

Usability Testing

A report on user experience of plain language within a selection of Prudential Portfolio Managers' official external documentation

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Usability Testing – A report on user experience of plain language
within a selection of Prudential Portfolio Managers' official external
documentation

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1 EXECUTIVE SUMMARY

A research project was conducted

1. To identify areas where they can make quick and easy improvements to their key documents and identify the scale of any required future improvements.
2. To help them comply with new regulatory requirements.
3. To provide a measure of defence against any liability or claims that key documents do not comply with the new regulatory requirements of the Consumer Protection Act or 'Treating Customers Fairly' requirements.

Included in the above was to test and better understand the requirement to provide key documents in languages other than English. Besides the identified reasons above, this project will also establish good practices for effective communication with clients by responding to their needs and concerns regarding the communication.

A mixed set of methodologies was employed to test a selection of texts in order to determine the usability of these documents with specific reference to issues such as accessibility, comprehensibility, and application. A group of 30 respondents selected from the prospective client base of Prudential participated in the research. The researchers controlled independent variables such as age, gender, language and lifestyle.

1.1 GENERAL FINDINGS

- a) There is sufficient reason to believe that, in terms of the abovementioned objectives, the documentation tested will not comply with the requirements generally associated with plain language.
- b) The average number of sections filled in correctly on for each form was as follows (Refer to section "2.3.3 Methodology" for an explanation of what was considered a "correctly filling in a section"):
 - Prudential Service Instruction and Application Form – Individual: 69%.
 - Switch Form (Local): 60%
 - Additional Investment Form (Local): 53%
 - Repurchase/Investment Amendment Form (Local): 65%

- c) The overall usability and effectiveness of the different documents are under pressure.
- d) There are problems of accessibility, comprehensibility and application regarding critical components in these documents that deserve urgent attention.
- e) In general, it is also important to take note of responses pertaining to user attitudes regarding the company in general and these document types in particular.
- f) There is insufficient reason to believe that the availability of the documents in English only might be a problem, but that further research on this issue might be necessary. The average number of sections filled in correctly by English, isiXhosa and Afrikaans first-language speakers for each form was as follows:

<p>Prudential Service Instruction and Application form- Individual</p> <ul style="list-style-type: none"> • English first-language speakers: 64.2% • isiXhosa first-language speakers: 64.5% • Afrikaans first-language speakers: 70.6% 	<p>Switch Form (Local)</p> <ul style="list-style-type: none"> • English first-language speakers: 57.5% • isiXhosa first-language speakers: 55.8% • Afrikaans first-language speakers: 61.6%
<p>Additional Investment Form (Local)</p> <ul style="list-style-type: none"> • English first-language speakers: 52.3% • isiXhosa first-language speakers: 44.1% • Afrikaans first-language speakers: 64.1% 	<p>Repurchase/Investment Amendment Form</p> <ul style="list-style-type: none"> • English first-language speakers: 65.3% • isiXhosa first-language speakers: 61.5% • Afrikaans first-language speakers: 70.7%

1.2 RECOMMENDATIONS

- a) Special attention should be paid to the accessibility, comprehensibility and application of critical components such as the "Terms and conditions".
- b) These problems are highly identifiable in the categories referred to in the report, making them equally highly approachable with a view to effecting a redesign that should greatly improve the accessibility, comprehensibility and application of these documents.
- c) Prudential consider the redesign of the tested documents and of other, related documents that were not tested. The consideration here is that the problems that were identified will in all probability also arise in other documents.
- d) Following recommendation a), that Prudential consider the expert analysis of a wider range of documents before redesigning them.

- e) That more research would be advised to test more carefully for the effect of independent variables such as age, gender, language, etc.

2 INTRODUCTION

This document will report on a research project completed by the Language Centre of Stellenbosch University in collaboration with Clarity Communications for Prudential Portfolio Managers (the client; hereafter referred to as Prudential). The goal of the project was to test key documents with potential users or clients, with a view to:

1. To identify areas where they can make quick and easy improvements to their key documents and identify the scale of any required future improvements.
2. To help them comply with new regulatory requirements.
3. To provide a measure of defence against any liability or claims that key documents do not comply with the new regulatory requirements of the Consumer Protection Act or 'Treating Customers Fairly' requirements.

Included in the above is to test and better understand the requirement to provide key documents in languages other than English.

The idea was to embark on a pilot study in the Western Cape, using a selected group of respondents and testing a sample of documents. The focus of the study was not exclusively on the requirements following from the CPA and related documents, but was set a little wider to include the notion of effective documentation directed at customer satisfaction.

Even so, there naturally is a regulatory regime that is applicable to Prudential, and it is apposite as it informs our analysis of the documents.

2.1 REGULATORY REGIME

The appropriate starting point when describing the applicable regulatory regime is the legislation that is currently in force.

The Consumer Protection Act, Act 68 of 2008 ('CPA'), has been in force since 1 April 2011. On 27 June 2011 the Pension Fund Industry, the Collective Investment Scheme Industry and the Security Services Industry were exempted from the operation of certain sections of the CPA, including those governing plain language and unfair contract terms. However, this

exemption is temporary and, as of 31 October 2011 (18 months after the general effective date of the CPA), these industries will have to comply with the CPA.¹

Financial services are already heavily regulated and the CPA will eventually apply concurrently with the existing legislation.² Where the provisions are contradictory, the provisions that give the most protection to consumers will apply.³

The Financial Services Board is in the process of developing a programme entitled Treating Customers Fairly ('TCF'), which is aimed at regulating the market conduct of financial services firms.⁴ It is envisaged that the FSB will start enforcing the programme by January 2014. The programme is modelled around six fairness outcomes. For current purposes, the most important outcome is Outcome 3: 'Customers are given clear information and are kept appropriately informed before, during and after the time of contracting'.⁵ This outcome includes regulations dealing with disclosure requirements and obligations, plain language, language policies and misleading representations.⁶

The relationship between the TCF and the CPA is described as follows:

The principles set out in the Consumer Protection Act will, wherever relevant, be a key input into developing the TCF regulatory framework. However...it must be stressed that financial services in fact require higher "standards of conduct that are more stringent than those generally applied to other non-financial goods and services" in view of the particular risks they pose. The Consumer Protection Act principles will therefore serve as at least a minimum standard of consumer protection. (See p. 41 of the NT Policy Document.)⁷

The provisions of the CPA (notwithstanding the fact that it does not currently apply) therefore are the best measure of the minimum level of protection that consumers will be given when assessing the readability of your documents. In this regard, Section 22⁸ of the CPA provides that all agreements that are in writing must be in plain language.

An agreement is in plain language if:

- a) [I]t is reasonable to conclude that an ordinary consumer of the class of persons for whom the notice, document or visual representation is intended, with average literacy skills and minimal experience as a consumer of the relevant goods or services, could be expected to understand the content, significance and import of

¹ Notice 533 GG 34400 of 27 June 2011.

² Collective Investment Schemes Control Act, 45 of 2002, Financial Advisory and Intermediary Services Act, 37 of 2002, Long-term Insurance Act, 52 of 1998, Short-term Insurance Act, 53 of 1998, to mention but a few.

³ Section 2(9) of the CPA.

⁴ This programme will eventually take the form of legislation, but is currently still self-regulatory.

⁵ Financial Services Board (FSB) Treating Customers Fairly (TCF) Roadmap, page 7. [Accessed at: <http://www.fsb.co.za/>] ('Roadmap')

⁶ Roadmap, page 13.

⁷ Roadmap, page 17.

⁸ Read with s 50.

the notice, document or visual representation, without undue effort having regard to –

- b) the context, comprehensiveness and consistency of the notice, document or visual representation;
- c) the organisation, form and style of the notice, document or visual representation;
- d) the vocabulary, usage and sentence structure of the notice, document or visual representation; and
- e) the use of any illustrations, examples, headings or other aids to reading and understanding.

The definition does not make allowances for 'professional consumers' (i.e. consumers with a lot of experience in a particular product) by imposing the assumption that the consumer has minimal experience of the product.

The CPA does not give the consumers the right to be addressed in a language of their choice.

It simply states that average literacy must be assumed and that it is "unconscionable for a supplier knowingly to take advantage of the fact that a consumer was substantially unable to protect the consumer's own interests because of ... illiteracy ... inability to understand the language of an agreement".⁹

It therefore is suggested that an assumption of average literacy makes provision for second- or third-language speakers.

⁹ Section 40(2).

2.2 THE DOCUMENTS TO BE TESTED

Prudential provided the following sets of documents to be tested:

Set 1: Key instruction forms and additional information to enable the investor to invest, change his/her investment and withdraw his/her money

Purpose	Detail	Current title of document	Length
Make an initial investment	Initial unit trust application and service instruction form for individuals.	"Prudential Investor Service Instruction & Application Form – Individual"	7-page form
	Enable investors to submit additional information for people whose permission is required for them to give investment instructions. For example, the spouse's permission or authorisation is needed if a couple are married in community of property, as are all members of a CC, beneficiary of a Trust, a director of a company, etc.	"Prudential Unit Trust Application Form – FORM A"	2-page form
	Provides the key information, such as the objective, benchmark, fee and income distribution information for investors to help them select and compare the range of unit trusts. Additional required regulatory information such as TER (Total Expense Ratios) is also included.	"Prudential Collective Investment Scheme Summary Sheet (December 2010)"	2 pages of very detailed information about each unit trust – provided in a table for comparative purposes
Marketing document about each unit trust – provides initial and ongoing updated information to investors about each unit trust.	Prudential Money Market Fund Factsheet – a marketing document that is made available and updated monthly on the web, intended to provide individuals with more information about each fund, including fund performance, regular monthly commentary and risk information. May be used to help an investor decide if a unit trust is right for them and is also used to get an update on each unit trust.	"Prudential Money Market Fund – December 2010"	1-page document with lots of detail
Change the investment option	If the investor's needs or risk profile has changed, the unit trust can be changed – this is called a "switch" and requires the investor to sell units in his/her current unit trust in order to buy units and invest in another one. There are therefore always two parts to a switch: A sell (out of the existing fund) A buy (into the new fund).	"Switch Form (local)"	1-page form
Add more money to the investment	Make an additional investment – into the same account and unit trust.	"Additional investment form (local)"	2-page form
Withdraw money/ Disinvest	Withdraw money or change a regular withdrawal instruction.	"Repurchase / Investment Amendment Form (local)"	2-page form

Set 2: The documents that are available to investors to explain key instruction forms and additional information to give investors the unit trust-specific information and updates that they need to inform their investment decisions

Purpose	Detail	Current title of document	Length
<p>Fund Factsheets</p> <p>Marketing documents about each unit trust – provides initial and ongoing updated information to investors about each unit trust.</p> <p>A marketing document that is made available and updated monthly on the web, intended to provide individuals with more information about each fund, including fund performance, regular monthly commentary and risk information. May be used to help an investor decide if a unit trust is right for them and is also used to get an update on each unit trust.</p>	Prudential Money Market Fund Factsheet	“Prudential Money Market Fund – December 2010”	1-page document with lots of detail
	Prudential Balanced Fund Factsheet	“Prudential Balanced Fund – December 2010”	1-page document with lots of detail
	Prudential Equity Fund Factsheet	“Prudential Equity Fund Factsheet – December 2010”	1-page document with lots of detail
	M&G Global Leaders Fund - M&G is the international investment arm of the Prudential Group. They offer offshore funds via Prudential South Africa to South African investors.	“M&G Global Leaders Fund January 2011”	2-page document
Overall summary of the available unit trusts	Provides key information, such as the objective, benchmark, fee and income distribution information for investors to help them select and compare the range of unit trusts. Additional required regulatory information such as TER (Total Expense Ratios) is also included.	“Prudential Collective Investment Scheme Summary Sheet (December 2010)”	2 pages of very detailed information about each unit trust – provided in a table for comparative purposes
A guide to investing (booklet)	A booklet to help investors with their investment decisions.	“An introduction to investment”	14-page booklet

It is important to note that not all provided documents were tested. The three documents that were not tested are:

- Prudential Balanced Fund fact sheet
- Prudential Equity fund fact sheet
- A guide to investing booklet.

The reasons why the above documents were not tested are twofold:

- To ensure that respondents were not fatigued during the usability testing the researchers only tested between 09:00-15:00.
- Three of the four fund fact sheets had similar textual elements that needed to be tested (as identified in the functional analysis; see Section 3.7: Prudential Money Market Fund).

The importance of the choice of documents lies in the fact that these documents typically have what is known as a behaviour-guiding force, that is they force a client to interact in such a way that the behaviour of the client will be or should be influenced and guided by the documents themselves. In cases where documentation has such a strong force, the attitudes of clients or users will play a very important role. In cases where the documents have a negative effect on these attitudes (due to bad design choices), the effects of the documentation can be quite costly.

2.3 METHODOLOGY

2.3.1 The respondents

Thirty potential clients were recruited as respondents, distributed equally among three languages (10 English, 10 Afrikaans and 10 isiXhosa). The researchers controlled variables such as population group, gender and lifestyle.

Potential clients were recruited to include the requirement that they were able to afford to invest R500 a month or had existing unit trust investments. Given the fact that each respondent would spend the greater part of a day participating in the project, they were provided with an incentive of R1 000 to ensure their commitment.

2.3.2 The methodology

The following methodologies were employed.

Functional text analysis

The extensive functional analysis of the selected documents was imperative in order to identify critical issues that would become the focus of the usability testing. Typically, functional text analysis focuses on the following critical issues: the target audience, the communicative goals set for the particular documents, the end goals or effects that the documents should have, and the particular design features needed to achieve these goals.

In the process, this analysis will focus on issues pertaining to the role of the particular genre (for instance the role of and design standards set for forms or instructive documents); the contents and content management; aspects of readability and other plain language issues; the role of external structure (headings, paragraphing, etc.); the style and tone of the documents; and the graphical and typographical design of the documents.

Usability testing

As part of the usability testing the respondents were placed in specific hypothetical situations of investment which required them to engage with Prudential's documents in a specific way. The respondents did this by filling in the forms on the basis of the scenarios set for them, using the supporting documentation as part of the process.

The project manager provided the SU Language Centre with an example of what Prudential would consider the correct way of filling in the forms (according to what the hypothetical situations required). The average number of sections filled in correctly was then calculated

for each form and expressed as an average percentage. The average number of sections filled in correctly for each form was also calculated for each language group.

The plus-minus method

A method very specific to testing effective document design was employed to test the way the respondents experienced filling in the forms (usability testing). This method, called the plus-minus method, is an immediate-response type of method by which respondents react to documentation as they are reading it. With this method, the participants are expected to mark their appreciation of elements in the document while reading and completing the forms. A positive appreciation is marked with a plus, while a negative perception is marked with a minus. Following the marking process, the respondents are interviewed to allow them to motivate their plus and minus responses.

The interview-responses of each respondent were captured and clustered according to each section within the document/form providing a wealth of qualitative data on the effectiveness of the documentation (see Annexure 3). For the purposes of this report, the clustered responses were analysed and consequently discussed according to the most prominent themes (thematic analysis).

The thematic analysis of the interview-responses also involved a minor quantitative observation. Seeing that this project involved a sample of 30 respondents, it was significant to match more than 3 similar argumentative responses.

Questionnaires

The respondents also had to fill in different questionnaires on the different documents. These questionnaires were designed to include questions with a quantitative and a qualitative (see Annexure 4) character. The questions in these questionnaires were designed specifically to test the effectiveness of a document as whole, but also to test specific design features shown by the functional text analysis to be potentially problematic, especially with regard to issues related to usability and the requirements of plain language (accessibility, comprehensibility and application).

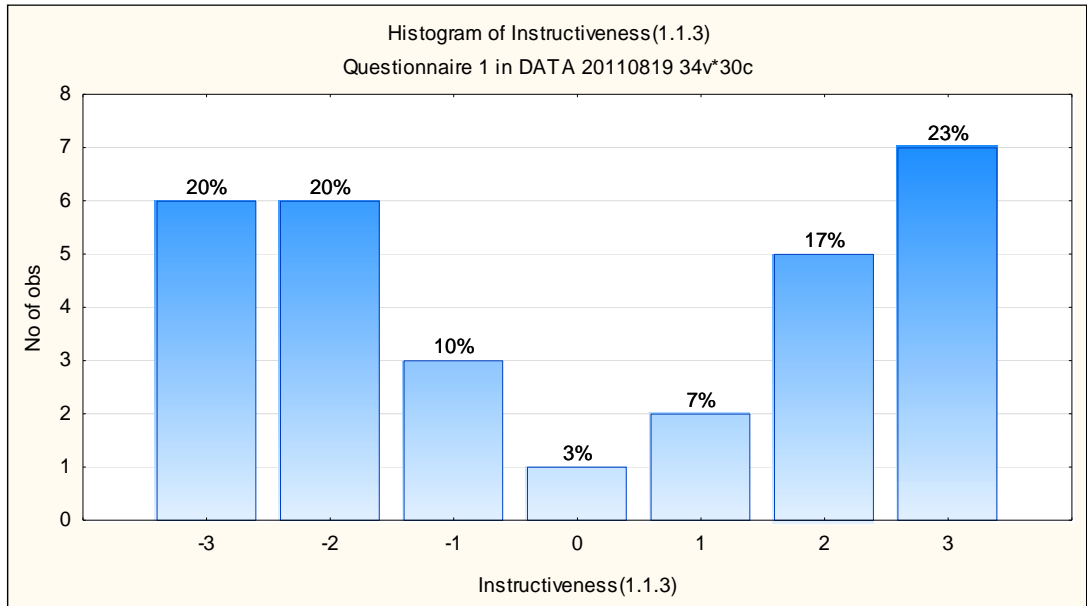
Different types of questions were asked within the questionnaires. Each type is expressed differently. For the purposes of this report, please note the different functions of each type of question, as well as the different ways these sets of questions are statistically expressed:

- Scaled questions

Respondents were asked to indicate on a seven point Likert scale to what degree they agree with a specific statement. By means of this set of questions the researchers attempted at establishing the respondents' experience of a particular textual element within a particular document. A seven point Likert scale were utilised to give respondents the opportunity to give more varied and nuanced indication of their experience. The "-3 scaled values" on the seven point Likert scale represent the number of respondents that "strongly disagreed", the "+3 scaled values" represent the number of respondents who "strongly

agreed” while “0” represents the number of respondents that are ambivalent. Refer to the following example of a histogram expressing the general evaluation of a statement within a scaled question:

You know exactly where in the table to indicate your investment choice (1.1.3)

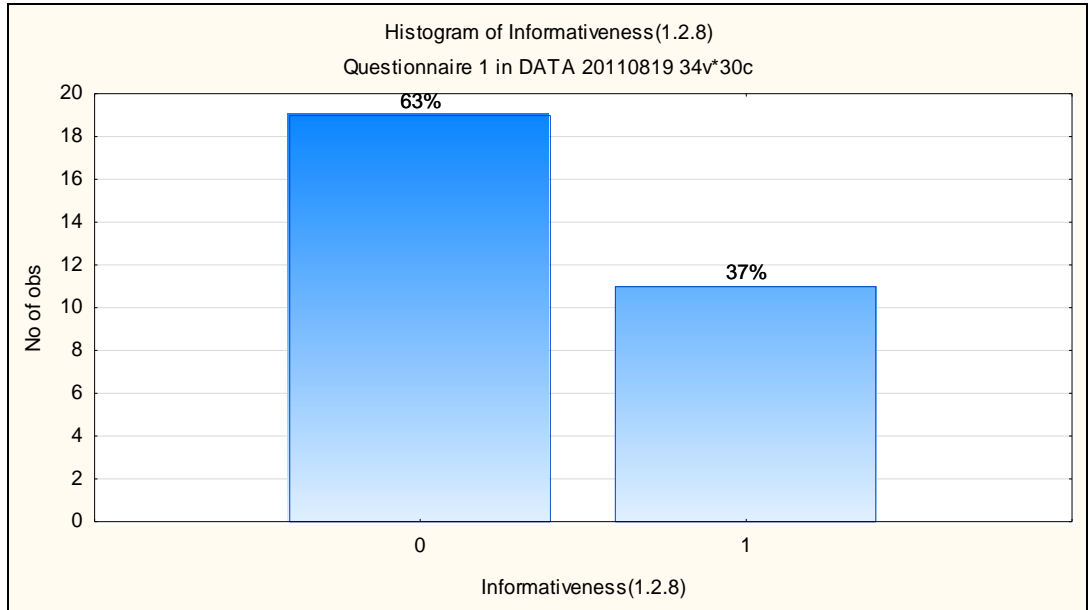


- Comprehension test questions

Respondents were asked to complete comprehension questions pertaining to potentially problematic concepts within Prudential’s documentation. These questions required them to respond by means of open-ended answers. The respondents’ open-ended answers were marked according to the correct answers provided by the project manager. This data is statistically expressed by means of dual barred histograms where “0” represents the number of respondents who answered incorrectly and “1” represents the number of respondents who answered correctly.

Refer to the following histogram expressing the number of respondents that answered a comprehension question correctly, and the number of respondents that answered the same question incorrectly.

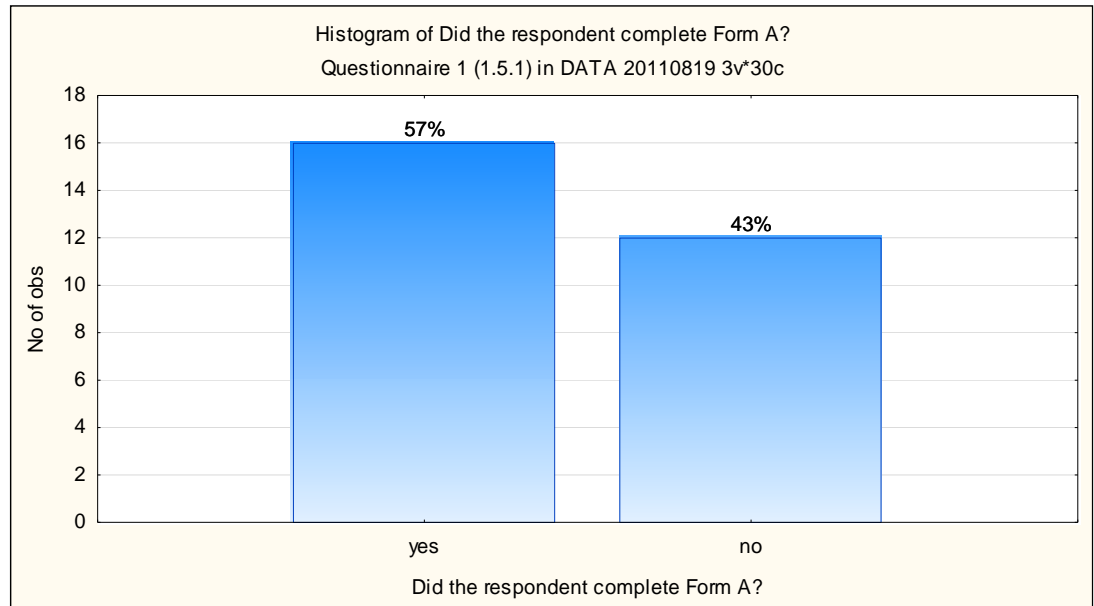
What do you understand by the concept “single premium collection”?



- Either/or questions

Respondents were asked to answer “yes/no questions” and “negative/positive questions” for the researchers to make more accurate conclusions about the respondents’ experience of engaging with Prudential’s documentation. Refer to the following histogram where “0” represents “no” and 1 represents “yes”.

Did you complete Form A?



General interviews

Apart from the interviews forming part of the plus-minus method, the researchers also conducted a final, general interview with each respondent in order to capture general responses to the quality of the documents not covered by the other methodologies.

The interview-responses of each respondent were captured (see Annexure 2). For the purposes of this report, these responses were analysed and consequently discussed according to the most prominent themes (thematic analysis in Section 5: The General Structured Interviews).

A combination of methodologies

The notion of combining different types of methodologies in the way done in this project is particularly important in the field of document design, since these methodologies are meant to supplement one another. It is especially important because respondents cannot always identify problems uniquely. They might experience problems with documents without being able to pinpoint the problem, which explains why a combination of text-focused (or analytical) and reader- or user-focused methodologies should be employed, and also why a combination of quantitative and qualitative methodologies is so important.

Eventually, this combination of methods provided both the researchers and the client with a wealth of data that should lead to the improvement of the said documents. This will become evident in the sections that follow.

3 FUNCTIONAL ANALYSES FOR USABILITY TESTING

As mentioned in the "Section 2: Introduction" the functional analysis were done prior to the usability testing. The aim of the analysis is to highlight potentially problematic areas that need to be tested on participants. The functional analysis focussed on each document separately. Aspects under discussion will be the contents and content management; aspects of readability and other plain language issues; the role of external structure (headings, paragraphing, etc.); the style and tone of the documents; and the graphical and typographical design of the documents.

3.1 INVESTOR SERVICE INSTRUCTION & APPLICATION FORM – INDIVIDUAL

3.1.1 Target audience and communicative goals

The main audience of the application form seemed to comprise those investors who would like to invest in Prudential's unit trust funds and can afford to do so. The communicative goals are to give the investor information regarding the investment(s) they would like to make, but even more than that the document aims to guide the investor in completing the form correctly in as short a time as possible.

3.1.2 Internal organisation of information: coherence, style and paragraphing

The various sections of the form will now be discussed in more detail.

Title of the document

The title of the document is compound since it announces two document functions, namely that of an instructive document and that of an application form. The title of the document furthermore signifies five diverse concepts, namely: "Investor"; "Service"; "Instruction"; "Application form"; and "Individual". The function of the titles of service documentation forms and/or instructive documents is threefold.

- Firstly, it needs to be descriptive of the content of the document.
- Secondly, the titles of forms and/or instructive documents are meant to be unique and recognisable within the context of the organisation's business documentation.
- Lastly, the titles of external service documentation (such as forms and instructive documentation) need to be brief.

The fact that the title of this document announces two functions means that the title may be aspiring towards being too explanatory of the content. The five semantically diverse concepts create a detailed document title that might limit uniqueness and recognisability. The combination of two service instructions and five diverse concepts increases the likelihood that this document title might not be perceived as being brief.

One of the functions of the document, "Investor service instruction", is semantically ambiguous. Firstly, what is the descriptive relation between "Investor" and "service instruction"? Is the service instruction(s) within the document directed towards the investor, or is it the investor who directs the service instruction(s) towards the organisation?

In addition to this, the fifth concept, "individual", is the only concept that is disconnected from the other words. Unlike the other words in the title, "individual" does not relate to a phrase. This means that the relation between the word "individual" and the rest of the title needs to be interpreted.

The ambiguous title may give the investor the wrong impression of what the function of this document actually is. There is also no informational paragraph accompanying the document title so that the investor can orientate himself in the complex application process.

Sentence under the title

Licensed as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 2002
--

The layout, font and font colour of the sentence beneath the document title (provided in the text box above) resembles the layout, font and font colour of all the surrounding service-related content directed to the investor. The position and similar layout of this sentence implies that its function is similar to the function of the surrounding title fragments, namely that of an "instruction" or that of "application information directed to the investor".

However, the function of the sentence is for the organisation to provide information about its licensing. This sentence does not instruct the investor, nor does it communicate additional application information like the rest of the content of the form.

Apart from the layout of this sentence resembling the layout of the introductory paragraph, it is also closely positioned to the paragraph. The fact that the sentence and the introduction share a similar external structure furthermore suggests that these two textual elements might share a similar function.

The information provided in the sentence underneath the title is repeated in the first sentence of the "Introduction", which makes one of the formulations redundant. The function of the rest of the "Introduction" differs, however, from the theme presented in the sentence underneath the title. The function of the rest of the paragraph is to introduce the investor to the purpose of the *Investor Service Instruction and Application Form*. Because of

these differing functions within these text fragments, the similar external structure of the fragments might create an incorrect expectation that their function is similar.

The various sections within the application form

What seems to be lacking in all the various sections of this application form is that the investor is not given clear instructions under every heading as to what is expected of him/her/hers. The section under *Investor details* seems to be very clear and self-explanatory, but the section under *Investment options* does not clearly inform the investors that they need to make their investment decisions here and indicate in which funds they would like to invest. Another section in which it is unclear what is expected of the investor is *Source of funds invested*. Is it expected of the investor to merely take note of the fact that Prudential has the right to ask for documentation, or is the investor in actual fact meant to provide proof of the funds that he/she would like to invest in the Prudential funds?

The section under *Method of payment* does not have instructions, but, when read, it seems that the investor is expected to indicate by which method he/she would like to pay their premium. On that note, the section under *Single premium collection* seems to refer to the electronic collection of the *Method of payment* section and thus should not be a separate section, as it is only applicable to those potential investors who would like to make a contribution via an electronic payment. Instructions are also lacking under the section *Debit order*. What does the investor need to do? What happens if the investor chooses the option of cheque deposit or electronic payment? Would this section then still apply to them?

Another potentially problematic section is the *Appointment of Financial Adviser* (sic). This section also does not include any instructions. It is thus unclear whether the investor can make the choice not to appoint a financial advisor, or whether the section is only applicable to certain potential investors. Will the potential investor be disadvantaged if he/she does not have a financial advisor?

Introduction

Introduction:

Prudential Portfolio Managers Unit Trusts Ltd is a subsidiary of Prudential Portfolio Managers (South Africa) (Pty) Ltd, the latter being authorised as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, No 37 of 2002 (FAIS). The license number is 615. FAIS became effective on 1 October 2004. The purpose of the Act and its subordinate regulations is to protect consumers and to enhance the integrity of the financial services industry. The purpose of this document is to establish a clear contractual investor – intermediary arrangement as referred to in the Act. In lieu of the aforementioned it is necessary to highlight Manager obligations, investor responsibility and specific terms and conditions that will form the basis of any agreement between the parties.

The heading of the “Introduction”, provided in the text box above, implies that the information in this paragraph will provide more clarity on what the investor can expect in the rest of the application form. Unfortunately there are a few aspects that restrict this paragraph from being an effective introduction to the form:

- Before informing the investor of the purpose of the document, Prudential first expands on who they are by giving technical information about their authorisation and structures. The effectiveness of the paragraph could be increased by informing the investor of the form’s purpose in the first sentence, before continuing with technical information.
- A distant tone is established in the “Introduction”: in the fourth sentence of the paragraph, Prudential creates distance between the investor and themselves by referring to the purpose of the document (to “establish a clear investor-intermediary arrangement”) impersonally instead of offering the information in a less impersonal manner. Referring to oneself in business communication sets a more personal tone to which investors can really relate, as well as creates an atmosphere of trust. This is because an active party within the communication process is emphasised. The formal tone is furthermore established by the use of the complex phrase, “in lieu of this...”.

The first sentence of the “Introduction” is elaborate and contains excessive factual information. For this reason it is unclear what the overarching theme of the sentence (and the paragraph) is. Is the main theme the fact that Prudential Portfolio Managers Unit Trusts Ltd is a subsidiary of Prudential Portfolio Managers (South Africa) (Pty) Ltd? Or is the main theme the fact that Prudential Portfolio Managers (South Africa) (Pty) Ltd is authorised as a Discretionary Financial Services Provider? Another theme presented in this sentence is the fact that the authorisation complies with the Financial Advisory Intermediary Services Act, No 37 of 2002 (also referred to as FAIS).

It is customary that the first sentence of a paragraph introduces a theme (or the focal idea) and that an appropriate sentence structure supports this overarching theme. The first sentence is very long and complex, which could lead to incomprehensibility.

The paragraph furthermore is not completely coherent. As mentioned earlier, the first sentence of the paragraph is incoherent. The second sentence of the paragraph interrupts a logical line of reasoning, since it does not connect with the preceding and following theme regarding FAIS. The incoherence is furthermore evident in the first three sentences of the paragraph. The first sentence announces three themes (already mentioned earlier). The second sentence states Prudential’s licence number, while the third and fourth sentences introduce when FAIS came into effect, as well as its purpose.

