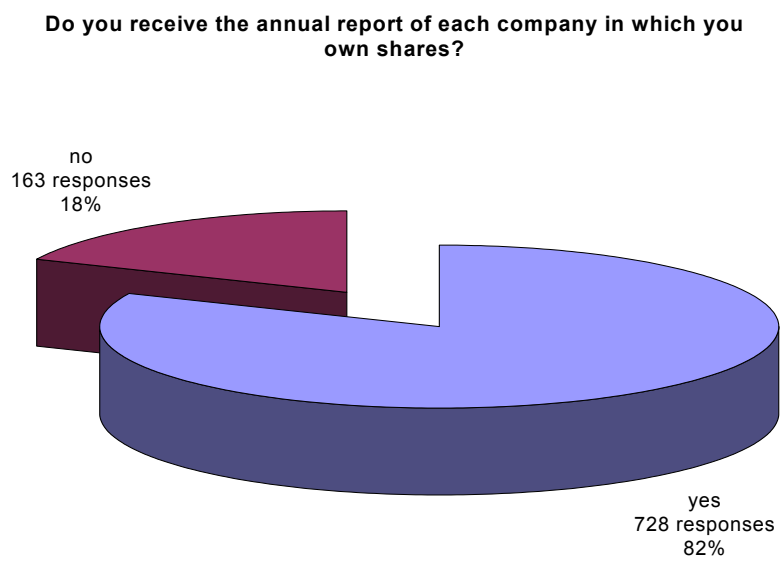
6. (b) Please list the source(s) of information that you use to check on the performance of your shares:



7. As a general rule, how often do you trade shares?

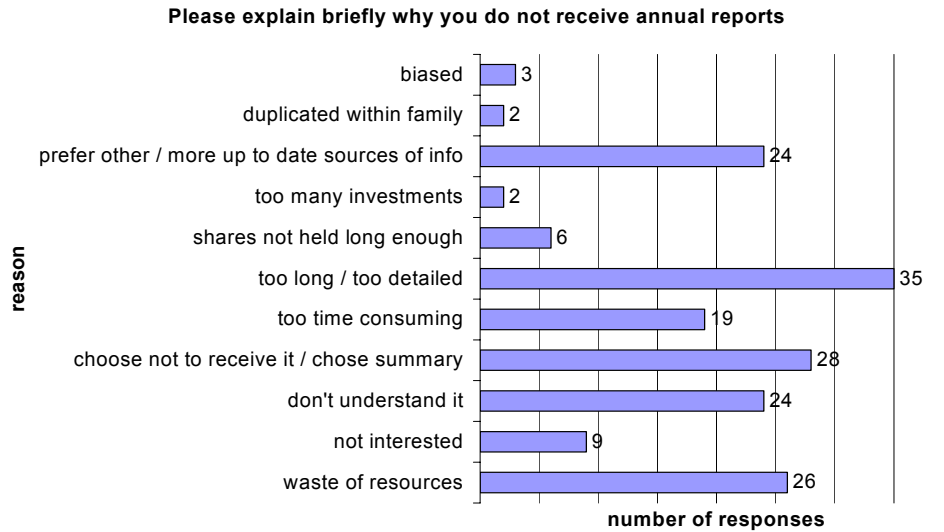


8. Do you receive the annual report of each company in which you own shares?

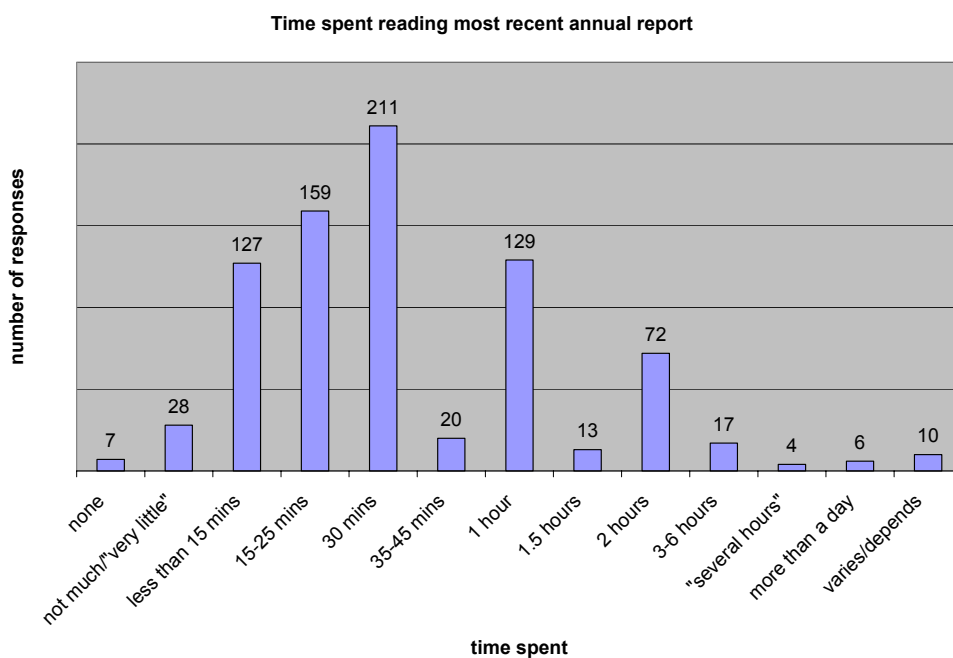


9. If not, please explain briefly why you do not receive any or all of these annual reports:

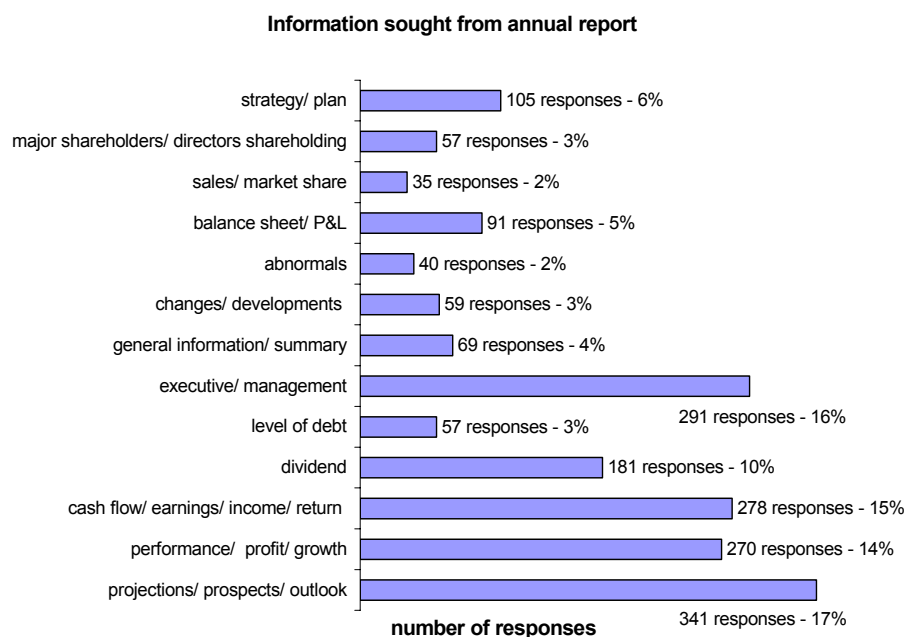
178 investors responded. There was overlap between responses to this question, and those for question 12, which asked why the annual report is not *read*.



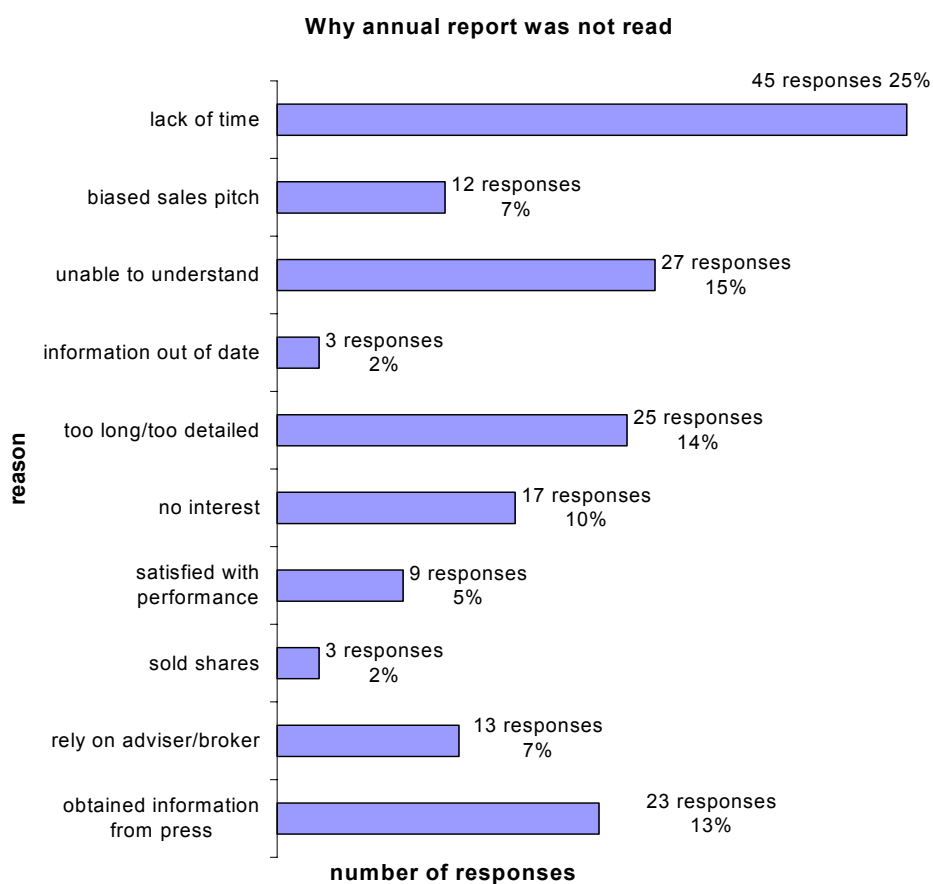
10. If you do receive at least some annual reports, approximately how much time did you spend reading the most recent annual report that you received?



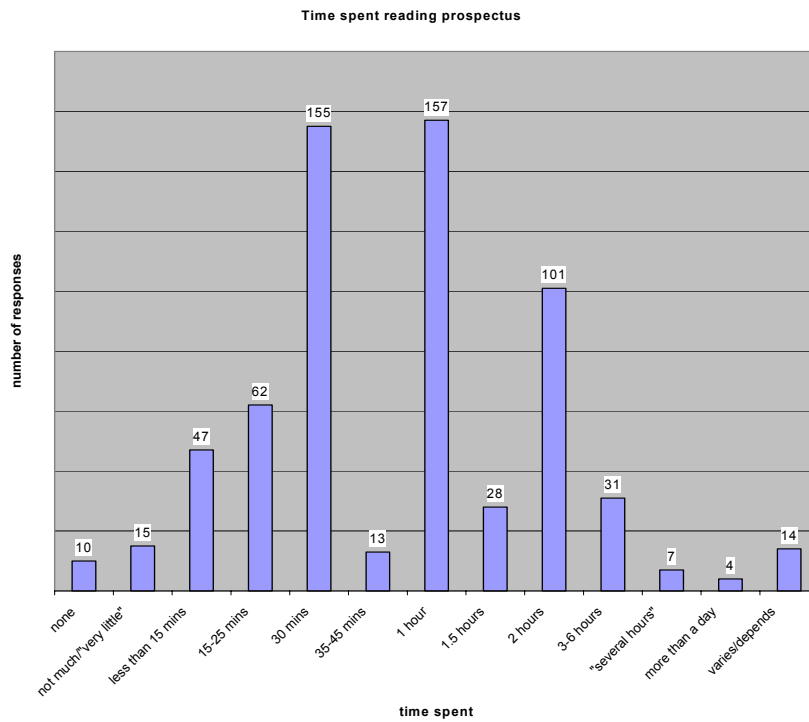
11. Please describe briefly what information you were seeking when you read that annual report:



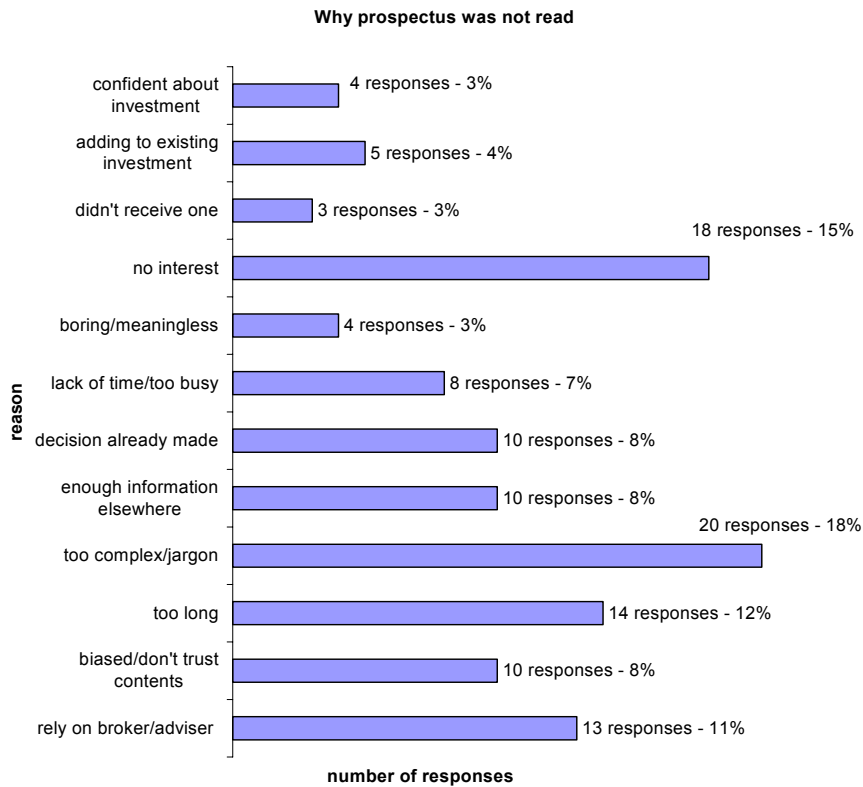
12. If you did not read this annual report or other annual reports that you receive, please explain briefly why you did not do so:



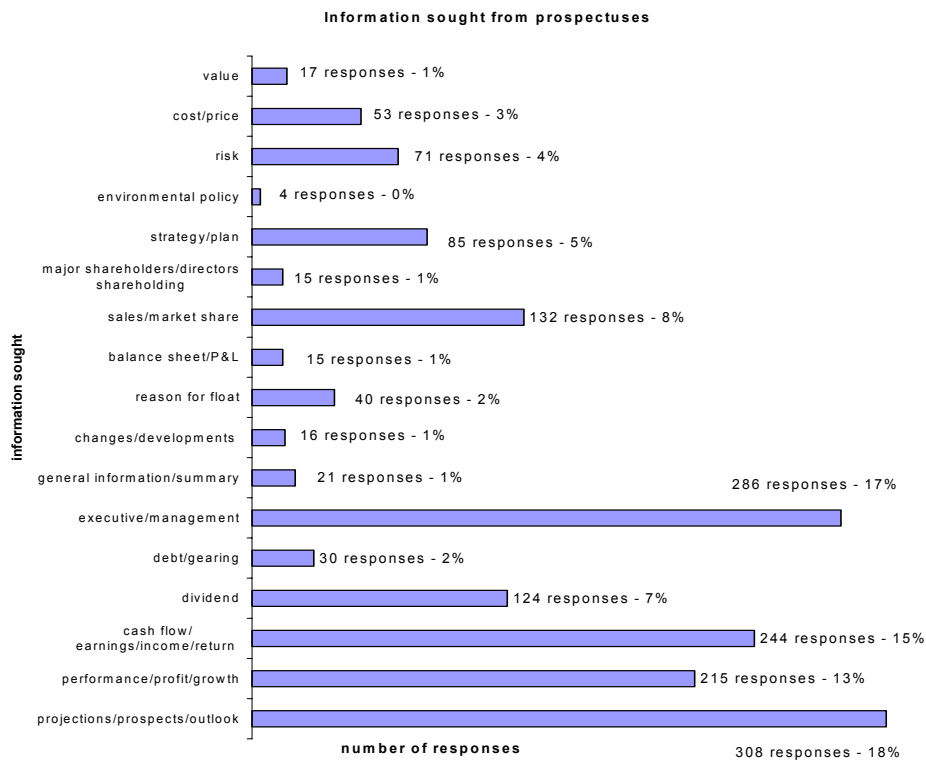
13. When you received a prospectus for your most recent share investment, approximately how much time did you spend reading it?



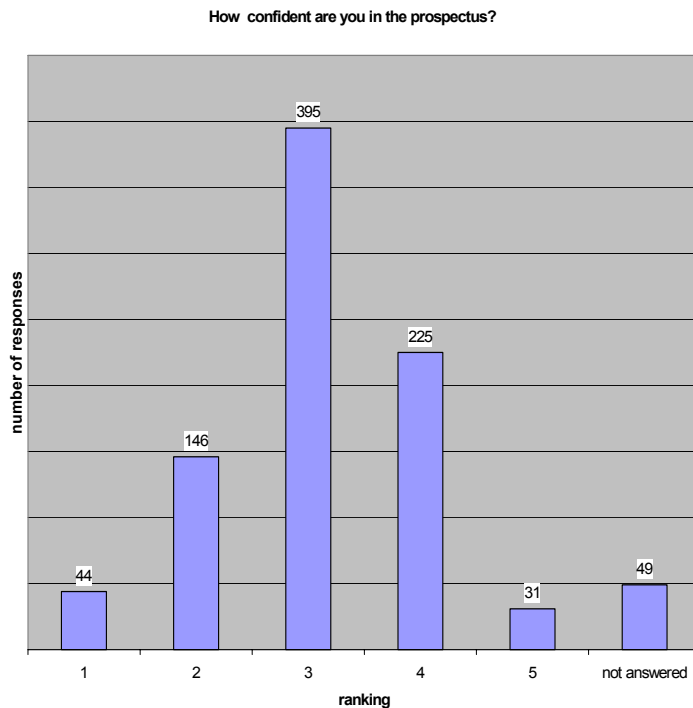
14. If you did not read the prospectus you received, please explain briefly why you did not read it:



15. If you did read the prospectus you received, please list briefly the most important information you were seeking to obtain from it:

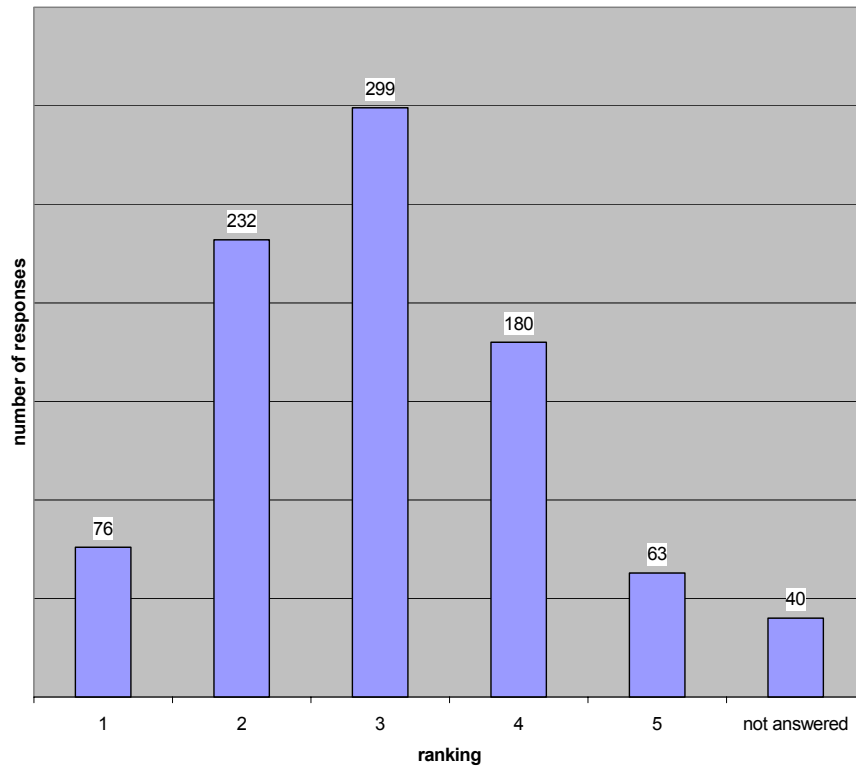


17. How confident are you that the prospectus that you read gave you the information you needed to make a decision whether or not to invest in a particular company (1=not at all confident; 5=extremely confident)?



18. Of all the sources of information you used before making your decision to invest in shares, how important was the prospectus compared with other sources (1= not at all important; 5=extremely important)?

How important was the prospectus compared with other sources of information?

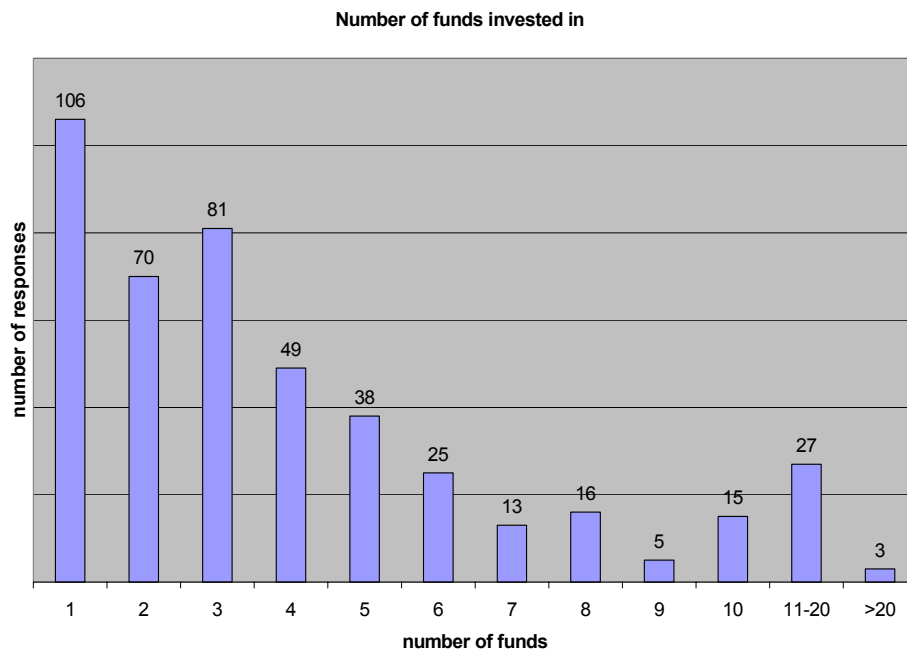


D. Shares Held Through Managed Investment Funds

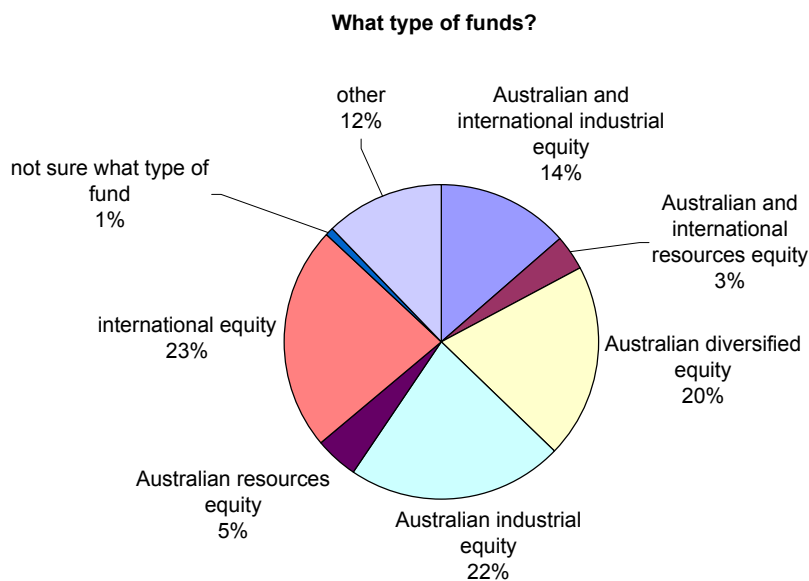
460 respondents completed this section of the survey.

Basic information about investors and the basis on which they make decisions about their investments in managed funds:

1. In how many funds do you have money invested?



2. What type of funds are these?

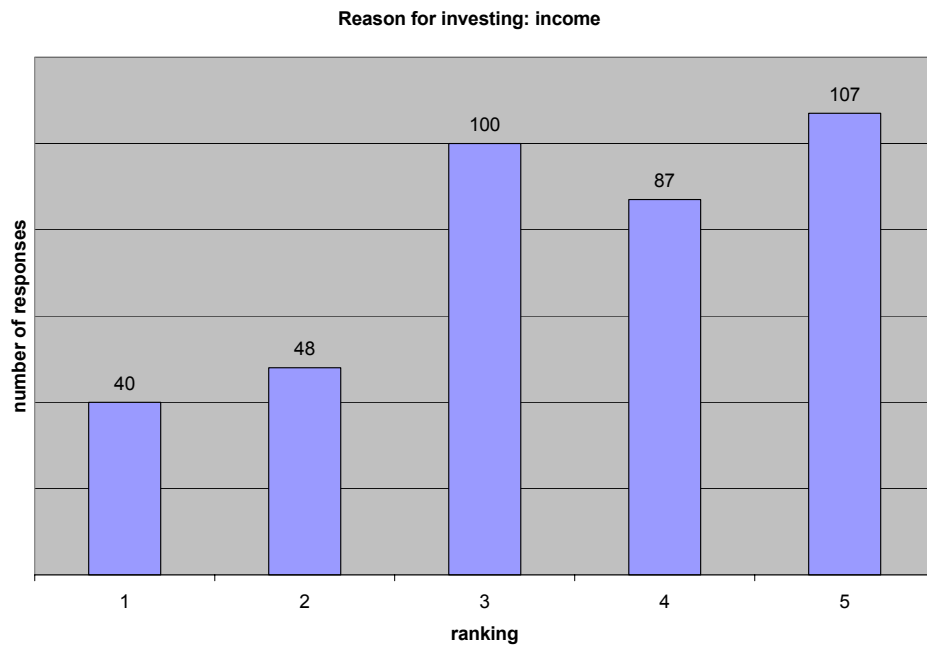


Other types of funds invested in (12 % of responses):

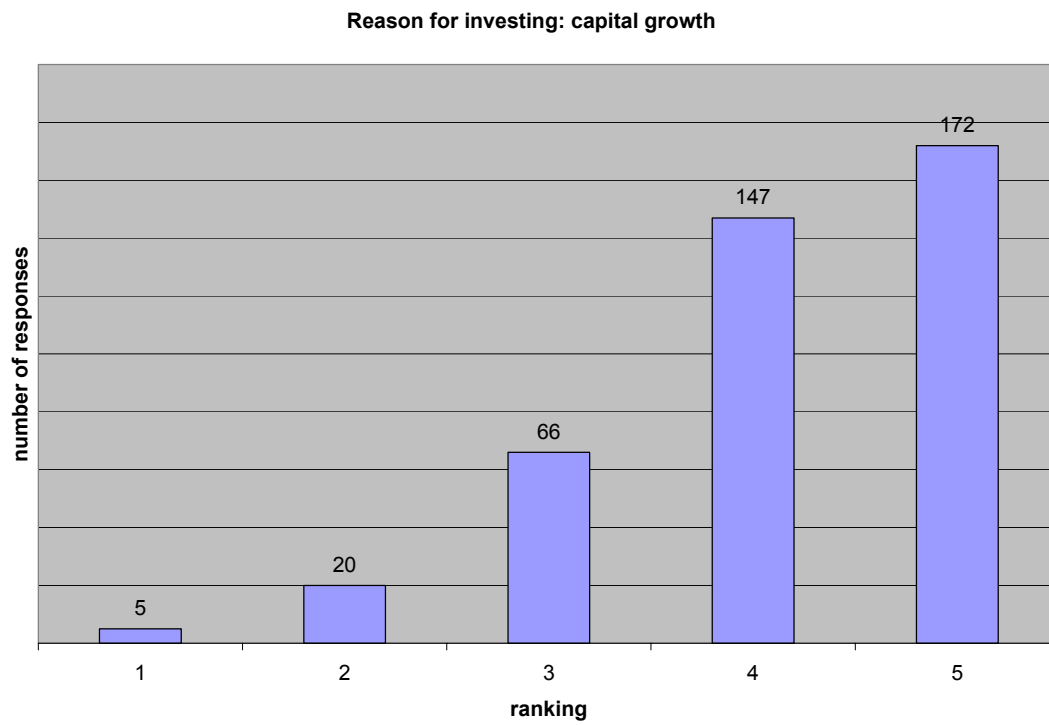
- property (49 responses)
- 'blue skies' share fund
- ethical investment
- beneficiary of an estate
- Australia Foundation
- active growth
- hedge fund (2)
- mortgage (7)
- Australian and international diversified (10)
- Australian and international growth (2)
- superannuation (4)
- smaller companies (10)
- allocated pension (2)
- bonds (7)
- imputation fund (5)
- capital guaranteed / capital stable (3)
- conservative
- balanced (6)
- venture capital
- technology (14)
- BT
- index fund
- futures
- infrastructure
- cash/securities (2)
- "tax advantaged"
- fixed interest
- commodity trading
- "fund utilising technical analysis for short term investment in futures internationally eg energy, commodities, bonds, currencies etc"

3. What are your main reasons for investing in managed funds (1=not at all important; 5=extremely important)?

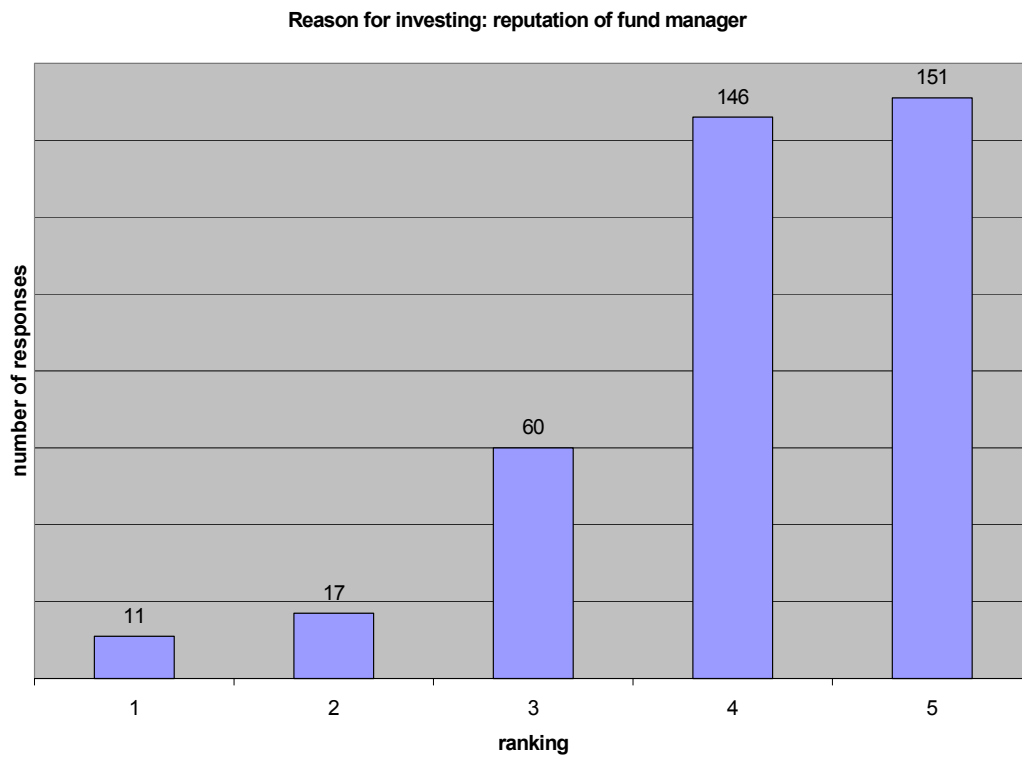
(a) Income:



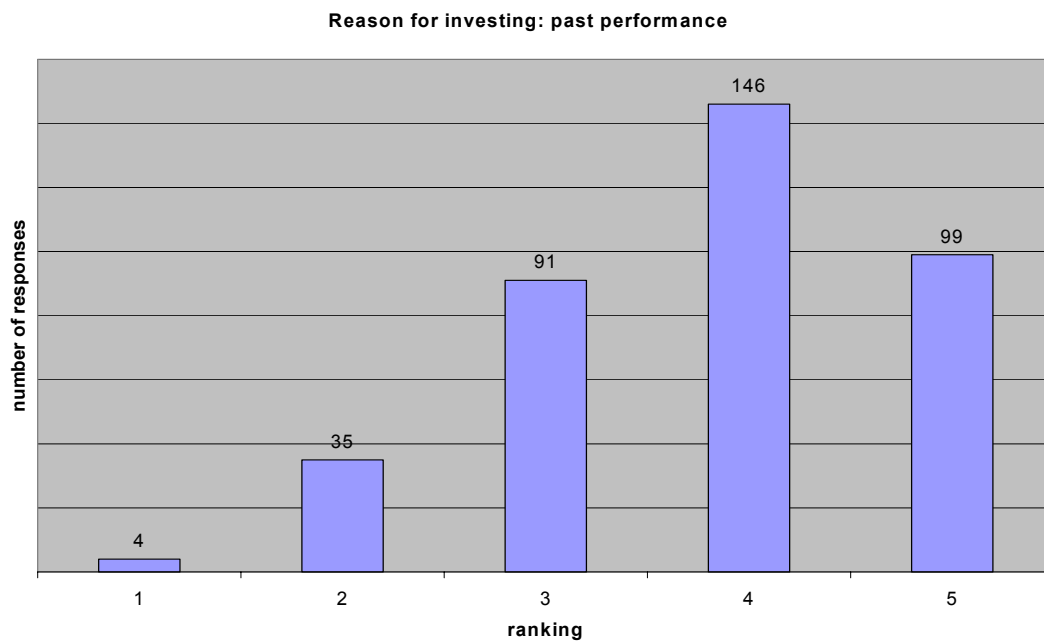
(b) Capital growth:



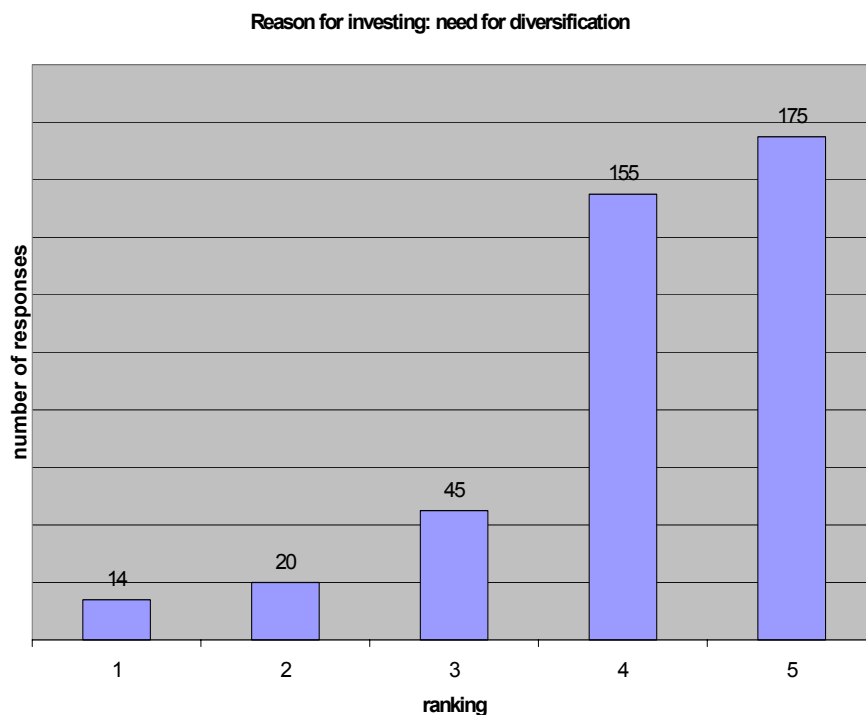
(c) Reputation of the fund manager:



(d) Past performance of the fund:



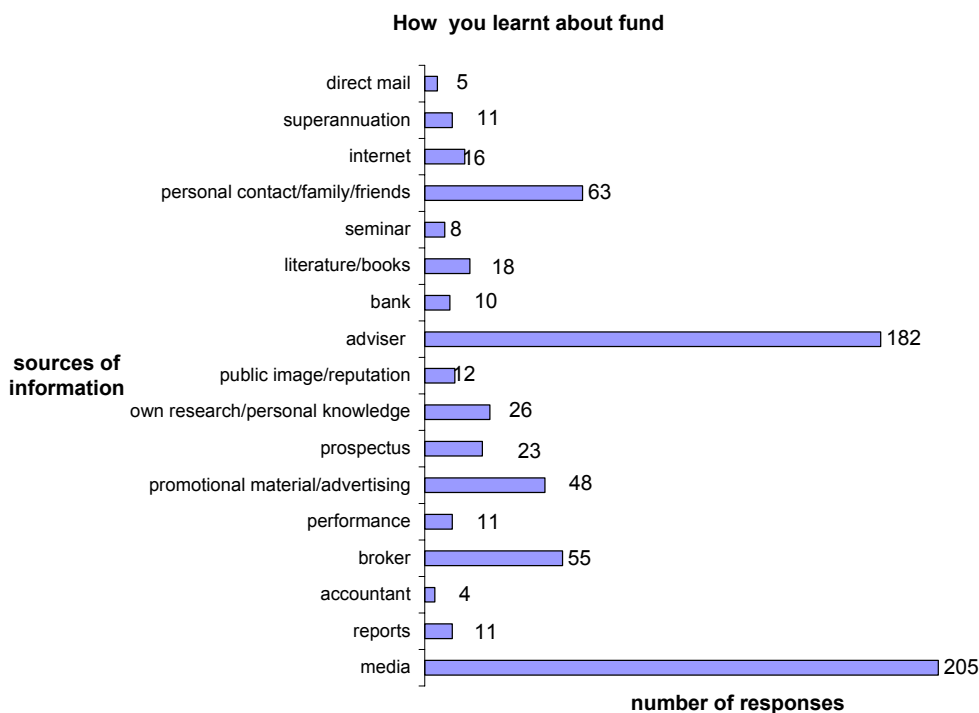
(e) Need for diversification:



Other reasons for investing in managed funds:

- overseas exposure (98)
- utilise manager's expertise (25)
- superannuation (24)
- security (20)
- compare performance / benchmark direct investment (11)
- taxation benefits (8)
- liquidity (8)
- not able to manage it myself / easing out of direct involvement as I get older/ less need to monitor progress (7)
- advice of financial adviser (6)
- Australian (5)
- convenience (5)
- access to regular investment plan (4)
- income stability (4)
- no alternative eg infrastructure (3)
- long term returns
- to be in new technology business
- education purposes
- currency exposure
- personal knowledge

4. Please explain briefly how you learnt about the fund(s) in which you have invested:



5. Do you also own shares directly?

460 respondents (100% of those who completed this section of the survey on managed investment funds) answered yes.