The incoherence of the introductory paragraph is enhanced by the fifth sentence: A new theme is introduced in the same paragraph by moving away from discussing FAIS to mentioning the purpose of the instruction and application form. Although there may be a logical connection between the two ideas, it is not made explicit in this paragraph.

Another aspect evident in the introduction is the unexplained or inconsistent terminology used, which may be unfamiliar to the less experienced investor. For example, it may be unclear to the investor what a “clear contractual investor-intermediary arrangement” refers to. The Financial Advisory Intermediary Services Act is referred to inconsistently in the introduction and in the rest of the document, as FAIS and the Act respectively. This could leave the investor wondering whether reference is being made to different acts.

It is likely that the visual structure of this section could create the impression that the investor should agree to “something” by signing the form before having read the rest of the form, especially before reading the terms and conditions at the end of the form. Legal information is disclosed in the introduction, while the investor is asked to sign just underneath the section communicating “technical and legal information”. The combination of the typography resembling a “contractual agreement section” and the fact that legal information precedes this section has the potential of misleading the investor. On closer inspection, however, this section only seems to be a “placeholder” for the investor’s name and surname.

Investor details

The content of the section titled “Investor details” implies that the investor should perform an action, namely that of completing the form. The heading is not optimally instructive, since semantically it acts as a mere statement. Furthermore, the passive form “to be completed” is not instructional.

Subject-specific jargon, such as the term “natural person”, will most probably not be familiar to the lay person. This heightens the complexity of the form for the “ordinary customer” (see Section 22 of the Consumer Protection Act). The form instructs the investor to tick in a box next to “Nationality” (See Figure 3.1 below).

Figure 3.1: Section of the Investor details depicting “Nationality”

Investor details (to be completed in block capitals)

Natural person

Title Female Male

First names _____

Surname _____

ID or Passport number Date of Birth

Resident Non Resident Nationality

Income tax reference number

Residential address _____ Code _____

Postal address (if different to residential) _____ Code _____

Contact details Home _____ Fax _____
Work _____ Cell _____

Semantically, no inference can be made about what a positive or negative tick mark might mean next to the option of "Nationality". "Nationality" requires a reader to write out his/her country of origin and does not necessitate a yes or no answer. The information is currently set out in an ambiguous manner: If the investor is a South African and currently living in South Africa, would one need to tick both boxes of *resident* and *nationality*? Clearer instructions are needed to clarify the investor's position and what is expected of him/her.

Another aspect that could be problematic deals with the investor's marital status. There is a discrepancy between the three options being offered to ascertain the investor's marital status. The opposite of "single" would be to be "married". Yet the options "ANC" and "Community of Property" are reflected as opposites next to "Single". Please refer to Figure 3.2 below to view the three options.

Figure 3.2: Options for the section dealing with the investor's marital status

The image shows a form with the following sections:

- Residential address _____ Code _____
- Postal address (if different to residential) _____ Code _____
- Contact details: Home _____ Fax _____, Work _____ Cell _____
- Email _____
- Would you like to receive your statement electronically? Yes No
- Marital status: Single ANC Community of property

In the event of a minor or where the Investor is married in community of property, the above information is required for the related party. Please complete Form A.

As mentioned in the previous paragraph, the second option is the abbreviation "ANC". One can assume that this abbreviation refers to an antenuptial contract, since that is an alternative to being married within "community of property". However, the latter term is not abbreviated and might leave the investor with the impression that "ANC" does not refer to antenuptial contract.

Coherence is also potentially problematic in the sentence underneath the "marital status" section. The form makes a reference to the "above information". It is not clear whether the form is referring to the information immediately above the relevant sentence, to the entire section on investor details, or to all the information on page 1. This ambiguity means that the investor has to make an assumption as to what is being referred to and thus complete the form according to this assumption.

Investment options

In terms of its contents, the section “Investment options” displays strong coherence with the subsequent five sections, although they are not integrated into one section. The expectations of each section are briefly highlighted before the “Investment options” are discussed in more detail.

- In the section “Investment options” the investor is expected to indicate in which fund he/she will be investing.
- In the section “Source of funds invested” the investor has to indicate the source from which he/she will be making an investment.
- In the section after that, dealing with the “Method of payment”, the investor is expected to indicate his/her preferred method of payment.
- In the “Single premium collection” section, the investor has to authorise Prudential to collect the lump sum investment from his/her bank account.
- In the “Bank details” section the investor has to fill in his/her bank details.
- The last section, namely the “Debit order”, accounts for the debit order information.

Despite this level of chronological and informational continuity, the external structure of these sections, as well as their organisation, does not represent this macro-level coherence between these sections. The above-mentioned sections could be merged into one section to create a stronger sense of coherence, as well as to guide the investor logically through providing the required information.

In the current section, “Investment options”, the investor is not informed about where the “Prudential Collective Investment Scheme Summary Sheet (December 2010)” and the fund-specific “fact sheets” can be found. See Figure 3.3 for a screen shot of the “Investment options”.

Figure 3.3: A view of the “Investment options”

Investment options							
Fund selection	Initial fee	Annual service fee	Bank account no. for direct deposits*	Lump sum amount (note minima on CIS Summary)	Debit order amount	Distributions	
						Re-invest	Payout
Prudential Equity Fund	0.25%**	1.25% ***	072528990	R	R		
Prudential Dividend Maximiser Fund	0.25%**	1.25% ***	072529083	R	R		
Prudential Balanced Fund	0.25%**	1.50%	072528931	R	R		
Prudential Inflation Plus Fund Class A	0.25%**	1.25%	072508434	R	R		
Prudential High Yield Bond Fund**	0.25%**	0.75%	071863486	R	R		
Prudential Global Value Fund of Funds	0.25%**	0.75%*	072578580	R	R		
Prudential Global High Yield Bond Fund of Funds**	0.25%**	0.50%*	071863443	R	R		
Prudential Global Income Plus Fund of Funds	0.25%**	0.75%	071863575	R	R		
Prudential Money Market Fund	0.00%**	0.35%	072538368	R	R n/a		
Prudential Dividend Income Fund	0.10%**	0.60%*	072573341	R	R n/a		
Prudential Enhanced Income Fund	0.25%**	1.00%	240422104	R	R		
Prudential Enhanced SA Property Tracker Fund	0.25%**	0.65%	072654171	R	R		
Other							

Although the investor is not informed where to find the Collective Investment Scheme Summary Sheet (CIS summary), the content of the document displays a high level of congruence with the given table. However, the names of the funds are not presented in the same order as in the "Prudential Collective Investment Scheme Summary Sheet (December 2010)" and no explanation is given for that.

There is also some discrepancy between the fact that the heading is presented as a mere statement while the instructive information is found in the section. As can be seen in Figure 3, no instructions are given at the top of the section before the table, yet the investor is expected to infer that he/she needs to fill in the necessary amounts at the preferred fund(s): The bank account details and the spaces provided next to each fund imply that the investor should perform an action. These actions relate to choosing a specific fund, identifying the correct bank account number, filling in the lump sum investment or debit order columns respectively, as well as completing the distributions columns.

On a visual level, the open spaces where the investor is meant to fill in his/her chosen amounts are not effectively distinguishable from the explanatory information and could thus be overlooked.

A lack of instructions in this section is problematic in several ways:

- No instructive indication (both on a visual and textual level) is given whether an investor can make more than one investment choice in the table.
- From the external structure and the organisation of the contents in table, it is unclear whether the investor is obliged to invest by a monthly debit order, or just by means of a lump sum (or both).
- The investor is asked to confirm the minimum amounts for lump sum investments on the CIS summary, but is not informed where the document can be found.
- Under the subheading, "bank account details", the investor is instructed to make separate deposits into each account of the funds in which he/she chooses to invest, but this instruction could get lost in the paragraph as it is currently not being highlighted.

Furthermore, the visual presentation of the information below the subheading "bank account details" leaves the investor with questions, as a single asterisk is used in the heading of column 4 of the table, but no explanation is given at the bottom of the section for this single asterisk. The explanation rather starts with two asterisks. On closer scrutiny it becomes clear that the information given under the subheading, "bank account details", is not all applicable to the subheading. The information marked with the double and triple asterisks and the plus sign explains to the investor how to interpret and use the table provided. Perhaps this information should be under a subheading called *Please take note*.

Source of funds invested

Semantically, the heading "Source of funds invested" states a fact. Due to a lack of instructions, the investor is expected to make a pragmatic inference to complete the

section correctly. In this section it is unclear whether Prudential is asking the investor to indicate the origin of the source of funds from which the investment will be made.

In addition to the ambiguity mentioned above, Prudential refers to itself in the third person. This raises the formality of the form by intentionally increasing the distance between Prudential and the investor. This third-person reference is evident in the only sentence in the “Source of funds invested” section:

Prudential reserves the right to request documentary proof e.g. income statement, bank statement.

Method of payment

Although this section, similar to previous sections, does not offer instructions, it seems that the investor is expected to indicate his/her choice regarding his/her method of payment. It is not clear whether “Method of Payment” refers only to the lump sum/single premium amount, or whether it can also refer to monthly payments, namely by debit order. While this might seem obvious when one is familiar with the investment procedure, it might cause confusion when this is not stated explicitly.

Seemingly contradictory information is presented in the first two sentences of the “Electronic collection” option in the section dealing with the method of payment. Prudential states that they are limited to an electronic collection of R500 000 per transaction. By mentioning this information in the first sentence, without immediately clarifying that they can make multiple collections on behalf of the investor, it may create the impression that electronic collections for investments greater than R500 000 cannot be used by the investor who would like to invest more than R500 000. In the second sentence, however, Prudential explains the procedure that is applicable when an investor wants to invest an amount greater than R500 000:

By selecting this method of payment for an investment greater than R500 000 an investor acknowledges that they are instructing Prudential to make multiple debits which may lead to additional bank costs.

The information presented in the first two sentences can be restructured to ensure that the investor is not immediately confronted with limitations, but rather with the procedures that are in place to assist the investor with the chosen investments options and amounts to be paid.

The rest of the information offered in the paragraph about the electronic payment does not seem to offer a clear connection with the preceding information, and could leave the investor wondering how the rest of the information relates to making an investment of more than R500 000.

Single premium collection

The organisation and coherence of the themes in the previous three sections create confusion about what exactly is meant by “Single premium collection”:

I hereby authorise Prudential Portfolio Managers Unit Trusts Ltd to deduct the amount specified in the section “Investment options” from my bank account as per the bank details below. Please provide Prudential with a bank statement confirming sufficient funds for us to collect. If not attached, please note that this could cause a delay in the investment being transacted.

Does “single premium collection” refer to the “lump sum” mentioned in the section “Investment options”? Does Prudential regard all three methods of payment to be cases of “single premium collection”? The section seems to be applicable only to an electronic collection to be done by Prudential, and should thus rather fall under that paragraph instead of being a new section on its own.

The organisation and presentation of this section is problematic. In their own words (I hereby authorise Prudential), the investor authorises Prudential to collect the “amount specified” in the section dealing with the investment options. Despite this, the heading rather addresses the collection of a single premium investment from Prudential’s perspective, in which case the heading “process of authorisation” would have been more descriptive. The heading therefore does not reflect this authorisation function.

There seems to be a discrepancy between the way Prudential portrays the investor to refer to themselves, and how Prudential refers to itself. The investor is portrayed as referring to himself in a less distant tone by using personal pronouns: “I hereby...”; “...my bank...”, while Prudential consistently refers to itself in the third person, creating more distance between Prudential and the investor. This discrepancy may leave the investor with the impression that Prudential regards itself as superior to the investor.

On another note, the section conceals important instructional information in the last sentence by not separating it from the surrounding sentences, which have a primarily informational function: “Please provide Prudential with a bank statement...”.

Another problematic aspect is that Prudential states in the introductory section of the form that the investor would “hereafter be referred to as the investor”, yet in this section the investor is referred to as the “account holder”. The reasoning behind this deviation is unclear.

Section 7: Bank details

The heading of the section “Bank details” is not optimally instructive and the introductory information, which is provided in parentheses, could be construed as unimportant by an investor trying to complete the form as quickly as possible. See Figure 3.4 below for a screen shot of the section.

Figure 3.4: A screen shot of the "Bank details" section

Bank details (compulsory for all investments to pay all income/redemption payment instructions)

Bank _____

Branch _____ Branch code _____

Account holder _____

Account number

Account type Savings Transmission Current (A cancelled cheque or bank statement must be attached as proof of banking details. No payment will be made to third parties, i.e. payments will only be made to the bank account in the name of the registered investor. Prudential is unable to facilitate payments to credit cards.)

Debit order

Commencement date Annual escalation %

I/We hereby authorise Prudential Portfolio Managers Unit Trusts Ltd to deduct the stated debit order amount on the 1st working day of each month from the above bank account as well as any amendments that may be made during the period of this investment. I/We agree to pay bank charges and costs incurred by this debit order. Any debit order instruction/amendment must be received in writing by Prudential Portfolio Managers Unit Trusts Ltd prior to the 20th day of each month in order for it to be acted upon before the 1st working day of the following month.

The importance of completing the "Banking details" section is emphasised by the use of what could be perceived as a threatening tone: "No payment will be made to third parties..." (the same importance can be conveyed by emphasising the responsibility on the part of the investor), while instructional information is concealed within parentheses: "A cancelled cheque or bank statement must be attached as proof of banking details". Readers often do not read information presented in parentheses, as that would typically be regarded as being less important.

The information under the bank details is not presented in a coherent manner, as the respective themes presented by each sentence do not relate to each other (see the information in the box "Current" in Figure 4 above). The first sentence focuses on the instruction that the investor must adhere to, while the second sentence refers to payments that cannot be processed into third-party accounts and the last sentence mentions that no payments can be made to credit cards.

Debit order

The heading of the "Debit order" section is not optimally instructive and leaves it unclear to the investor whether he/she can pass over this section if he/she has opted for a cheque deposit or an electronic/internet transfer. It is also not clear how the annual escalation percentage could be determined. (See Figure 3.5).

Figure 3.5: A screen shot of the section “Debit order”

In the first sentence under the “Debit order” section, Prudential gives the investor the option of referring to himself in the singular or plural form: “I/We hereby authorise...”. It is unclear why the form portrays the investor as possibly being more than one person only in this section of the application form. In the section, “Single premium collection”, the investor is referred to in the singular form only.

In the first sentence of the section “Debit order”, the investor is supposed to authorise the “stated debit order amount”. This amount would have been filled in six sections earlier in the application form (“Investment options”). The investor is not reminded where the “stated debit order amount” can be found; nor are the sections placed closer to each other.

The third sentence of the section hides important instructional information:

Any debit order instruction/amendment must be received in writing by Prudential Portfolio Managers Unit Trusts Ltd prior to the 20th day of each month in order for it to be acted upon the 1st working day of the following month.

This instruction is not distinguished from the surrounding informational sentences and could potentially cost both the investor and Prudential money and time to complete the debit order instruction/amendment.

Appointment of financial advisor

This section is problematic since, due to instructions being missing, the investor is not guided to understand that the section is only applicable if he/she has a financial advisor. As it is, it could leave the investor with the impression that he/she needs to appoint a financial advisor in order to invest with Prudential. Please see Figure 3.6 below for a screen shot of this section.

Figure 3.6: Appointment of Financial Advisor

Appointment of Financial Advisor

I, the Investor, hereby appoint the below mentioned as my Financial Advisor and authorise the payment of fees to my Financial Advisor from my portfolio on the following basis:

1. Initial Financial Advisor fee of . % subject to the maximum of each fund (excluding VAT)

2. The standard trail fee paid by the Manager from the annual service fee plus an annual Financial Advisor fee of . %
I acknowledge that the Manager will deduct this Financial Advisor Fee by selling units from the portfolio and paying the amounts to the Financial Advisor monthly.

I, acting as the appointed Financial Advisor for this investment application, assume and undertake full responsibility for the identification procedures necessary under all legislation, regulations ("KNOW YOUR CLIENT"), rules, industry guidelines, common law and case law in the Republic of South Africa pertaining to money laundering and verify the authenticity of the Investor and his/her signature. I declare that I am competent and accredited to provide investment advice in respect of the investment(s) reflected in this application form, as required by South African laws from time to time.

Code

Prudential FSP Consultant _____

Name of Financial Advisor _____

Name of Financial Services Provider _____

FSB license No. _____

A few other problematic areas of the section need mentioning:

- The investor is expected to fill in an initial financial advisor fee, but no guidance is given in terms of what it can be. The investor can therefore assume that this section should be completed by the financial advisor who is familiar with the fee structure.
- In addition, it is expected of the investor to authorise the *standard trail fee* paid from the annual service fee, as well as the annual financial advisor fee of a certain percentage. Unfortunately the investor is not given guidelines as to what the annual fee is or where he/she can find it in the documentation available to him/her/hers. This part also mentions that the investor acknowledges that some of his/her unit trusts will be sold in order to pay the necessary fees. It is important that this sentence is highlighted in some way to ensure that the investor does not miss this vital information.
- Something else that is required in the section is a code, but it is not specified where the investor can find this code. One could assume that the financial advisor would know what code is required.
- Furthermore, it is unclear what needs to be filled in in the space where the "name of the financial services provider is required", because no guidance on what to do is provided.
- Another unclear requirement is the "FSB licence number": would that be the financial advisor's licence number? One can assume that this licence number is different from the code that was required earlier in this section.

Special instructions

This section provides no guidance on what is expected and what the investor could or should write in the space provided. Clear instructions in this section would help the investor to complete the section easily and correctly.

Terms and conditions

This section forms a large part of the application form and is considered a vital part of the Consumer Protection Act. Sections 48 to 52 of this Act stipulate various requirements to ensure that terms and conditions are *fair, just and reasonable*.

What is immediately evident in this section is that the information is clustered under various subheadings within the bigger section. The subheadings are as follows:

- a) Manager obligations
- b) Investor obligations
- c) General
- d) Amendment instructions
- e) FICA compliance
- f) Investment transaction minimums (in the table provided on page 2 of this form the plural minima is used)
- g) Reporting
- h) Risk warning
- i) Fees
- j) Authorisation and declaration

A. Manager obligations

The first subsection of the *Terms and conditions* focuses on the manager's obligations. Several aspects that are mentioned in the subsection need attention:

- FAIS was last written out in full on page 1 of the Investor Instruction and Application Form. Since the investor might want to refer to the Act, it would be useful to write out the Act's name in full to prevent the need for the investor to page back to the first page to double check what FAIS stands for. No reference is made as to where the investor can find FAIS and "its subordinate measures".
- Reference is also made to the FAIS Act inconsistently, as it is referred to as the FAIS Act in the first sentence, while in the last sentence of this same part it is referred to only as FAIS.

- It is unclear what “its subordinate measures” refers to; clarification would empower the investor to make an informed decision.
- In the second condition it is mentioned that the manager only provides “intermediary services to investors”, but no clarification is given as to how this impacts on the investor or his/her investment.
- In the third condition the form mentions that the manager does not offer any “financial or financial product advice” to investors, but it is unclear what is specifically meant by advice. The danger is that an investor might perceive product information given by the manager as advice, while the manager would disagree. It is important to realise that what needs to be tested here is the investor’s comprehension of what he/she perceives as financial or financial product advice.
- The fourth condition continues from the previous one to mention that the manager will not supply the investor with any “recommendation, guidance or proposal” concerning any of Prudential’s products. The same danger as mentioned in the previous point would be applicable here.

B. Investor obligations

It is mentioned clearly at the top of the subsection that the investor agrees to the obligations in this section of the terms and conditions. Several of these obligations are discussed in more detail:

- In the first obligation it is expected of the investor to acknowledge that he/she has received sufficient information to make an informed decision regarding his/her investment(s), and that he/she has received confirmation of Prudential’s licence. Due to the lack of instructions in most of the form’s sections, the investor could feel that he/she was not given sufficient guidance if he/she did not have assistance from a financial advisor. On the basis of the usability testing to follow, Prudential would have a clearer picture of whether potential investors agree that they have received sufficient guidance during their application.
- Obligations two to four focus on the investor’s responsibility to ensure that the financial products he/she has chosen are suitable for his/her needs and that he/she understands that there he/she might not have considered all options and risks when deciding on an investment. The question that needs to be asked here is whether the investor understands what he/she is taking responsibility for by signing the terms and conditions in their entirety.
- In terms of obligation 5, the investor guarantees that the money he/she is investing complies with the Financial Intelligence Centre Act, but no clarification is given as to what this compliance entails. The assumption is made that the investor will know what the compliance entails.

- In the rest of the obligations (6 to 11) it is expected of the investor to acknowledge and take responsibility for various decisions. The question that often arises when reading the obligations of the investor is whether the investor understand what he/she is agreeing to. The investor's comprehension of the phrases below could possibly be tested:
 - "that he/she has made his/her own independent decision" (6),
 - "not relying on any communication from Prudential, whether written, oral or implied as investment advice or as a recommendation to enter into the investment" (7),
 - "it being understood that information and explanations relating to the terms and conditions of an investment shall not be considered investment advice or a recommendation to enter into the investment" (7),
 - "warrants that he/she has not has not received from Prudential any assurance or guarantee as to the expected results of the investment" (8),
 - "understands that values of units within unit trusts, managed portfolios and any other market linked investment instrument fluctuate in line with the market values" (10),
 - "indemnifies and agrees to hold harmless, and agrees to have no claim or cause of action against Prudential" (11).

C. General

This subsection deals with the general terms and conditions regarding how and by what time the payments need to be made, the pricing methodology and the investor's authorisation for fee requirements. Aspects that might need to be tested are:

- In the second condition, the phrase "forward pricing methodology" is used and it would need to be ascertained whether the investor understands what is meant.
- In condition three, reference is made to the "relevant Deed", but it is not clear where this deed can be found. Would the investor know where to find the deed?
- In condition 4, various fees are mentioned without explanations being given, which could mean that the investor already has this information: management fees, performance fees, bank charges, trustee/custodian fees, audit fees, regional council levies, MST and brokerage.
- In condition 5 the investor is informed that, should there be insufficient trail fees in the investor's investment(s) to pay the financial advisor, some of the unit trusts would be sold for that purpose. What is unclear, however, is whether the investor would be notified before some of his/her unit trusts were sold.
- It is unclear whether the investor would understand what the "cessation of debit orders" in condition 6 means.

- Does the investor understand what is meant by the phrase “material facts”? (7)

D. Amendment instructions

The information contained in this subsection is mostly clear and understandable, except for two aspects:

- Condition two of this subsection mentions that “Units may be ceded or assigned for which a processing cost may be levied”, but the document does not explain what the phrase “units may be ceded or assigned” means. The potential investor’s comprehension would need to be tested in this regard.
- In the fifth condition the investor is instructed to use the “standard instruction form” should he/she want to make withdrawals or payments, but the investor is not informed where this particular form can be found. One could assume that the investor will know that it can be found on Prudential’s website, or that he/she could call a consultant.

E. FICA compliance

The subsection dealing with the FICA requirements is very straightforward and clear, but since it is an important part of the application form it would be advisable to draw more attention to this information. This subsection could perhaps be presented immediately before the part where the investor has to sign the application form at the end, to ensure that the necessary documents are included with the submission of the application form (or what the fee is).

F. Investment transaction minimums

In this subsection the investor is warned that, should the minimum amount of the investment(s) fall below R2 000, Prudential reserves the right to a) redeem the remaining units and pay the money out to the investor or to b) charge a transaction fee for balances below the required amount. Unfortunately it is unclear whether the investor will be informed should his/her investment(s) fall below R2 000, or what criteria Prudential uses to either pay out an investment or charge a transaction fee.

G. Reporting

The subsection with the heading *Reporting* consists of only one sentence and could possibly benefit by being added to another subsection, for example the manager obligations.

F. Risk warning

The first obvious aspect to note in this subsection is that the information is presented in a paragraph rather than in a numbered list form (as with the previous subsections within the terms and conditions). The clarity of the information could be increased by presenting the information in a bulleted or numbered list. A section that could be unclear to the investor is: "The fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity." It might be beneficial to ascertain how potential investors understand this sentence.

G. Fees

The subsection about fees is presented in a numbered list with short, clear sentences. Two questions are raised by the information:

- As mentioned earlier in this report, does the investor understand what is meant with the phrase "forward pricing method"?
- It is mentioned that it is the financial advisor's responsibility to ensure that the investor is fully aware of all the applicable fees, but what happens in the case of investor who does not have a financial advisors?

H. Authorisation and declaration

As with the subsection dealing with the risk warning, the information in the first paragraph could also benefit from being presented in a bulleted or numbered list, as is done in the second paragraph. This would enable the investor to read the information faster and make it easier to understand. Certain aspects of the subsection need to be clarified:

- Does the investor know what the Deed is and where to find it?
- Did the investor receive the "disclosure information" prior to the completion of the application form? Is the information give to the investor or to the financial advisor? What happens if the investor does not have a financial advisor and did not receive the information beforehand?
- What does the abbreviation NAV stand for and where is its calculation set out?
- Will the investor understand what has to be filled in in the space provided next to "capacity"?

I. Contact details

In the last part of the application form the investor is informed of Prudential's contact details and what he/she can do should he/she have a complaint. Perhaps the information that deals specifically with complaints could be offered in a more prominent manner.

3.2 PRUDENTIAL UNIT TRUST APPLICATION FORM – FORM A

This form is supplementary to the *Investor Service Instruction & Application Form – Individual* if the investor is a minor or is married in community of property (please refer to page 1 of the mentioned form).

It is unclear why the form is called “Form A”, because that would imply that a “Form B” exists. If no “Form B” exists then it would be beneficial to the investor to remove the phrase “Form A” completely.

The form does not clarify what “additional” in the title of the first section refers to (see Figure 3.7 below).

Figure 3.7: Additional Compulsory Information for Natural Persons

The screenshot shows the 'Prudential Unit Trust Application Form - FORM A' with a red header. Below the header, it states 'Authorised as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 2002'. The main section is titled 'Additional Compulsory Information for Natural Persons' in red. Below this title, it asks the user to 'Please tick the correct category of natural person for which additional information is submitted.' There are ten checkboxes arranged in two columns: Guardian of a minor, Spouse (married in community of property), Additional member (CC), Additional signatory (Company or CC), Foreign signatory (Company or CC), Majority shareholder (Company), Managing member (CC), Authorised person (Trust), Beneficiary (Trust), and Founder (Trust). Below the checkboxes, there are fields for 'Title' (a 4-character grid), 'Male' and 'Female' checkboxes, 'Surname' and 'First Names' text boxes, 'ID Number or Passport No.' (a 10-character grid), and 'Date of Birth' (DDMMYY grid).

It may be assumed that Prudential regards the information in this form as being “additional” to the information required by the *Investor Service Instruction and Application Form – Individual*. Seeing that the section “Additional Compulsory Information for Natural Persons” appears in a new form, the investor might assume that this section is additional to the rest of the information in the form.

The form is divided into three main sections:

- Additional compulsory information for natural persons
- FICA compliance
- Authorisation and declaration

Although only one instruction is given in the first section, the investor should have no problem completing this part of the form, except for the requirement of resident, non-resident or nationality. As was mentioned in relation to the *Investor Service Instruction & Application Form – Individual*, it is unclear whether a South African living in the country should tick the box for resident or nationality. Some form of instruction is needed here to make it easier for the investor to complete this section. The form lacks consistency in its use of "ID Number" and "Passport No.". One way of presentation should be selected and used throughout the application form.

The second section of the form is presented clearly, since the information is presented in a numbered list, using short sentences and understandable words and phrases.

The information under the section *Authorisation and Declaration* is exactly the same as that in the main application form. See the discussion of the terms and conditions of the *Investor Service Instruction & Application Form – Individual* for the analysis of this section.

3.3 SWITCH FORM (LOCAL)

This form lacks a short description that introduces the function of the document to orientate the investor (See Figure 3.8 for a screen shot of the *Switch Form*).

Figure 3.8: A screen shot of the Switch Form

The screenshot shows the 'Switch Form (Local)' with a red header. Below the header, it states 'Licensed as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 2002'. The main section is titled 'Personal details (to be completed in block capitals)'. It includes fields for 'Existing account number' (a grid of 10 boxes), 'Surname or name of Company / Trust / Close Corporation', and 'First name or contact person'. A paragraph of text reads: 'I/We hereby request Prudential Unit Trusts to transact the following switch of units from within my/our investment portfolio. The standard fund fees apply. For these fees please refer to the "CIS Summary Sheet" on our website www.prudential.co.za'. Below this is a table with four columns: 'From fund', 'R amount/ no. of units', 'To fund', and 'Initial advisor fees'. The table has three rows, each with a number (1, 2, 3) and input fields. At the bottom, there is a field for 'Prudential consultant name'.

There are no short and clear instructions under the sections "Personal details" (this heading is different from that in the *Investor Service Instruction & Application Form – Individual*, where it was referred to as "Investor details") and "Details of financial advisor". Most of the information required is self-explanatory, but there are areas where guidance would be advisable. The external structure of the form makes the information easily accessible and the form quick to fill in, as the investor understands what is being expected of him/her/hers.

The two sections are discussed in more detail below.

The section on personal details needs clarification with regard to a few aspects:

- An existing account number is required, but no further guidance is given regarding which account number is being referred to. It can be assumed that the reference is to the investor's portfolio account with Prudential. It would be advisable to test whether all investors understand which account is being referred to.
- The section where the investor is expected to fill in his/her surname or the name of his/her company/trust/close corporation could be perceived as ambiguous. It would be advisable to provide more guidance in this regard, e.g. to mention that a private investor needs to fill in his/her surname, but should he/she represent a company, trust or close corporation only the name of the entity is needed.

The biggest shortcoming of the section dealing with the financial advisor's details is that the investor is not informed explicitly about what to do should he/she not have a financial advisor. (See Figure 3.9 for a screen shot of this section.)

Figure 3.9: Details of financial advisor

Details of financial advisor

Code

Name of financial advisor

Name of Financial Services Provider

Prudential Unit Trusts must receive this instruction before 1:30pm for the switching process to commence on the same day, except for the Money Market Fund and Dividend Income Fund which have a cut-off time of 10.30am.

Prudential will not be liable for any financial loss incurred by the investor if the information provided is unclear, illegible, ambiguous or incorrect in any way.

Where a switch form is faxed or emailed to Prudential Unit Trusts, the responsibility to ensure that the instruction has been received and actioned by Prudential Unit Trusts shall lie with the investor.

Signature of investor

Date

- If the investor does not have a financial advisor, does he/she have the option of leaving this section blank?
- Would it be correct to assume that the code that is required in this section would be the financial advisor's code with Prudential?

3.4 ADDITIONAL INVESTMENT FORM (LOCAL)

The function of this form seems to be an instruction to Prudential when an investor wants to make an additional investment in his/her portfolio. This function can only be inferred, as the form has no introduction explicitly providing this information to the investor (refer to Figure 10 for a screen shot of this form).