6. If no, please explain briefly why you chose to invest through a managed fund(s) rather than buying shares:

Although all the respondents answered yes to the previous question, 26 then replied to this question:

- diversification / spread risk (11)
- less worry / reduced responsibility (3)
- for professional management expertise (3)
- super fund (2)
- investment advice (2)
- shares inherited
- personal judgement
- income tax effectiveness
- to benchmark own investments

7. If yes, please explain briefly why you have chosen to own shares both directly and through a managed fund(s):

The primary reason is diversification – combining the perceived security of a managed fund investment with the active involvement of direct share investment. Many respondents began investing in managed funds and moved into direct share investment as they gained confidence in the market, or became dissatisfied with fees charged.

Those who began with managed funds and moved into direct share investment (16 respondents), said:

- wanted to learn more and have direct involvement
- started with managed funds for stable income, gradually bought shares directly
- invested in managed fund before became interested in direct shares, was warned of need for part of income to have franked dividends
- have slowly reduced managed fund holdings as more experience and willingness to spend time
- historically started with managed funds, moved to shares after gaining some experience, good managed funds & shares in investment cos add value & provide diversity & some assurance that portfolio is constantly monitored & managed
- started in managed funds & then went to direct shares to learn more, have more control
- managed fund came first but direct investments have performed better on average
- originally only managed funds but now more confident
- was not thinking too well when put money in managed investment...have learn from experience since then
- started with an adviser but was disappointed with results - found more success investing directly
- can I do better? Fees on managed fund too high
- invested in funds before getting confident enough to invest directly
- started in managed funds and became confident about investing directly
- invested in funds initially then moved into shares when govt began floats
- with experience have found my own judgement in buying shares was good

There were 13 respondents who utilise the expertise of professional manager, for diversification, income stability, long term growth, security, convenience or specific sector exposure – a ‘safety net’ - while enjoying direct involvement in the market with part of their investment portfolio:

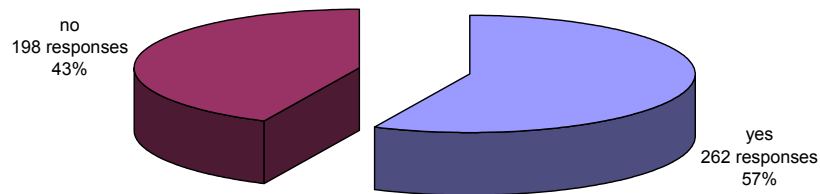
- am becoming more aware of my need for assistance
- easing out of direct involvement as I get older
- rely on management expertise to offset fluctuations of own investments
- initially owned shares directly but poor performance then lead me to managed funds
- trade shares when need money, hold on to managed funds longer term
- [aware that there is] more control in direct investment but too time consuming to monitor whole portfolio
- managed funds have higher security but lower return - direct investment is refined gambling
- managed funds for security and returns (retirement income), shares more speculative
- prefer to own direct shares but wanted international shares exposure but needed help
- been interested in share ownership for forty years, managed fund because I needed a reliable source of base income
- invest when I know the market, when I lack confidence in share or market I invest in a trust
- directly in well known companies I have had time to research, managed funds for diversification & less well known companies
- shares as hobby, managed funds more secure

Others use the manager’s performance as a benchmark for direct investment. Some believe that they do not get value for management fees, and can do better than the manager, yet they still like to ‘hedge their bets’:

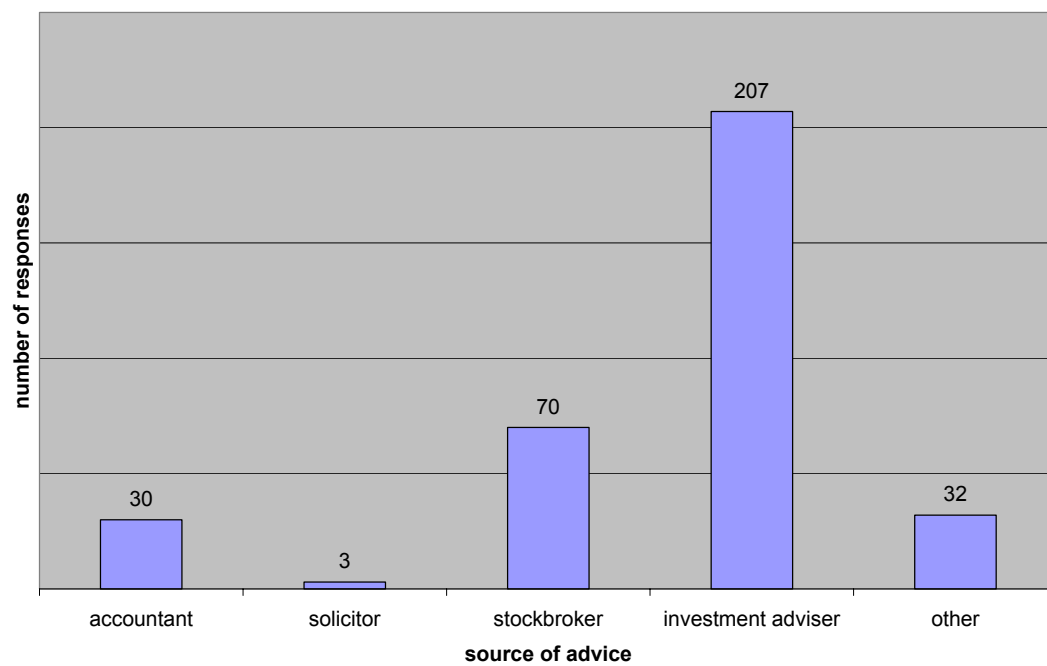
- enjoy owning shares, like to compare results against managed fund
- directly means that I can contribute to companies which I respect & which I believe make a contribution to my nation, also have a vote & a voice if I wish to exercise these
- get to play with own money (why let fund managers have all the fun), if I buy the same shares they do I save on management fees
- to compare returns on my direct investment with a professional
- compare own performance with managed funds, international exposure
- managed fund gives a benchmark against which I can judge my direct share investments
- so professional stickybeaks don't know everything about your investments
- 'tricked' into managed fund by adviser who did not disclose hidden costs
- don't think managed funds return enough to investors, fees are excessive & usually a percentage of funds invested - not based on performance

8. Did you seek professional advice before making your decision to invest in a managed fund(s)? If you did seek professional advice, who did you consult?

Did you seek professional advice before making your decision to invest in a managed fund(s)?



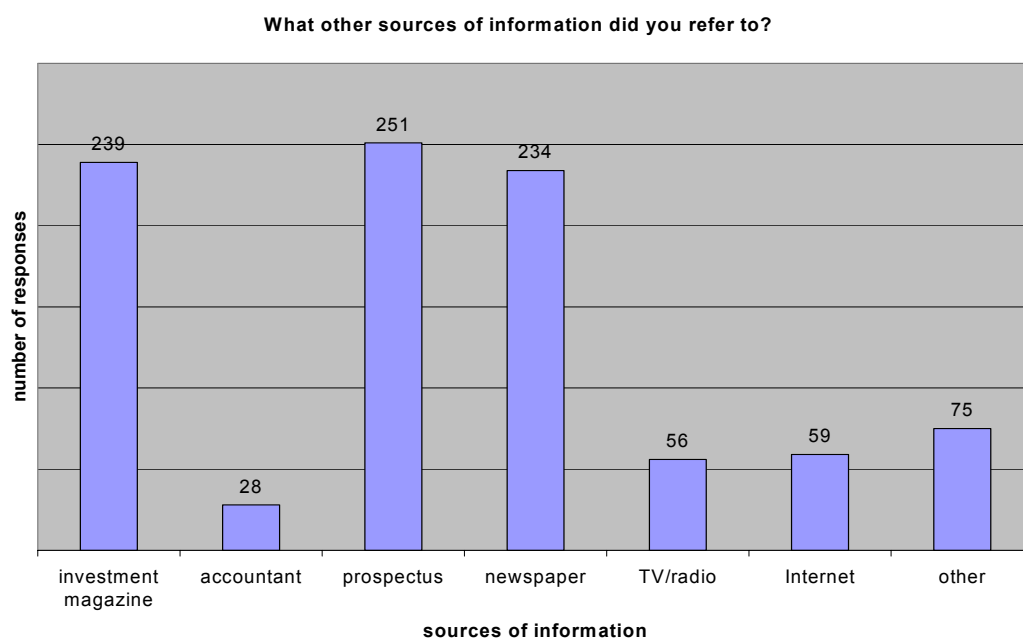
Who did you consult for professional advice?



Other people from whom respondents sought professional advice (the word ‘professional’ seems to have been overlooked in most cases):

- friends and relations (5 responses)
- financial press (6)
- prospectus (3)
- "received one through inheritance & other through insurance company"
- reading at the library
- bank manager
- annual reports
- reading the fund manager's trust deed
- many seminars
- adviser group research officer
- company concerned
- actuary (retirement specialist)
- quality research, company itself, public info, history & performance data
- decisions are usually made on own criteria or discussion with broker
- direct approach to company if possible
- non accountant for SMSF & ATO
- KPMG adviser
- fund managers (3)
- have accounting qualifications
- publications
- lecturer at SIA
- ASA investment club
- internet

9. **What *other* sources of information did you refer to before making your decision to invest in a managed fund(s)?**

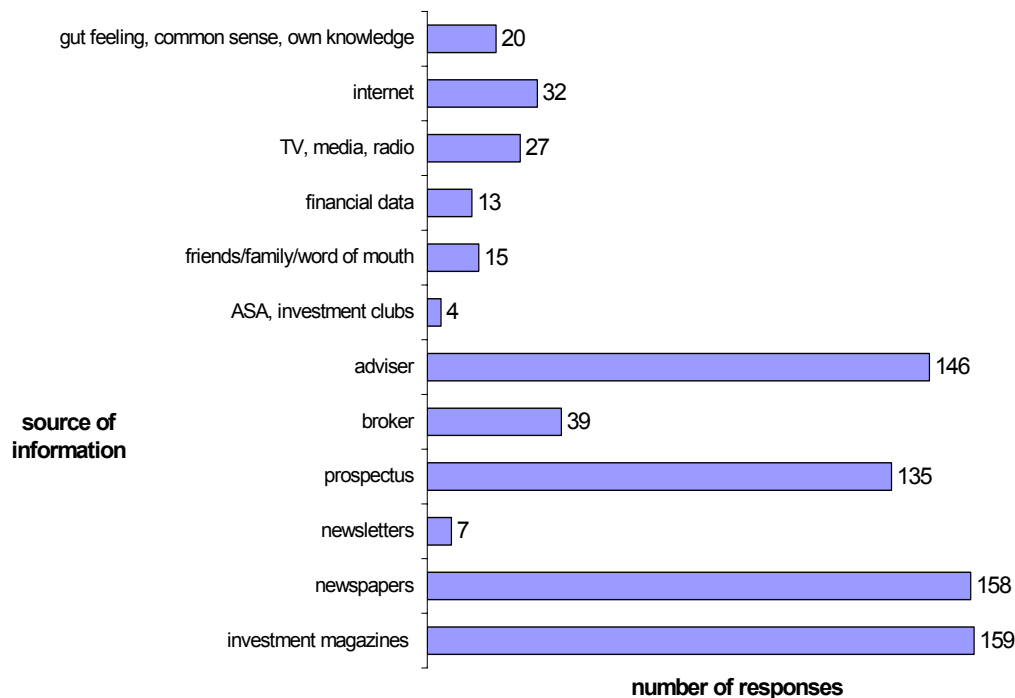


Other sources of information:

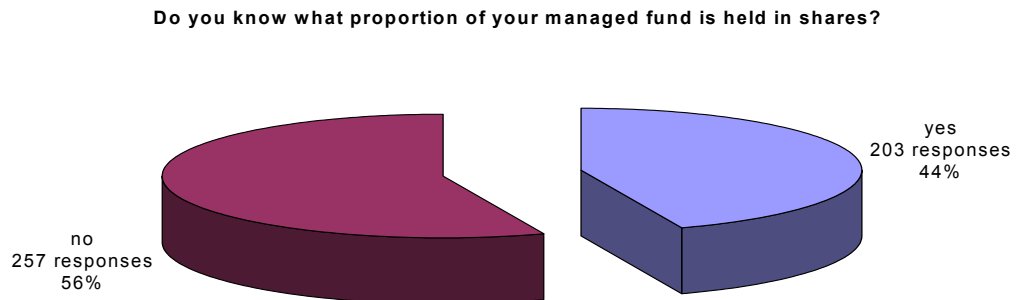
- word of mouth/friends/relations (29)
- sharebroker (2)
- direct from company (2)
- analysis of results / funds analysts / research house (4)
- investment newsletters (4)
- advertising
- own research / own knowledge (5)
- financial planners
- annual reports (2)
- adviser group recommended/approved list
- discussion with fund manager / fund manager presentations/ reputation of fund (4)
- investment seminars (5)
- research publications / books (2)
- financial press (6)
- internet
- financial institutions circulars (3)
- ASX reports / lectures (5)
- ASA / investment club (2)
- advice of bank

10. Please list up to three sources of information that were the most important for your most recent managed fund(s) investment:

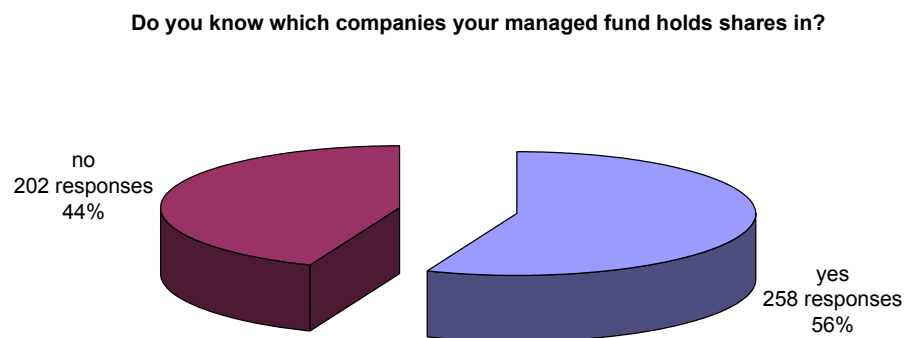
Sources of information for most recent managed fund investment



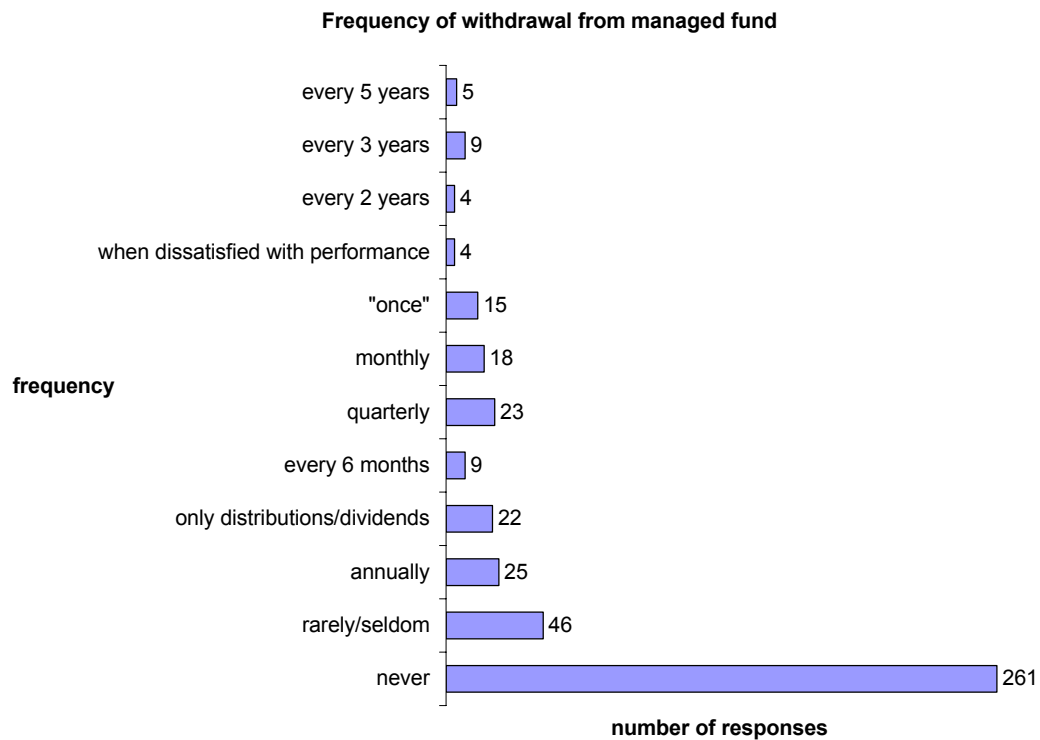
11. If you have invested in a managed fund which invests in both shares and property (i.e. a balanced fund as opposed to a property fund), do you know what proportion of your managed fund(s) is held in shares?



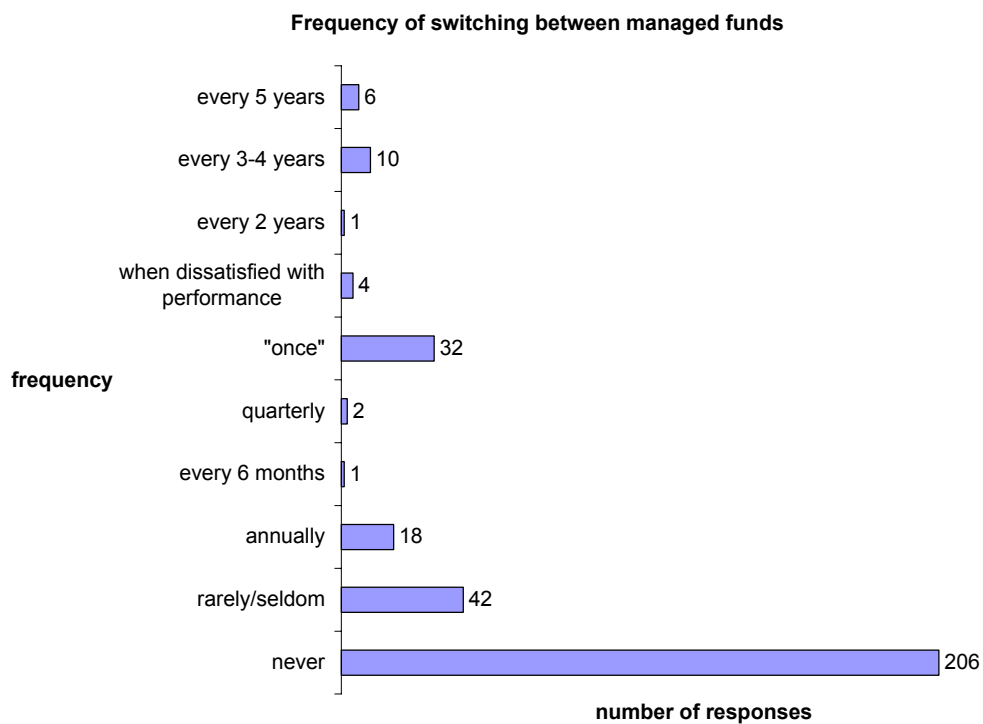
12. Do you know which companies your managed fund(s) hold shares in?



13. Please give an estimate of how often you withdraw money from your managed fund(s):

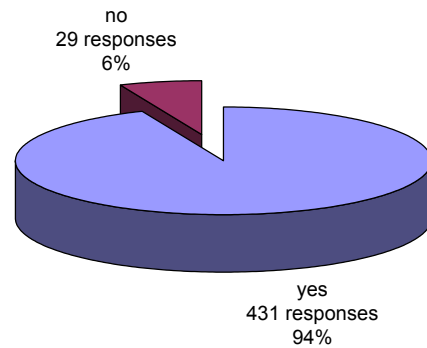


14. If you have more than one managed fund, please give an estimate of how often you switch money between your managed funds:

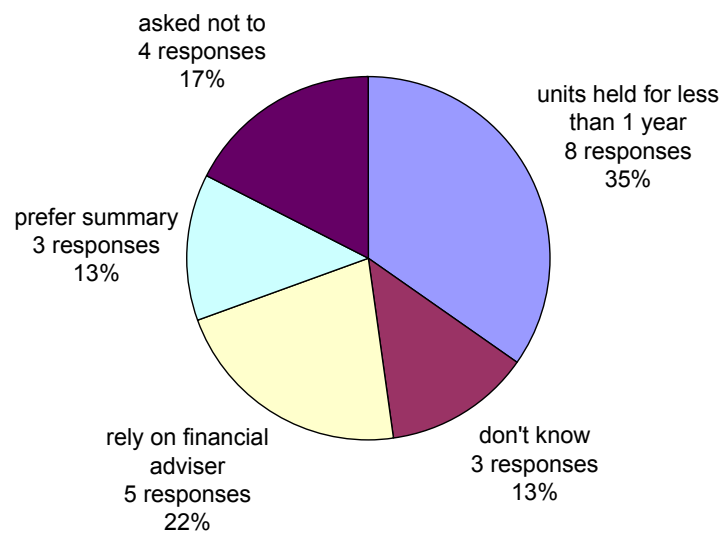


15. Do you receive the annual report of your managed fund(s)?

Do you receive the annual report of your managed fund?

**16. If not, please explain briefly why you do not receive it:**

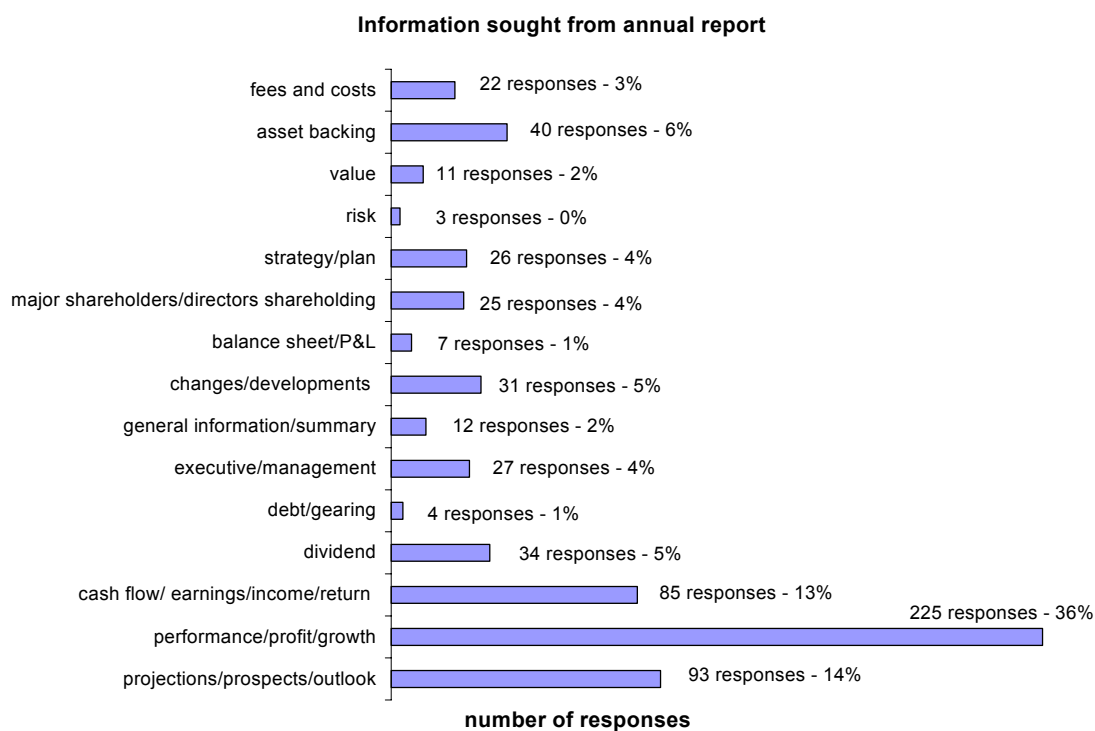
Why annual report not received



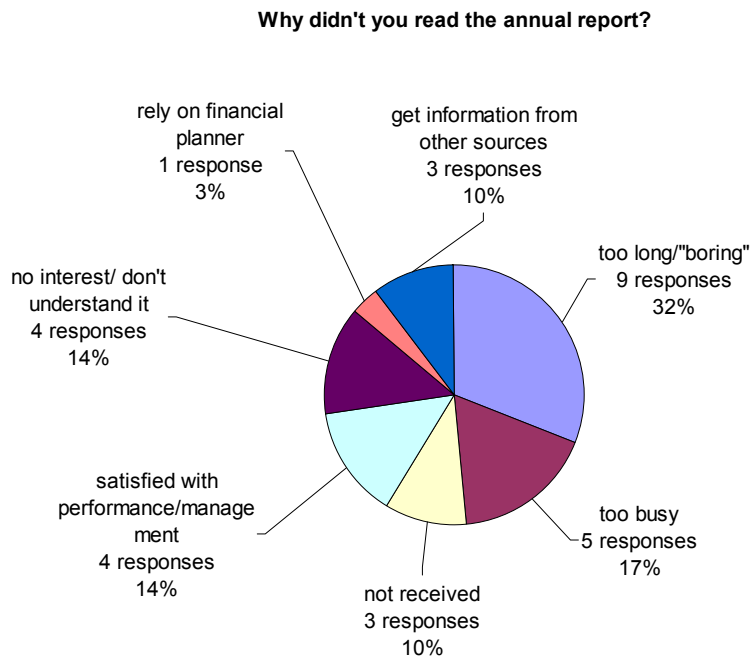
17. If yes, approximately how much time did you spend reading the most recent annual report?



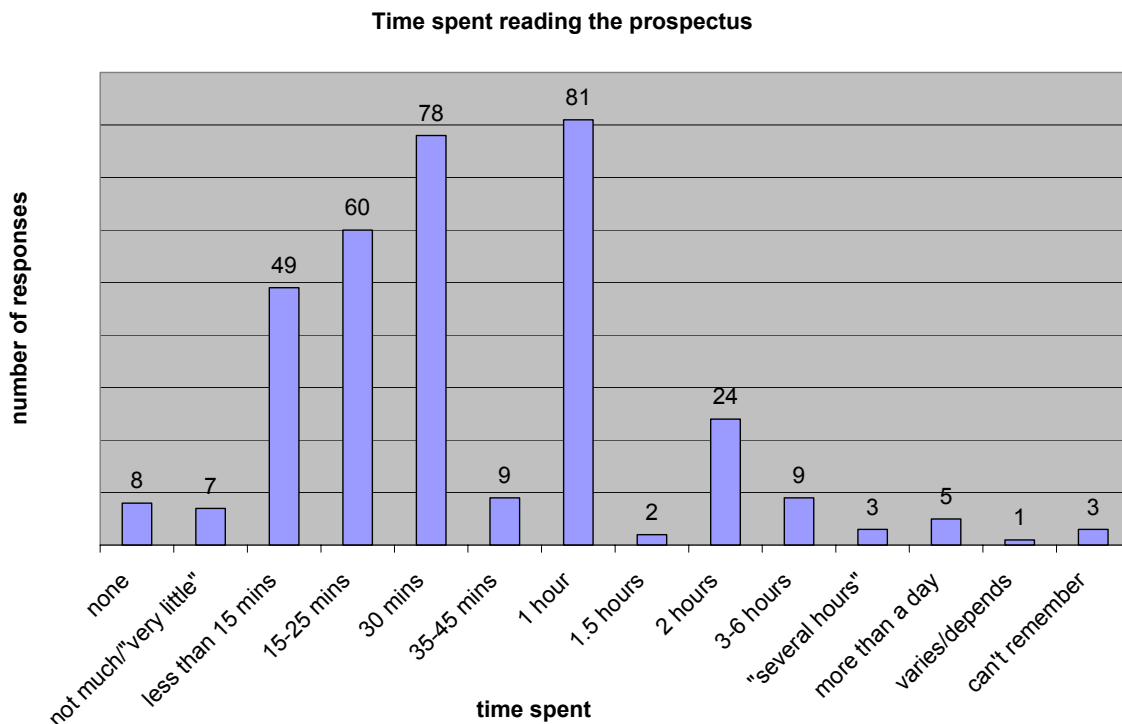
18. Please describe briefly what information you were seeking when you read the annual report:



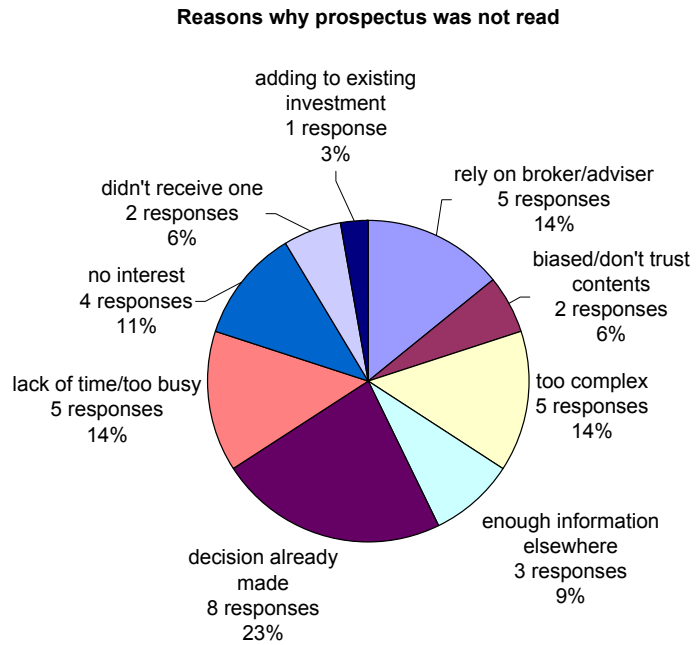
19. If you did not read the annual report, please explain briefly why you did not read it:



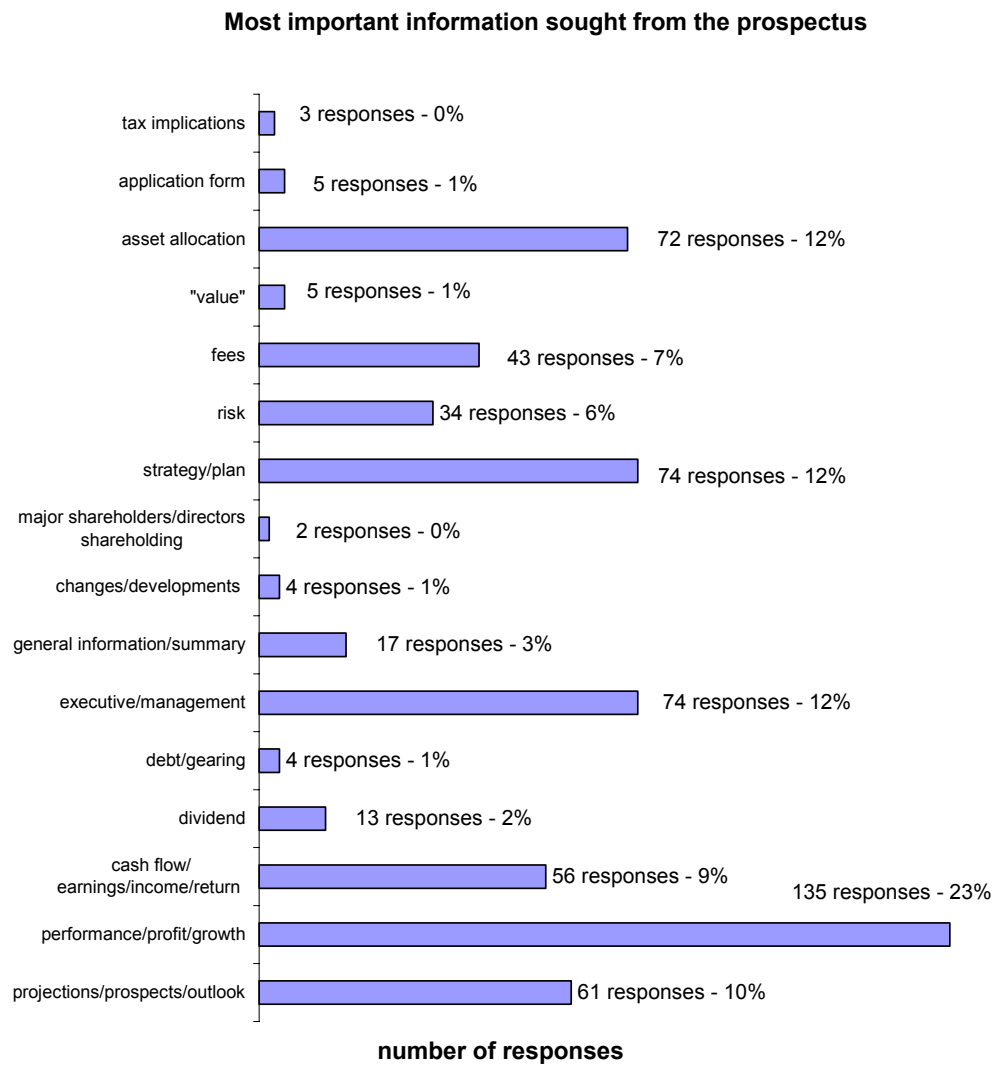
20. When you received the prospectus for your most recent managed funds investment, approximately how much time did you spend reading it?



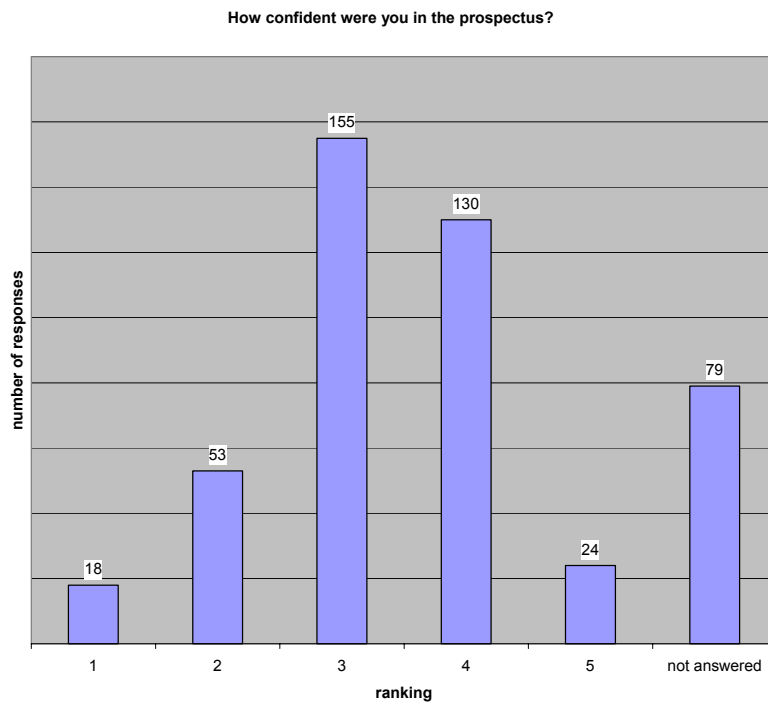
21. If you did not read the prospectus, please explain briefly why you did not read it:



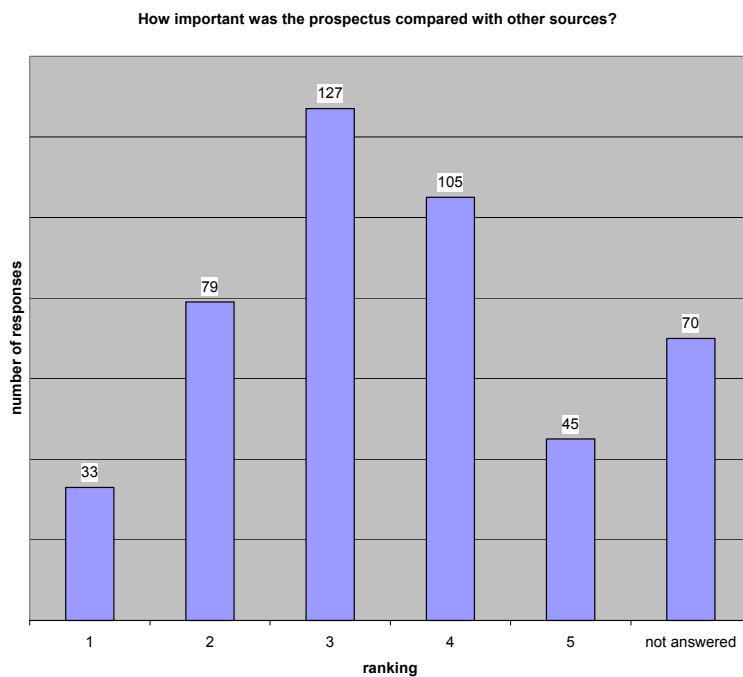
22. If you did read the prospectus you received, please list briefly the most important information you were seeking to obtain from it:



23. How confident are you that the prospectus that you read gave you the information you needed to make a decision whether or not to invest in a managed fund (1=not at all confident; 5=extremely confident)?



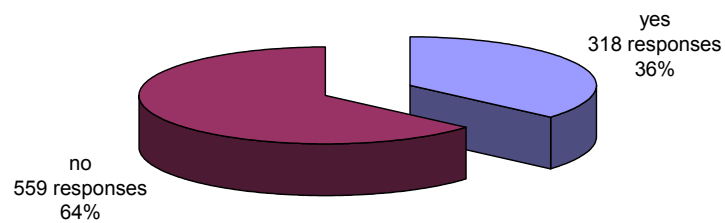
24. Of all the sources of information you used before making your decision to invest in a managed fund, how important was the prospectus compared with other sources (1=not at all important; 5=extremely important) ?