Figure 3.10: A screen shot of the Additional Investment Form (Local)

Additional Investment Form (Local)
Licensed as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 2002

The business cut-off time for receiving an instruction is 1:30pm, except for Dividend Income and Money Market which has a cut-off time of 10:30am and 11:30am respectively. The instruction will only be processed once the funds reflect in the relevant fund bank account and supporting documents and proof of deposit have been received. Should an instruction be received after cut-off, it will only be processed on the following business day, at the closing price of that day (excluding weekends and public holidays). Please fax this form to us on (021) 671 3343 or scan and email to unittrustoperations@prudential.co.za

Investor details (to be completed in block capitals)

Existing account number

Surname or name of Company / Trust / Close Corporation _____

First name or contact person _____

Investment options

Fund selection	Initial fee	Annual service fee	Bank account no. for direct deposits*	Lump-sum amount (note minima on CIS summary)	Debit order amount (note minima on CIS summary)	Distributions ✓	
						Re-invest	Payout
Prudential Equity Fund	0.25%**	1.25%***	072528990	R	R		
Prudential Dividend Income Fund	0.25%**	1.25%***	072528990	R	R		

The first paragraph (in the text box) of the form raises the expectation that the investor will be introduced to the form, but this unfortunately does not happen. The paragraph rather states various conditions that the investor needs to bear in mind when making an additional investment.

Prudential informs the investor to submit the instruction before certain times in the day, depending on the chosen fund. However, instead of motivating or even instructing the investor to follow the necessary procedure, a statement is made that could be perceived as being blunt:

The business cut-off time for receiving an instruction is 1:30pm, except for Dividend Income and Money Market which has a cut-off time of 10:30am and 11:30am respectively.

The investor is then given a warning, which could be perceived as an ultimatum:

The instruction will only be processed once the funds reflect in the relevant fund bank account and supporting documents and proof of deposit have been received.

After the information in the text box, the form is divided into seven sections:

- Investor details
- Investment options
- Source of funds invested
- Method of payment
- Single premium collection
- Bank details
- Financial advisor

Please refer to the discussion on the *Investor Service Instruction and Application Form – Individual* for the analysis of sections “Investment options”, “Source of funds invested”, “Method of payment”, “Single premium collection” and “Bank details”, as they are exactly the same in the two forms.

The section dealing with the financial advisor is different from that in the *Prudential Service Instruction and Application Form*. The important parts that need clarification are:

- What happens if the investor does not have a financial advisor?
- What does the abbreviation IFA stand for?

3.5 REPURCHASE/INVESTMENT AMENDMENT FORM (LOCAL)

Similar to the *Additional Investment Form (Local)*, a paragraph is presented in a text box, confronting the investor with conditions that need to be adhered to before the form can be completed (refer to Figure 11 below).

Figure 3.11: Repurchase/Investment Amendment Form (Local)

The image shows a screenshot of a form titled "Repurchase / Investment Amendment Form (Local)". At the top, there is a red header with the title in white. Below the header, there is a small line of text: "Licensed as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 2002". A text box contains the following instructions: "To implement a repurchase, this instruction must be received by Prudential before 1.30pm for the repurchase process to commence on the same day, except for the Dividend Income and Money Market Funds which have a cut-off time of 10.30am and 11.30am respectively. All the relevant sections must be completed in full. Fax the repurchase form to us on (021) 671 3343 or scan and email to unittrustoperations@prudential.co.za". Below this text box, there is a section titled "Personal details (to be completed in block capitals)" in red. This section includes fields for "Investor number" (a grid of 10 boxes), "Surname or name of Company / Trust / Close Corporation", "First name or contact person", and "Contact telephone numbers". Below this section is another section titled "Repurchase details" in red. The bottom of the form is partially obscured by a grey bar with some text that is not fully visible.

This form lacks a short paragraph that introduces the function of the document as well as providing information on where the investor can find assistance should it be needed. This introduction would be effective if positioned below the title of the form.

In the information in the text box, neither the investor nor Prudential is directly addressed: "To implement a repurchase this instruction must be received...". This may cause the instruction to be less effective. The fact that the investor is immediately confronted with instructions may be perceived as conveying an unfriendly tone.

Below the information offered in the text box the form is divided into five sections, and it seems that assistance from a financial advisor is not required to complete this form as there is no section that is dedicated to an advisor:

- Personal details
- Repurchase details
- Bank account details
- Regular repurchase payments
- Terms and conditions

Similar to the previous form, this form does not offer the investor instructions at the beginning of each section, but sometimes uses instructions within the given information.

Personal details

This section is similar to those of the same name discussed in previous forms, except that this form asks for the “investor number” instead of the “existing account number”. If the “investor number” and “existing account number” are the same number, then it would be advisable to use the same term consistently throughout the company’s various documentation.

Repurchase details

Due to the fact that no instructions are given in this section, it could be unclear to the investor how this section is to be completed. (See Figure 3.12 for a screen shot.)

Figure 3.12: Repurchase details

Fund	Rand amount	Unit amount
Prudential Equity Fund	R	
Prudential Dividend Maximiser Fund	R	
Prudential Balanced Fund	R	
Prudential Inflation Plus Fund Class A	R	
Prudential High Yield Bond Fund	R	
Prudential Global Value Fund of Funds	R	
Prudential Global High Yield Bond Fund of Funds	R	
Prudential Global Income Plus Fund of Funds	R	
Prudential Money Market Fund	R	
Prudential Dividend Income Fund	R	
Prudential Enhanced Income Fund	R	
Prudential Enhanced SA Property Tracker Fund	R	
Other	R	

Does the investor need to specify, for example, both the rand and unit values for the repurchase details? The investor is not given instructions on how the amounts (within the table) should or can be calculated.

Bank account details

This section is the same as the similar section in the forms discussed above, such as the *Investor Service Instruction & Application Form – Individual* and the *Additional Investment Form (Local)*, except for one fundamental difference: in the last paragraph within the *Bank account details* section, Prudential refers to the investor as “you” and to itself as “we”. See the example (Figure 3.13) below that contains the personal pronouns:

Figure 3.13: Personal pronouns used in the section, Bank account details

Bank account details

Bank _____


Branch name _____ Branch code

Account holder _____

Account number

Account type Savings Transmission Current

If you have changed your bank account details since your last instruction to us, we require a cancelled cheque or recent bank statement as confirmation of proof of bank details. Please note that repurchase proceeds will not be paid into a Third Party bank account. We are unable to facilitate payments to credit cards, call accounts, bond accounts or market-linked (Money Market) accounts.



PRUDENTIAL
PORTFOLIO MANAGERS

Please initial each page
/1

The use of personal pronouns for both Prudential and the investor creates a friendlier and less distant tone. This will most likely increase the instructive value of this section.

Regular repurchase payments

Without instructions it is difficult to ascertain how this section should be completed successfully, but one can assume that the investor has to indicate from which fund(s) he/she would like to sell units back to Prudential. This section would be more effective if moved closer to the repurchase details to avoid unnecessary paging by the investor.

Terms and conditions

Despite the formality of this section, which is due to the use of the passive voice, it seems to be mostly comprehensible. However, the investor might not necessarily be familiar with the term "cession" and what it entails. This would need to be tested with potential investors. It is furthermore not explained why the full repurchase made from a monthly debit order will only be settled after 40 days have expired. Does the investor know where to find this information?

3.6 PRUDENTIAL COLLECTIVE INVESTMENT SCHEME SUMMARY SHEET (DECEMBER 2010)

The aim of this summary sheet seems to be to inform the investor briefly about Prudential's funds, as well as to provide each fund's corresponding financial information.

The summary sheet contains all the funds stipulated in the "Investment options" section of the *Investor Service Instruction & Application Form – Individual*, except for the Prudential High Interest Fund. Unfortunately no explanation is given for this omission, nor is the investor informed where the relevant information can be found. Equally important is the fact that the order in which the funds are presented in this document differs from their presentations in forms such as the *Investor Service Instruction & Application Form – Individual* and the *Additional Investment Form (Local)*. It would be advisable to present the funds in the same order in all documents to make it as easy as possible for the investor to find a particular fund in the summary sheet and in the forms to be completed.

It is also not clear that the "Prudential Collective Investment Scheme Summary Sheet" forms part of the "Prudential Investor Service Instruction and Application Form". There should be a clearer reference made to the first mentioned document within the "Prudential Investor Service Instruction and Application Form".

The first three sentences on page 2 of the summary sheet, in the paragraph below the table, introduce unit trusts and describe the unpredictable performance of unit trusts, as illustrated below:

Unit trusts are medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. A schedule of fees and charges and maximum commissions is available from Prudential or at www.prudential.co.za. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Performance figures are quoted from Morningstar for lump sum investment using net asset value prices, with income distributions reinvested. Member of the Association for Savings and Investments South Africa (ASISA).

There seems to be some coherence between these sentences. The fourth, fifth and sixth sentences display a low level of coherence, however, since the topics discussed range from hidden costs, pricing method, the source from which performance figures are quoted and the instrument by which performance figures are quoted to "Prudential's affiliation to the Association for Savings and Investments South Africa". Information that has a low level of coherence is best presented in a bulleted list.

Certain terms are used in the document without any explanations being provided for the investor:

- Liquidity
- Benchmark
- Yield
- Equity
- Bond
- Stock

Perhaps it would be useful to have a short glossary containing technical terms and their meanings for first-time or less sophisticated investors.

3.7 PRUDENTIAL MONEY MARKET FUND

The fact sheet on the Prudential Money Market Fund aims to give the investor as much information as possible about the money market fund. Even before the investor starts reading the document, various external elements can be distinguished. The page is divided into three sections: The information on the left-hand side encompasses most of the page, while the information on the right-hand side is presented in a much smaller column with the heading of "Fund information". The third part of the page is the disclaimer, which is offered in a grey text box at the bottom of the document (see Figure 3.14).

Figure 3.14: Prudential Money Market Fund

Prudential Money Market Fund 31 December 2010

Who should invest
Investors seeking to increase their portfolio's cash holdings with a high-yielding, low-risk money market fund. Investors who need an inexpensive safe haven to house funds whilst moving between market sectors. Investments that must be protected from equity and bond market volatility whilst earning above-inflation returns.

Investment objective
This Fund aims to achieve a high level of current income, while preserving capital and liquidity. The Fund's objective is achieved by investing in cash and other high-quality money market instruments.

Performance objective
The performance objective is to provide a yield in line with the benchmark yield over a rolling one-year period.

Risk profile
The Fund is managed even more conservatively than the parameters specified by CSCA. Within this highly conservative framework, duration, credit and liquidity risks are actively managed. Only short-term, single currency instruments with a maturity of one year or less are allowed by the Fund which may not exceed a maximum 90-day maturity average.

How to calculate the running yield of a money market fund
Published daily yields indicate the compounded annual return of a money market fund. This yield takes the maximum service charge plus VAT into account and is calculated on a seven-day rolling basis. The compounding factor is dictated by the annual distribution frequency, e.g. monthly = 12. The actual accrual in cents per unit for the previous 7 days is converted into an average annual nominal yield and divided by the compounding factor to obtain a periodic effective rate. This figure is then converted to an annual effective rate. The price of each unit is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the fund.

FRA Curve

Source: Reuters

Fund commentary
CPI inflation in November was slightly above expectations printing a 3.6% year-on-year versus 3.4% year-on-year in October. The upside surprise stemmed mainly from slightly higher than anticipated food inflation, although this was mitigated in part by the deflationary impact of the strong retail. Most components of inflation were either steady or slightly higher indicating that inflation has toughed and is turning a corner.
November PPI also exceeded expectations coming in at 6.2% year-on-year from 6.4% in October (the consensus expectation was for a number closer to 6.0% year-on-year) with higher than expected and broad-based pressure in the retail category providing the impetus. There was very little price pressure from categories with a direct bearing on consumer inflation.
Private sector credit extension continued to expand at a moderate pace, increasing by 4.6% year-on-year compared with the October number of 5.1% year-on-year, showing signs of a tentative pickup in momentum which was absent in preceding months. Corporate activity still remains weak although the data indicates that the economy continues to grow at a modest pace.
The next MPC meeting is scheduled in the third week of January, and with the data showing tentative signs of recovery, it is unlikely that further monetary easing will be considered.

Annualised performance

Date	Fund	Benchmark	Outperformance
1 year	6.7%	6.3%	0.4%
2 years	7.8%	7.7%	0.1%
3 years	9.2%	9.0%	0.2%
5 years	8.9%	8.8%	0.1%
Since inception	9.2%	9.2%	0.0%

Yield as at 31 December 2010
5.80%
(This yield is net of all fees)

Fund information

Risk profile:

Sector:
Domestic - Money Market

Benchmark:
STeFi Call Deposit Index

Launch date:
9 April 2002

Fund size:
R32 010 394 018

Fund Manager:
Roshen Harry & Duncan Schwüst

Min lumpsum:
R5 0 000

Income declaration:
Accrued daily, paid monthly

Fees (excl VAT)
Upfront fees : 0.00%
Annual management fees: Fee : 0.35%

Total Expense Ratio (TER)*
TER : 0.46%

How to invest
Cheques are to be made payable to "Prudential Money Market Fund" deposited into the following bank account: Standard Bank, Claremont, Acc. Number: 072538368, Branch code: 025109. Application forms and all documentation as required by FCA, may be faxed to 021 671 3343 or posted to PO Box 23167, Claremont, 7735. Our client service number is 0860 105 775 or visit our website at www.prudential.co.za.

An electronic copy of this document is available at www.prudential.co.za.

The information on the left-hand side consists of six sections and a graph. All sections have a heading, and give the investor an idea of what to expect in the various sections. Equally important is the fact that the graph is not titled or discussed in the surrounding sections of the fact sheet.

The style of the first five sections (Who should invest, Investment objective, Performance objective, Risk profile, How to calculate the running yield of a money market fund) can be perceived as being impersonal, as reference is made to the investor in the third person and the focus is not on the investor, but rather on the investment being made:

Investors seeking to increase their portfolio's cash holdings with a high-yielding, low-risk money market fund.

Some sentences in these sections could also be perceived as being written in a difficult style, as they contain plenty of investment jargon that might not be comprehensible to all investors. For example: "This yield takes the maximum service charge plus VAT into account and is calculated on a seven-day rolling basis."

Furthermore, the coherence between sentences in the same paragraph is not always clear, transitional words and phrases are not used to show a clear connection between the sentences. Consider the two sentences in the second section:

The Fund aims to achieve a high level of current income, while preserving capital and liquidity; and, The Fund's objective is achieved by investing in cash and other high-quality money market instruments.

It may be unclear to the investor what is meant by "other high-quality money market instruments".

Another example where coherence is not entirely clear can be found in the second, third and fourth sentences in the fifth section:

This yield takes the maximum service charge plus VAT into account and is calculated on a seven day rolling basis. The compounding factor is dictated by the annual distribution frequency, e.g. monthly = 12. The actual accrual in cents per unit for the previous 7 days is converted into an average annual nominal yield and divided by the compounding factor to obtain a periodic effective rate.

The third sentence introduces the concept, "compounding factor", which might be referring to the first sentence of the paragraph, but without an explanation of how it connects to the preceding and following sentences. The assumption is made that the investor will know what this concept refers to, since no definition is presented. The fourth sentence introduces yet another concept ("actual accrual") as the subject of the sentence without explicitly linking the concept to the previous sentence. The term "actual accrual" is also not explained in the sentences that follow the fourth sentence.

Regarding the use of financial terms without explanations, the following can be found in some of the paragraphs:

- “portfolio cash holding”;
- “liquidity”;
- “benchmark yield”;
- “running yield”;
- “single currency instruments”;
- “compounded annual return”;
- “annual distribution frequency”;
- “actual accrual”;
- “average annual nominal yield”; and
- “periodic effective rate”

The sixth section, “Fund commentary”, utilises concepts that are specific to the financial sector but that are not explained to the investor. Some of these are “CPI inflation”, “Disinflationary impact” and “PPI”.

Using this context-specific terminology in combination with incoherent paragraphs increases the likelihood that the document could be incomprehensible to the investor.

In the fifth section there is an explanation of how to calculate the continuous yield of a money market fund. This section is followed by a graph with “month values” on the x-axis and “price index values” in the y-axis. Since reference is also made to a “monthly annual distribution” and a “periodic effective rate”, one might expect that there is some kind of relationship between the graph and this section. Unfortunately, this expectation is not fulfilled, as no explanation is offered of the graph’s content and how it relates to the rest of the fact sheet. In addition, new, unexplained abbreviations and concepts are introduced in the table, such as:

- “FRA curve”;
- “Price Index”; and
- “Term Structure”

In comparison to the first five sections, the “Fund commentary” section exhibits a more informal style and the use of colloquial terminology and phrasing, such as “is turning a corner” and “upside surprise” (first paragraph under “Fund commentary” section). There are several cohesion markers that provide the reader with evidence of coherence. Examples are:

- “The upside surprise”, referring to the CPI inflation being higher than expected; and
- “most components of inflation”, referring to food inflation.

In addition to making use of cohesion markers, metaphoric language is also used, such as “inflation ... is turning a corner”.

Despite the fact that the information under “Fund commentary” is offered in a less formal manner, the content of this section is still very technical and is not explained to the investor.

In addition to the information on the left-hand side, further information is offered on the right-hand side of the page. The information under the heading, “Fund information”, is presented very briefly, without any explanations for the investor. One thus can assume that it is expected of the investor to be familiar with terms such as “STeFI call deposit index” and the “Total expense ratio”.

Disclaimer

As mentioned earlier, the disclaimer is presented in a grey text box at the bottom of the document, in a very small font that is not easily legible. It would need to be tested whether investors are able to read the tiny font and whether they do make the effort to find out what the disclaimer entails. The disclaimer is analysed very briefly below.

In the disclaimer, certain terms are used without being explained, such as

- “participatory interests”,
- “ruling prices”, and
- “script lending”.

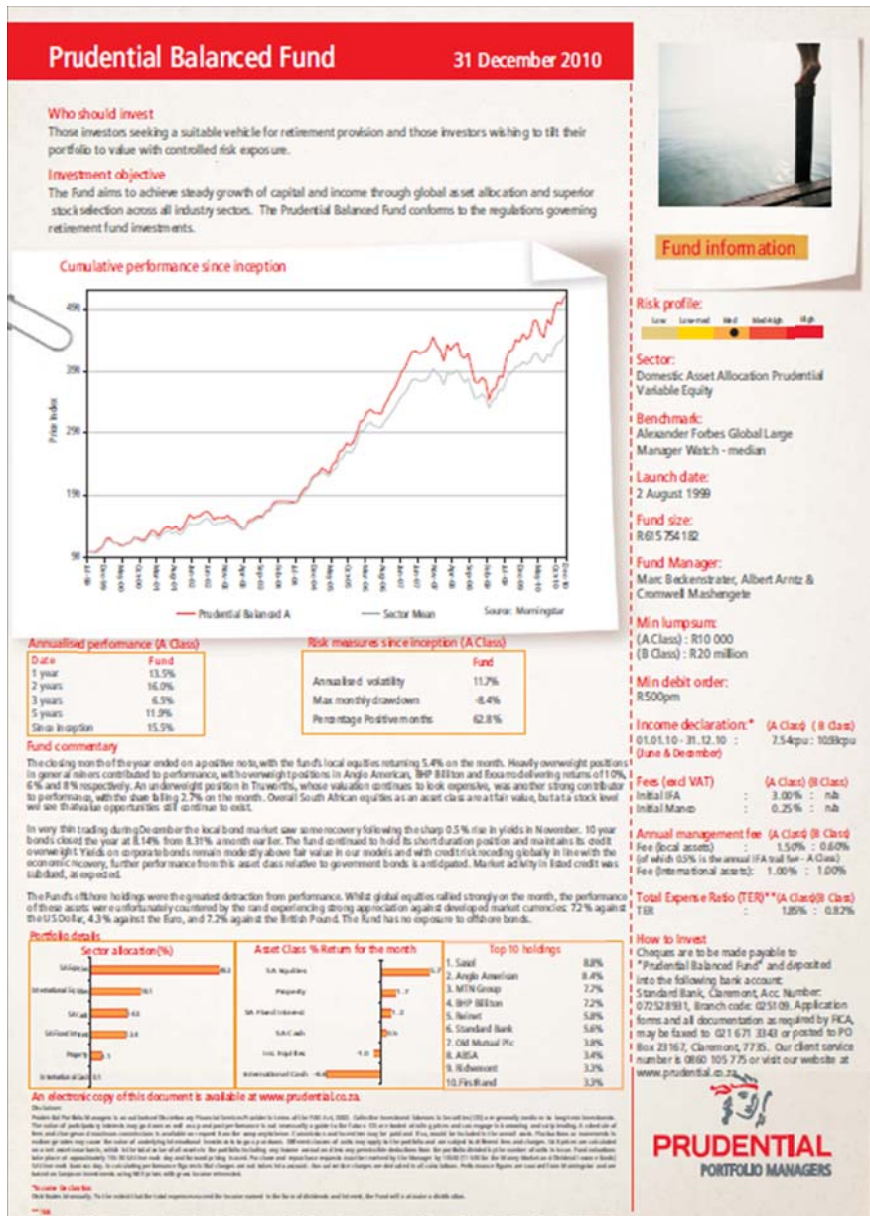
For example, what does it for example mean when Collective Investment Schemes in Securities are traded at ruling prices? What does it mean when Collective Investment Schemes in Securities can engage in borrowing and script lending?

The information presented in the disclaimer is not offered in a logical and coherent manner. The first sentence focuses on Prudential’s authorisation, while the second sentence focuses on what type of investments the “Collective Investment Schemes” (CIS) are, and the third sentence focuses on yet another topic, namely the value of participatory interests as well as the gauging the performance of a particular fund. The rest of the paragraph continues to introduce new topics without necessarily discussing them. The researchers do, however, acknowledge that many aspects of the disclaimer are prescribed regulatory and industry code wording.

3.8 PRUDENTIAL BALANCED FUND

The Prudential Balanced Fund fact sheet is similar to that of the Money Market Fund in terms of layout and structure, and also presents some of the same information ("Fund commentary" and the disclaimer). Similar to the style of the Money Market Fund fact sheet, this document is also divided into three sections, with the information on the left-hand side taking up most of the space, focusing on who should invest and the objectives of the fund. The right-hand side offers fund information under similar headings as in the Money Market Fund fact sheet, except for the addition of a minimum debit order amount, which the Money Market Fund does not have. The last section is the grey text box containing the disclaimer. (See Figure 3.15 for a screen shot of this document.)

Figure 3.15: Prudential Balanced Fund



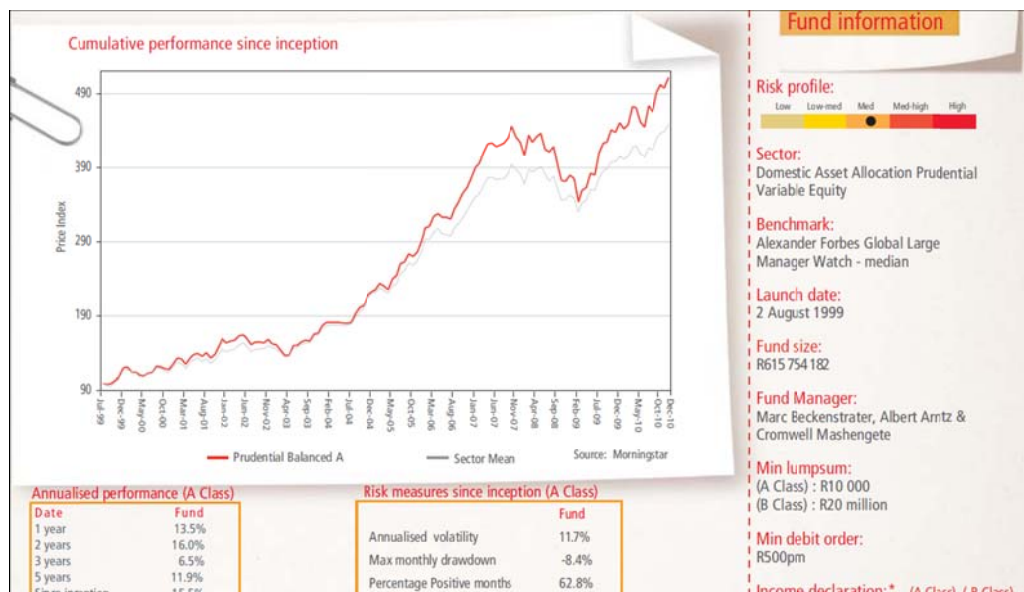
Unlike the Money Market Fund fact sheet, this document does not contain information on the “Performance objective”, “Risk profile” and “How to calculate the running yield of a money market fund”. As mentioned earlier, the only two sections presented besides the fund commentary are “Who should invest” and “Investment objective”. The only sentence in the first section makes use of an informal metaphorical expression, namely “to tilt their portfolio value with controlled risk exposure”.

Some unclear expressions used in the first two paragraphs are:

- “Global Asset Allocation”, used in the first sentence of the second paragraph.
- In the reference made to the “regulations governing retirement investments” it is unclear to which regulations reference is being made.

In the Figure 3.15, from the second section (“Cumulative performance since inception”), several issues are not explained in the table, in addition to the fact that the graph is not explained in any paragraph.

Figure 3.15: Graph depicting “Cumulative performance since inception”



On the X-axis, the graph starts at July 1999 as the “date of inception”. In the right-hand column, the document indicates 2 August 1999 as the launch date of the fund. The question arises: What is the relation between the “date of inception” and the “launch date”? This may be interpreted as being contradictory.

The table also introduces what seems to be a subcategory of the Prudential Balanced Fund, namely “Prudential Balanced A”. This subcategory is not explained in the introductory

paragraphs of the fact sheet, although the right-hand column mentions “A Class” and “B Class” categories below the “Minimum lump sum” and “Income declaration” sections.

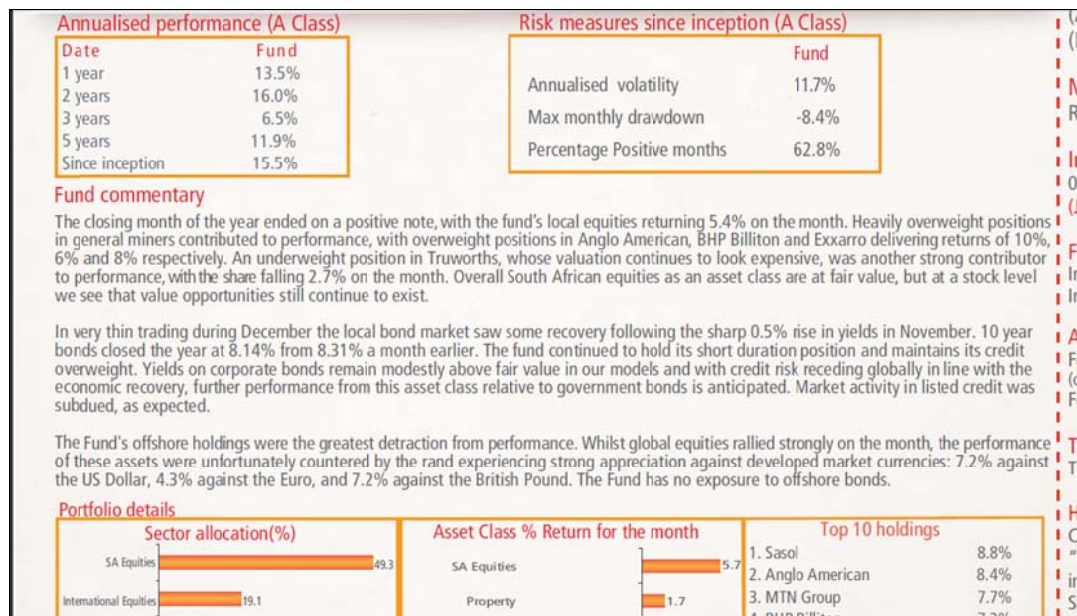
Because of the distinction made in the right-hand column, it would seem that the Prudential Balanced Fund consists of two categories, the A Class, requiring a minimum lump sum of R10 000, and the B Class, requiring a lump sum of R20 million. There are also two columns below the table displaying the annualised performance and risk measures of the A Class Prudential Balanced Fund respectively. Since this distinction is not made in the introductory paragraphs, the differentiation is not communicated consistently in the design of the document.

The table furthermore indicates a “sector mean”. Since funds are benchmarked against the sector mean of similar funds, the question arises whether the sector mean relates to the Alexander Forbes Global Large Manager Watch, reflected in the right-hand column of the document. If the sector mean does relate to the benchmark mentioned in the right-hand column, the relation is not communicated consistently in the design.

Moreover, the concept “price index” (on the Y-axis) is not explained.

The three paragraphs under the heading “Fund commentary” demonstrate a high level of coherence and are written in an informal and explanatory style (refer to Figure 3.16 below).

Figure 3.16: Fund commentary with three paragraphs



The first sentence opens with the announcement of a theme regarding the good performance of the fund's equities. The following three sentences support this sentence by means of detailed, yet well-formulated, equity value reviews. The good formulation can be attributed to phrases such as “contributed to good performance” and “was another strong

contributor". The line of reasoning in this paragraph is completed by the concluding sentence, which summarises the value performance of all South African equities.

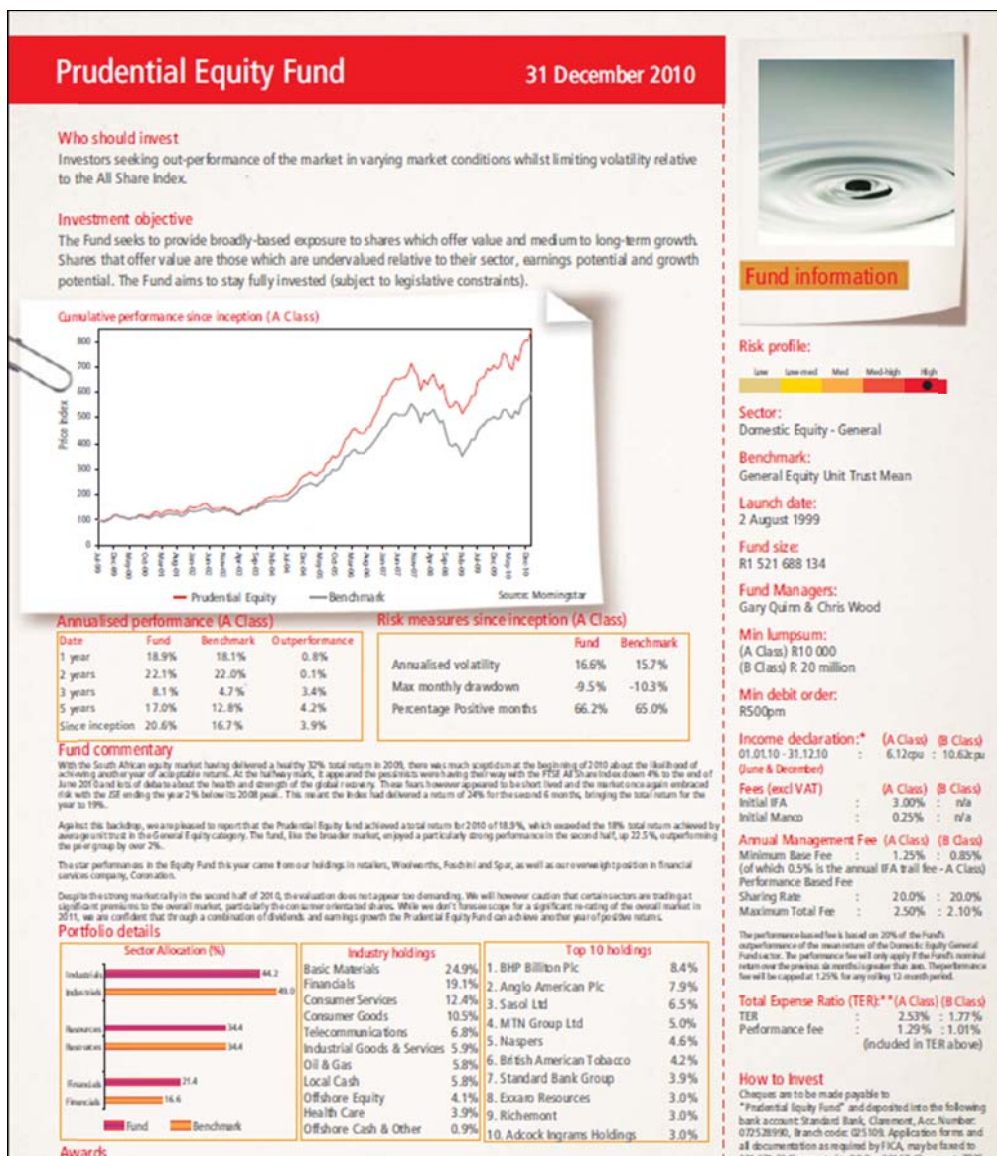
The second paragraph also shows a well-formulated line of reasoning. The first sentence introduces the performance of the bond market, and this statement is supported by examples of performance and credit rates. Despite this, the use of the word "continued" in the third sentence is vague. It is not clear since when the "fund continued to hold its short duration position". Was it since December 2010 (which is unlikely, since the fund commentary was probably done in December 2010), since the year before 2010, since the launch date or since the inception date?

In line with the first two paragraphs, the final paragraph in this section also maintains coherence and an informal style by using phrases such as "rallied strongly on the month".

3.9 PRUDENTIAL EQUITY FUND

Although the Prudential Equity Fund is rated as having a high risk profile (refer to the right-hand column of the fact sheet), the first sentence of this section does not fully stress the nature and implications of investing in this fund (see Figure 3.17).

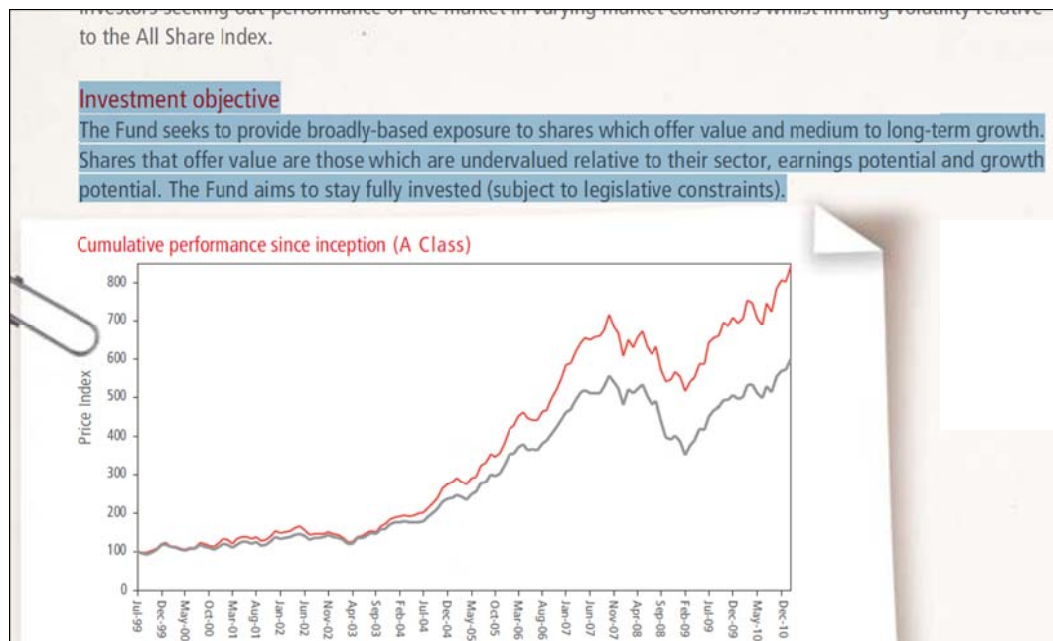
Figure 3.17: Prudential Equity Fund



In comparison to the "Who should invest" section of the Prudential Money Market Fund fact sheet, the "Who should invest" section of the Prudential Equity Fund fact sheet is less descriptive. The high-risk value of this fund is only explained by means of the word "out-performance".

The three sentences in the section "Investment objective" are complex and demonstrate an incoherent relationship towards each other.

Figure 3.18: Investment objective



The main theme of the first sentence announces the level of exposure that the Prudential Equity Bond provides (this is the subject of the sentence). The second sentence elaborates on the shares that add value to the specific fund, while the last sentence concludes abruptly by stating that the fund aims to stay “fully invested”. The meaning of “fully invested” is not explained. A reader might be left confused as to the real investment objective, due to the fact that insufficient information is given.

The section titled “Fund commentary” displays a high level of coherence and informality. In a style of story-telling, the first sentence argues that, because the South African equity market performed well during 2009, it was expected that the equity markets may not perform well during 2010. The narrative style is further emphasised by the use of the phrase “at the halfway mark”, which introduces the second sentence. Tension is maintained in this sentence when the form elaborates on the fact that the first half of 2010 did not deliver acceptable returns. The use of the cohesion marker, “these” (when referring to the “fears” people had about the performance of the equity market) directly links the line of reasoning with the previous section.

In the following paragraph, the writer further maintains a high level of informality by inclusively referring to him/her/herself as a representative of Prudential: “we are pleased to report”. A friendly tone is also established by the writer referring to his/her satisfaction about reporting on the successful performance of the Prudential Equity Fund. This reference to “self” is also evident in the second and third sentences of the final paragraph. In this paragraph an altruistic impression is created by means of the writer/Prudential expressing their “caution” and “confidence” when investing in the next financial year.

3.10 M&G GLOBAL LEADERS FUND

The M&G Global Leaders Fund fact sheet differs from the other three fund fact sheets in several ways:

- This fund fact sheet is two pages long, while the others are only one page long, with some information that had to be printed in a smaller font to ensure that all the information could fit on one page.
- Unlike the other fund fact sheets, the M&G Global Leaders Fund makes use of personal pronouns and addresses the investor as “you” in the heading, “In case you were wondering who we are”, and in sentences such as “You can invest up to £10,200 each tax year” and “You can transfer cash ISAs, as well as stocks...”.
- This fund fact sheet is the first one to feature the fund manager very prominently, with information such as “The fund manager follows a clearly defined investment approach...” and “Candidate companies for the fund are identified by the fund manager...”. Giving more information about the fund manager makes him/her/her more relatable and makes the document more personal.
- The fund fact sheet makes use of descriptive headings, such as “Investment approach” and “In case you were wondering who we are”, to help the reader get a clear idea of what is to follow in the paragraphs under the headings.
- The font size is very legible compared to that of the other fund fact sheets, where the information contained in the disclaimer in particular is written in a very small font.

4 RESULTS

This section presents the results of the usability testing, the plus-minus method, the questionnaires and the interviews. The respondents' user experience of each document is discussed in a separate section (A. Prudential Investor Service Instruction and Application Form; B. Terms and Conditions within the Prudential Investor Service Instruction and Application Form; C. Switch Form; D. Additional Investment Form; E. Repurchase/Investment Amendment Form; F. The M&G Global Leaders Fund and the Prudential Money Market Fund fact sheets; G. Collective Investment Scheme Summary Sheet).

Connect the numbered sections of each document to its corresponding discussion in the same section.

A. Prudential Investor Service Instruction and Application Form – Individual

The average number of sections completed correctly on this form was 69%. The average number of sections completed correctly by English, isiXhosa and Afrikaans first-language speakers was as follows (refer to "Section 2.3 Methodology" for an explanation of the how the usability testing, the plus-minus method, the questionnaires and the interviews were conducted, and how it is discussed within the report):

- English first-language speakers: 64.2%
- isiXhosa first-language speakers: 64.5%
- Afrikaans first-language speakers: 70.6%

Investment options

A11

Fund selection	Initial fee	Annual service fee	Bank account no. for direct deposits*	Lump sum amount (note minima on CIS Summary)	Debit order amount	Distributions	
						Re-Invest	Payout
Prudential Equity Fund	0.25%**	1.25% ***	072528990	R	R		
Prudential Dividend Maximiser Fund	0.25%**	1.25% ***	072529083	R	R		
Prudential Balanced Fund	0.25%**	1.50%	072528931	R	R		
Prudential Inflation Plus Fund Class A	0.25%**	1.25%	072508434	R	R		
Prudential High Yield Bond Fund**	0.25%**	0.75%	071863486	R	R		
Prudential Global Value Fund of Funds	0.25%**	0.75%*	072578580	R	R		
Prudential Global High Yield Bond Fund of Funds**	0.25%**	0.50%*	071863443	R	R		
Prudential Global Income Plus Fund of Funds	0.25%**	0.75%	071863575	R	R		
Prudential Money Market Fund	0.00%**	0.35%	072538368	R	R n/a		
Prudential Dividend Income Fund	0.10%**	0.60%*	072573341	R	R n/a		
Prudential Enhanced Income Fund	0.25%	1.00%	240422104	R	R		
Prudential Enhanced SA Property Tracker Fund	0.25%**	0.65%	072654171	R	R		
Other							

*BANK ACCOUNT DETAILS

Standard Bank, Claremont. Branch Code: 02 51 09 01. Separate deposits to be made into each account and made out in favour of the fund. (According to our internal regulations we may not accept cash deposits of any nature.)

** To attain a high yield the fund or underlying funds take on credit risk through investments in corporate bonds that do not carry a guarantee from the relevant governments.

The underlying funds held in the Global High Yield Bond Fund of Funds do not necessarily carry a credit rating by a credit rating agency.

*** A performance fee may be charged.

+ Further fees may be charged for investing in the underlying funds.

++ 0% fees charged on amounts greater than R1 million.

A12

Source of funds invested

(e.g. Salary; investment proceeds; sale of assets; etc.) Prudential reserves the right to request documentary proof e.g. income statement, bank statement.

A13

Method of payment

- Cheque deposit All cheques must be endorsed as Non Transferable and deposited directly into the relevant unit trust account by the investor. Prudential does not accept investor cheques for deposit. Banks do not accept cheques that exceed the amount of R5 million.
- Electronic/Internet transfer Electronic internet transfers may take up to 2 days to appear in our bank account. Units may only be priced upon receipt of documentation and funds into the relevant unit trust bank account. Please attach proof of transfer.
- Electronic collection Electronic collection by Prudential is restricted to a maximum of R500 000.00 per debit. By selecting this method of payment for an investment amount greater than R500 000.00, an investor acknowledges that they are instructing Prudential to make multiple debits which may result in additional bank costs. In the event that an electronic collection is made, no withdrawals can be processed until 40 days from the electronic collection date have passed. The reason for this is that the client has up to 40 days to dispute an electronic debit from their account with their bank.

A14

Single premium collection

- I hereby authorise Prudential Portfolio Managers Unit Trusts Ltd to deduct the amount specified in the section "Investment options" from my bank account as per the bank details below. Please provide Prudential with a bank statement confirming sufficient funds for us to collect. If not attached, please note that this could cause a delay in the investment being transacted.

Signature of account holder _____



Please initial each page

/2

A15

Bank details (compulsory for all investments to pay all income/redemption payment instructions)

Bank _____

Branch _____ Branch code _____

Account holder _____

Account number

Account type Savings Transmission Current (A cancelled cheque or bank statement must be attached as proof of banking details. No payment will be made to third parties, i.e. payments will only be made to the bank account in the name of the registered investor. Prudential is unable to facilitate payments to credit cards.)

Debit order

A16

Commencement date Annual escalation %

I/We hereby authorise Prudential Portfolio Managers Unit Trusts Ltd to deduct the stated debit order amount on the 1st working day of each month from the above bank account as well as any amendments that may be made during the period of this investment. I/We agree to pay bank charges and costs incurred by this debit order. Any debit order instruction/amendment must be received in writing by Prudential Portfolio Managers Unit Trusts Ltd prior to the 20th day of each month in order for it to be acted upon before the 1st working day of the following month.

Signature of account holder _____

A17

Appointment of Financial Advisor

I, the Investor, hereby appoint the below mentioned as my Financial Advisor and authorise the payment of fees to my Financial Advisor from my portfolio on the following basis:

1. Initial Financial Advisor fee of . % subject to the maximum of each fund (excluding VAT)
2. The standard trail fee paid by the Manager from the annual service fee plus an annual Financial Advisor fee of . %
I acknowledge that the Manager will deduct this Financial Advisor Fee by selling units from the portfolio and paying the amounts to the Financial Advisor monthly.

I, acting as the appointed Financial Advisor for this investment application, assume and undertake full responsibility for the identification procedures necessary under all legislation, regulations ("KNOW YOUR CLIENT"), rules, industry guidelines, common law and case law in the Republic of South Africa pertaining to money laundering and verify the authenticity of the Investor and his/her signature. I declare that I am competent and accredited to provide investment advice in respect of the investment(s) reflected in this application form, as required by South African laws from time to time.

Code

Prudential FSP Consultant _____

Name of Financial Advisor _____

Name of Financial Services Provider _____

FSB license No. _____

Signature of Financial Advisor _____

Signature of Investor _____



Please Initial each page

B

A18

Special instructions

General

How did you hear about us? Please tick relevant option:

- Your financial advisor
- By word of mouth
- Website
- TV
- Magazine
- Newspaper
- Internet
- Other

I/We confirm that I/We have received the following information from either Prudential or my/our Financial Advisor:

- investment objectives
- the calculation of the NAV and dealing prices
- charges
- risk factors
- distribution of income accruals
- any additional information necessary to enable the Investor to make an informed decision

In view of the Financial Advisory and Intermediary Services Act (FAIS) specific record-keeping requirements imposed on financial services providers, the Investor hereby acknowledges that he/she understands the content of this document and instructs the Manager to render the intermediary service in accordance with this instruction.

A19

Full name of signatory _____

Capacity _____

Signature of Investor or Legal guardian

Date



PRUDENTIAL
PORTFOLIO MANAGERS

A20

Please initial each page
/6

A1. Form title

As part of the qualitative data collection, the participants could indicate in the interviews what their first impressions were of the title of the form. Three respondents indicated a positive response to the title of the form, saying that they found that the title was written clearly and made sense.

Unfortunately at least three participants mentioned that the title did not mean much to them, and especially that it did not tell the reader what to expect in the form.

A2. Introduction

The respondents were asked to indicate whether the introduction effectively explained what the form required from them. A majority of 79% of the 30 respondents (the average number of respondents who chose the positive scaled values 1 to 3 - Figure 4.1) agreed that the introduction was helpful in explaining what the form required from them, while 41% of the respondents strongly agreed that the form explained what was required from them (the average number of respondents who chose the positive scaled value 1). Sixty-three percent of the respondents chose scaled values 1 to 3 when they were asked if they know what to do with the information in the introduction. Sixty-three percent therefore indicated that they knew exactly what to do with the information stated in the introduction (Figure 4.2).

These statistics is, however, contradictory, since only 69% of the respondents filled this part of the form in correctly, while only three respondents (10%) managed to correctly fill in the "Investor options" section of the form.

Figure 4.1: The title and introduction effectively explain what the form requires from you (Question 1.1.1)
"-3" represents "the number of respondents that strongly disagrees"; "3" represents "the number of respondents that strongly agrees"

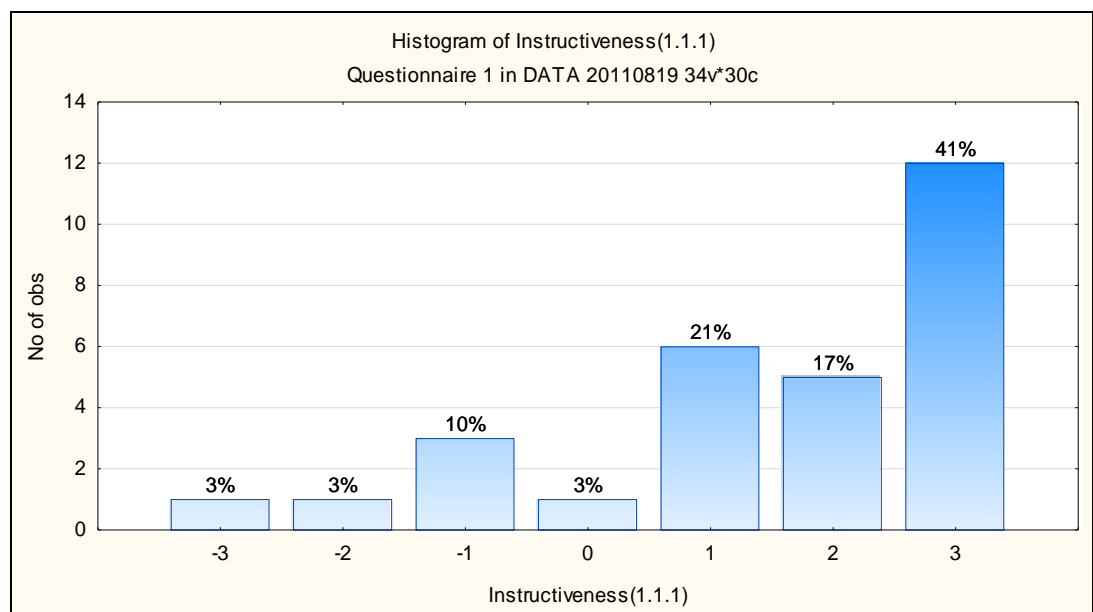
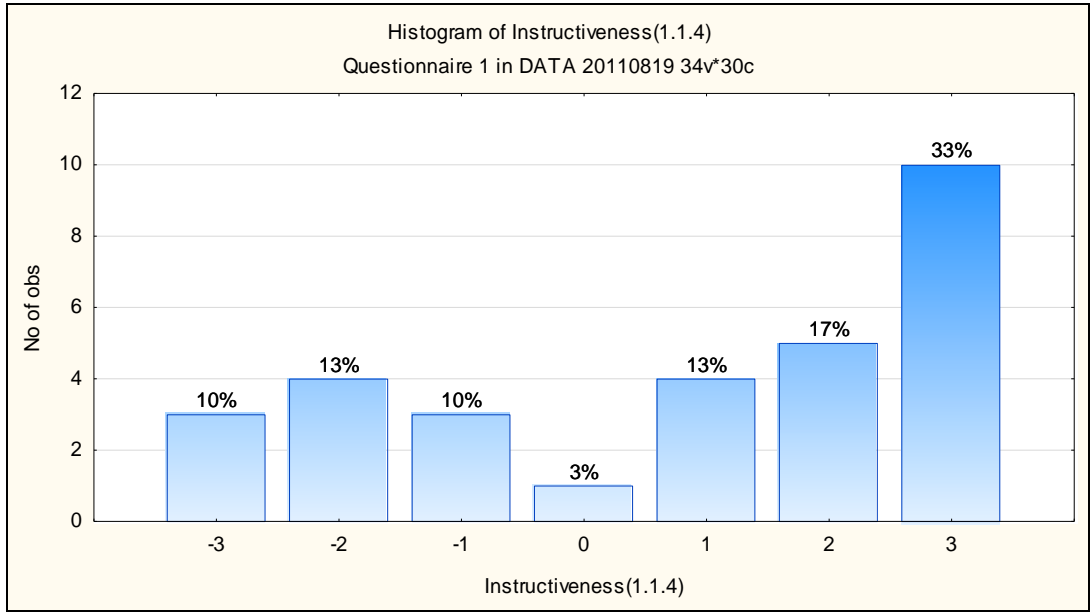


Figure 4.2: You know what to do with this information (Question 1.1.4)

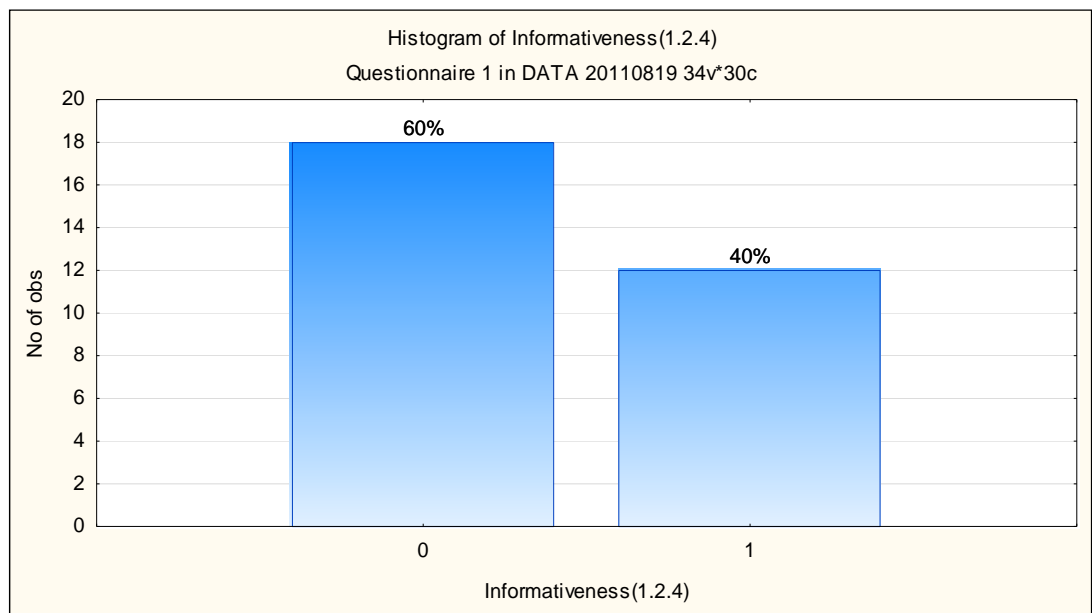
“-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”



The functional analysis pointed out that the introduction was rich with jargon that might be incomprehensible to the general investor. The comprehensibility of the phrase, “clear contractual investor-intermediary arrangement”, was tested in the 30 respondents. Sixty percent of the respondents did not know the correct meaning of this phrase (Figure 4.3).

Figure 4.3: What do you understand by the concept “clear contractual investor-intermediary arrangement?” (Question 1.2.4)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



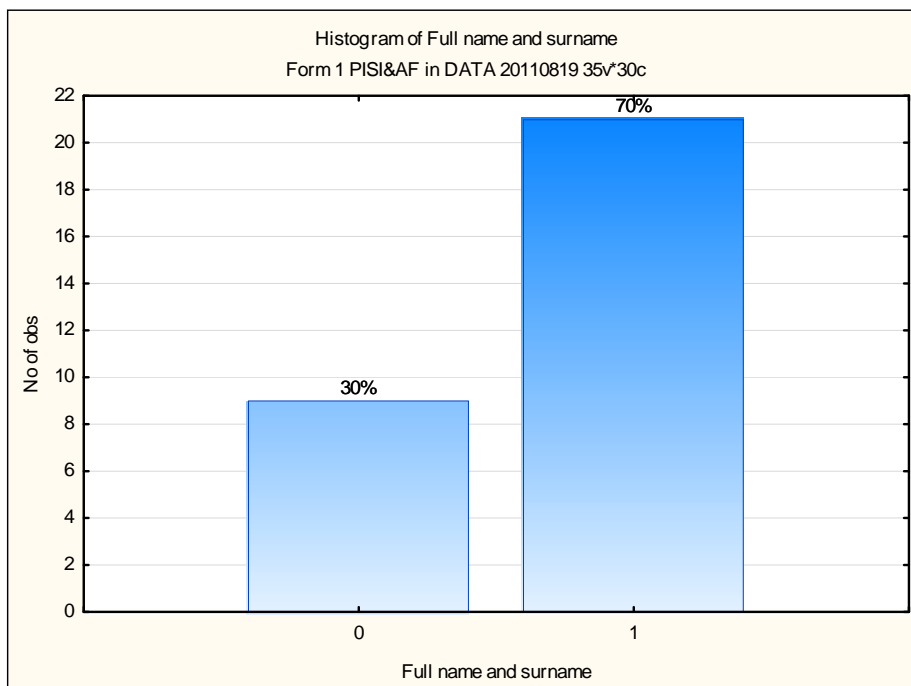
Out of the 30 participants who took part in the usability testing, 22 commented specifically on their experience of reading the *Introduction*. Of these 22 participants, 11 had a positive experience while reading the section and found it to be “clear, positive and well written”. The other 11 participants had a less positive experience, as shown in comments such as:

- “I just briefly read over it. I wouldn’t read it.”
- “Irrelevant and should rather be placed at the bottom in the fine print.”
- “Confusing a bit. What does this mean? The wording is confusing. I had to read it twice.”

A3. Parties to contractual agreement

The first part in the section, “Parties to contractual arrangement”, requires the investor to confirm that he/she is a party in the contractual arrangement. Thirty percent of the respondents did not complete this section, while 70% correctly completed their name and surname (Figure 4.4).

Figure 4.4: The number of respondents who correctly completed the “Full name and surname” section
“0” represents “the number of respondents that incorrectly completed the section in the form”; “1” represents “the number of respondents that correctly completed the section in the form”



According to the thematic analysis of the plus-minus method interviews, some respondents stated that they did not interpret this section as being a place to fill in their names, while others found it troublesome that the form asked them to confirm their identity three times on page 1.

There were some participants, however, who were of the opinion that this section was very clear and understandable, and that they knew what was expected of them.

A4. Natural person

According to the thematic analysis of the plus-minus method interviews, some respondents stated that they found the legal term “natural person” to be problematic. The respondents were asked to indicate on a scale between -3 (strongly disagree) and 3 (strongly agree) if they understood what was meant by the term. Forty percent indicated that they did not know what “natural person” meant (the number of respondents who chose negative scaled values -1 to -3 - Figure 4.5), while 7% of the respondents were ambivalent (the number of respondents who chose the neutral scaled value 0 - Figure 4.5). This corresponds with, and supports, the results of the comprehension test question that asked the respondents to give an explanation of the term. According to the results of comprehension question 1.1.8, fifty percent of the respondents did not know that a “natural person” refers to “a human being who has rights and duties” (Figure 4.6).

Figure 4.5: You understand what is meant by the term “natural person” (Question 1.1.8)
“-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”

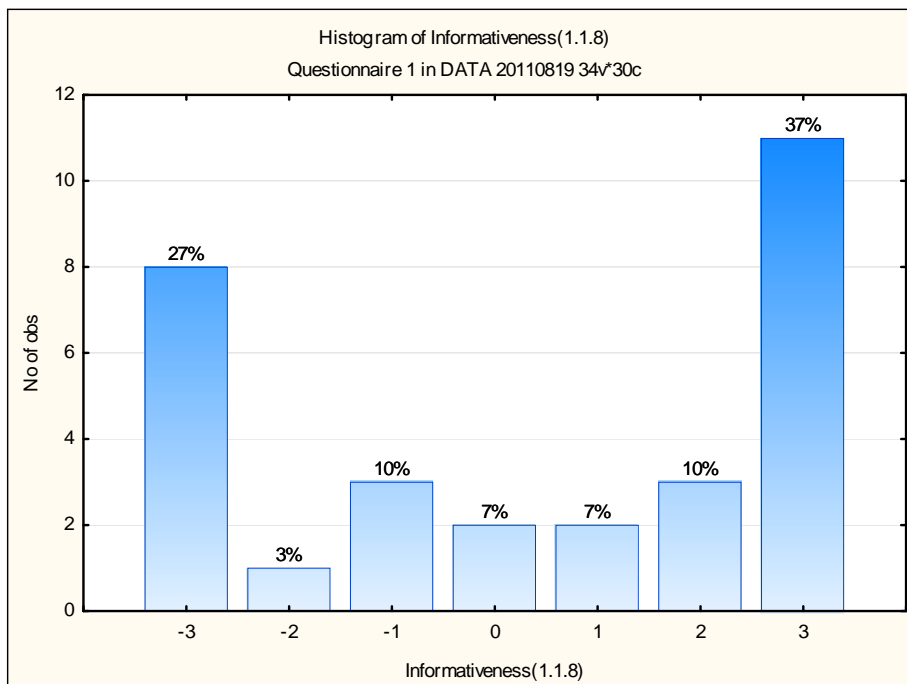
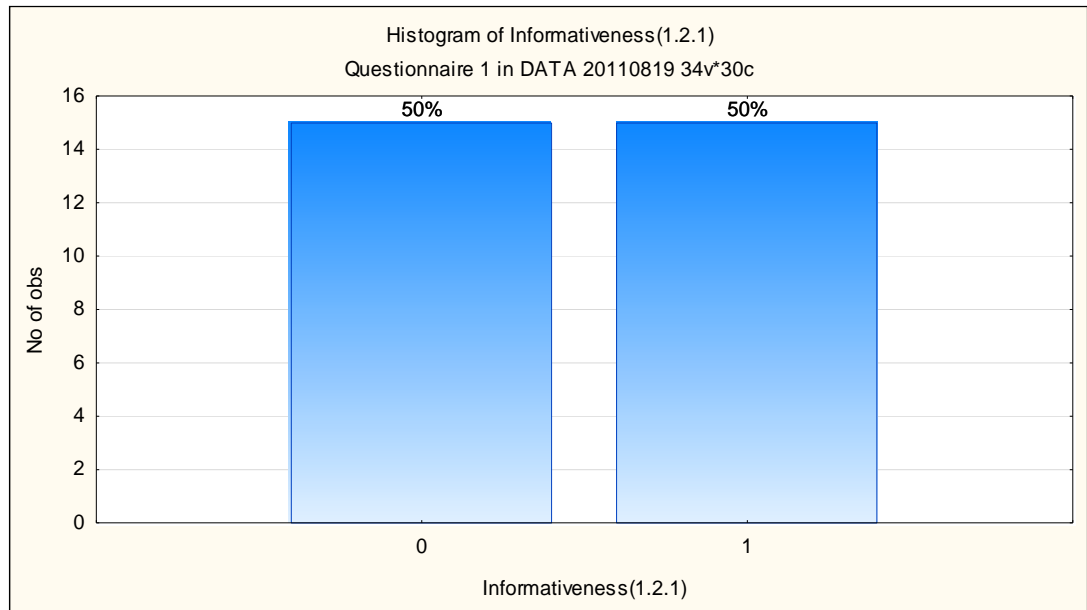


Figure 4.6: What do you understand by the term “natural person”? (Question 1.2.1)
 “0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



There were at least four participants who found the term “natural person” to be problematic, as is evident by the following comments:

- “Natural person is a bit vague; why not use investor?”
- “Maybe ‘Personal info’ would be a better substitute. What does natural person mean? We are all natural persons. Maybe I don’t understand it because I am Afrikaans speaking?”
- “Do people still say that? Is it legal jargon?”
- “What does it mean to be natural?”

A5. Title; Gender; First names; Surname; ID or Passport number; Date of Birth

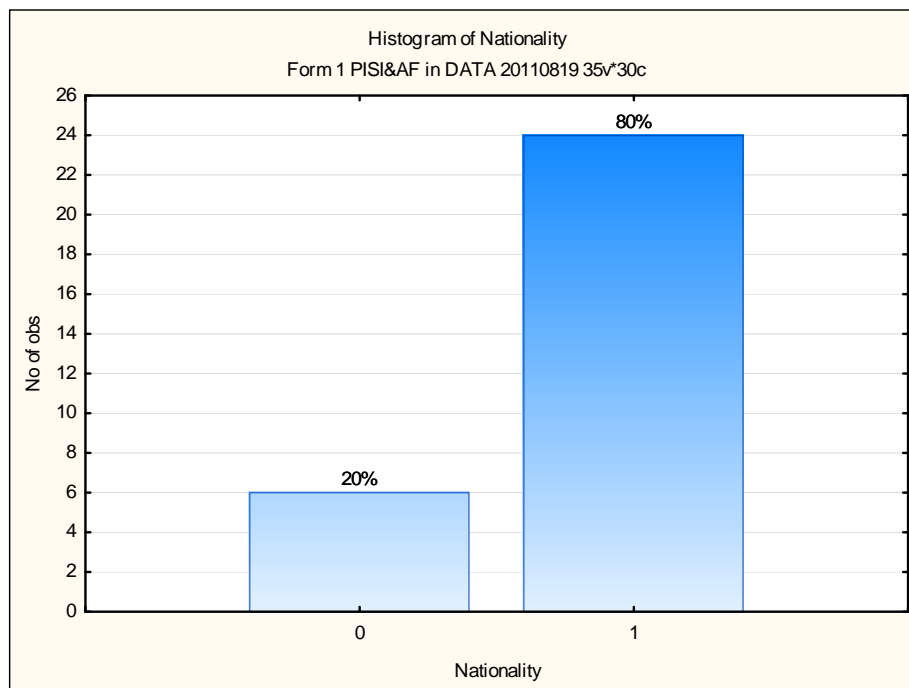
Most of the respondents correctly filled in these sections. It was evident from most of the comments that the participants had a positive experience of completing their personal details.