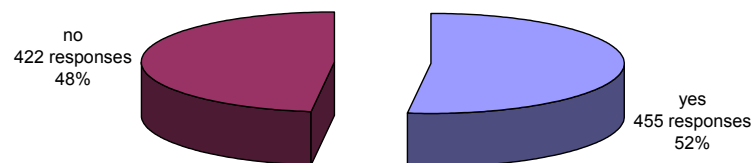
E. General Results on Prospectuses

1. Overall, after reading a prospectus, did you usually feel confident that it had given you sufficient information to make an investment decision, or did you still feel it was necessary to seek professional advice?

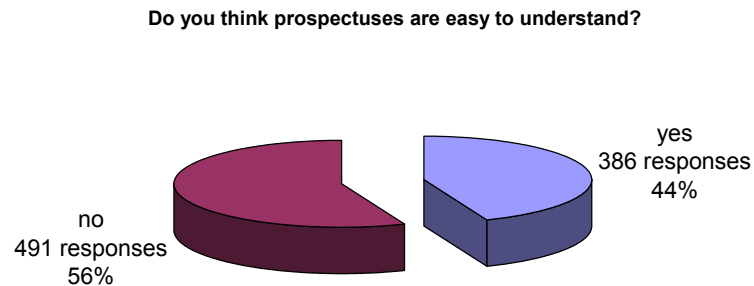
Did prospectus give you sufficient information to make an investment decision?



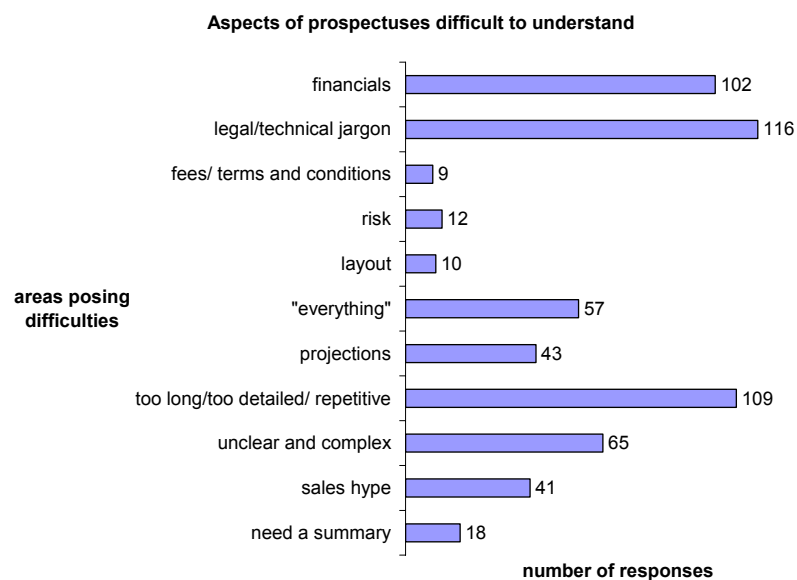
After reading the prospectus, did you still feel the need to seek professional advice?



2. As a general rule, do you think prospectuses are easy to understand?



3. If you answered no, please list the areas that you had most difficulty understanding:

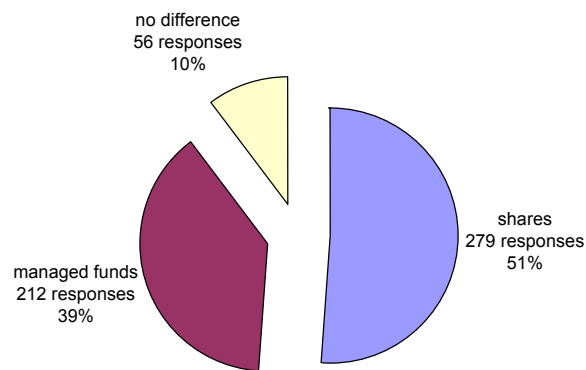


Some accept this as part of the process of investing: “Business enterprises can be difficult to understand by the nature of their complexity – I don’t expect a prospectus to be easy to understand.” Others see it as a deliberate ploy – the word ‘gobbledegook’ was used frequently - “written by people who can’t communicate

with normal people.” ; “legal gibberish”. Another problem raised is that prospectuses are too long, too detailed and repetitive: “not a question of difficulty more a question of time, like this questionnaire too wordy and academic.”

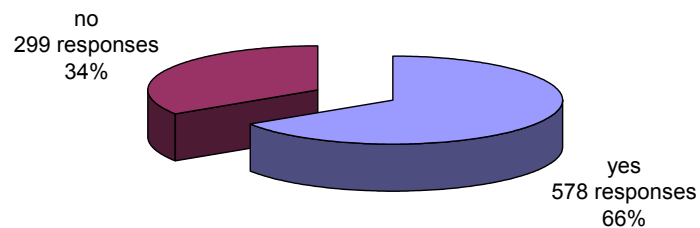
4. If you have read prospectuses for both shares and managed funds, which of these did you find easier to understand?

Which prospectus is easier to understand - shares or managed funds?

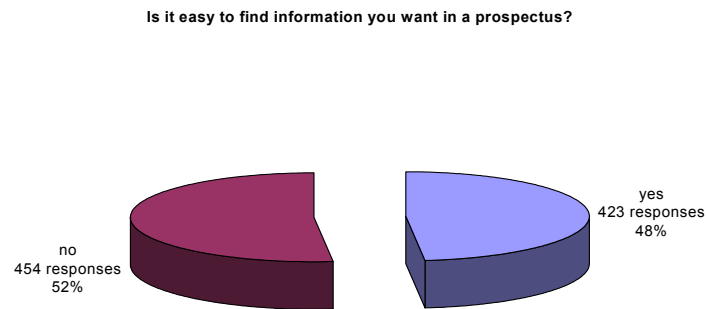


5. As a general rule, are prospectuses too long?

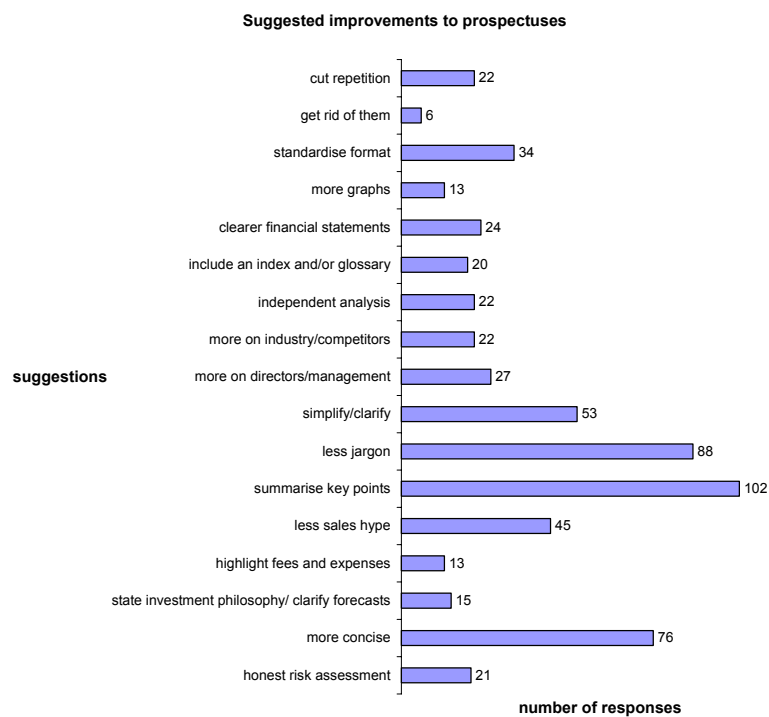
Are prospectuses too long?



6. Do you normally find it easy to find the information you want in a prospectus?

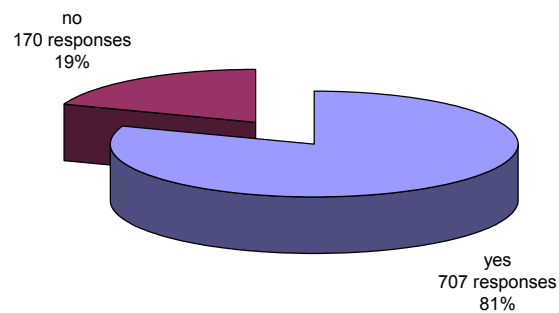


7. Please list any improvements to make prospectuses more useful to you:



8. **If the government were to privatise a profitable business in which it held a stake and members of the public were guaranteed a certain number of shares, would you apply for shares?**

Would you apply for shares in privatisation of profitable government business?



If you answered yes, please explain briefly why you would apply for shares:

Why apply for shares in privatisation?



F. Analysis

Generally, the results of the investor survey are consistent between owning shares directly and owning shares through investing in a managed fund. Unless otherwise indicated, the conclusions reached apply equally to direct and indirect share investment.

The survey of investors indicates that the prospectus forms only one part of a multitude of sources of information used by investors before making an investment decision.

There is a discernible ambivalence concerning the importance of the prospectus to a retail investor. Ranked in terms of the “importance” of the information to a retail investor, newspapers, investment magazines and professional advisers are considered to be more important than, or just as important sources of information as, the prospectus. The information most commonly sought to be obtained from a prospectus are forecasts/projections, executive management expertise and financial performance.

The results indicate that, although the prospectus is an important source of information, it is perhaps not as important as contemplated by the laws regulating prospectuses. For example, it could be argued that the comprehensive nature of the general disclosure test for prospectuses contained in the statute is premised on the prospectus being the definitive document or source of information on which an investment decision will be made. If that is the premise, the survey indicates that it might be ill-founded.

The finding that the prospectus is only one of a number of sources of information used to make an investment decision appears to stem both from a perception that the prospectus does not contain sufficient information needed to make an investment decision, and that retail investors, faced with what might be viewed as competing

sources of information, are more inclined to use other sources of information that they find easier to understand - and digest in a shorter period of time.

However, the survey indicates that there is *not* an overwhelming view that prospectuses are difficult to understand; a slight majority (56%) of respondents said that prospectuses are not easy to understand. Of those that found prospectuses difficult to understand, the areas that cause most difficulty are:

- financials;
- legal/technical jargon; and
- the detailed and repetitive content of prospectuses.

The complexity of the prospectus content therefore appears to be a function of both technical information and length.

Not surprisingly, the areas of difficulty were the most commonly cited reasons for retail investors not bothering to read a prospectus. Of those retail investors that did read the prospectus, most spent between 30 minutes to one hour reading it.

The findings of “difficulty” and “relatively little time spent on digesting prospectus information” together suggest that the utility of prospectuses is relatively limited from a decision-making perspective.

**PROFESSIONAL INVESTMENT ADVISER
SURVEY**

The section on the PROFESSIONAL INVESTMENT ADVISER survey is divided into six sections:

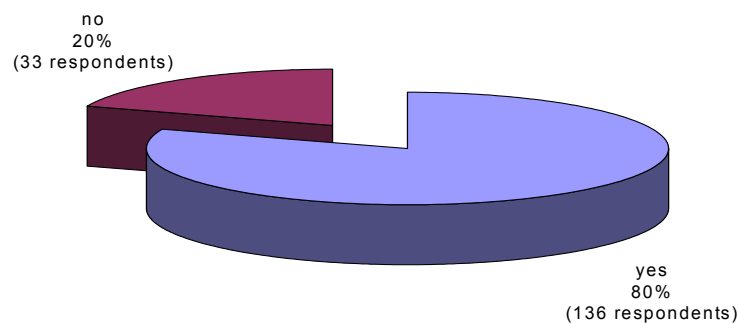
- A. Background information
- B. General results on prospectuses
- C. Share prospectuses
- D. Managed investment fund prospectuses
- E. Analysis

A. Background information

171 responses were received from 2,000 surveys distributed to professional investment advisers (a return rate of 8.6%).

1. Do you provide 'independent' investment or securities advice as it is defined in ASIC Policy Statement 116, being advice of a kind that gives investors freedom to choose from a wide range of investment products appropriate to their personal needs and circumstances?

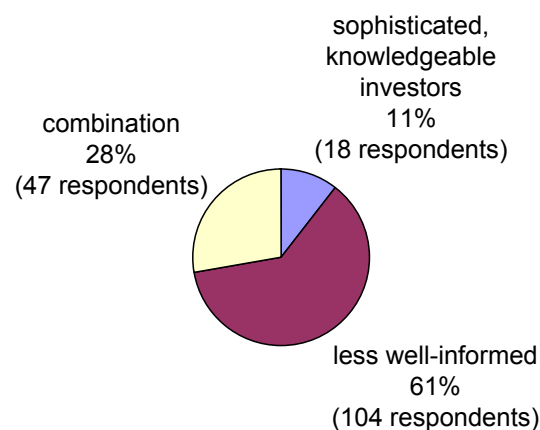
Independent adviser under ASIC PS 116:



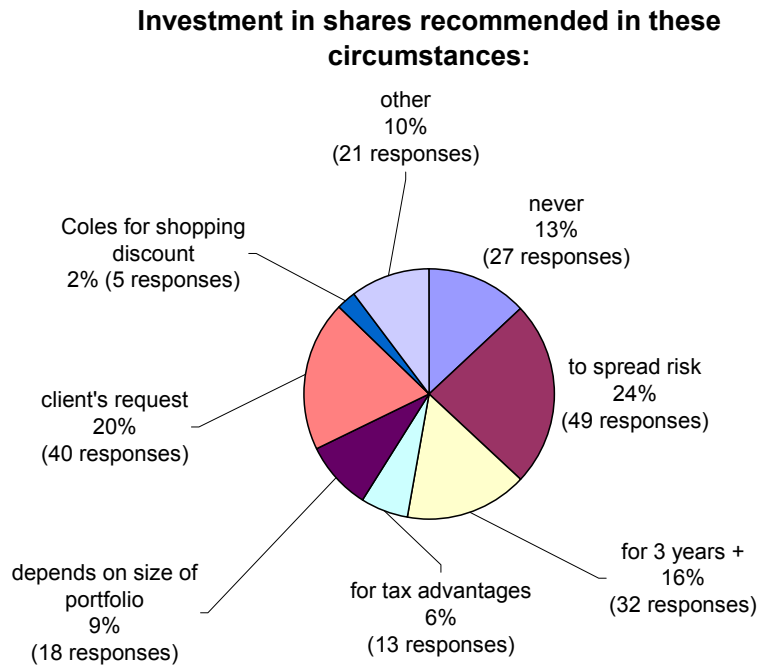
2. Would you classify your client base as consisting of mainly:

- (a) sophisticated, knowledgeable investors, or
- (b) investors who are less familiar with and less well-informed about investments and securities generally?

Client base consisting mainly of:



**3. In what circumstances would you recommend that a client invest in shares?
Please describe briefly:**

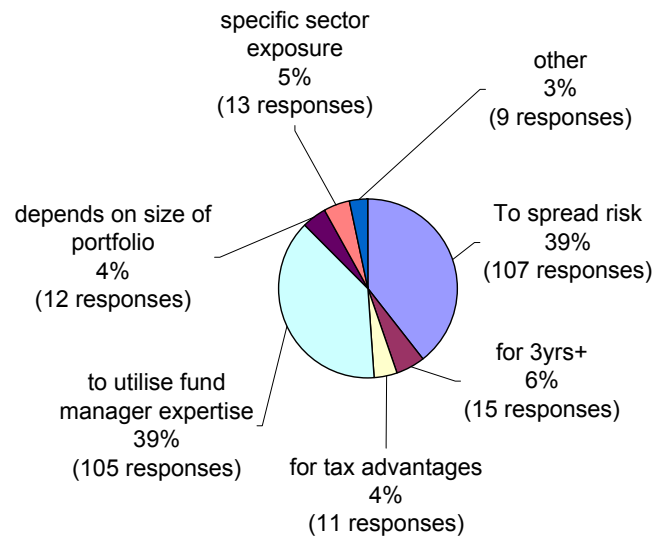


Other responses (10%):

- "play the market"
- if portfolio can tolerate volatility
- client prepared to actively manage funds (5)
- no more than 20% of investment portfolio
- where client understands risk (4)
- "if it's a good investment"
- capital growth (2)
- not more than 5-10% of portfolio
- 10% of portfolio, after investment in managed funds
- clients under 45 years of age
- to suit client needs
- when client understands volatility
- "more sophisticated investors"
- for clients with larger portfolios
- client has no personal debt
- up to 70% of self managed super funds
- if client undertakes research

4. **In what circumstances would you recommend that a client invest in managed funds? Please describe briefly:**

Investment in managed funds recommended in these circumstances:



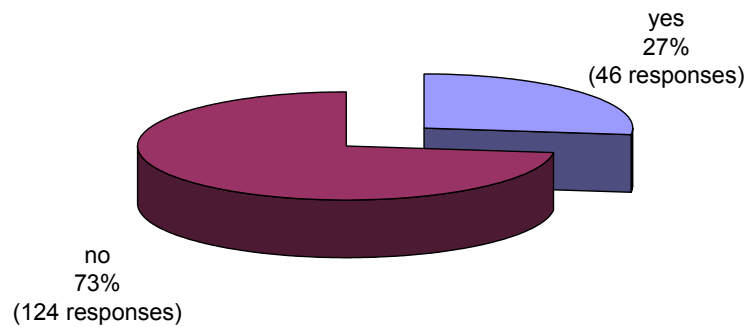
Other responses (3%):

- reduced volatility
- little or no personal debt
- more conservative
- to suit client needs (2)
- for superannuation
- in all cases
- more conservative investors
- "for smaller clients"

Most of the respondents placed clients into managed funds, rather than directly investing in shares. Several respondents replied that they held limited dealer licences and were unable to recommend direct share investment.

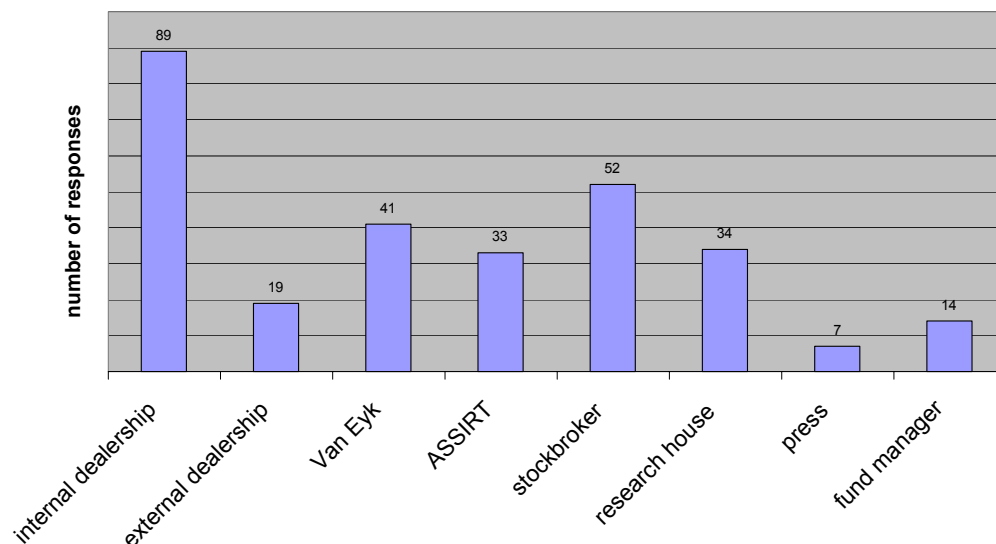
5. Do you conduct your own research and analysis of companies?