A6. Resident, non-resident, nationality

In this subsection, Prudential requests information about the investor’s nationality. As in *Prudential Unit Trust Application Form – Form A*, Prudential attempts to ask the reader whether he/she is a resident or non-resident of South Africa. If the investor is a non-resident, Prudential attempts to give the investor the option to indicate what his/her nationality is. Despite this, “nationality” is only a tick box option on the same hierarchical level as “resident” and “non-resident”.

The results of the usability testing indicated that twenty percent of the respondents did not complete this section (Figure 4.7). According to the interviews some of the respondents indicated that they did not understand the delineation of “nationality” as an individual option.

Figure 4.7: The number of respondents who completed the subsection “Resident, Non-resident, Nationality” “0” represents “the number of respondents that completed the section in the form”; “1” represents “the number of respondents that completed the section in the form”



According to the thematic analysis of the interviews it was clear that several participants struggled with understanding the boxes of resident, non-resident and nationality. Some of the comments that were made were:

- “I was confused at the ‘resident’ box. I am a South African so I filled in resident.”
- I was unsure what they mean by Nationality.”
- “Nationality should not be a box, but a fillable space. What does ‘resident’ mean? Can foreigners also be residents in South Africa?”

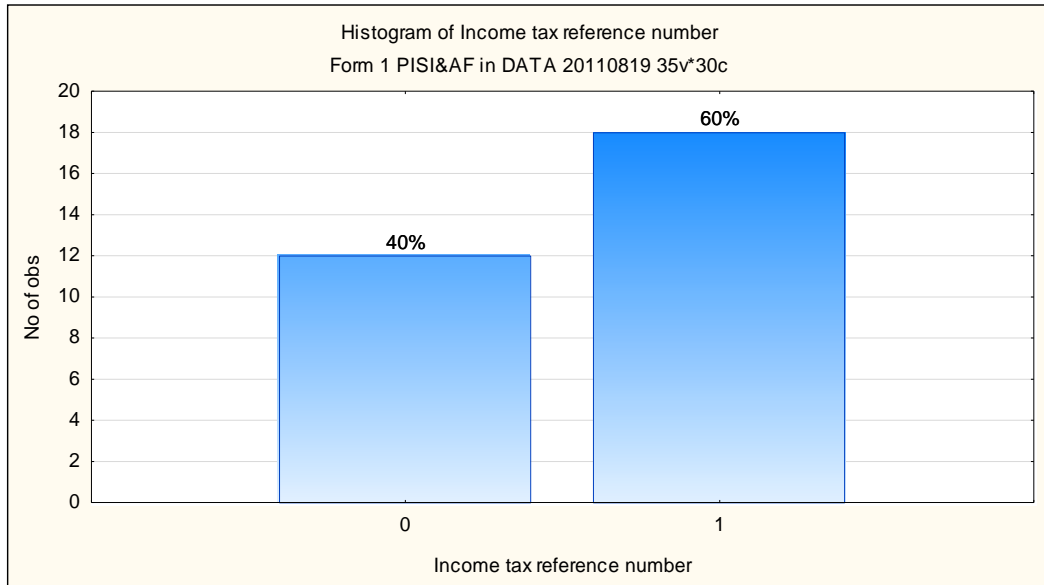
A7. Tax reference number

In this subsection, the form requires investors to fill in their tax reference number. The 30 respondents were each given a piece of paper with fictitious information, including a fictitious tax reference number. Despite this, the results of the usability testing indicated that 40% of the respondents did not fill in the fictitious tax reference number (Figure 4.8)

Unfortunately only two participants mentioned during the interviews why they did not fill in the tax reference number:

- “Prudential should not ask for your TAX reference number. There is a system, Astude that will enable Prudential to look at one’s full TAX record by just typing in your ID number.”
- “Only problem here is I don’t have my tax number here but if I was making a real investment, I would have it.”

Figure 4.8: The number of respondents who correctly filled in the subsection “Tax reference number”
 “0” represents “the number of respondents that incorrectly completed the section in the form”; “1” represents “the number of respondents that correctly completed the section in the form”



A8. Residential address; Contact details; Would you like to receive your statement electronically?

Most of the respondents completed these sections correctly. During the interviews two participants commented specifically on the section that asked, “Would you like to receive your statement electronically”:

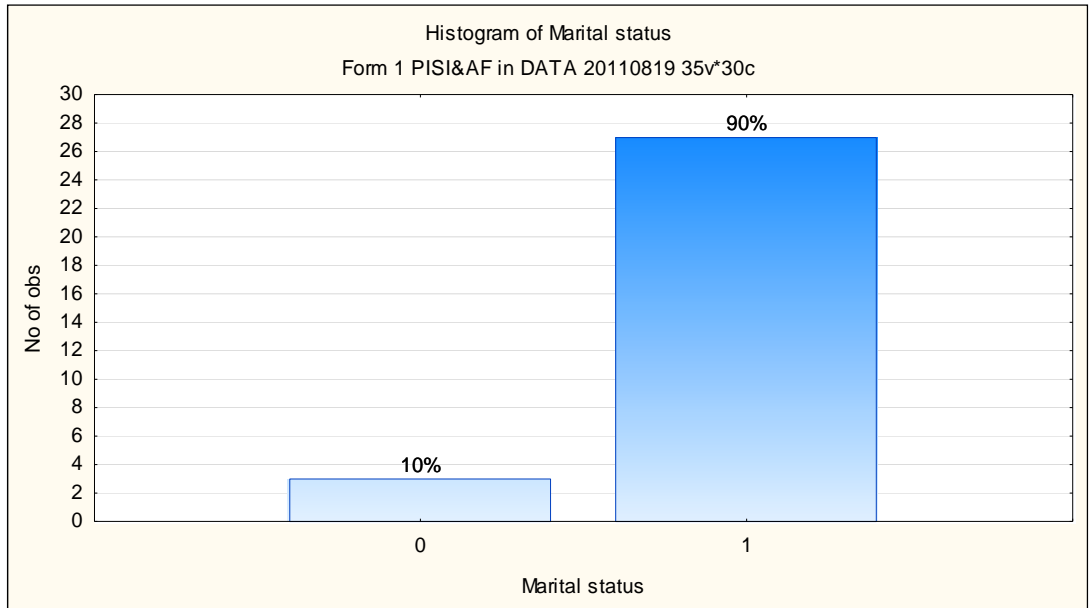
- “More options should be given. Maybe I want to receive it via e-mail, SMS or mail. Will I receive a statement if I don’t choose ‘No’?”
- “By regularly receiving your statement you are kept up to date with your investment performance.”

A9. Marital status

In this subsection, the form attempts to ask whether the investor is married or unmarried. If the investor is married, Prudential needs to know if the investor is married outside of community of property with an antenuptial contract, or if the investor is married in community of property. Despite this, the options “Single”, “ANC” and “Community of

property” are presented on the same hierarchical level. In addition, the term “ antenuptial agreement” is abbreviated. The results of the usability testing showed that ten percent of the respondents did not complete this section (Figure 4.9), while the results of the comprehension question 1.2.5 confirmed that 33% of the respondents did not know what ANC meant.

Figure 4.9: The number of respondents who completed the subsection “Marital status”
 “0” represents “the number of respondents that completed the section in the form”; “1” represents “the number of respondents that completed the section in the form”



During the interviews some of the respondents commented as follows:

- “And what does ANC stand for?”
- “Is that the party? Should indicate what it stands for.”
- “They give me the option to be either single, ANC, community of property. This is not consistent in choice! ANC should be explained.”

**A10. In the event of a minor or where the investor is married in community of property, the above information is required for the related party.
 Please complete Form A**

The respondents who were filling in the “Prudential Investor Service Instruction and Application Form – Individual” had to complete the “Unit Trust Application Form – Form A” if they were “making an investment” on behalf of a minor or if they were married in community of property. Fifty-seven percent of the 30 respondents completed the “Unit Trust Application Form – Form A”, while 43% of the respondents did not complete this form (Figure 4.10). Seventy-nine of the respondents correctly interpreted the instruction, while 21%

interpreted the instruction incorrectly (Figure 3.11). When the respondents were asked to indicate on an evaluative scale whether this instruction was clear to them immediately, 67% said that they found this instruction difficult to interpret (the number of respondents that chose negative scaled values -3 to -1, Figure 3.12).

Figure 4.10: Did you complete Form A? (Question 1.5.1a)

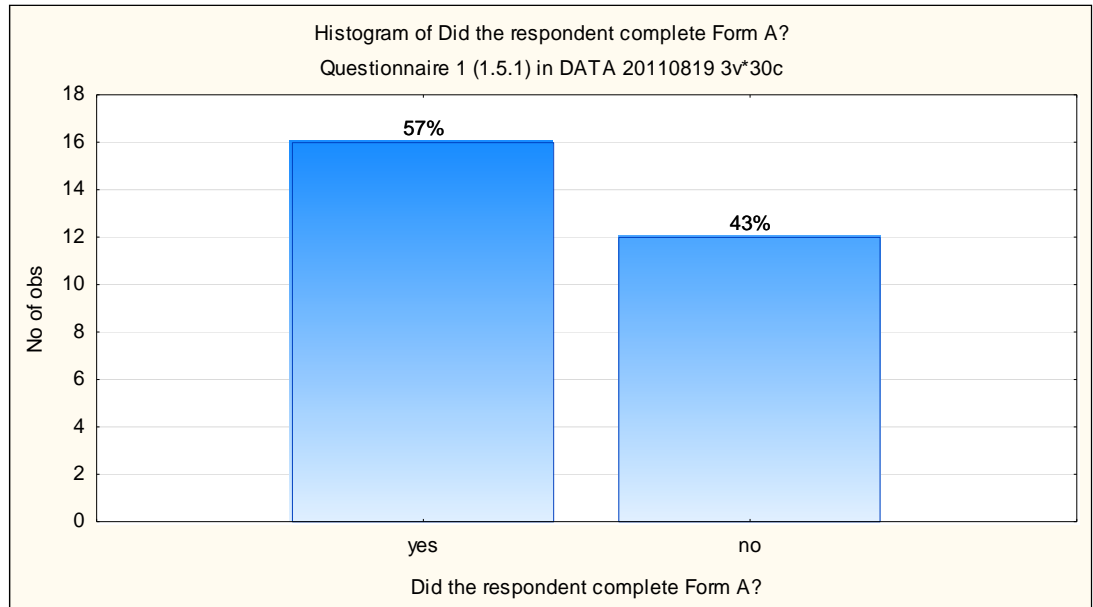


Figure 4.11: Please motivate why you did, or did not, complete Form A (Question 1.5.1b)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”

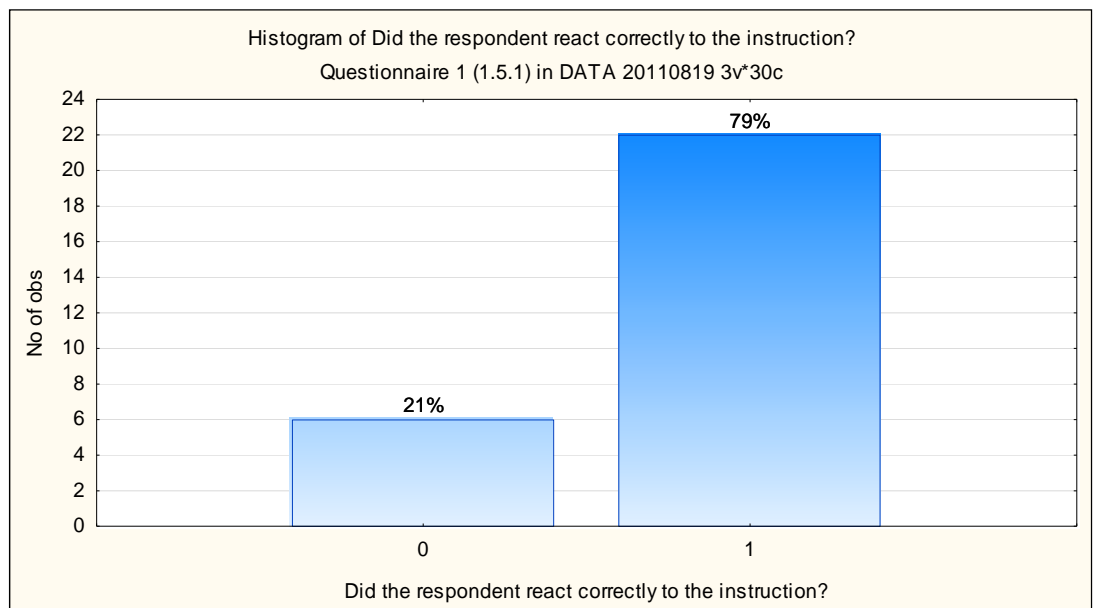
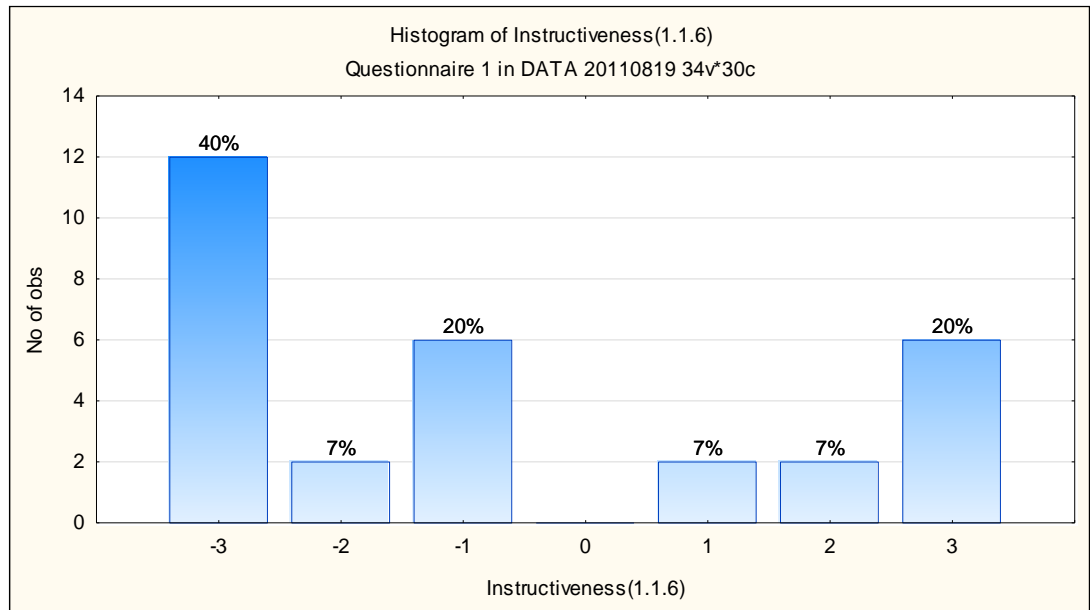


Figure 4.12: It was immediately clear whether you should complete Form A (Question 1.1.6)
 “-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”



During the interviews two participants mentioned that they found the sentence problematic. However, according to the thematic analysis of the interviews, most of the participants mentioned that they had a positive experience of the sentence. They found the sentence and instruction to be understandable, clear and with enough emphasis for it to be noticed immediately by the potential investor.

A11. Investment options

In this section the investor has multiple choices as to the manner in which he/she wants to invest. The investor has the choice to invest, and therefore fill in the “Investment options” table, as follows:

- The investor cannot invest less than a specific minimum lump sum amount into one or more of the Prudential funds.
 - The investor must do this by filling in no less than the minimum lump sum amount(s) required by the fund(s) he/she wants to invest in.
 - This/these amount(s) must be filled in in the “lump sum amount” column, next to the last mentioned fund(s).
 - In the “Distributions” column the investor must indicate whether he/she wants to “Re-invest” the interest generated by the fund(s), or whether he/she wants it to be paid out.
- The investor cannot invest less than a specific minimum debit order amount into one or more of the Prudential funds.

- The investor must do this by filling in no less than the minimum debit order amount(s) required by the fund(s) he/she wants to invest in.
 - This/these amount(s) must be filled in within the “debit order” column, next to the last mentioned fund(s).
 - In the “Distributions” column the investor must indicate whether he/she wants to “Re-invest” the interest generated by the fund(s), or whether he/she wants it to be paid out.
- The investor cannot invest less than a specific minimum lump sum and debit order amount into one or more of the Prudential funds.
 - The investor must do this by filling in no less than the minimum debit order amount(s) required by the fund(s) he/she wants to invest in.
 - This/these amount(s) must be filled in within the “lump sum” and “debit order” columns, next to the last mentioned fund(s).
 - In the “Distributions” column the investor must indicate whether he/she wants to “Re-invest” the interest generated by the fund(s), or whether he/she wants it to be paid out.

The hypothetical situation in which the respondents were placed required them to install a debit order investment of only R2 550 into a fund that allows for this debit order amount. The respondents had two textual elements to assist them in replicating an investment transaction by correctly filling in the form. The informativeness and instructiveness of the “Investment options” section, as well as the “Collective Investment Summary Sheet”, were supposed to help them to fill in the form correctly.

Even though the primary instruction in the hypothetical situation was for the respondents to make an investment, almost half of the respondents (47%) left the “Investment options” section open. According to the results of the usability, fifty-three percent of the respondents completed the “Investment options” section (Figure 4.13).

Figure 4.13: Number of respondents that left open the “Investment options” section
 “0” represents “the number of respondents that left the section in the form open”; “1” represents “the number of respondents that completed the section in the form”

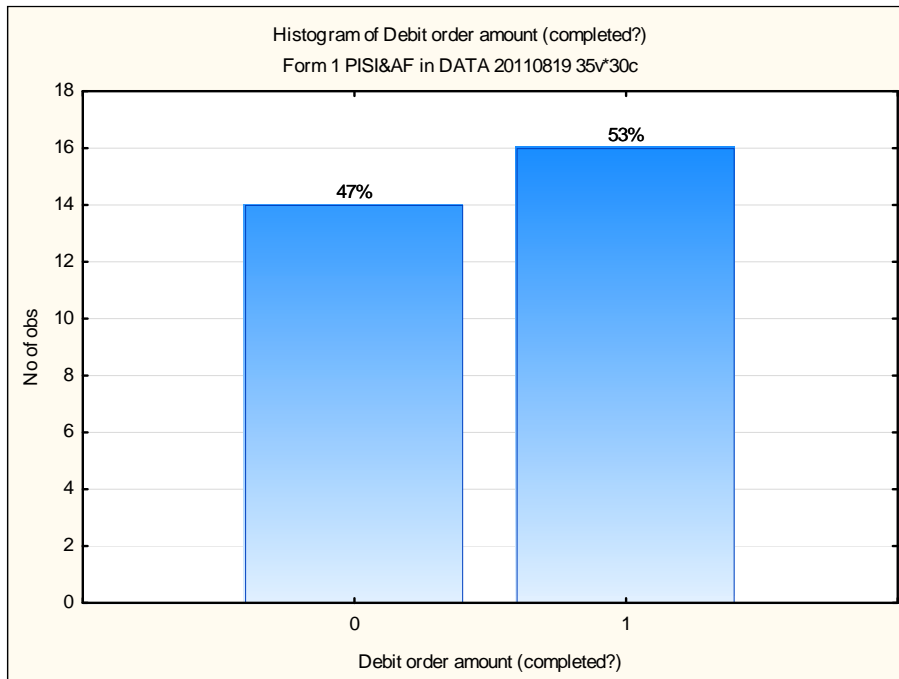
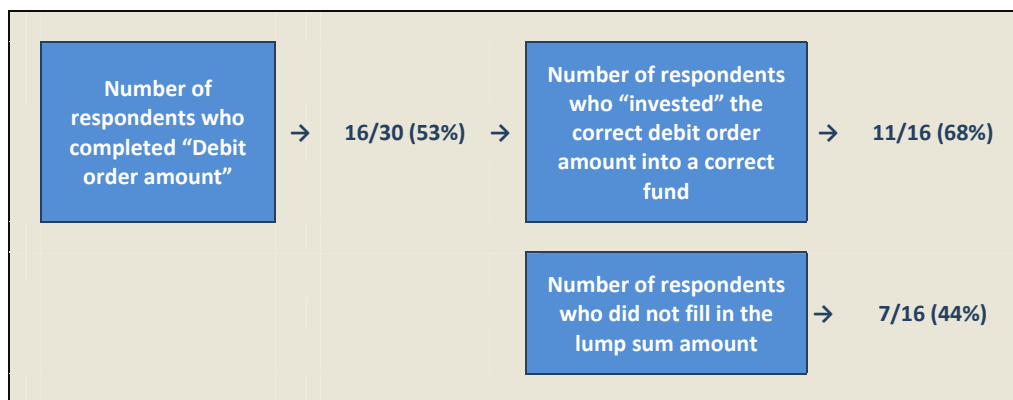


Figure 4.14: The manner in which the respondents completed the “Investment options” section



- Only sixteen of the 30 respondents (53%) completed the debit order column that is compulsory to complete if one intends to install a debit order (Figure 14). This means that 14 out of the 30 (46%) respondents did not complete the “debit order amount” column. When considered next to the thematic analysis of the plus-minus interviews, it can be argued that the reason for non-completion is that approximately 46% of the respondents were:
 - unable to interpret the introductory informativeness, instructiveness and structural coherence of the “investment options” table and the “Collective investment Scheme Summary Sheet”;

- unable to interpret the reference made to the "Collective Investment Scheme Summary Sheet" within the "debit order amount" column; and/or
 - unable to interpret the requirements of the "Collective Investment Scheme Summary Sheet".
- Eleven of the 16 respondents (68%) who completed the "debit order amount" column wrote down the correct amount next to a correct fund (Figure 14). Therefore, five out of 16 (31%) respondents wrote down an amount next to a fund that does not allow for that specific amount to be invested. It can be argued that the five out the 16 respondents who wrote down incorrect amounts in the "debit order amount" column were either:
 - unable to understand the hypothetical situation in which they were placed;
 - unable to interpret the reference made to the "Collective Investment Scheme Summary Sheet" in the "debit order amount" column; and/or
 - unable to interpret the requirements of the "Collective Investment Scheme Summary Sheet".

When considered next to the thematic analysis of the plus-minus interviews, it can be argued with more accuracy that the five respondents who completed the "debit order amount" but completed it incorrectly, were:

- able to interpret the introductory informativeness, instructiveness and structural coherence of the "Investment options" table and the "Collective investment Scheme Summary Sheet";
- able to interpret the reference made to the "Collective Investment Scheme Summary Sheet" within the "debit order amount" column; and/or
- unable to interpret the requirements of the "Collective Investment Scheme Summary Sheet".

However, concluding that it was only 5 respondents who were unable to complete the "debit order amount" column correctly may suggest that the "Investment options" table and "Collective Investment Scheme Summary Sheet" is more informative and instructive than it really is. The 14 people who were unable to complete the "debit order" column (these are the same respondents who did not complete the "Investment options" section at all) must also be included in the abovementioned group.

Therefore, 19 (14 plus 5) out of the 30 respondents (63%) either did not complete the "Investment options" section or wrote down an incorrect amount next to an incorrect fund, for the following reasons:

- They were unable to interpret the introductory informativeness, instructiveness and structural coherence of the "investment options" table and the "Collective investment Scheme Summary Sheet".

- They were unable to interpret the reference made to the “Collective Investment Scheme Summary Sheet” in the “debit order amount” column.
- They were unable to interpret the requirements of the “Collective Investment Scheme Summary Sheet”.

How many respondents correctly left open the “Lump sum amount” column?

- Seven of the 16 respondents (44%) who completed the debit order amount correctly left the “lump sum column” open (Figure 14). The hypothetical situation the respondents were placed in required them only to install a debit order amount into an appropriate fund. Therefore, nine out of the 16 respondents (56%) who completed the debit order amount wrongfully completed the “lump sum” column. Considered against the thematic analysis of the plus-minus interviews, it can be argued that the 56% of respondents who completed the “debit order amount” incorrectly did so for the following reasons:
 - The respondents were unable to interpret the informativeness, instructiveness and structural coherence of the “Lump sum amount” column and the “Debit order amount” column;
 - The respondents were unable to interpret the minimum requirements of the “Collective Investment Scheme Summary Sheet”; and/or
 - The respondents were unable to interpret the structural coherence between the “Lump sum amount” column and the “Debit order amount” column and the “Collective Investment Scheme Summary Sheet”.

How many respondents correctly filled in the “Investment options” column?

Overall, only three of the 30 respondents correctly completed the “Investment options” section as determined by the requirements of the hypothetical situation in which they had been placed, the requirements of the “Investment options” section, as well as the requirements of the “Collective Investment Scheme Summary Sheet” (Table 1).

Table 4.1: The number of respondents who correctly completed the “Investment options” section

Respondent ID	Debit order amount (completed?)	Lump sum amount (completed?)	Debit order amount (correct amount? R2550)	Debit order amount (completed amount in a correct fund?)	
ABA1	0	0	0	0	0
MKI1	1	1	0	0	0
JNO1	1	0	0	0	0
LKA1	1	1	0	0	0
JFO1	0	0	0	0	0
VMA1	1	0	1	1	0
SMO1	1	1	1	1	1
MLO1	1	0	1	1	0
CLA1	0	0	0	0	0
LKU1	1	1	1	1	1
HDA2	0	0	0	0	0
RDA2	0	0	0	0	0
JBO2	0	0	0	0	0
MKH2	0	0	0	0	0
DST2	0	0	0	0	0
EMO2	1	0	1	1	0
EWI2	1	0	1	1	0
JDU2	1	0	1	1	0
HVU3	1	1	0	0	0
MMA3	0	0	0	0	0
GWI3	1	1	1	1	1
AMA3	1	0	1	1	0
ANT3	1	0	1	1	0
JMO3	1	0	1	1	0
YVA3	0	0	0	0	0
JWE3	0	0	0	0	0
MBA4	0	0	0	0	0
JBR4	0	0	0	0	0
SSE4	0	0	0	0	0
FMG4	1	1	0	0	0
					3

Figure 4.15 shows that 60% of the respondents (the number of respondents that chose scaled values -3 to -1 as a response to question/statement 1.1.2) felt that the “Investment options” section did not guide them in choosing a fund, while Figure 4.16 shows that 53% of the respondents (those who chose scaled values -3 to 0) did not know exactly where in the table to indicate their investment choice.

Figure 4.15: The “Investment options” section sufficiently guides you in choosing a fund (1.1.2)
 “-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”

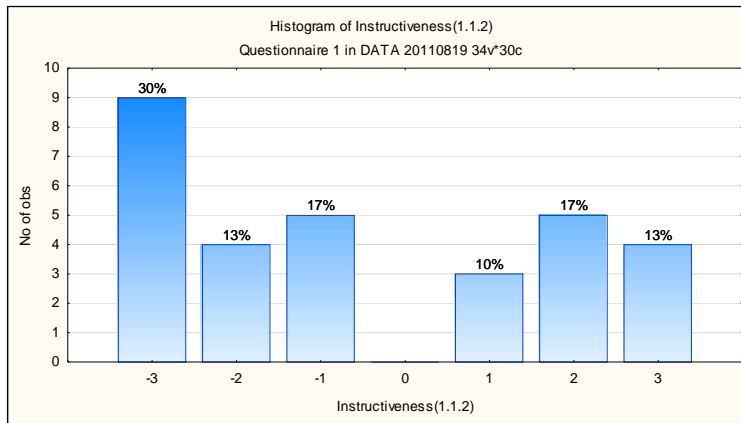


Figure 4.16: You know exactly where in the table to indicate your investment choice (1.1.3)
 “-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”

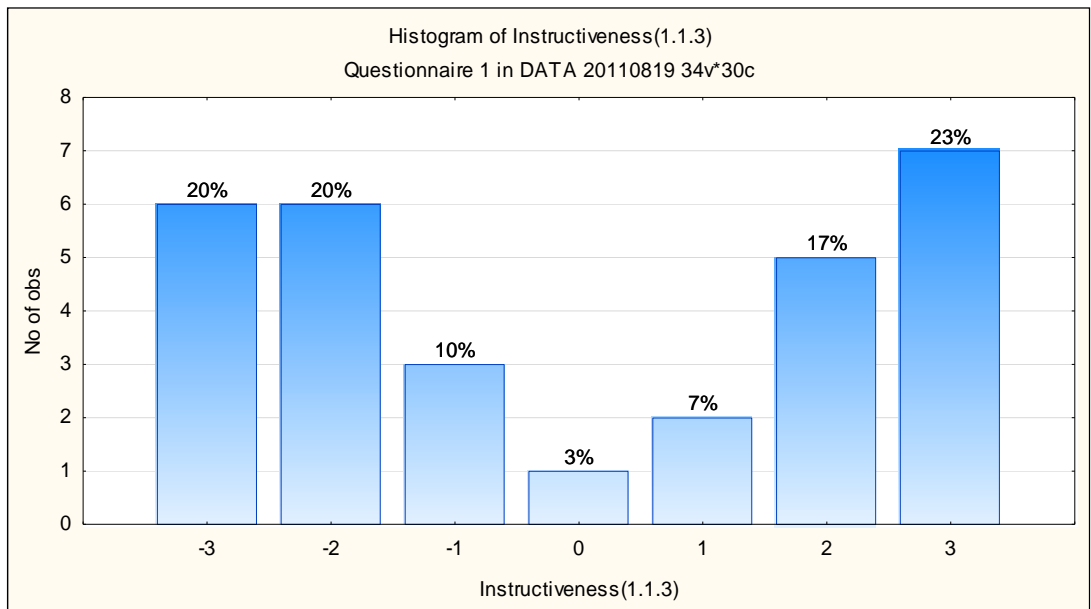
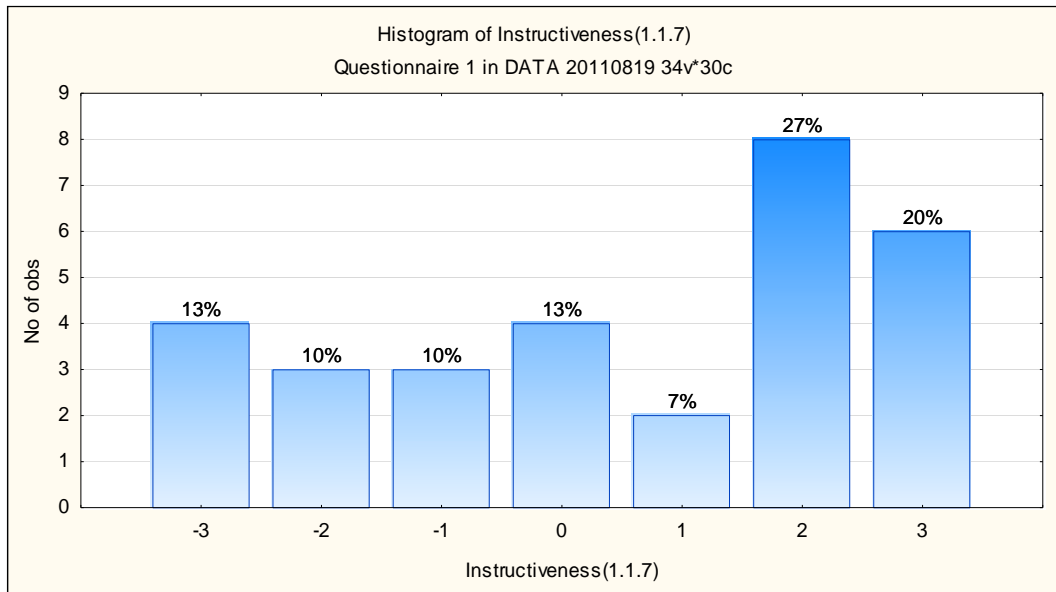


Figure 4.17 confirms that 46% of the respondents (those who chose scaled values -3 to 0) did not find the “Investment options” section accessible.

Figure 4.17: The “Investment options” section is easily accessible (1.1.7)

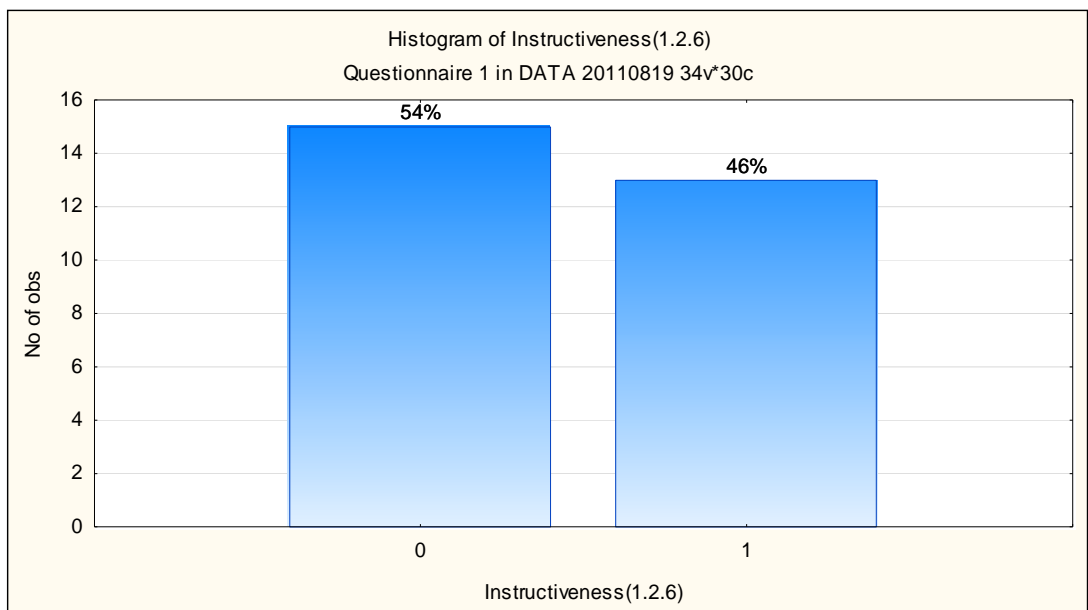
“-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”



Only 46% of the respondents indicated that the “Collective Investment Scheme Summary Sheet” provided supporting information when choosing a fund (Figure 3.18). This means that 54% did not consider the “Collective Investment Scheme Summary Sheet” to be the main source for fund information. This means that the “Investment options” section insufficiently directs investors towards the “Collective Investment Scheme Summary Sheet”.

Figure 4.18: Where do you find the information to assist you in choosing a particular fund? (1.2.6)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



It was clear from the qualitative data that most of the participants found the section on *Investment options* very problematic. The comments from the participants were mostly negative and ranged from being unsure what was expected of them to not being able to use the CIS summary sheet to help them make a choice regarding an appropriate fund. Some of the comments by participants who found the section to be problematic were:

- “I have no clue what is going on at (sic) the table.”
- “In the ‘Investment options’ table you get the option to fill in a ‘lump sum minimum amount’ and ‘debit order amount’. On the CIS it gives you the option of choosing a minimum per month amount OR a minimum lump sum amount. Therefore I interpreted the table to require that I both complete the lump sum column AND the debit order column.”
- “This was problematic because I wasn’t sure what to select. It would help if the different options were explained to me...”
- “I don’t initially understand the table and would need an advisor to explain to me.”
- “I didn’t fill in the section because it wasn’t clear to me that this section is asking me to do something.”
- “The table does not make it clear that one should refer to the CIS to make an investment. It is therefore not clear that there is a relationship between the table and the CIS.”

There were some participants, however, who had a positive experience when confronted with the *Investment Options*:

- “I like the way the CIS is set out. It helps me to make an informed decision and I can decide based on all info.”
- “Filled in all the funds and their respective lump sum, debit order – happy to fill in all the funds. Was easy to fill in the table.”

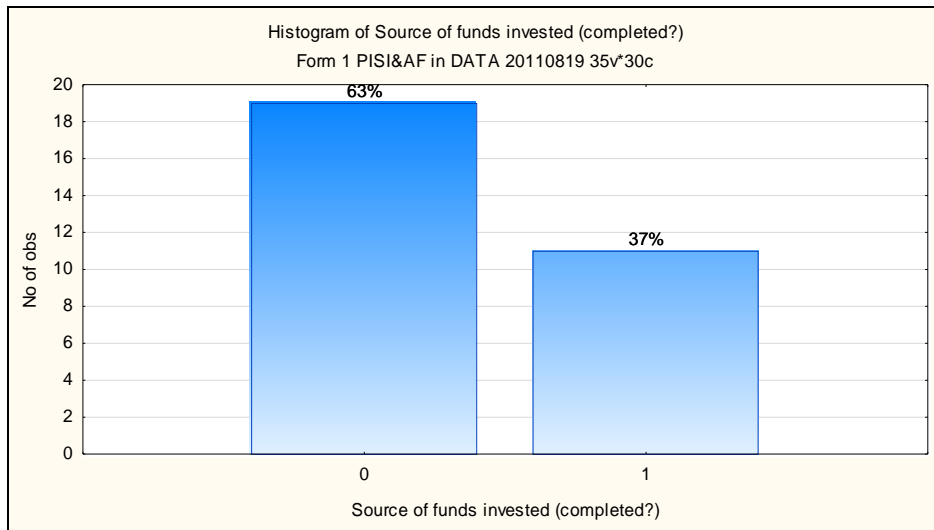
A12. Source of funds invested

In this section the form requires the investor to indicate what the source of his/her income is. Sixty-three percent of the respondents did not complete this section (Figure 4.19). The interviews conducted in the qualitative part of the testing elicited mixed comments regarding this section, as some participants found it to be clear, straightforward and relevant. Other participants, however, did not realise that they actually had to indicate the origin of the source of the funds that they wanted to invest with Prudential. A few of the comments were:

- “I wasn’t completely sure what this section requires. I didn’t know that I need to write down something here. I didn’t interpret the line to be a line on which something should be filled in.”

- “I didn’t filling in (sic) this section because I didn’t understand that they are asking me to do something. It seems as if they are just making a statement.”
- “This section is not clear and fades into Method of payment.”

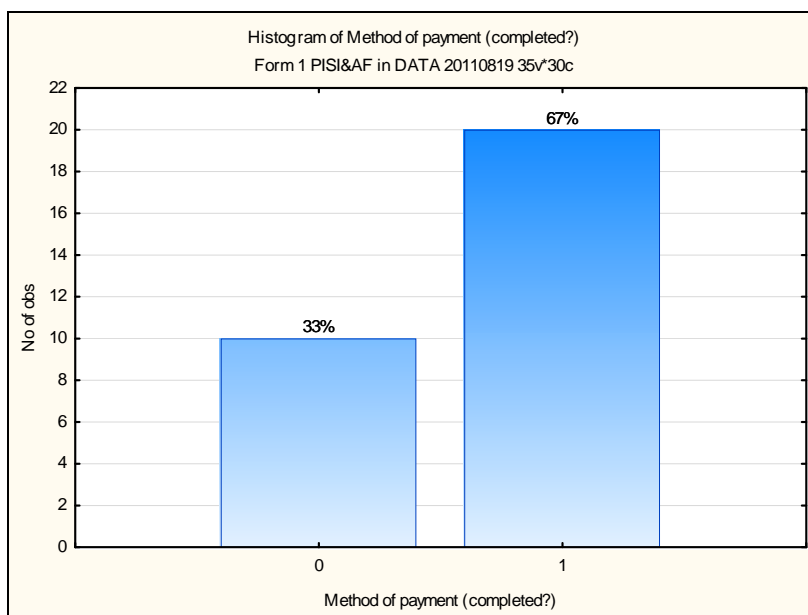
Figure 4.19: The number of investors who completed the “Source of funds collected” section
 “0” represents “the number of respondents that completed the section in the form”; “1” represents “the number of respondents that completed the section in the form”



A13. Method of payment

Twenty of the 30 respondents (67%) completed the “Method of payment” sections, while 10 out of the 30 respondents (33%) left this section open (Figure 4.20).

Figure 4.20: The number of respondents who completed the “Method of payment” section
 “0” represents “the number of respondents that completed the section in the form”; “1” represents “the number of respondents that completed the section in the form”



Only nine of the 20 respondents who completed this section correctly chose “Electronic collection” (Table 4.2).

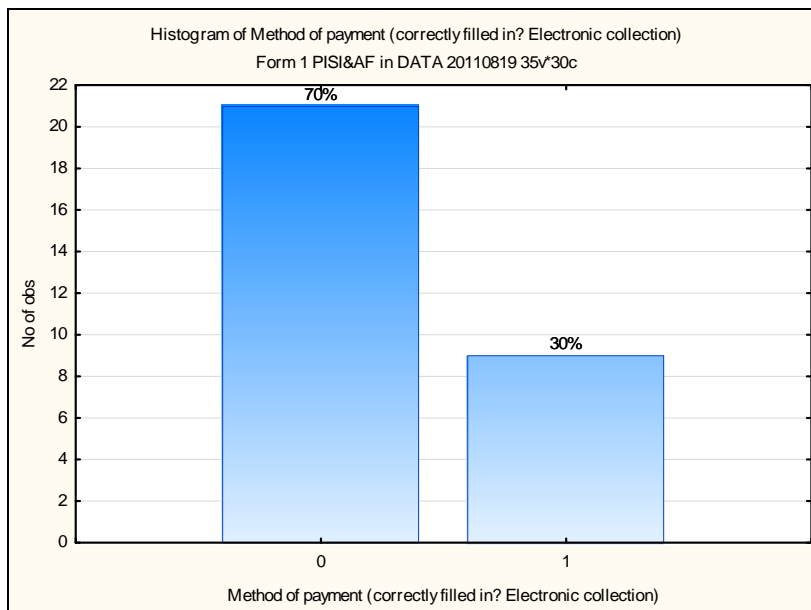
Table 4.2: Number of respondents who correctly completed the “Method of payment” section

Respondent ID	Method of payment (completed?)	Method of payment (correctly filled in? Electronic collection)
ABA1	0	0
MK11	1	0
JNO1	1	0
LKA1	1	0
JFO1	0	0
VMA1	1	1
SMO1	0	0
MLO1	1	1
CLA1	1	1
LKU1	1	0
HDA2	1	0
RDA2	0	0
JBO2	1	1
MKH2	1	1
DST2	0	0
EMO2	1	1
EWI2	0	0
JDU2	1	1
HVU3	1	0
MMA3	1	0
GW13	1	0
AMA3	1	0
ANT3	0	0
JMO3	1	1
YVA3	0	0
JWE3	0	0
MBA4	0	0
JBR4	1	0
SSE4	1	1
FMG4	1	0

This means that 70% of the respondents could not infer that choosing the “electronic collection” method of payment was a requirement when investing by means of a debit order amount (Figure 4.21).

Figure 4.21: Number of respondents who understood that the “Electronic collection” section is directly related to a debit order investment

“0” represents “the number of respondents that did not understand the ‘Electronic collection’ section is directly related to a ‘debit order investment’”; “1” represents “the number of respondents that understood the ‘Electronic collection’ section to be directly related to a ‘debit order investment’”



The participants had mixed experiences of completing this section. Some participants found the section to be very clear:

- “All the options are clear.”
- “Chose electronic transfer. Imagining that electronic collection is the debit order...”
- “Each payment option is clearly explained... No surprises.”

Other participants found the section to be slightly more problematic, and some of the comments offered were:

- “They haven’t put debit order there. There should be more options here.”
- “I didn’t fill in this section because there is no instruction. Not even a one liner requesting me to complete this section.”
- “They should make it *Method of payment* for lump sum amount. I didn’t fill in this section, because on the next page I saw the debit order amount section.”

A14. Single premium collection

Fifty-seven percent of the respondents interpreted “single premium collection” to be a compulsory section to complete, even though it is only relevant for investors who are investing lump sum amounts (Figure 4.22).

Figure 4.23 shows that 63% of the respondents did not know what Prudential means by this term. These statistics mean that neither the “Investment options” section, the “Method of payment section” nor the “Single premium collection” section effectively explains how debit order and lump sum amounts should be invested

Figure 4.22: The number of respondents who understood what “Single premium collection” to be compulsory

“0” represents “the number of respondents that incorrectly understood the ‘Single premium collection’ to be compulsory to complete”; “1” represents “the number of respondents that correctly understood the ‘Single premium collection’ not to be compulsory to complete”

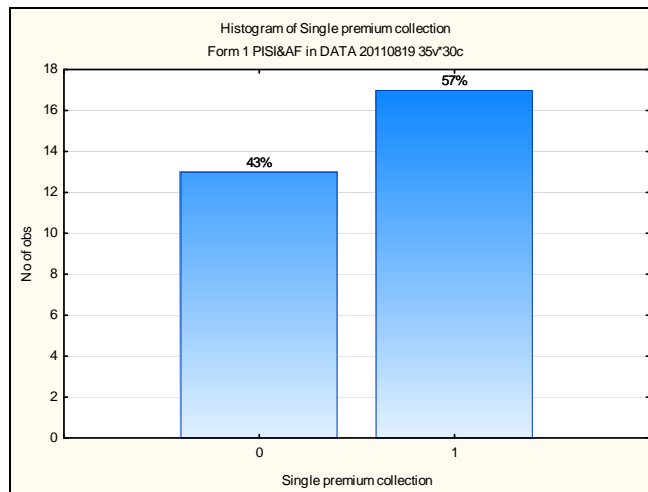
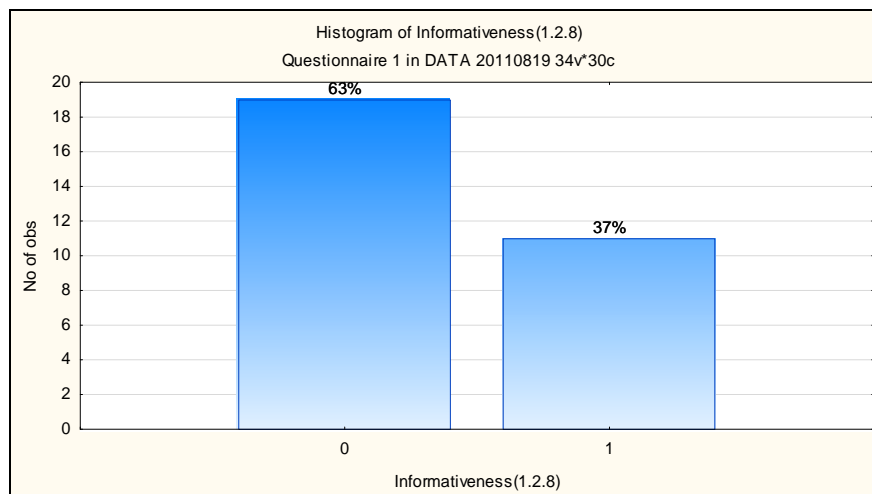


Figure 4.23: What do you understand by the concept “single premium collection”? (Question 1.2.8)
“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



From the interviews that formed part of the qualitative data collection it was evident that the participants had mixed feelings regarding their experience of this section of the form.

Some participants were of the opinion that the section was clear and easy to complete, while others found it unclear and at times unnecessary. What was interesting was that some of the participants who found the section easy to complete had the wrong idea of what was expected of them. Some of the comments are divided into different groups below.

Comments from participants who found this easy to complete:

- "Understand that by signing this gives Prudential the authorization to deduct the agreed amount of money."
- "I interpreted the *Single premium collection* to be related to the 'electronic/internet transfer' option (with the method of payment)."
- "Would add here: 'Complete if applicable'."

Some comments from participants who said they found the section easy to complete but who did not interpret correctly what the section expected of them:

- "This is clear. To my understanding I am giving the (sic) permission to collect a monthly amount. I would name this section 'monthly deduction'."
- "*Single premium collection* is clear, it is clear that it is connected to the *Debit order* section on the following page."
- "Understands (sic) this refers to a single lump sum and ticked this section."

There were also participants who mentioned that they did not understand this section or what was expected of them:

- "I am not sure if this pertains to a lump sum (once off). Does it mean monthly or a lump sum? I just want to be clear that what I'm going to sign for is what's going to be deducted?"
- "It wasn't immediately clear that *Single premium collection* is only related to the lump sum investment amounts. So I wrongfully completed this section. The reason why I was under the wrong impression is because the word 'lump sum' is not reflected in the title of the section, and because the word 'premium' to me refers to a 'monthly amount'."
- "I don't know why they want a bank statement to prove that there are sufficient funds. I think this must be for a debit order because if I do the transfer, then they don't need proof of how much money I have."

A15. Bank details

Eighty-three percent of the respondents had no difficulty completing the "Bank details" section. Here are some of the positive comments raised by the respondents:

- "Quite straightforward. One of the easiest parts of the form".

- “This section is nicely written, nicely laid out, easy to fill in. It is clear that it is compulsory to fill in this section” .
- “Clear and also like the security of proving that it is your account by attaching a cancelled cheque or bank statement.”
- There were very few participants who found this section problematic, and their comments were:
 - “I don’t know if ‘account holder’ is referring to me.”
 - “The place where they are asking for the cancelled cheque is confusing. It should be separate from the block on the left.”

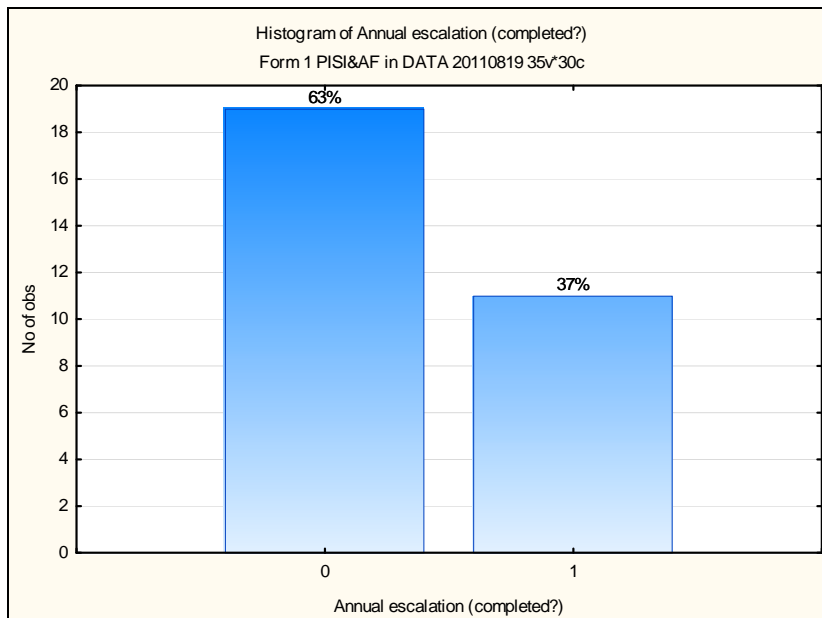
Several participants who made suggestions regarding the inclusion of other types of bank accounts:

- “There are different types of accounts, such as savings and cheque.”
- “The account type section should make provision for a ‘cheque account’” .

A16. Annual escalation

Sixty-three percent of the respondents did not complete the “Annual escalation” percentage (Figure 4.24).

Figure 4.24: The number of respondents who completed the “Annual escalation” percentage
 “0” represents “the number of respondents that completed the section in the form”; “1” represents “the number of respondents that completed the section in the form”



Many of the respondents were uncertain whether a fixed “annual escalation percentage” is mentioned in the Prudential documentation, or if they can determine the percentage

themselves. This uncertainty was evident in the comments made by the participants in the qualitative part of the testing. Some of the comments were:

- “I didn’t fill in the ‘annual escalation’ section, because I wasn’t sure what it means. I want to sit with someone before I fill in this type of information in the form.”
- “If I look at the CIS, I don’t see the annual escalation. The reader should be given clear indication of what the annual escalation might be.”
- “...the percentage is not clear. Prudential should give you this percentage amount, not the investor.”

There was, however, one participant who found it very positive that they were able to determine their own annual escalation.

A17. Appointment of financial advisor

This section was viewed by most of the participants as one of the most problematic sections in the completion of the Prudential Investor Service Instruction & Application Form. Out of all the participants, 28 commented on this section.

The 28 participants who commented found various parts of the section problematic. Some were uncertain whether they had to appoint a financial advisor or whether one would be appointed for them, while others were unsure of the financial advisor fees and what implications it had for their investment(s). Yet others were uncertain about the completion of the section and decided to leave it open.

Some comments made by participants regarding the appointment of a financial advisor were as follows:

- “What should I do if I have never appointed a financial advisor?”
- “Was a little bit confusing. Here Prudential is talking about a financial advisor and not sure if it is the same as the manager.”
- “This section got me confused. I am confused as to what I am instructed to do here. First, am I instructing my financial manager to appoint a financial advisor? And if this is the case, am I now paying the advisor out of the fund that I have invested in? Why is this necessary?”

Some comments that were made regarding the financial advisor fees:

- “The initial advisor fee I don’t know because it is the advisor who will know. All I need from him/her is to explain things to me how my money will be growing.”
- “I don’t know what the Initial Financial Advisor Fee is. I didn’t understand the whole section!”

- “Do they take that as part of my fund or is it an additional amount that I have to pay monthly?”

Some comments made regarding the “code” in the section of the appointment of a financial advisor:

- “What is the ‘code’?”
- “Then I was unsure if ‘code’ and ‘Prudential FSP consultant’ is also for office use.”

There also were some positive comments on the section:

- “‘I, acting as the appointed...’ is positive because it tells that the advisor takes responsibility and holds himself accountable for the investment.”
- “This section is good because when the financial advisor completes this section, you know up front what the additional fees would be.”

A18. Special instructions

While only 14 participants commented on their experience of completing this section, most of them seemed to have a negative experience, as indicated by some of the comments:

- “I didn’t understand what this section could require from me.”
- “I did not put anything here. I didn’t know what to put here.”
- “Didn’t complete it; I don’t know what special instructions I should give.”

However, there were two participants out of the 14 who registered a positive experience:

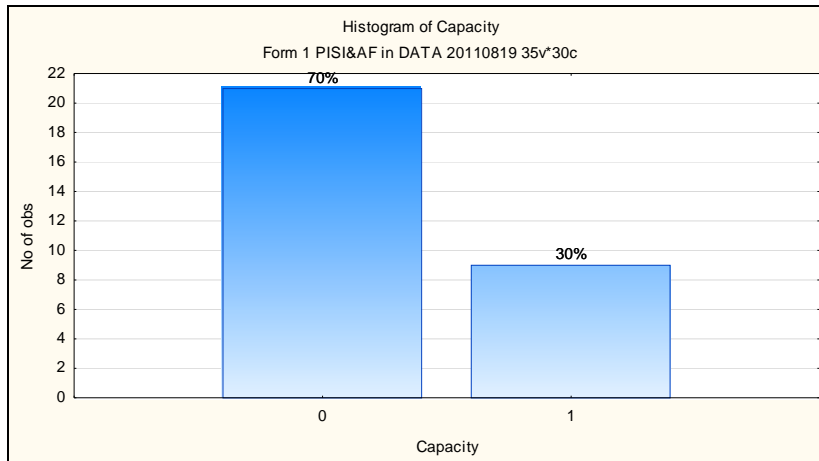
- “It was clear enough. If I did have any special instruction I would have filled in the relevant section.”
- “This is positive, because it gives the space to give Prudential a unique and personalised instruction.”

A19. "Capacity" subsection on page 6

Seventy percent of the respondents either did not complete this section, or they did not state "investor" next to "capacity" (Figure 4.25).

Figure 4.25: The number of respondents who correctly completed the "Capacity" section

"0" represents "the number of respondents that completed the section in the form incorrectly"; "1" represents "the number of respondents that completed the section in the form correctly"



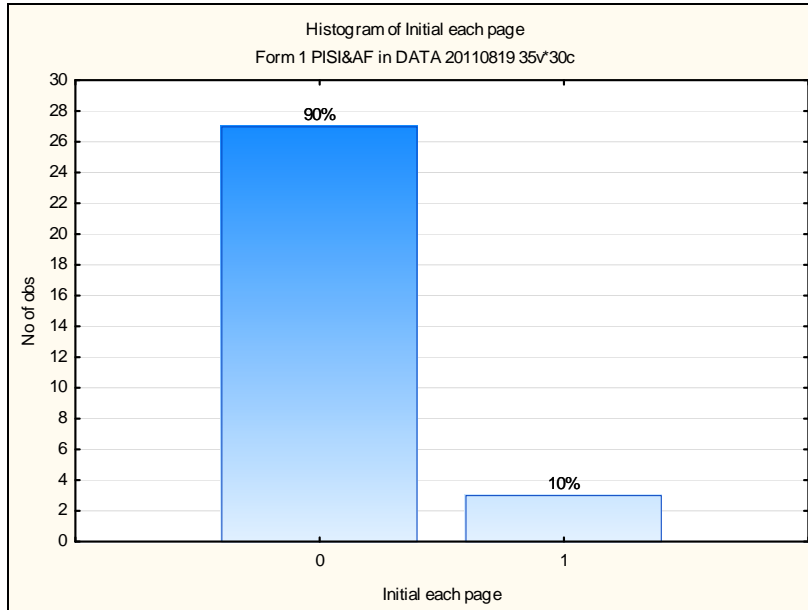
It seems that at least five participants were unsure what they needed to write in the space to indicate "capacity":

- "I didn't know what to fill in under 'capacity'."
- "Capacity is unclear. Do I need to write down 'parent', 'guardian', 'owner'?"
- "What do they expect from me here? I thought they are requesting me to write 'investor'. Because this is my capacity at Prudential. But then, in the line underneath, I need to sign above 'Signature of investor' which implies that they know my capacity. Why do I need to fill it in again?"
- "Not sure what is expected; no idea what this means. Capacity as investor? Or is it the actual investment that needs to be filled in?"
- "I am unsure what to fill in here."

A20. Initial each page

Only 10% of the 30 respondents initialled each page of the document. Some of the respondents commented on the fact the “instruction to initial each page” is hidden next to the logo (Figure 4.26).

Figure 4.26: The number of respondents who initialled each page of the form
“0” represents “the number of respondents that completed the section in the form incorrectly”;
“1” represents “the number of respondents that completed the section in the form correctly”



B. Terms and Conditions within the Prudential Investor Service Instruction and Application Form – Individual

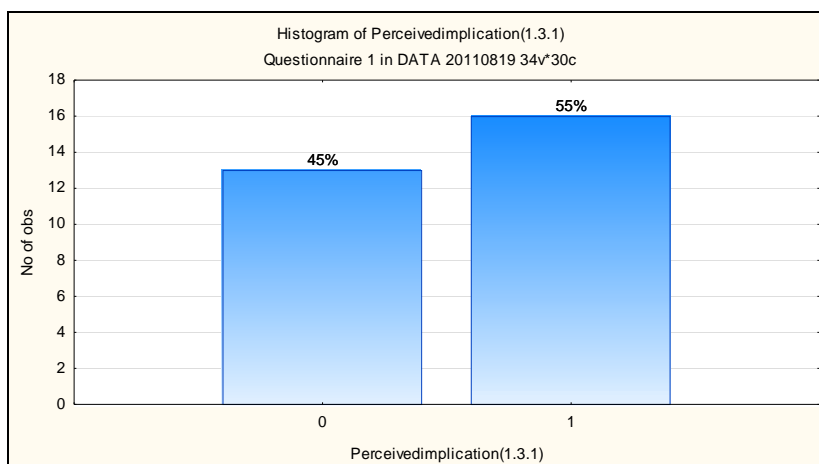
The terms and conditions contained in the Prudential Investor Service Instruction & Application Form are an integral part of the contractual agreement between Prudential and the potential investor. Therefore they formed a big part of the interviews regarding the participants' experience of reading and completing the application form.

As discussed in the functional analysis, the terms and conditions are divided into nine sections:

- Manager obligations
- Investor obligations
- General
- Amendment instructions
- FICA compliance
- Investment transaction minimums
- Reporting
- Risk warning
- Fees

The majority of the respondents (55%) understood what was meant by "terms and conditions", although 45% of the 30 respondents did not understand that "terms and conditions" form an integral part of an agreement or contract and that they include special arrangements, provisions, requirements, rules, specifications and standards (Figure 4.27).

Figure 4.27: What do you understand by "terms and conditions" in general? (Question 1.3.1)
"0" represents "the number of respondents that answered incorrectly"; "1" represents "the number of respondents that answered correctly"



Overall, the respondents felt that the terms and conditions were readable (78%) (Figure 4.28). Fifty-nine percent of the respondents indicated that they knew exactly what their rights and obligations were after reading the terms and conditions (Figure 4.29), and what the rights and obligations of Prudential are. However, the respondents' positive perceptions of the readability and comprehensibility of Prudential's terms and conditions are contradicted by the average number of comprehension questions filled in correctly. The respondents were asked to complete 12 representative questions that would test their comprehension of the terms and conditions. The average number of comprehension questions correctly answered by the respondents was 37%.

Figure 4.28: How readable are the terms and conditions in general? (Question 1.3.13)
 "0" represents "the number of respondents that gave a negative answer"; "1" represents "the number of respondents that gave a positive answer"

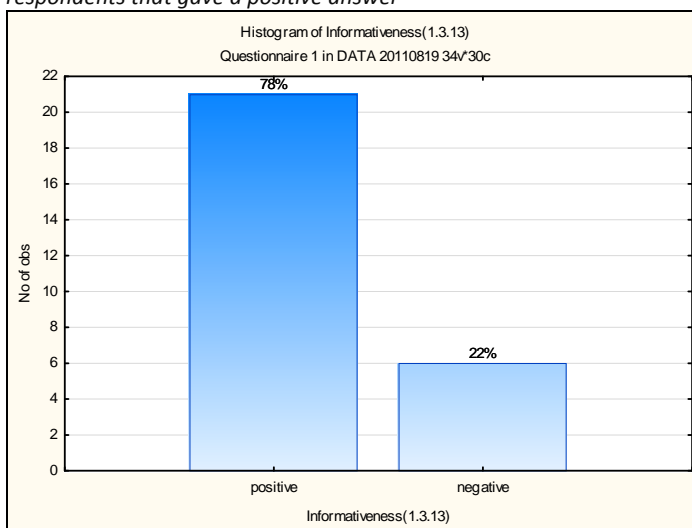
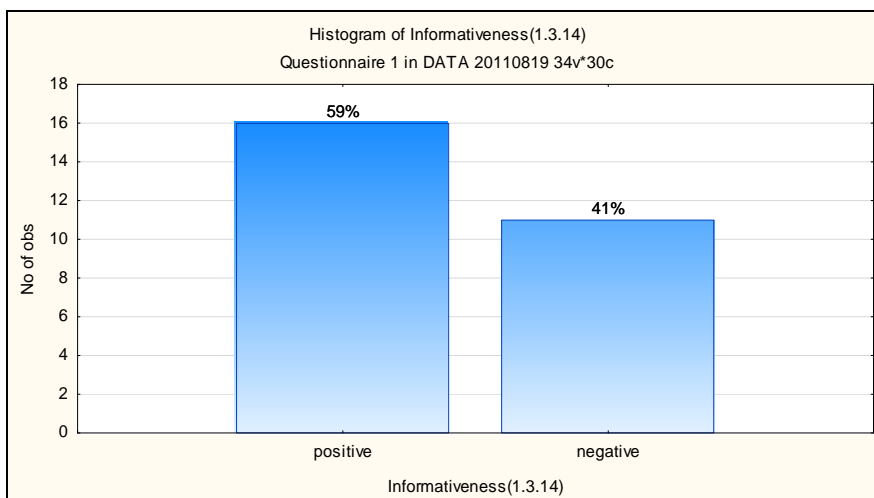


Figure 4.29: After reading the terms and conditions you knew exactly what your rights and obligations are, and what the rights and obligations of Prudential are (Question 1.3.14)
 "0" represents "the number of respondents that gave a negative answer"; "1" represents "the number of respondents that gave a positive answer"



B1 Terms and conditions

B3 Manager obligations

1. The Manager is an authorised financial services provider and subject to the provisions of the FAIS Act and its subordinate measures.
2. As a licensed intermediary in terms of the FAIS Act, the Manager only renders intermediary services to investors.
3. The Manager does not render any financial or financial product advice to investors.
4. As a result the Manager will not provide the Investor with any recommendation, guidance or proposal regarding any of the Prudential investment portfolios.
5. In view of this status under FAIS it must be noted that the Manager will only act on specific written investment instructions of the Investor subject to the terms and conditions as set out in this agreement and application form.