Conduct own research and analysis:



6. Do you use external product research and if so, of what kind? Please describe briefly:

Kinds of product research used:



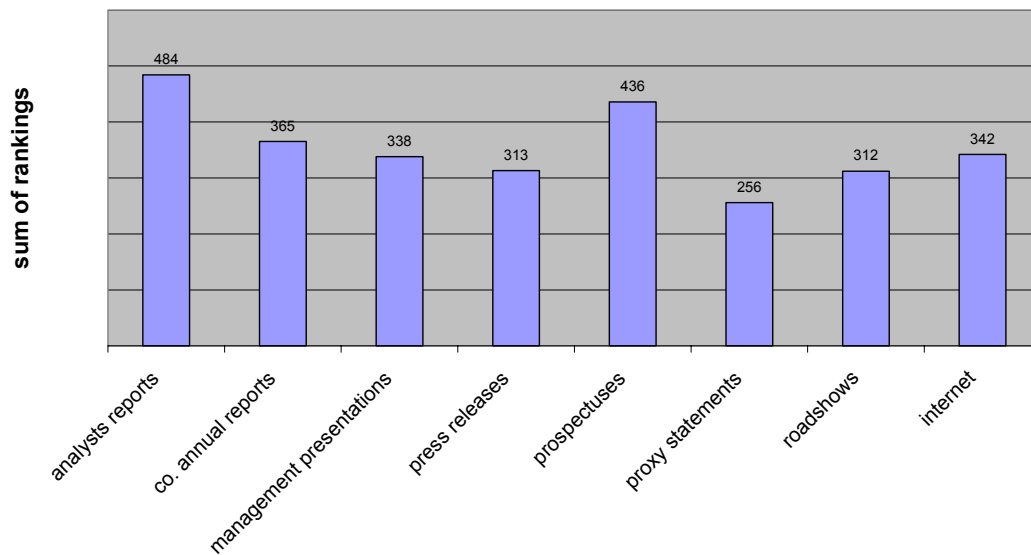
Whilst some of the respondents specified particular broking houses, such as JB Were and Salomon Smith Barney, most responses were spread across the generic headings of dealer group research (recommended lists), stockbrokers, research houses, press and fund managers. The exceptions were Van Eyk and ASSIRT, which were statistically significant.

7. In conducting your own research, how important are the following sources of information (1 = not at all important; 5 = extremely important):

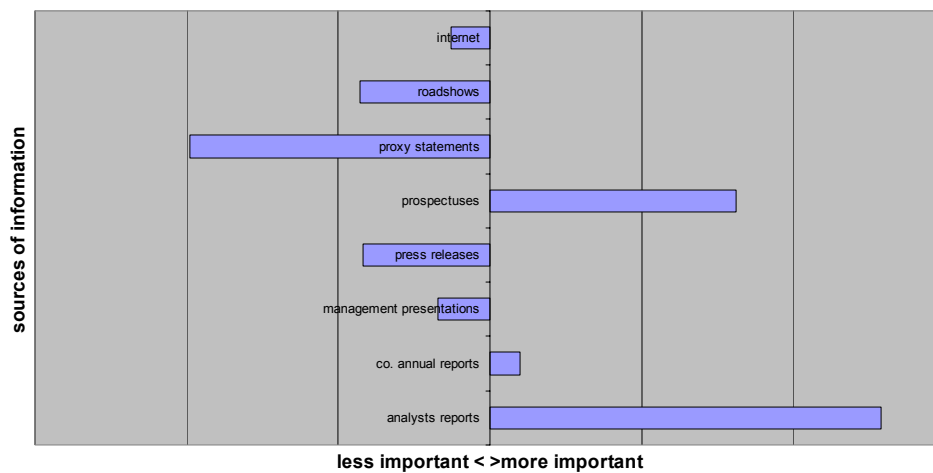
- analysts' reports
- company annual reports
- management presentations
- press releases
- prospectuses
- proxy statements
- roadshows
- the internet
- other(s) - please specify

51 respondents **did not answer** this question, most saying it was 'not applicable'.

Importance of sources of research information:



Variation from the mean
(mean = sum of rankings divided by no of responses)



Other sources for research:

- discussion with colleagues (3)
- research houses
- "the project itself"
- business development managers
- stockbroker reports
- past performance
- dealer group research
- fund managers (3)
- newsletters/financial press (2)
- Reuters
- corporate governance, directorship details
- "contact with key executives"
- "anecdotal stuff from brokers"
- FPI software
- industry reports
- "management's integrity"

8. If you use the internet for your research, what are the most useful sources of information on the internet?

Responses to this question had little statistical pattern, and were mainly generic. 31 respondents said they did not use the Internet, with one saying he/she did "not trust content". Government sites such as ASIC, ATO and Centrelink were used by 21 respondents, stockbroking sites by 29, fund managers by 18, research houses by 10, and adviser services by 3. Some of the sites referred were:

www.morningstar.com.au (16 responses)

www.investorweb.com.au (3 responses)

www.idt.com (investment data technologies)

www.tradingroom.com.au

www.egoli.com.au

www.dismalscientist.com

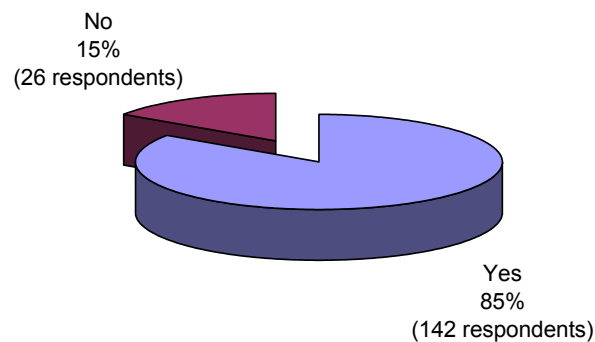
stockbroker websites with "adviser services"

company reports

B. General Results on Prospectuses

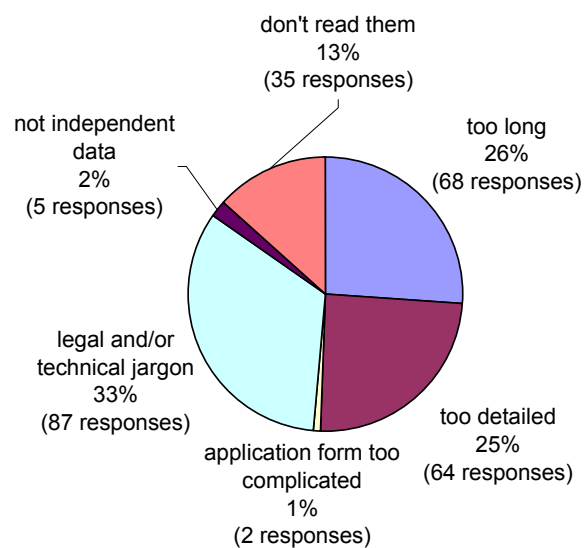
1. Do you find that, as a general rule, clients have difficulties understanding the material found in prospectuses?

Do clients have difficulty understanding the material found in prospectuses?



2. What specific difficulties, if any, do clients express? Please describe briefly:

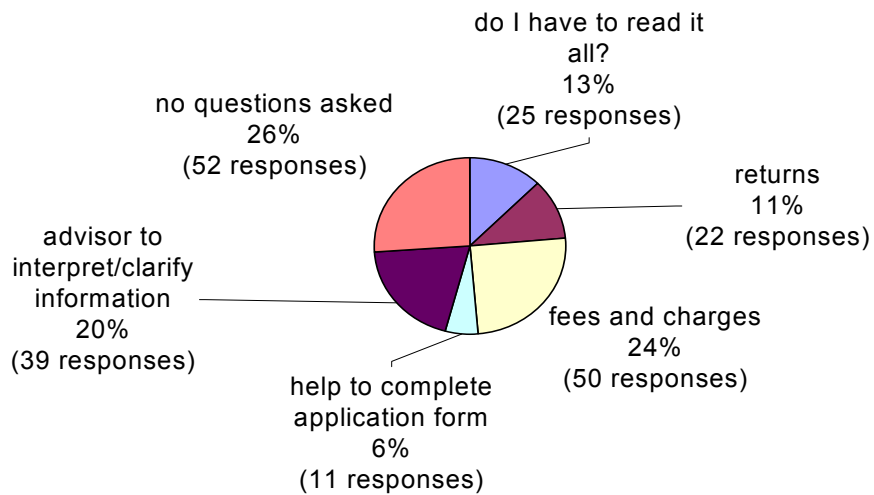
What specific difficulties do clients express?



Many respondents noted in their response that those clients who do attempt read a prospectus are confused by length, detail and jargon.

3. What questions, if any, relating to prospectuses do clients most commonly ask?

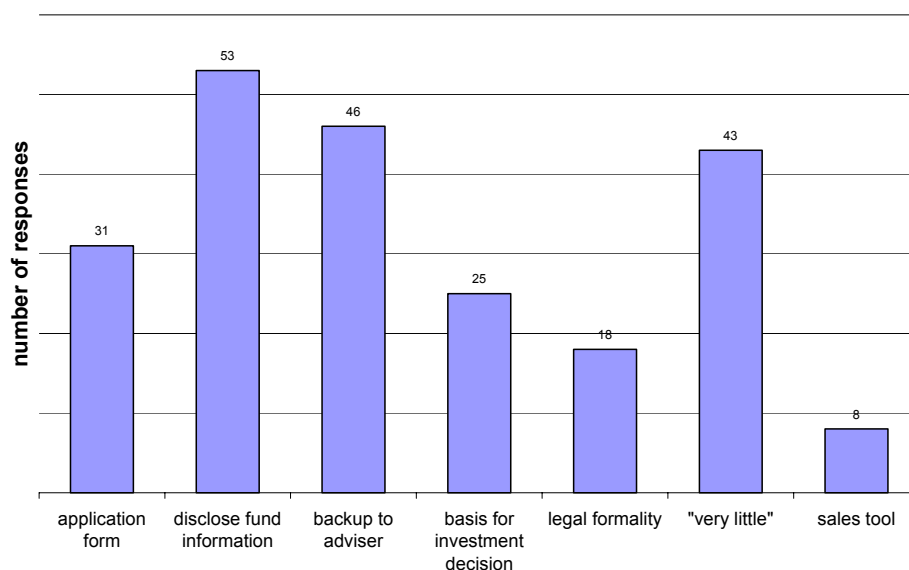
Client FAQs regarding prospectuses



Most responses indicated that clients don't want to read, or can't understand, the prospectus, and rely on their adviser to describe and interpret the investment. 26 % of respondents said that their clients ask no questions - 11% overall said their clients have no questions because they don't read the prospectus, and 15% said that their clients rely solely on the adviser's recommendation. Many clients were concerned with fees and charges, saying that they are not clearly disclosed in a prospectus.

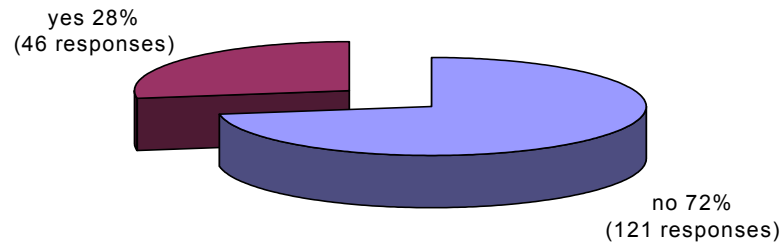
4. Overall, what role does a prospectus have in the process of providing advice to clients?

What role does prospectus have?



5. **Do you think clients fully understand the risks associated with certain investments?**

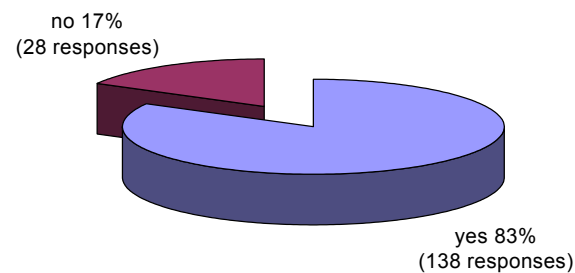
Do clients fully understand risk?



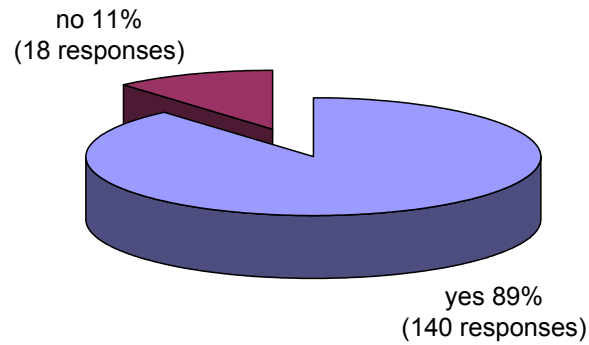
Most respondents who answered “yes” said clients understood risk after full explanation by adviser.

6. **Do you think simpler prospectuses or more concise prospectuses or the use of other disclosure documents such as profile statements would be beneficial or do you see it as part of your role, as an investment adviser, to explain complex prospectuses to potential investors?**

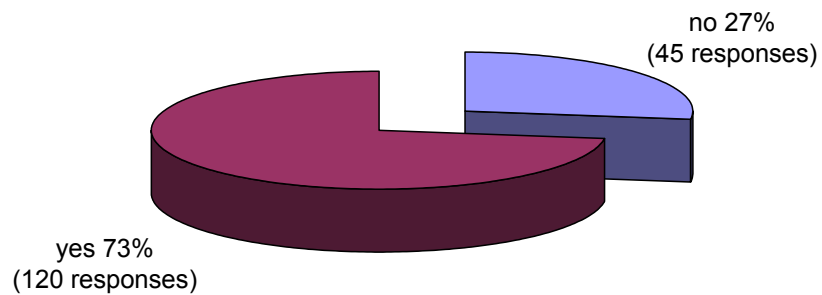
Would simpler prospectuses be beneficial?



Many respondents felt that a simpler format would encourage more investors to read prospectuses.

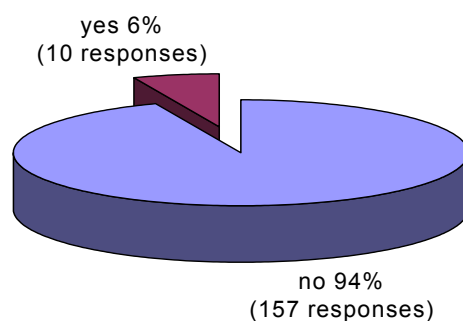
7. Is it part of your role to explain prospectuses?**Is it part of your role to explain prospectuses?**

Most respondents saw this as an integral part of the advisory process.

8. Would having simpler prospectuses or other disclosure documents make your task easier?**Would simpler prospectuses make your task easier?**

9. Would having simpler prospectuses or other disclosure documents perhaps make your role less important?

Would simpler prospectuses make your role less important?



Most advisers felt that it would make their role more important, and increase their level of responsibility, as they would need to explain the investment in more detail.

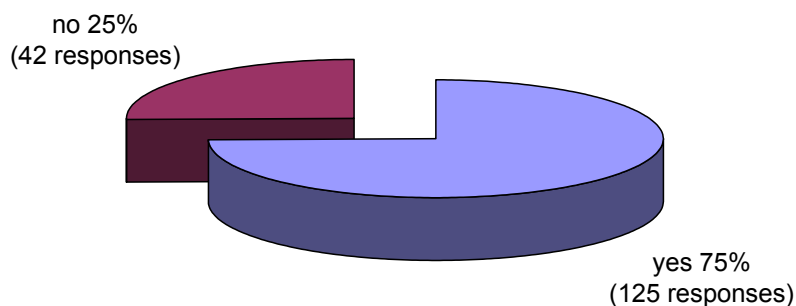
10. Given the high costs associated with producing and distributing prospectuses, are there more cost effective methods of disseminating information to potential investors? If so, what might they be?

- internet (66) graduating hyperlinks to choose depth of information
- simpler, less glossy prospectuses (17)
- no (15) "not until everyone has email", "hard copy makes investment seem official"
- longer life prospectuses (9)
- separate documents for advisers and investors (4)
- key data summaries (6)
- replace with 'adviser plans' (3) should be released through advisers as part of financial plan
- video, CD rom, software (4)
- full or partial prospectus, smaller, concise prospectuses (6) also general information sheets
- basic trust document, with 2-3 page updates
- one prospectus with multiple application forms can be used by more than one client
- quarterly updates, annual legal reports
- change legislation so less information is required (2)
- standard format (2)

- "glossy" permanent folder, into which new looseleaf information can be inserted
- centralised source "prospectus clearing house"
- less technical jargon
- for additional investments in the same fund, a single page application
- should provide statutory information only
- allow investors to waive right to receive one "if client wants a prospectus they get one if not they don't"
- less marketing
- profile statements, separate into shorter statements (2)
- don't know (3)

11. Do you think the level of disclosure on the part of companies and fund managers is sufficient for you to provide informed investment advice to clients and to answer their questions?

Is level of disclosure sufficient for you to provide advice to clients?



A number of respondents said that this varies widely between different companies and fund managers – some are excellent, some are inadequate.