B5 Investor obligations

In view of the fact that the Manager only executes the investment instruction(s) of the Investor, the following understanding is recorded:

1. The Investor acknowledges that the Manager has provided the Investor with sufficient business information, confirmation of the required Financial Services Provider Licence and the licensed areas of financial service offered. The Investor hereby acknowledges receipt of such information;
2. No financial or investment analysis has been done by the Manager on behalf of the Investor and as a result there may be limitations or risks pertaining to the appropriateness of the investment portfolio or fund selected by the Investor;
3. The Investor understands his/her responsibility to take particular care to consider on his/her own whether the selected investment portfolio is appropriate considering his/her objectives, financial situation and particular needs;
4. The Investor understands his/her responsibility to take particular care to consider the benchmark, terms and conditions of any of the investment portfolio(s) that he/she selects;
5. The Investor warrants that the origin of any funds in respect of the premiums or considerations applicable to any transaction that may be concluded between the parties comply with the requirements in terms of the Financial Intelligence Centre Act;
6. The Investor warrants to Prudential that he/she is acting for his/her own account and that he/she has made his/her own independent decision to enter into the investment and as to whether the investment is appropriate or proper for him/her, based upon his/her own judgement, and/or upon advice from independent advisors, as he/she may deem necessary;
7. The Investor warrants that he/she is not relying on any communication from Prudential, whether written, oral or implied as investment advice or as a recommendation to enter into the investment; it being understood that information and explanations relating to the terms and conditions of an investment shall not be considered investment advice or a recommendation to enter into the investment;

B7



Please initial each page

14

Special instructions

8. The Investor warrants that he/she has not received from Prudential any assurance or guarantee as to the expected results of the investment;
9. The Investor warrants that he/she is capable of evaluating and understanding the investment, and understands, assumes and accepts, the terms, conditions and risks of the investment;
10. The Investor understands that values of units within unit trusts, managed portfolios and any other market linked investment instrument fluctuate in line with the market values of the underlying securities comprising such portfolios. The investment shall be subject to any volatility in the underlying markets; and
11. The Investor indemnifies and agrees to hold harmless, and agrees to have no claim or cause of action against Prudential, for any loss or damage of whatsoever nature that the Investor may suffer as a result of the investment.

B8

B9

General

1. Please note that all notifications of deposits, contributions and investment applications must be received by Prudential Portfolio Managers Unit Trusts Ltd by or before 1:30pm to be transacted at the net asset value price for that day, except for the Money Market Fund and Dividend Income Fund which have a cut-off time of 10:30am. The cut-off time also applies to redemptions and switch transactions. Where all required documentation is not received before the stated cut-off time, the Manager shall not be obliged to transact at the net asset value price for that day.
2. The net asset value price is calculated using the forward pricing methodology. The net asset value can be defined as the total market value of all assets in the unit portfolio including any income accruals and less any permissible deductions from the portfolio, divided by the number of units in issue.
3. Units will be bought and sold at the net asset value price in accordance with the requirements of the Collective Investment Schemes Control Act and the relevant Deed.
4. Permission is hereby granted to deduct and pay all fees as shown in the schedule titled "Prudential Collective Investment Schemes". Permissible deductions from the fund include management fees, performance fees, bank charges, trustee / custodian fees, audit fees, regional council levies, MST and brokerage. Please refer to the CIS Summary attached.
5. Commissions and fees may be paid to advisors. If the annual trail fees are insufficient to pay the agreed annual financial advisor fees, the Manager will sell units proportionately from the portfolio and pay the amounts to the advisor monthly.
6. The management company may, at its discretion, close the fund to new investors and existing unit holders including the cessation of debit orders.
7. All material facts must be accurately and properly disclosed, and the accuracy and completeness of all answers, statements or other information provided by or on behalf of the client, are the client's own responsibility.
8. The trustee's details are: Standard Bank Trustee Services, 20th Floor, Main Tower, Standard Bank Centre, Heerengracht, Cape Town.

B10

B11

B12

Amendment instructions

1. Only signed written instructions (faxed copies included) from the unitholder will be acted upon.
2. Units may be ceded or assigned for which a processing cost may be levied.
3. Prudential will not proceed with any transaction if there is any doubt as to the validity of any signatures/information or if it deems the instruction to be incomplete in any way.
4. Prudential Portfolio Managers Unit Trusts Ltd cannot be held liable for any resultant losses from the above.
5. For regular withdrawals/payment options, please use the standard instruction form.

B13

FICA compliance

In terms of the Financial Intelligence Centre Act, 2001 ("FICA") the Manager requires a copy of each of the following documents:

1. Identity document or passport to verify the Investor's identification number and full name.
2. Copy of utility bill or similar to verify the Investor's residential address.
3. Copy of correspondence from SARS to verify the Investor's income tax number.
4. Copy of cancelled cheque or bank statement to verify the Investor's banking details.

B14

Investment transaction minimums

1. Please note that there is a minimum holding of R2 000 per fund. Should the holdings fall below this value as a result of a switch, a debit order cancellation, or a redemption of units, the Manager reserves the right to redeem the remaining units and pay the proceeds to the unitholder or charge a transaction fee for balances below the minimum holding.
2. All payments will be electronically transferred into the bank account of the unitholder only.

B15 **Special instructions**

Reporting
 Unitholder statements will be issued quarterly. Additional client statements are available on request from Client Services on sharecall 0860 105 775.

Risk warning
 Unit trusts are medium- to long-term investments. The value of your investment may go up or down and past performance is not necessarily a guide to future returns. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accrued and less any permissible deductions from the portfolio, divided by the number of units in issue. Permissible deductions may include management fees, brokerage, MST, auditor's fees, bank charges, trustee fees. The fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees and charges and maximum commissions is available from Prudential Portfolio Managers Unit Trusts Ltd or on www.prudential.co.za. Commissions and fees may be paid and if so, are included in the overall costs. Forward pricing is used. Performance figures are quoted from Mikropal for lump sum investment using net asset value prices, with income distributions reinvested. Prudential Portfolio Managers Unit Trusts Ltd is a member of the Association of Collective Investment Schemes.

B17

Fees
 1. Units are priced using the forward pricing method. The quarterly statement will indicate the applicable fees under this investment for that period.
 2. It is the responsibility of the Financial Advisor to make sure that the investor is fully informed of all fees under this investment.
 3. VAT will be added to all fees where applicable.

B18 **Authorisation and Declaration**
 I/We warrant that the information contained herein is true and correct, and that, where this application is signed in a representative capacity, I/we have the necessary authority to do so and that this transaction is within my/our power. I/We understand that this application, read with the Deed, constitutes the entire agreement between Prudential Portfolio Managers Unit Trusts Ltd and myself/ourselves. I/We confirm that information pertaining to my/our account (including duplicate statements, valuations and other information that may be required from time to time) may be released to myself or the Financial Advisor identified above in electronic or written format. I/We understand these terms and conditions. I/We herewith confirm that I/we have received the disclosure information as required by Section 3 of the Collective Investment Schemes Control Act, Act 45 of 2002, from Prudential Portfolio Managers Unit Trusts Ltd or the Financial Advisor prior to completing this application form.

B19

B1. Manager obligations

The participants had mixed reactions to the five listed manager obligations, ranging from participants finding the obligations clear and understandable to finding them incomprehensible and daunting. The obligation in relation to which the participants noted their concerns the most is the one that refers to the manager not rendering any financial or financial product advice:

- “Why doesn’t the manager offer any financial or product advice. If I’m buying a product from Prudential, why are they not giving any advice on their product?”
- “I don’t really understand why he/she cannot render advice. If he/she doesn’t give advice, what is his/her role then? Should at least be able to inform me more about the financial product service.”
- “There should be some sort of guidance or information. They are in the business, they should do it, that is what they get paid for. They shouldn’t be leading the client, but they should inform them. Because Prudential states that they cannot be held responsible for the performance of funds, this should actually give them the freedom to actually give financial product advice.”
- “I don’t understand this. Prudential should be able to help/guide you. It is clear that they don’t want to be held responsible at all. How else would I know this is a good investment? They have a lack of accountability. This is not a partnership although they are the ones that have brought you this in the first place.”

Other participants had a positive experience of the same manager obligation:

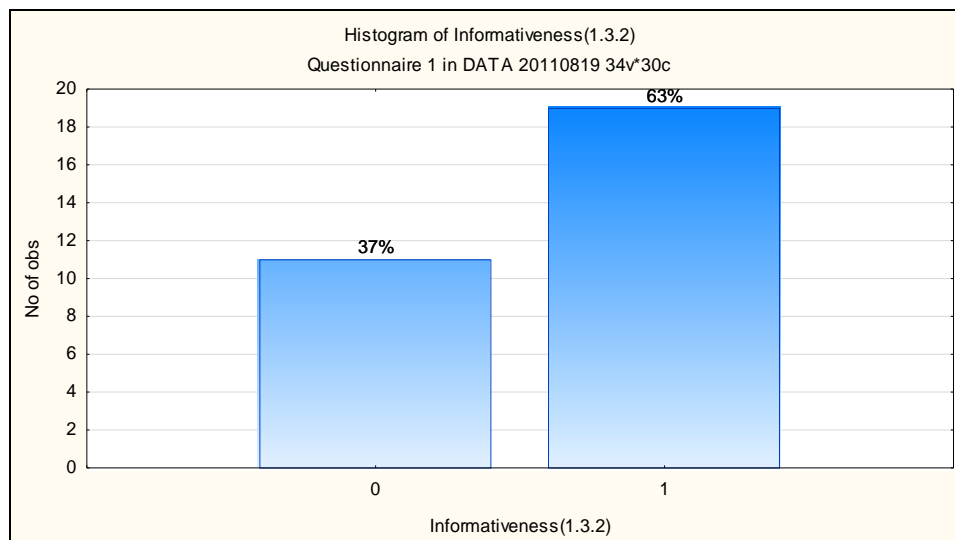
- “It is good because they clearly define the roles. It is not the responsibility of the fund Manager to give advice; it is the role of the Financial Advisor to give advice.”
- “Clear! For me it means that I’m not going to expect or demand that they give me financial advice.”
- “Understands (sic) this: all the manager does is managing the portfolio. They don’t give any advice on unit trusts or growth opportunities.”

The rest of the participants’ comments regarding manager obligations can be found in Annexure 3.1.

B2. The Manager is an authorised financial services provider and subject to the provisions of the FAIS Act and its subordinate measures

The abbreviation “FAIS” is introduced and explained in the introduction of the *Prudential Investor Service Instruction and Application Form – Individual*, and also mentioned in the first condition under “Manager Obligations”. The respondents were asked to refer to the first condition under “Manager Obligations” and then explain what “FAIS” stands for. Sixty-three percent of the respondents were familiar with the abbreviation (Figure 4.30).

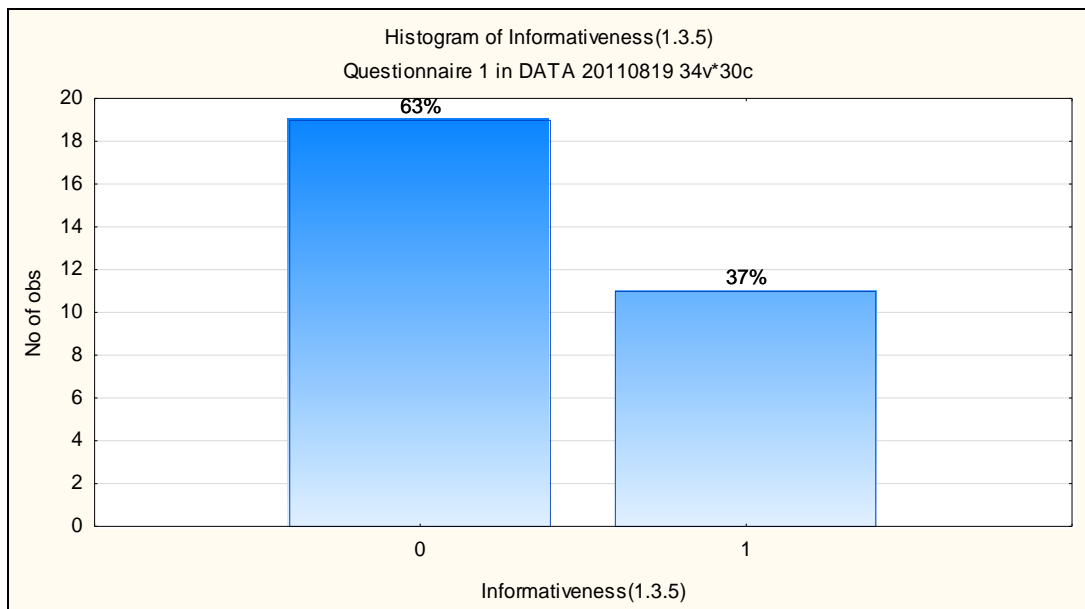
Figure 4.30: What does the abbreviation “FAIS” stand for? (Question 1.3.2)
“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



B3. As a licensed intermediary in terms of the FAIS Act, the Manager only renders intermediary services to investors.

The second condition under “Manager Obligations” refers to the fact that the Manager only renders services, such as processing the claims of a client against a product supplier and collecting or accounting for premium payments. Again it is stressed that the Manager does not give any product advice (i.e. give any advice, recommendations or guidance to the investor). The respondents were asked to refer to this condition and state what they understood by “intermediary services”. Thirty-seven percent of the 30 respondents interpreted “intermediary services” to refer to the facilitation of a financial transaction, while 63% interpreted it differently (Figure 4.31).

Figure 4.31: What do you understand by the concept “intermediary services”? (Question 1.3.5)
“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



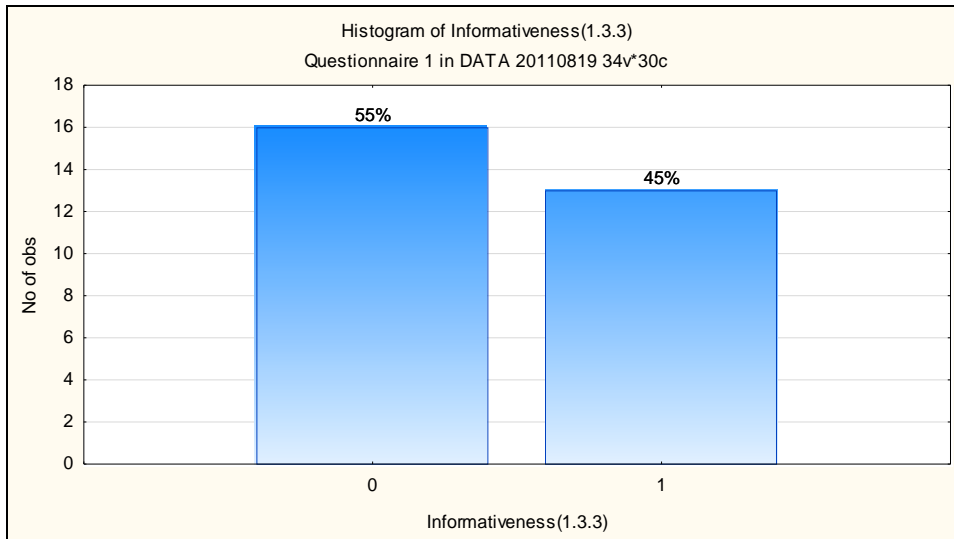
B4. The Manager does not render any financial or financial product advice to investors.

“Financial advice” refers to advice, recommendations, guidance or any proposal of a financial nature that would inform which investment would best suit an investor’s financial needs and lifestyle. This would mean that an investor would be relying on someone else to help him/her/her in making a decision regarding his/her best option in terms of making an investment. Fifty-five percent of the respondents did not interpret “financial product advice” to be advice, recommendations or guidance in relation to making an investment. Some were vague as to the meaning of this concept, while others saw it as general information regarding investments. Therefore, approximately 55% of the respondents perceived

“financial product advice” and general “communication” about investments to be the same (Figure 4.32).

Figure 4.32: What do you regard as “financial product advice”? (Question 1.3.3)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



B5. Investor obligations

As discussed in the functional analysis, “Investor Obligations” consists of 11 investor obligations, of which the most important ones are obligations 3, 7 and 11, which concern the investor understanding his/her responsibility, the investor warranting that he/she is not relying on any communication from Prudential, and the investor indemnifying Prudential against any loss or damage.

Only a few participants commented on their experience regarding investor obligation 3 (The Investor understands his/her responsibility to take particular care to consider on his/her own whether the selected investment portfolio is appropriate considering his/her objectives, financial situation and particular needs). Most of those comments were positive, while only two comments reflected a negative experience.

Table 4.3: Qualitative responses of obligation 3 (Prudential Service Instruction and Application Form) - The Investor understands his/her responsibility to take particular care to consider on his/her own whether the selected investment portfolio is appropriate considering his/her objectives, financial situation and particular needs

Positive responses	Negative responses
<ul style="list-style-type: none"> • “You must know what is happening with your money because it’s not the fund’s manager’s responsibility.” • “Nobody has forced the investor to sign. He/she used their discretion.” 	<ul style="list-style-type: none"> • “What I don’t understand is that I have the sheet (CIS), and that I have to use this to make sure I choose an appropriate fund. I’m going to worry whether my money is safe. It seems that I take

<ul style="list-style-type: none"> • “Think it’s good that they say you must take care of your product and not act on advice that you might have picked up on the street or something like that.” 	<p>responsibility.”</p> <ul style="list-style-type: none"> • “Ironic – thinks that Prudential is being quite silly by covering themselves instead of giving adequate information to the client. They are basically distancing themselves from the client.”
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As mentioned earlier, the next important obligation is number 7, which refers to the investor warranting that he/she is not relying on any communication from Prudential when making his/her investment. Two comments from the participants were positive, while eight participants registered a negative experience. The rest of the participants did not comment on this obligation.

Table 4.4: Qualitative responses of obligation 7 (Prudential Service Instruction and Application Form) - The Investor warrants that he/she is not relying on any communication from Prudential, whether written, oral or implied as investment advice or as a recommendation to enter into the investment; it being understood that information and explanations relating to the terms and conditions of an investment shall not be considered investment advice or a recommendation to enter into the investment

Positive responses	Negative responses
<ul style="list-style-type: none"> • “A person who thinks about his future – then this is the company where he wants to be. The client understood fully that no one forced him/her/her into the investment; that the information was explained to him/her relating to the terms and conditions of the investment. Every company must have a financial service board as required by South African Law.” • “Just says she doesn’t rely on anything by Prudential as investment advice and nothing from them will be considered as investment advice by her.” 	<ul style="list-style-type: none"> • “This separates me from Prudential. You are managing my money, but you are not going to inform me when there is a good profit on the market to make more money or interest.” • “This does not make sense to me. As an investor you have the right to contact Prudential to find out this info. What it says here is that I should not rely on Prudential at all.” • “Just covering themselves that they not offering advice. Prudential should make it clear that the client should appoint an advisor so that it is up to the client to make his or her own decisions.”

Obligation 11 is the third important obligation and relates to the investor indemnifying and holding Prudential harmless regarding any losses or damages that the investor might suffer in relation to the investment. Comments made were mixed, with both positive and negative responses being recorded equally.

Table 4.5: Qualitative responses of obligation 7 (Prudential Service Instruction and Application Form)

The Investor indemnifies and agrees to hold harmless, and agrees to have no claim or cause of action against Prudential, for any loss or damage of whatsoever nature that the Investor may suffer as a result of the investment.

Positive responses	Negative responses
<ul style="list-style-type: none"> • “I can’t hold anyone accountable if I lose or if I win. I have to be clear what I want.” • “It’s obvious that you can’t keep the company responsible if there were losses.” • “Understand as investor invests at own risk and that has no claim against Prudential for anything.” 	<ul style="list-style-type: none"> • “This (Prudential) is telling me, ‘you are on your own here’ while they are the one trying to sell me their trust.” • “I feel it’s a “cop out” because if anything happens, I have nothing and no one to blame. I can’t sue them for anything.” • “This prohibits Prudential to take responsibility. This condition diminishes the accountability on the part of Prudential.”

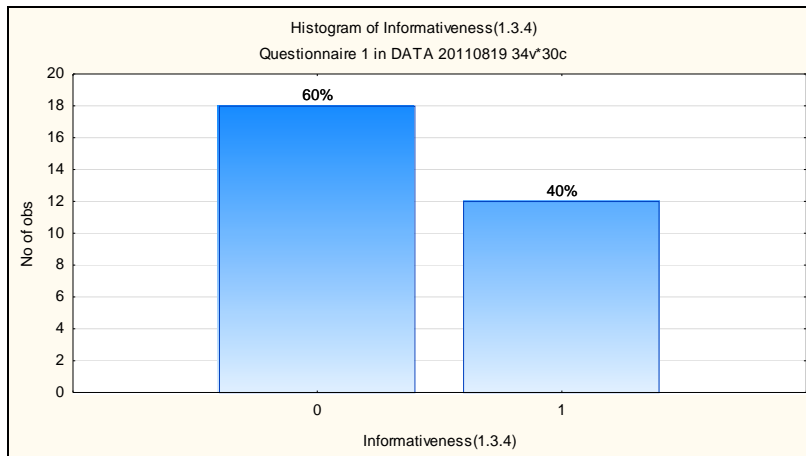
The rest of the participants’ comments regarding their experience of the investor obligations can be read in Annexure 3.1.

B6. No financial or investment analysis has been done by the Manager on behalf of the Investor and as a result there may be limitations or risks pertaining to the appropriateness of the investment portfolio or fund selected by the Investor

The second condition under “Investor obligations” refers to the fact that the investment portfolio or fund that the investor chooses might not necessarily be the one that suits the investor’s financial needs and lifestyle the best. The respondents were asked what they understood by this condition. Forty percent of the 30 respondents understood “appropriateness of the investment portfolio or fund” to refer to a portfolio or fund that would “best suit” his/her own financial needs, while 60% of the respondents did not interpret it like this (Figure 4.33).

Figure 4.33: What do you understand by the phrase “the appropriateness of the investment portfolio or the fund invested by the investor?” (Question 1.3.4)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”

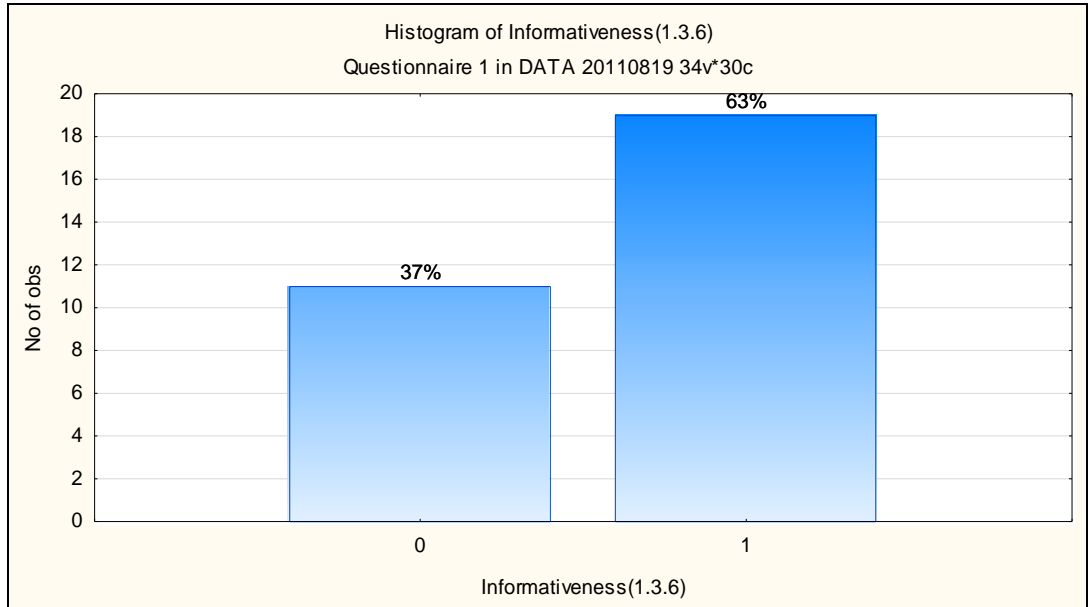


B7. The Investor warrants that he/she is not relying on any communication from Prudential, whether written, oral or implied as investment advice or as a recommendation to enter into the investment; it being understood that information and explanations relating to the terms and conditions of an investment shall not be considered investment advice or a recommendation to enter into the investment

The seventh condition under “Investor obligations” states that the investor agrees that that he/she is not interpreting any communication as advice, recommendations or guidance in relation to making an investment. Sixty-three percent of the respondents understood that they should not rely on any communication from Prudential as advice, recommendations or guidance in making an investment, and that they should make decision of their own accord (Figure 4.34). Their upset may be owing to the fact that approximately 55% of the respondents did not interpret “financial product advice” to be advice, recommendations or guidance from Prudential to direct the investor’s investment choice (Figure 4.34). As mentioned earlier, approximately 55% of the respondents perceived “financial product advice” and general “communication” about investments to be the same.

Figure 4.34: What do you understand by the following statement: “The Investor warrants that he/she is not relying on any communication from Prudential, whether written, oral or implied as investment advice or as a recommendation to enter into the investment; it being understood that information and explanations relating to the terms and conditions of an investment shall not be considered investment advice or a recommendation to enter into the investment”? (Question 1.3.6)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



B8. The Investor indemnifies and agrees to hold harmless, and agrees to have no claim or cause of action against Prudential, for any loss or damage of whatsoever nature that the Investor may suffer as a result of the investment.

The final question in the general structured interview was concerned with investor obligation 11 on page 4 of the Prudential Investor Service Instruction & Application Form. The participants were asked specifically what they understood by this obligation, which reads as follows: “The investor indemnifies and agrees to hold harmless, and agrees to have no claim or cause of action against Prudential”.

Most participants correctly understood that they could not hold Prudential liable for any losses they might suffer due to their investment choices. Only a few of the comments, of which some also registered the participants’ emotions, are listed below. Please consult Annexure 5 for the rest of the participants’ comments.

- “...the scary statements should be stated differently. Seasoned investors might not mind but I don’t want to lose my money.”
- “This means that we can’t hold them accountable, but you feel that there are proper channels of holding them accountable – “ombudsman”. This statement indemnifies Prudential. It doesn’t state that it indemnifies the financial advisor.”

- “It means that I would be responsible for any losses and I couldn’t sue Prudential. It’s a total risk that I would take on my own.”
- “That I’m not going to blame Prudential if something goes wrong. Which is not so reassuring.”
- “They don’t want the investor to hold them liable for anything that may go wrong with your investment. It’s quite scary! If you read this, I don’t know if you would want to invest.”
- “They are indemnifying themselves about the choices I made. They gave me options and I made my own choice/decision without being forced.”
- “I don’t understand. They use big words.”
- “It shouldn’t be there. This is not fair. Prudential is also a role player in this contractual agreement. And they should be able to negotiate responsibly. Prudential should in this instance rather help the investor than losing him/her/her.”

The rest of the participants’ comments on the questions of the structured interviews can be found in Annexure 5.

B9. General

The participants’ comments regarding their experience of this section focused mainly on the fact that they were not always clear on the terms and conditions, which they felt were not being explained to them. Some of the comments that were offered in the interviews are:

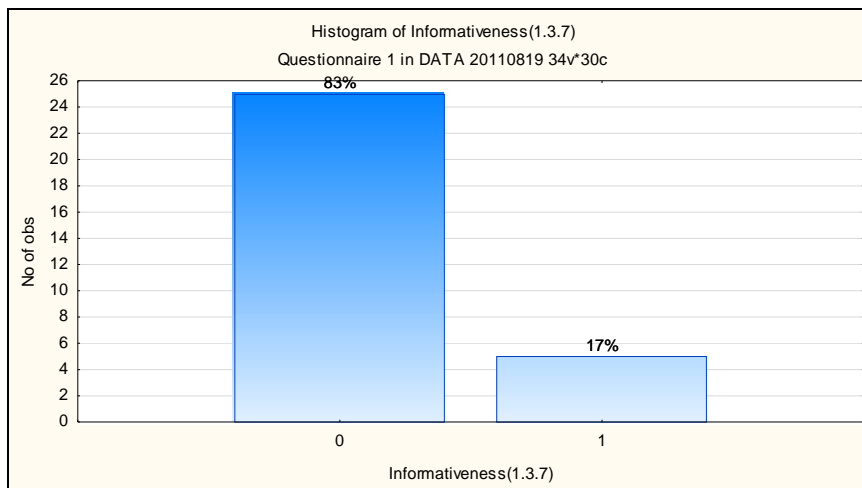
- “This is unclear. I don’t know what ‘forward pricing methodology’ mean. I want them to explain the concept first before they calculate my investment in that manner.”
- “I wouldn’t know what the Collective Investment Schemes Control Act” entails or what “the Deed” refers to.”
- “What are the percentages? Realised in interview that there is a CIS sheet, but still not able to understand the CIS sheet to get the relevant results.”
- “I don’t know what they mean especially regarding the ‘cessation of debit orders’.”
- “If they realise that a particular fund is not performing, that they have the right to close it down and inform investors that something else has been put into place.”

The rest of the participants’ comments are available in more detail in Annexure 3.1.

B10. The net asset value price is calculated using the forward pricing methodology. The net asset value can be defined as the total market value of all assets in the unit portfolio including any income accruals and less any permissible deductions from the portfolio, divided by the number of units in issue

The second condition under "General" explains that the net asset value price is calculated using the "forward pricing methodology". This means that the share price is always determined by the net asset value of the outstanding shares, and all incoming buy and sell orders are based on the next net asset valuation of fund shares. Eighty-three percent of the respondents did not understand what "forward pricing methodology" means (Figure 4.35).