C. Share Prospectuses

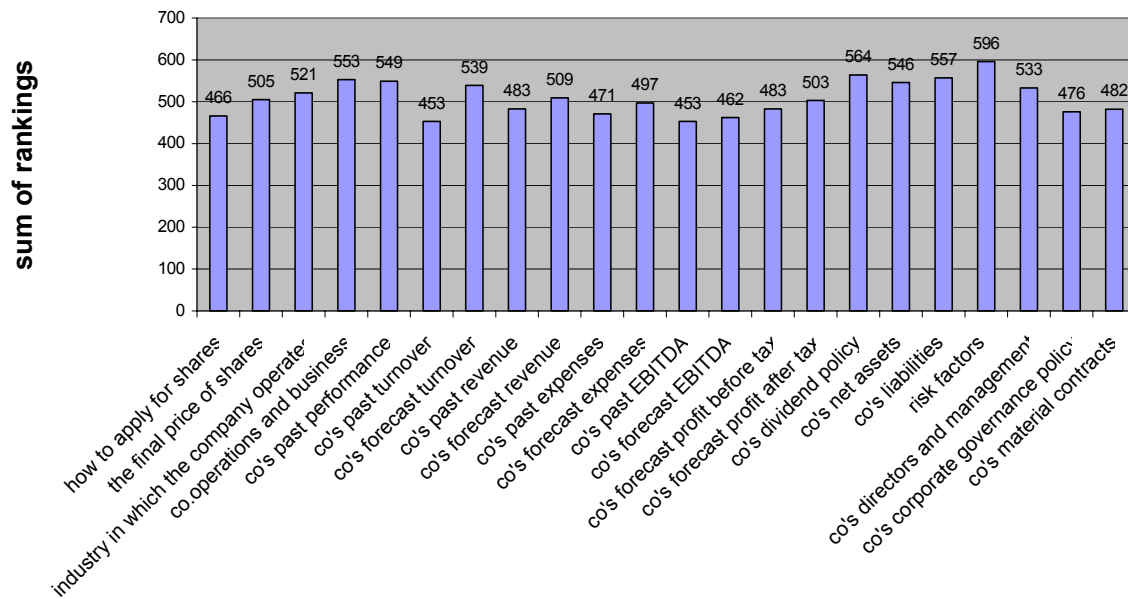
19 respondents did not complete this section of the questionnaire – no involvement in investment in shares

1. Which of the following kinds of information do you believe are the most useful in providing investment advice to a client: (1 = not useful; 5 = most useful)

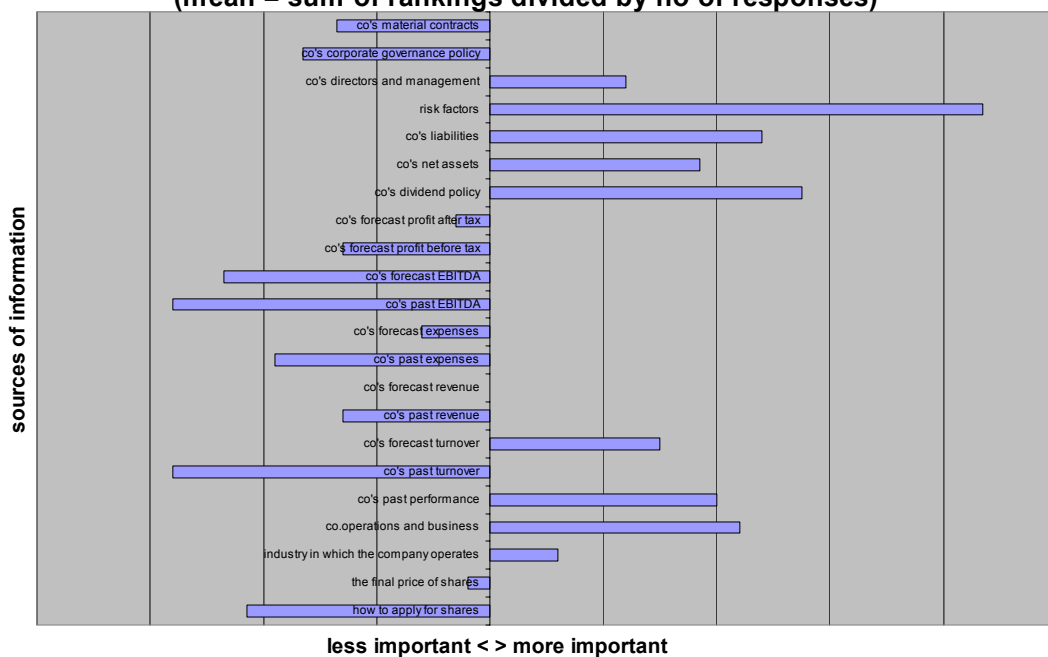
- how to apply for shares
- the final price of shares
- the industry in which the company operates
- the company's operations and business
- the company's past performance
- the company's past turnover
- the company's forecast turnover
- the company's past revenue
- the company's forecast revenue
- the company's past expenses
- the company's forecast expenses
- the company's past EBITDA
- the company's forecast EBITDA
- the company's forecast profit before tax
- the company's forecast profit after tax
- the company's dividend policy
- the company's net assets
- the company's liabilities
- risk factors associated with the investment
- the company's directors and management
- the company's corporate governance policy
- the company's material contracts

29 respondents did not answer this question. There was very little variation in the responses, divided mainly between 3s and 4s, and 4s and 5s. 4 respondents circled all 5s, and 2 circled all 1s.

Usefulness of information in providing investment advice to a client:



Variation from the mean ranking (mean = sum of rankings divided by no of responses)

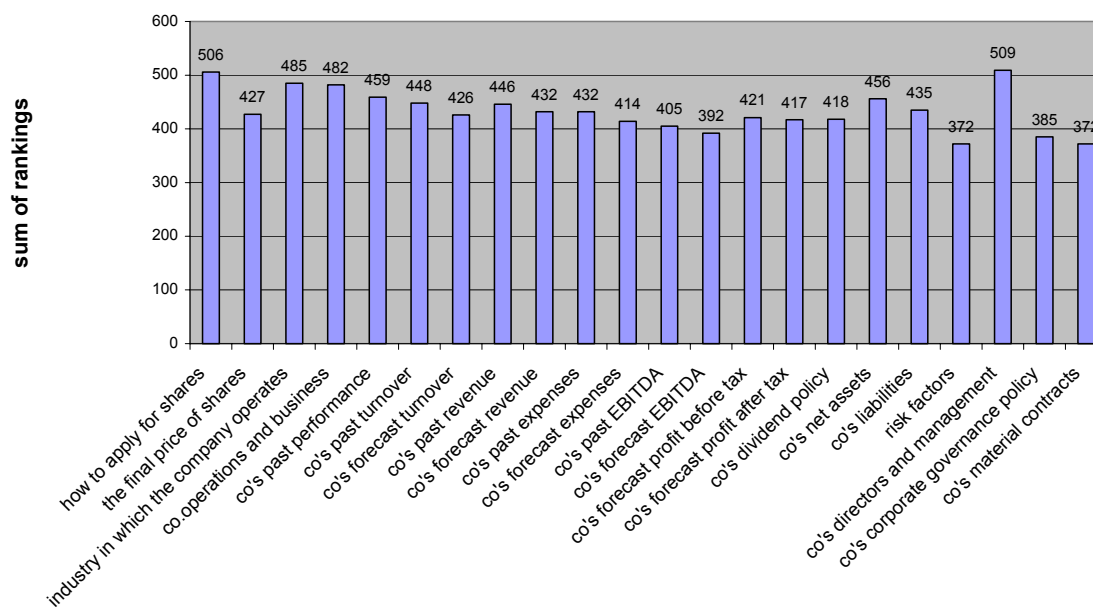


2. How successfully do prospectuses convey information to you on these topics (1 = not successful; 5 = very successful):

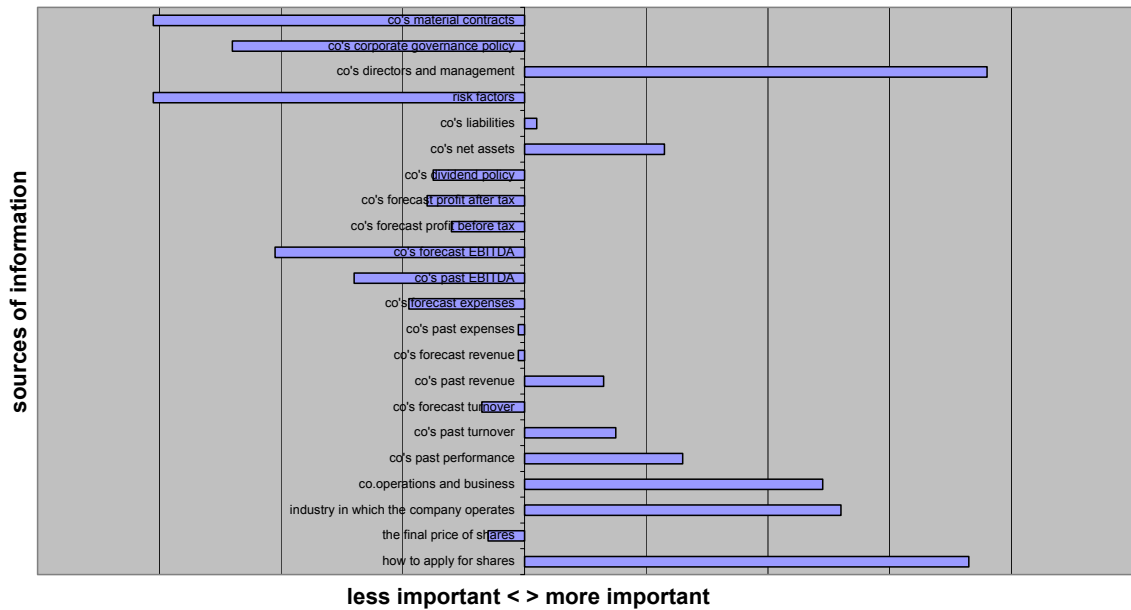
- how to apply for shares
- the final price of shares
- the industry in which the company operates
- the company's operations and business
- the company's past performance
- the company's past turnover
- the company's forecast turnover
- the company's past revenue
- the company's forecast revenue
- the company's past expenses
- the company's forecast expenses
- the company's past EBITDA
- the company's forecast EBITDA
- the company's forecast profit before tax
- the company's forecast profit after tax
- the company's dividend policy
- the company's net assets
- the company's liabilities
- risk factors associated with the investment
- the company's directors and management
- the company's corporate governance policy
- the company's material contracts

35 respondents did not answer this question. There was very little variation in the responses given. 5 respondents circled all 4s, 7 circled all 3s, and 2 circled all 1s.

How successfully do prospectuses convey the information?

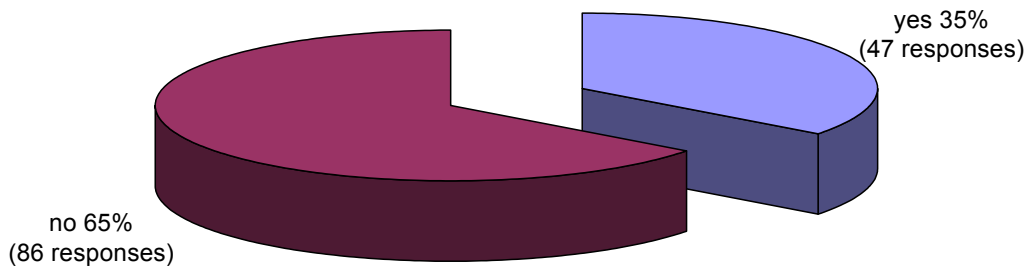


Variation from the mean
 (mean = sum of rankings divided by no of responses)



3. **Could any of the above topics be omitted from a prospectus without causing detriment to the quality of advice you provide to a client?**

Could any topics be omitted?



Please list the topics (or circle the topics listed above) that you think could be omitted:

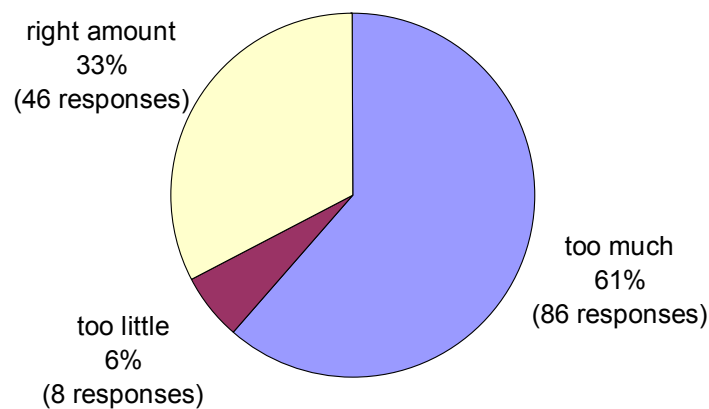
- earnings, profit or performance forecasts (6)
- EBITDA (11)
- corporate governance policy (5)
- company's industry, operations and business (7)
- financial statements (3)
- how to apply for shares, price (4)
- past performance (6)
- "most of it"
- "everything except how to apply"
- marketing

There were a number of suggestions regarding format:

- information should be presented in graphics
- reduce total amount of information
- should be standard format
- "too much gloss"
- data could be summarised in plain English
- "share prospectuses should be written to provide relevant information to financial analysts...self defeated by legal jargon"
- simplify, standardise and summarise

4. Overall, do you find that most prospectuses provide too much, too little or the right amount of information for your purposes?

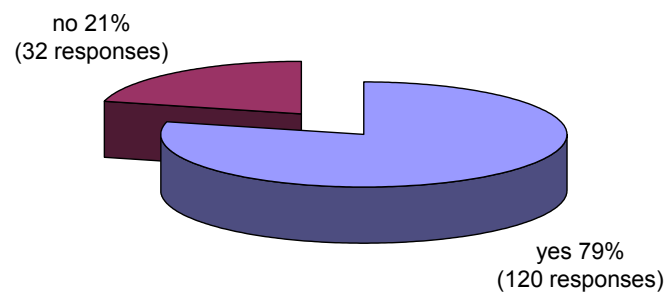
Amount of information provided in prospectuses:



5. Overall, do most prospectuses set out the information in a manner which facilitates comprehension by:

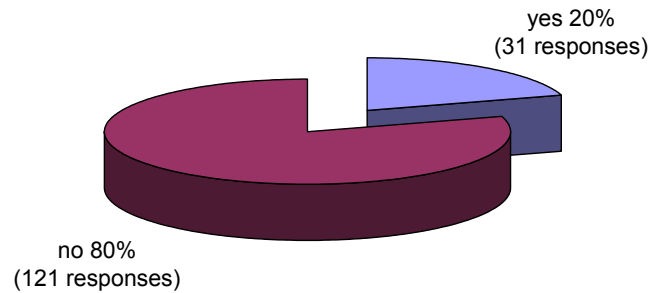
- (a) investment advisers and other persons working in the securities industry?

Is the information set out in a manner comprehensive to investment advisers?



(b) investors?

Is the information set out in a manner comprehensive to investors?



6. What improvements do you suggest should be made to improve comprehension by:

(a) investment advisers and other persons working in the securities industry;

- summaries of key points (23) eg: executive summary or key points outline at start of prospectus
- no problems (11)
- plain English (9)
- standard format (9)
- less 'sales blurb' (6) "less waffle and spin-doctoring"
- more graphics /less writing (5)
- adviser training (2)
- consolidated prospectuses
- strategic plan, financial projections, vision mission and strategy "without giving too much away to competitors"
- more concise (5)
- cross referenced technical information, more impartial analysis (4)
- expand information on risk factors
- more financial details (2)

- clearer explanations of asset allocation and expected returns (2)
- contents page (2)
- simplified (7)
- telephone help line
- "real opinion by directors"
- separate prospectuses for advisers and investors, with technical information available on request
- 10 year history of share/unit price, indexing of past performance
- include "the fund manager's style of investing eg bottom-up/top-down, contrarian or business cycle"
- "Prospectuses should be written by those who need to understand them not those with nothing better to do", "real people not legal" to construct the offer document

(b) investors?

- simplify/ more concise (32) short version in conjunction with financial advice, separate prospectuses for investors
- summaries of contents (27) could include references for more information if required
- telephone help line / public education programs (3) eg ASIC guidelines on how to read prospectus
- more graphics less writing (11) dot points, Q&A, precis for each section
- strategic plan
- less gloss / less sales oriented (3)
- plain English / less jargon (30)
- simpler format and language (3) break into sections, standardise format "particularly fees and brokerage"
- include independent analysis
- none (2)
- rarely read them (2) Investors buy "on fashion..what their peers or taxi driver tells them [or what they] read in the paper"

7. Is there any information which you regard as essential that is currently not being included in prospectuses? If so, please briefly describe it:

- no (40)
- set format for all prospectuses - standardised terms, definitions and layouts (3)
- social and environmental issues environmental compliance, "effect company is having from ethical standpoint" (4)
- independent evaluation, comparative tables, unbiased analysis of the company (5)
- government policy/ industry competition
- expected outcomes (4) how forecast revenue and profits are calculated
- market trends, market share (3)
- more on management expertise of directors

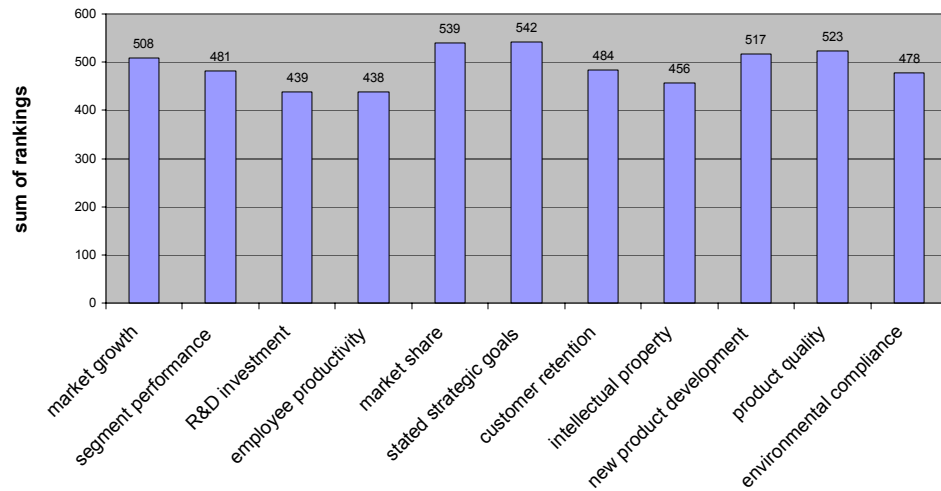
- more detail on merits of investment
- risk should be more fully explained (4) “include introduction for first time investors”, analysis of key risk factors
- more on management, business practices and market placement
- need to seek professional investment advice
- CEO remuneration and contracts, “history of directors’ corporate failures”, relationships of entities eg common directorships (3)
- financial details about manager and associated companies
- performance over standard time frame eg 5yrs (2)
- Why the float? Who will benefit?
- franking levels for managed funds
- plain English
- investors don’t read them (3)
- director forecasts and opinions
- fees clearly stated (2)
- strengths and weaknesses of corporate governance from the perspective of non-executive directors
- expiry date of contracts, credit worthiness of debtors
- single page summary (2)

8. Information on the following topics is not generally included in prospectuses. How strongly do you feel these topics should be included (1 = not at all; 5 = very strongly):

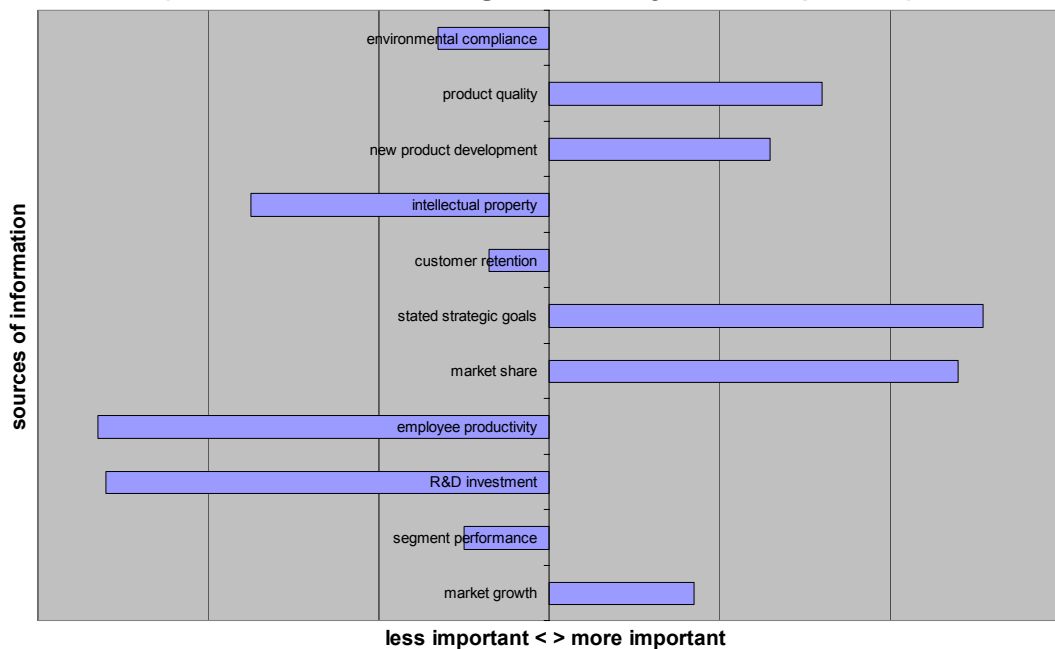
- market growth
- segment performance
- R & D investment amounts
- employee productivity
- market share
- statements of strategic goals
- customer retention
- intellectual property
- new product development
- product quality
- environmental compliance

24 respondents did not answer this question. There was very little variation in the responses given. 3 respondents circled all 5s, 4 circled all 4s, 1 circled all 3s, 1 circled all 3s, 1 circled all 2s and 2 circled all 1s.

Should these topics be included in the prospectus?



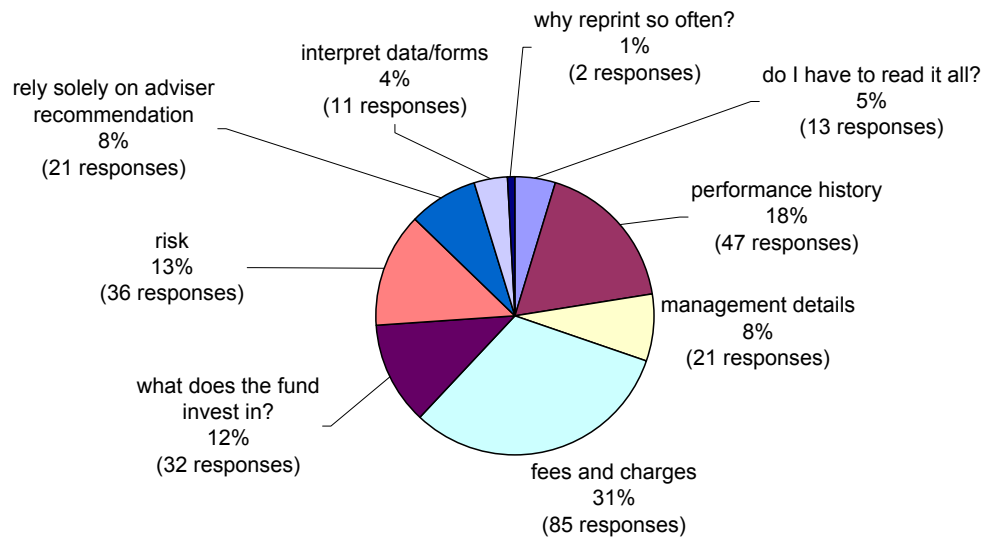
**Variation from the mean
(mean = sum of rankings divided by no of responses)**



D. Managed Investment Funds Prospectuses

1. What questions do clients most frequently ask in relation to managed funds' prospectuses?

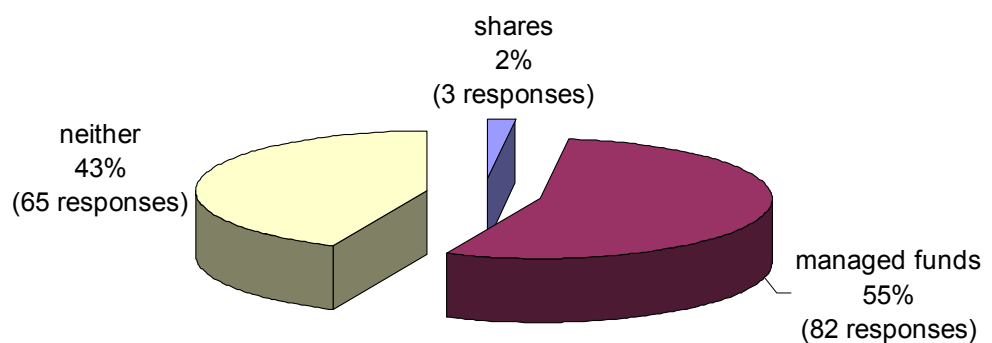
Client FAQs on managed fund prospectuses:



Most questions related to fees and charges.

2. Generally, do your clients find share prospectuses or managed funds' prospectuses easier to understand?

Which prospectuses are easier to understand?

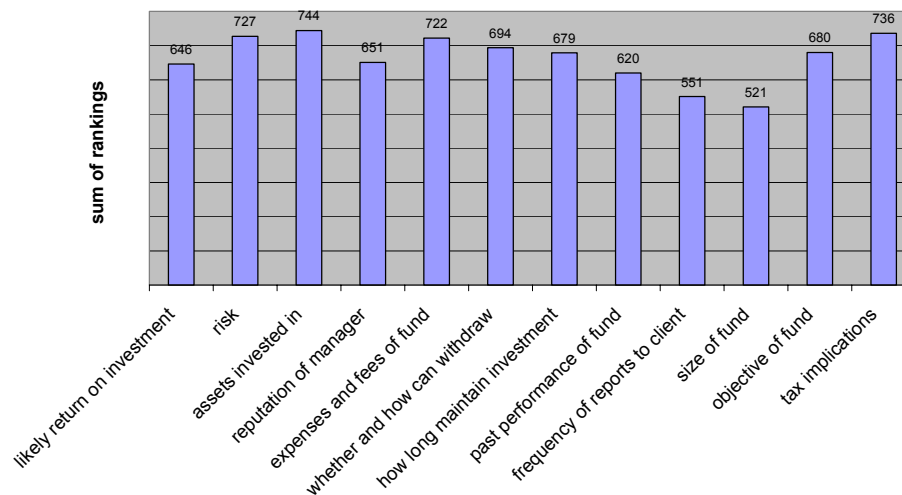


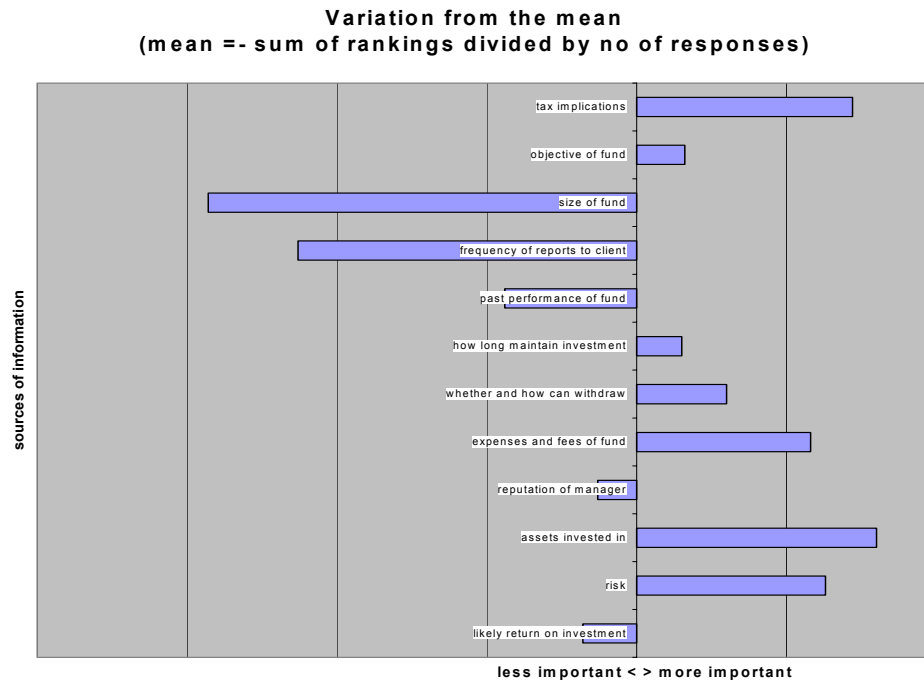
3. Information on the following topics is often included in managed funds' prospectuses. How important is each of these topics to you when providing advice to a client (1 = not at all important; 5 = extremely important):

- likely return on the investment
- risk of the investment losing money
- what assets the client's money will be invested in
- the reputation of the manager
- the expenses and fees of the fund
- whether and how the client can withdraw money
- how long the client should maintain the investment
- the past performance of the fund
- the frequency of reports the client will receive on the investment's performance
- the size of the fund
- the objective of the fund
- the taxation implications of the investment

3 respondents did not answer the question, 4 circled all 5s and 1 circled all 4s. There was little variation in the other responses.

Importance of topics in providing advice to clients:



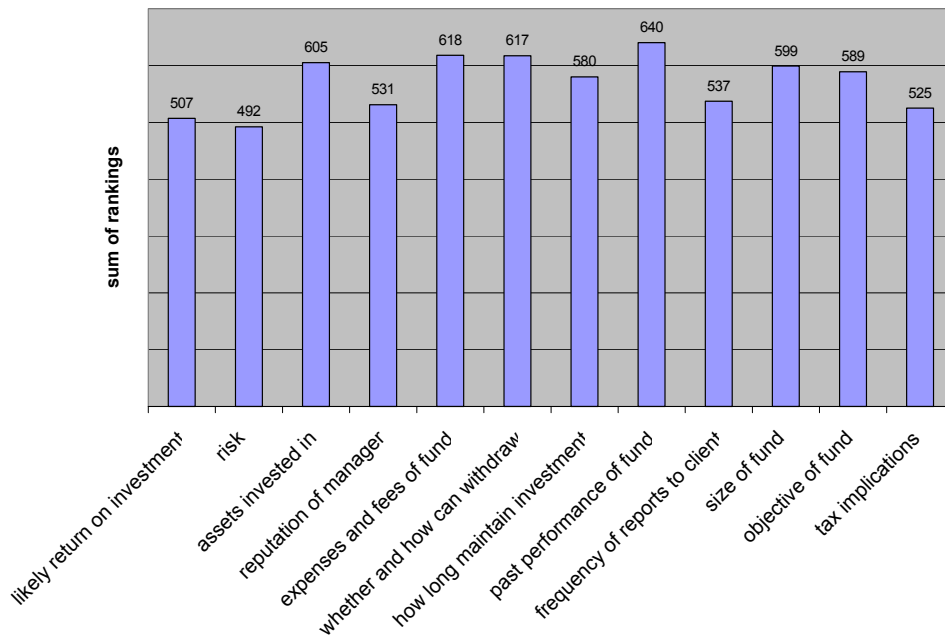


4. How successfully do prospectuses convey information to you on each of these topics (1 = not successful; 5 = very successful):

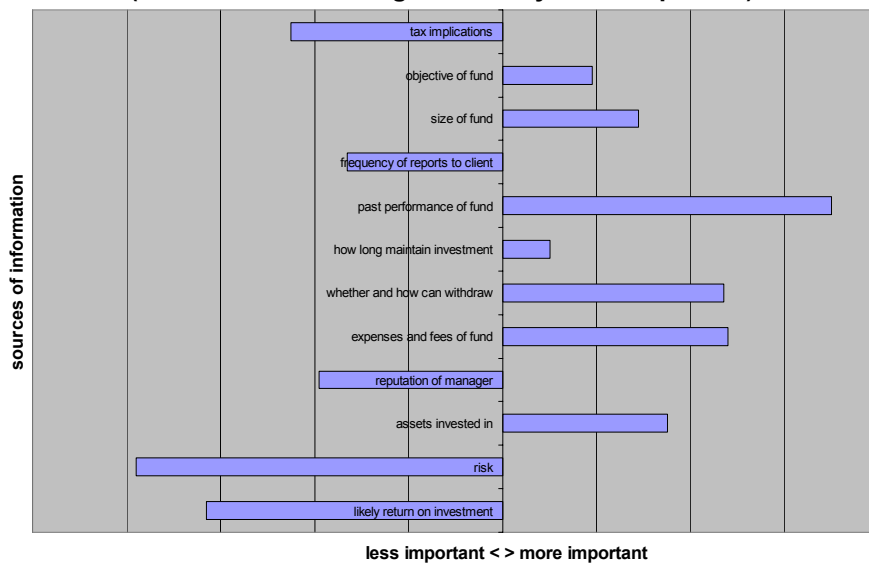
- likely return on the investment
- risk of the investment losing money
- what assets the client's money will be invested in
- the reputation of the manager
- the expenses and fees of the fund
- whether and how the client can withdraw money
- how long the client should maintain the investment
- the past performance of the fund
- the frequency of reports the client will receive on the investment's performance
- the size of the fund
- the objective of the fund
- the taxation implications of the investment

4 respondents did not answer the question, 4 circled all 5s, 7 circled all 4s and 3 circled all 3s. There was little variation in the other responses.

How successfully is the information conveyed?

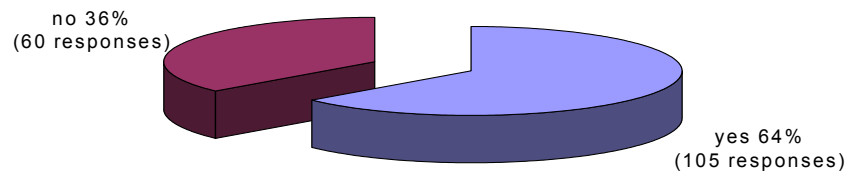


Variation from the mean (mean = sum of rankings divided by no of responses)



5. **Do managed funds' prospectuses provide you with all the information you require to provide advice to a client?**

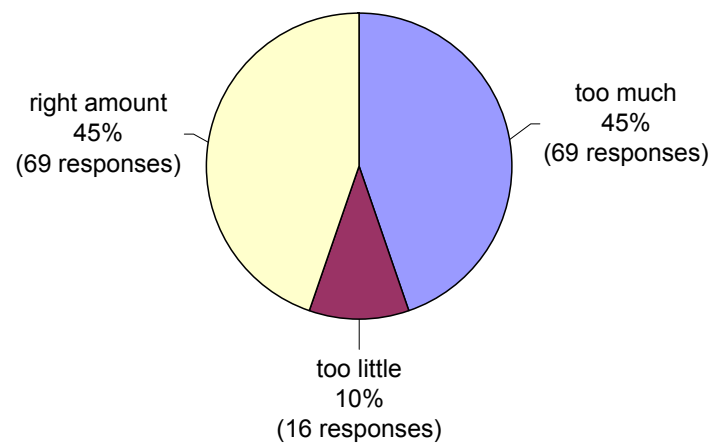
Do managed fund prospectuses provide all information required to provide advice to clients?



Several respondents said this varied between fund managers – some have too much information, some too little, and some of it is hard to find. Issue of standard format was raised.

6. **Do they provide too much or too little information?**

Amount of information provided:



7. If too much, what do you think could be omitted?

- legal and technical jargon (11) "useless jargon and gobbley-gook"
- most of it (8) "ninety percent" "most could be omitted"
everything except key features "investors don't read any of it"
"everything but application - clients do not make investment decisions based on prospectus"
"clients are only interested in costs, performance and security"
- "sales pitch", "glossiness" (8) marketing spiel should be printed separately at manager's cost
- technical info (2)
- operational details (4)
- board details (2)
- "statutory stuff" (4)
- size of fund and terms of withdrawal
- accounts and reports (3)
- past performance (2)
- less detail (7) "too much padding", size of prospectus discourages people from reading it
- independent auditors report
- separate prospectuses for advisers and investors (4)
- unsure which information required for legislative reasons - "leave that to... lawyers"
- detailed financial statements and reports (5) "they are never read by investors"
- accounting information
- none (2)
- summary information, with detail available on request (6)
- information often out of date before prospectus expires
- clearly state total fees
- trust deed details

8. If too little, what do you think should be included?

- more on risk vs return (8)
- how operations are conducted, organised and staffed, more about management, and investment process (7)
- performance benchmarks, relative performance, past performance, objectives, expected performance (5)
- fees more clearly disclosed, graphic representation of charges (2)
- "more relevant information"
- more about asset allocation (4)
- more tax information especially capital gains (3)
- more detail for adviser, less for investor

- less sales hype (2)
- should be standard format, more straightforward layout eg standard application forms, summary on first page (4)
- independent research (2)
- declaration of involvement and policy of related entities
- information outdated when prospectus nears expiry

E. Analysis

Generally, the results of the survey are consistent between owning shares directly and owning shares through investing in a managed fund. Unless otherwise indicated, the conclusions reached apply equally to direct and indirect share investment.

Where advisers conduct their own research, prospectuses rate highly in terms of their importance. Analysts reports rate the highest, followed by prospectuses, then annual reports. This was consistent with the finding that most advisers considered that prospectuses were comprehensible to the investment adviser, and that the level of disclosure in prospectuses was sufficient to enable them to provide advice to investors.

Similar to the views expressed by investors, there remains an overall perception that prospectuses are too lengthy. The “information overload” aspect of prospectuses is perceived by advisers to be more prevalent in relation to share prospectuses rather than managed funds prospectuses.

Overwhelmingly, most advisers believe that their clients (the majority of which are “less well-informed” investors) have difficulty understanding the content of prospectuses. According to the majority of advisers, that difficulty is more pronounced in relation to share prospectuses rather than managed funds prospectuses.

This contrasts sharply with the investor survey, in which only a slight majority said they found prospectuses difficult to understand. This inconsistency could be interpreted a number of ways: either retail investors are overstating their understanding of the prospectus or advisers are underestimating the ability of retail investors to understand a prospectus.

There was however consistency between the investor survey and the adviser survey in that the difficulties in understanding prospectuses derive from the “excessive length,

detail and jargon” factors. The legislative intention of the rule permitting the incorporation of documents by reference was to have technical information siphoned out of the physical contents of the prospectus. The intention was to make prospectuses shorter, hoping to encourage more investors to read them and thus seeking to emphasise the importance of the prospectus from a decision-making perspective. The consistent findings of “excessive length, detail and jargon” suggest an under-utilisation of the rule permitting the incorporation of material by reference.

Closely related to the findings of “excessive length, detail and jargon”, is the finding that most advisers believe that explaining or clarifying the contents of the prospectus to investors is an integral part of their role as advisers. The reliance of the investor on the adviser is not a surprising result given that the general disclosure test for prospectuses in the statute requires that the document “contain all the information that investors *and their professional advisers* would reasonably require to make an informed assessment” of the investment (emphasis added). That is, the statute in effect requires the prospectus to contain elements of a technical nature to satisfy those users who have specialist information needs, namely professional advisers.

There is a perception that prospectuses, both for shares and managed funds, do not fully convey information as to the risks of the investment. For share prospectuses, “risk factors” rate the highest in terms of the most useful form of information in providing investment advice, but rate equal lowest in terms of how successful prospectuses are in conveying the information. For managed funds prospectuses, “risk factors” rate the third highest (behind asset allocation and taxation implications) in terms of the most useful type of information in providing investment advice, but rate the lowest in terms of how successful prospectuses are in conveying that information.

In this regard, it is pertinent to note that the general disclosure test for prospectuses does not explicitly require the document to explain the nature of the risks of the investment, although it is very strongly arguable that the broad scope of the general disclosure test requires disclosure of risks. In contrast, the two alternative forms of disclosure document – the offer information statement and the profile statement –

specifically require that the disclosure document “state the nature of the risks involved in investing in the securities”.¹

According to most advisers, simpler prospectuses would make their advisory role easier, and would not make the adviser’s role less important. This perception suggests that the information contained in a prospectus forms but one part of the multiple sources of information required and used by investors for the purposes of decision-making. This is consistent with the findings of the investor survey.

¹ *Corporations Act 2001*, s 714(1)(b) (profile statement) and s 715(1)(d) (offer information statement).