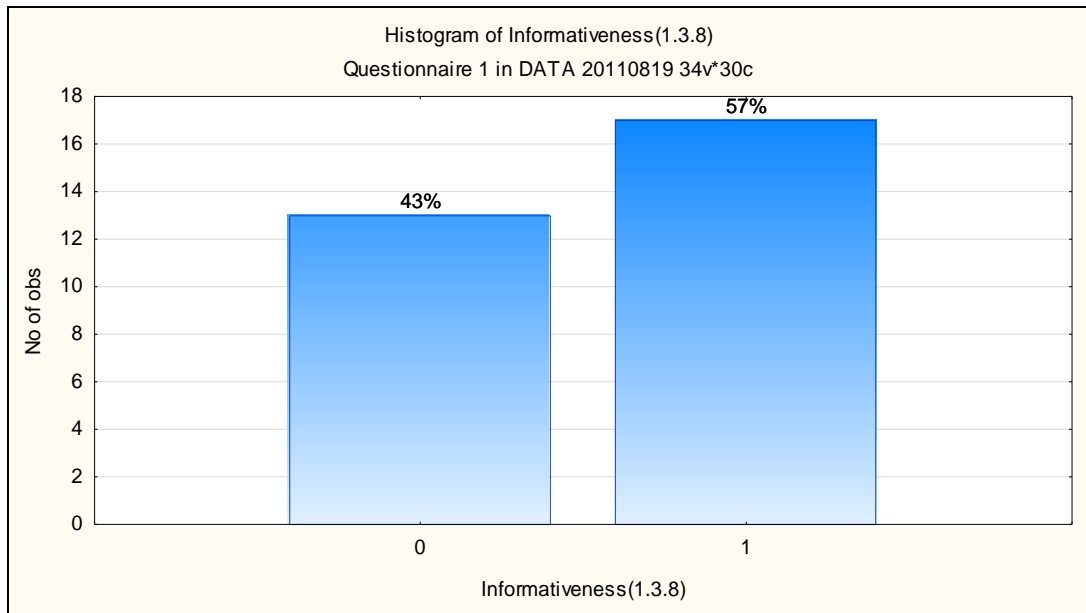
Figure 4.35: What does the term "forward pricing methodology" mean? (Question 1.3.7)
 "0" represents "the number of respondents that answered incorrectly"; "1" represents "the number of respondents that answered correctly"



B11. The management company may, at its discretion, close the fund to new investors and existing unit holders including the cessation of debit orders

The sixth condition under "Amendment instructions" states that Prudential may close a fund and stop debit orders. The respondents were asked if they understood the concept "cessation of debit orders". Fifty-seven percent understood the concept, while 43% did not understand it (Figure 4.36).

Figure 4.36: What do you understand by the concept “cessation of debit orders”? (Question 1.3.8)
 “0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



B12. Amendment instructions

The comments registered under this section ranged from positive to negative.

Table 4.6: Qualitative responses of obligation 7 (Prudential Service Instruction and Application Form)
The Investor indemnifies and agrees to hold harmless, and agrees to have no claim or cause of action against Prudential, for any loss or damage of whatsoever nature that the Investor may suffer as a result of the investment.

Positive responses	Negative responses
<ul style="list-style-type: none"> • “Clear and to the point.” • “Good to know that there’s a standard form for regular withdrawals.” • “Only written instructions will be acted on.” 	<ul style="list-style-type: none"> • “I don’t know what “ceded” and “levied” mean.” • “I don’t know what “ceded”, “assigned” and “processing cost” means (sic). I would want someone to explain that to me.” • “First, they tell me they can close my investment, and then they tell me they take no responsibility. This tells me ‘don’t invest’.”

For more detail regarding the participants’ experiences, please refer to Annexure 3.1.

B13. FICA compliance

This section was the least problematic, as the participants agreed that it was fairly standard procedure to provide this information. Very few of the participants felt compelled to

comment on their experience of this section, but the few that were recorded can be found in Annexure 3.1.

B14. Investment transaction minimums

In this section the participants were concerned about whether they would be notified should their investment run below R2000 or whether their account would be closed without their prior knowledge. Other than that the participants found the section to be clear and understandable.

B15. Reporting

Not many participants commented on this section, and those who did found the section to be unproblematic. One participant specifically mentioned that he/she appreciated the fact that there was a number through which Prudential could be reached should it be necessary.

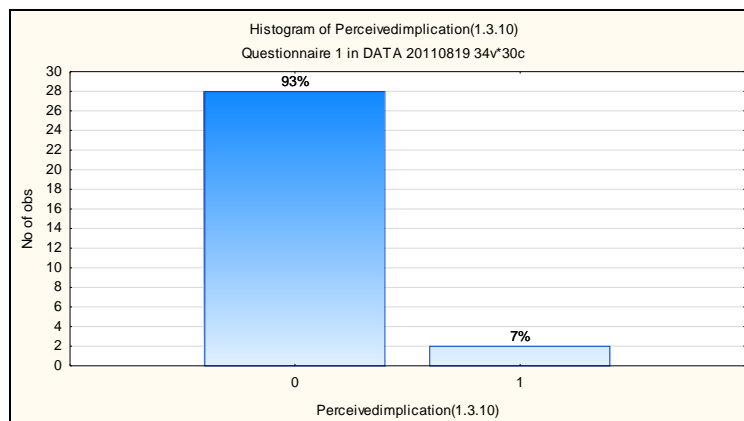
B16. Risk warning: “The fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity”

The abovementioned sentence, which is found in the section “Risk warning”, declares that the fund may borrow up to 10% of the market value of the portfolio. The fund would do this in the following three cases: When a large number of investors intend to withdraw their money at once; when one big unit holder intends to withdraw his/her money; when the fund does not have enough short-term liquidity to trade. As a result, the fund may borrow 10% to meet these short-term liquidity needs. This means that the fund, and therefore the investors, would have to pay interest on the borrowed cash.

The respondents were asked if they understood the implication that this condition may have on their portfolio. Only 7% of the respondents correctly understood the implication (Figure 4.37).

Figure 4.37: Do you know what the implication of this condition may be on the value of your investments? Please motivate your answer. (Question 1.3.10)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



The comments registered under this section ranged from positive to negative.

Table 4.7: Qualitative responses of obligation 7 (Prudential Service Instruction and Application Form)
The Investor indemnifies and agrees to hold harmless, and agrees to have no claim or cause of action against Prudential, for any loss or damage of whatsoever nature that the Investor may suffer as a result of the investment.

Positive responses	Negative responses
<ul style="list-style-type: none"> • “Very important and explains what it’s about.” • “Clear those unit trusts are medium to long term. I like the way they have set it out and use in conjunction with the CIS to get to annual fees charges.” • “It’s a good thing as people like to be warned about risk.” • 	<ul style="list-style-type: none"> • “This section went over my head. What does this mean? Something that has to do with ‘risk warning’ has to be written in layman’s terms. Especially about risk.” • “I don’t understand the technical terms. The financial advisor should explain this. I will be trusting that he/she will be doing what is doing in my best interest.” • “I am confused as to what “insufficient liquidity” refers to. And which portfolio are they referring to?”

The rest of the recorded experiences can be found in Annexure 3.1.

B17. Fees

In this section the participants focus their comments on two topics in particular, namely the incomprehensibility of the ‘forward pricing method’ and the participants’ reliance on the financial advisor to inform them of all the fees applicable. The rest of the comments can be found in Annexure 3.1.

B18. Authorisation and Declaration: “I/We understand that this application, read with the Deed, constitutes the entire agreement between Prudential Portfolio Managers Unit Trusts Ltd and myself/ourselves.”

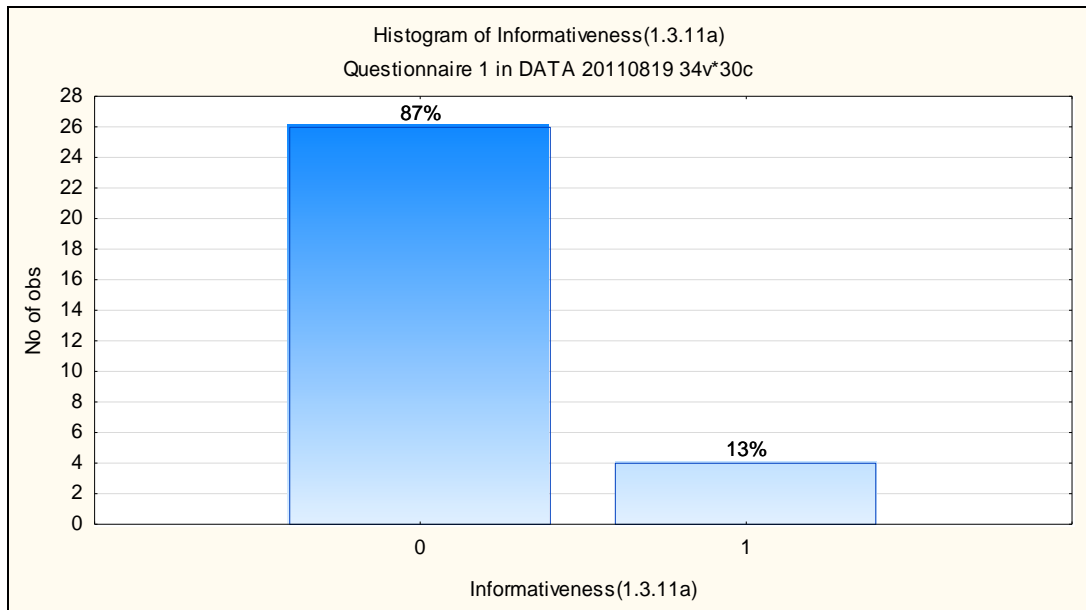
The abovementioned sentence, under “Authorisation and declaration”, refers to “the Deed”, which is the legal document that governs:

- the way that the company manages the pool of assets,
- what can be invested in the pool of assets,
- how the pool of assets must be managed, and
- under what parameters the pool of assets must be managed.

The respondents were asked what “the Deed” refers to. Thirteen percent of the 30 respondents knew that “the Deed” is a legal document (Figure 4.38).

Figure 4.38: What does “the Deed” refer to?

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



B19. Authorisation and Declaration: “I/We herewith confirm that I/we have received the disclosure information as required by Section 3 of the Collective Investment Schemes Control Act, Act 45 of 2002, from Prudential Portfolio Managers Unit Trusts Ltd or the Financial Advisor prior to completing this application form.”

Section 3 of the Collective Investment Scheme Control Act requires the managing company to disclose the following information prior to any transaction taking place:

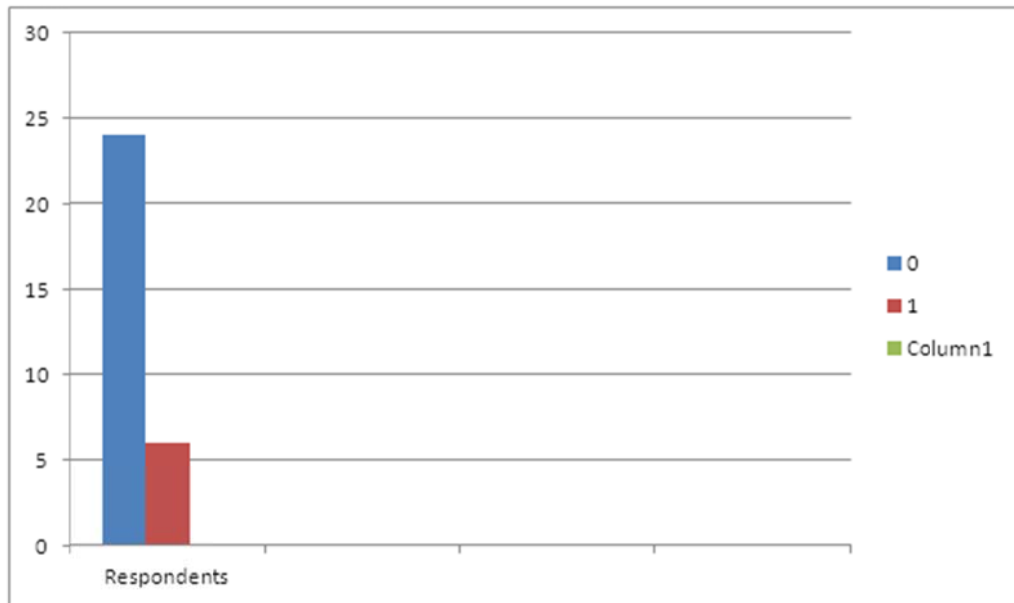
- information on the investment objectives of the CIS,
- the calculation of the NAV,
- dealing prices,
- charges,
- any risk factors,
- distribution of income accruals, and
- information necessary to enable the investor to make an informed decision, and this information must be provided prior to the transaction and in a comprehensible manner.

In the questionnaire, the respondents were asked to refer to the abovementioned section in the “Authorisation and declaration” section. Secondly, they were asked to describe what

they understand as “disclosure information”. Only 20% of the 30 respondents (6) had a general idea of what disclosure information refers to in this context (Figure 4.39).

Figure 4.39: What does “disclosure information” entail?

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



C. Switch Form

The thematic analysis of the plus-minus method interviews presents strong consistency between the respondents' appreciation and criticism of the form. It seems as if the respondents had less trouble completing this form than the *Prudential Service Instruction and Application Form – Individual*. Approximately 11 respondents described the form as "clear", "fairly understandable", "very uncluttered" and "straight-forward".

Sixty percent of the questions were filled in correctly on this form. The percentage of questions filled in correctly by English, isiXhosa and Afrikaans first-language speakers was as follows:

- English first-language speakers: 57.5%
- isiXhosa first-language speakers: 55.8%
- Afrikaans first-language speakers: 61.6%

C1 **Switch Form (Local)**
Licensed as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 2002.

C2 **Personal details** (to be completed in block capitals)

C3 Existing account number

C4 Surname or name of Company / Trust / Close Corporation _____
 First name or contact person _____

C5 I/We hereby request Prudential Unit Trusts to transact the following switch of units from within my/our investment portfolio. The standard fund fees apply. For these fees please refer to the "CIS Summary Sheet" on our website www.prudential.co.za

From fund	R amount/ no. of units	To fund	Initial advisor fees
1. _____	<input type="text"/>	1. _____	_____
2. _____	<input type="text"/>	2. _____	_____
3. _____	<input type="text"/>	3. _____	_____

Prudential consultant name _____

Please indicate whether your existing debit order must follow the above switch instruction.
 Yes No Not applicable

C6 **Details of financial advisor**

Code

Name of financial advisor _____

Name of Financial Services Provider _____

C7

Prudential Unit Trusts must receive this instruction before 1:30pm for the switching process to commence on the same day, except for the Money Market Fund and Dividend Income Fund which have a cut-off time of 10.30am.

Prudential will not be liable for any financial loss incurred by the investor if the information provided is unclear, illegible, ambiguous or incorrect in any way.

Where a switch form is faxed or emailed to Prudential Unit Trusts, the responsibility to ensure that the instruction has been received and actioned by Prudential Unit Trusts shall lie with the investor.

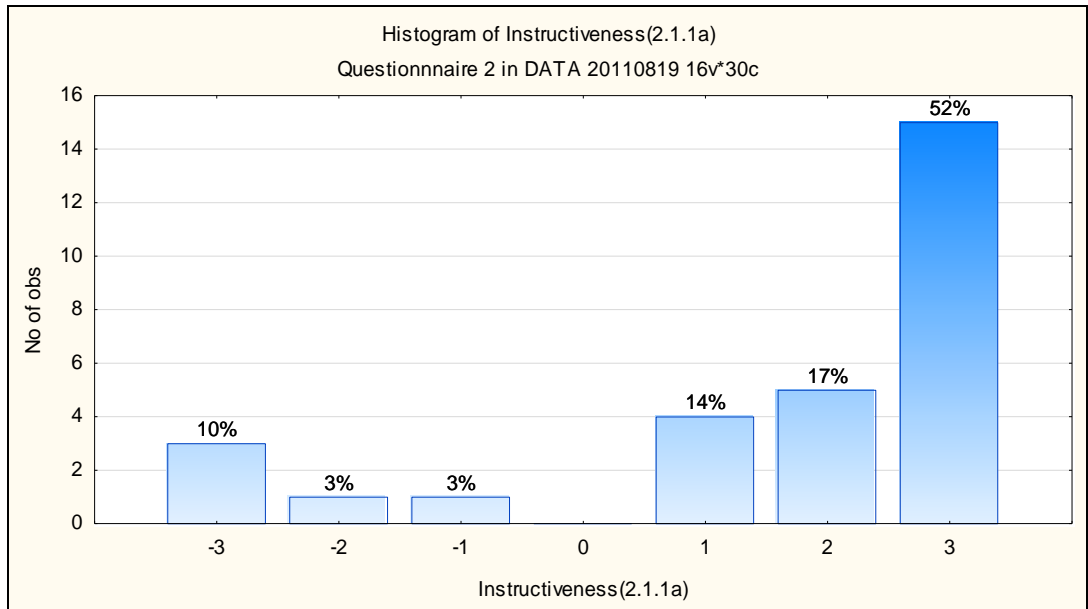
Signature of investor _____ Date

C1. Form title

Fifty-two percent of the 30 respondents (the number of respondents that chose scaled value 3) strongly agreed that the form title effectively explained what the form required from the investor. Eighty-three percent of the respondents (the number of respondents that chose

scaled values 1 to 3) agreed that the form title effectively explained what the form required from the investor (Figure 4.40).

Figure 4.40: The title effectively explains what the form requires from you. (Question 2.1.1)
“-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”



C2. Personal details

According to the thematic analysis of the plus-minus method interviews, the following textual elements caused the biggest pitfalls when completing the “Personal details”.

12 respondents commented that this section was unclear. Some respondents were of the opinion that the form is only applicable to organisations, while others were just confused about the meaning associated with this instruction. One responded said: “How can company have a surname?”

C3. Existing account number

The overwhelming majority of the respondents (90%) indicated that they knew which account number was required from them (Figure 4.2). Seventy-seven percent of the respondents correctly filled in the fictitious account number that was given to them (Figure 4.41 and Figure 4.42).

Figure 4.41: The instruction “Existing account number” clearly explains which account number is required from you. (Question 2.1.2)

“-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”

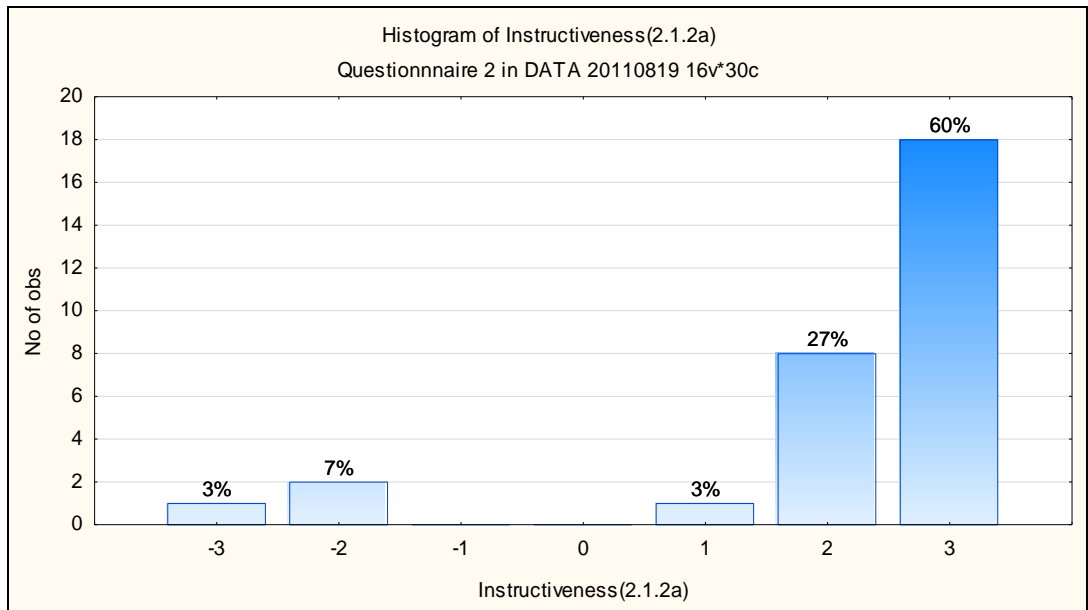
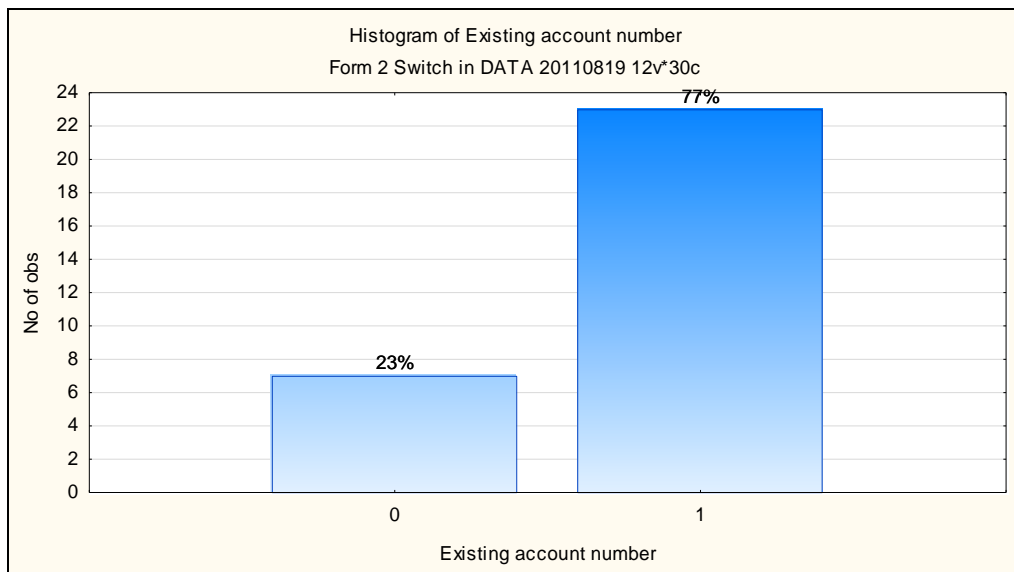


Figure 4.42: The number of respondents who correctly filled in “Existing account number”

“0” represents “the number of respondents that completed the section in the form incorrectly”; “1” represents “the number of respondents that completed the section in the form correctly”

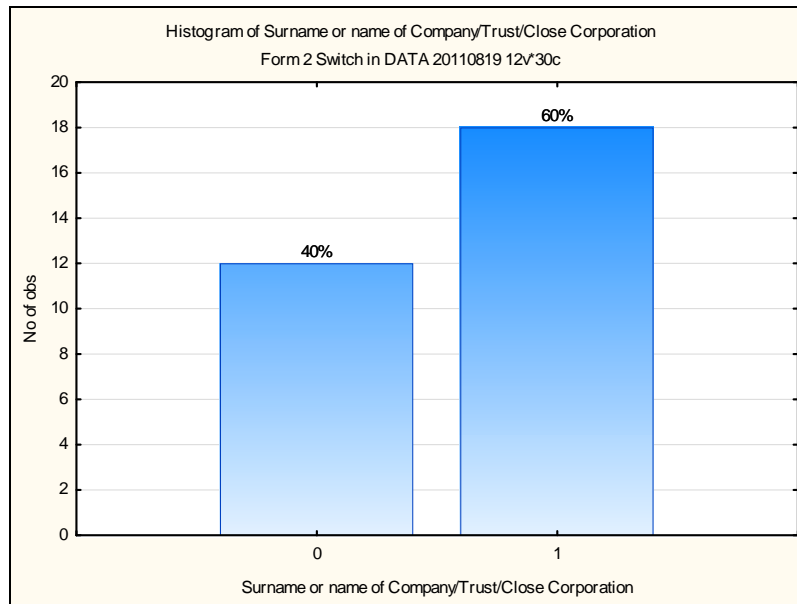


C4. Surname or name of Company/Trust/Close Corporation

In comparison to the 100% success rate for the completed “First names” and “Surname” sections in the “Prudential Investor Service Instruction and Application Form – Individual”, 40% of the respondents filled in the corresponding section in the Switch Form incorrectly by not writing down their names (Figure 4.43).

Figure 4.43: Number of respondents who correctly filled in “Surname or name of Company/Trust/Close Corporation”

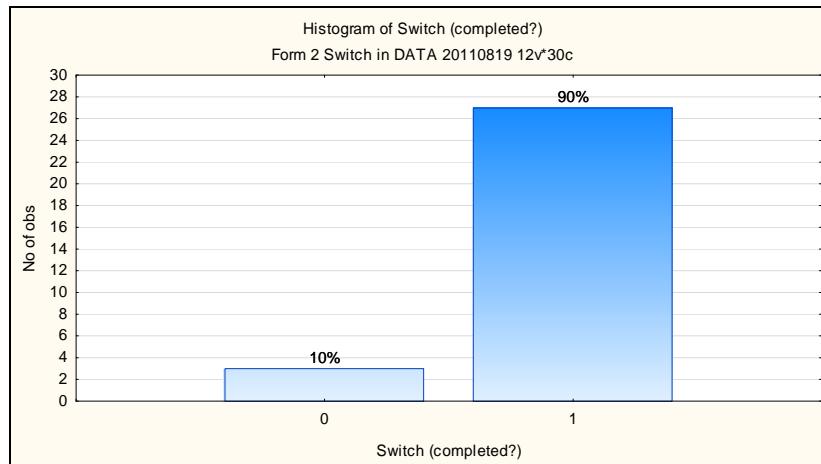
“0” represents “the number of respondents that completed the section in the form incorrectly”; “1” represents “the number of respondents that completed the section in the form correctly”



C5. Switch instruction

Ten percent of the respondents left this section open, while 90% completed this section (Figure 4.44).

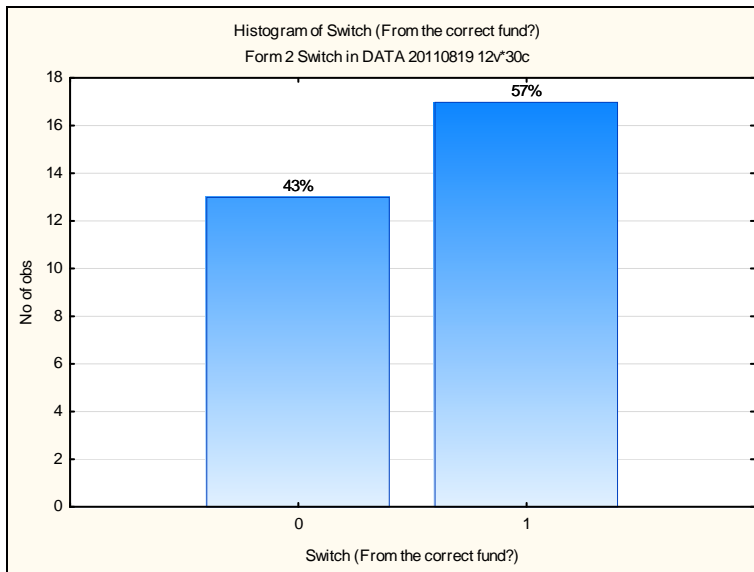
Figure 4.44: The number of respondents who filled in the switch instruction



Forty-three percent of the respondents who filled in this section switched from the wrong fund, which may be an indication that they (Figure 4.45):

- Did not understand the hypothetical situation they were placed in or
- Did not understand the instructiveness of this section.

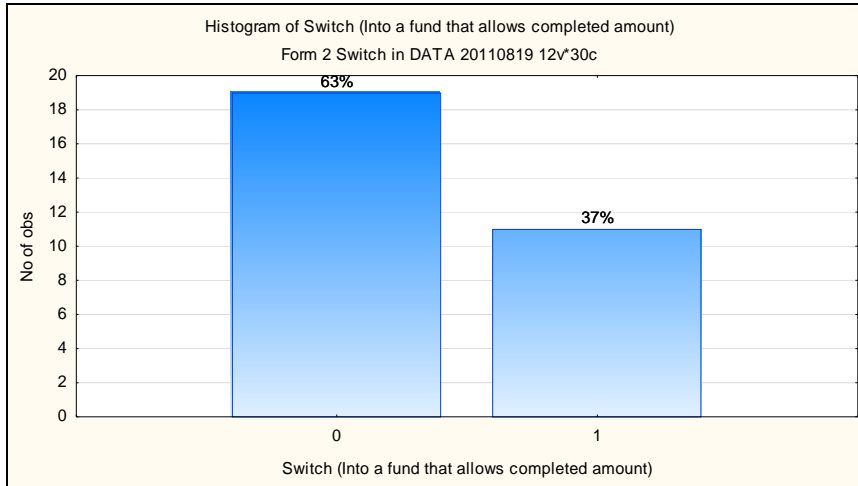
Figure 4.45: The number of respondents who switched from the correct fund
 “0” represents “the number of respondents that interpreted the switch instruction incorrectly”; “1” represents “the number of respondents correctly”



Sixty-three percent of the respondents who attempted to fill in this section correctly switched to a fund that did not allow for the specific amount (Figure 4.46). This may be an indication that they:

- Did not understand the “Collective Investment Scheme Summary Sheet”.
- According to the thematic analysis of the plus-minus method interviews six respondents said that they had difficulty understanding exactly how to complete this form. Firstly, they regarded the instruction as being ambiguous. Secondly, the switch instruction caused four respondents to point out the uncertainties they experienced with regard to interpreting the “Collective Investment Scheme Summary Sheet”. The respondents especially had difficulty interpreting the abbreviations in the CIS document.

Figure 4.46: The number of respondents who switched into a correct fund

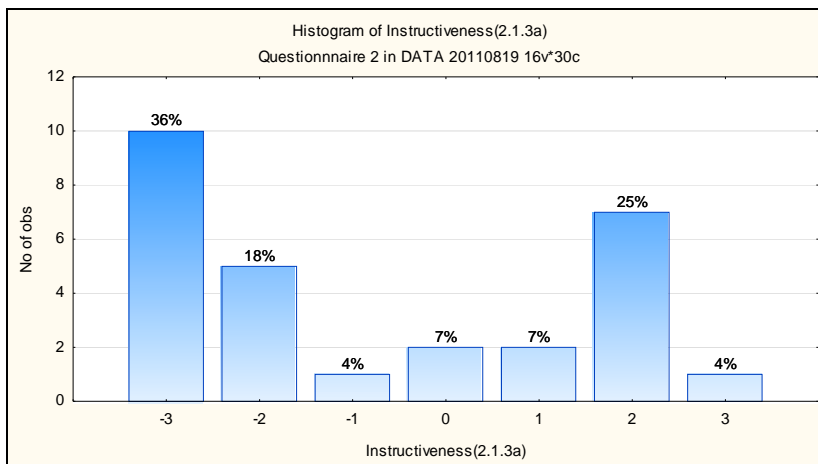


C6. Details of financial advisor

Fifty-eight percent of the respondents (those respondents that chose scaled values -3 to -1) indicated that it was not clear how to complete this section of the form if they did not have a financial advisor (Figure 4.47).

Figure 4.47: Prudential is clear on how to complete the form if you do not have a financial advisor. (Question 2.1.3)

“-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”



C7. Terms and conditions

According to the thematic analysis of the plus-minus method interviews eight respondents reacted very negatively towards the conditions that stated that “Prudential will not be liable for any financial loss incurred by the investor” and “the responsibility to ensure that the instruction has been received and actioned by Prudential Unit Trust shall lie with the investor”. These respondents felt that they were paying Prudential to render these services.

D. Additional Investment Form (Local)

Fifty-three percent of the questions on this form were filled in correctly. The averages for the different language groups were as follows:

- English first-language speakers: 52.3%
- isiXhosa first-language speakers: 44.1%
- Afrikaans first-language speakers: 64.1%

D1

Additional Investment Form (Local)

(Issued as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 2002)

D2

The business cut-off time for receiving an instruction is 1:30pm, except for Dividend Income and Money Market which has a cut-off time of 10:30am and 11:30am respectively. The instruction will only be processed once the funds reflect in the relevant fund bank account and supporting documents and proof of deposit have been received. Should an instruction be received after cut-off, it will only be processed on the following business day, at the closing price of that day (excluding weekends and public holidays). Please fax this form to us on (021) 671 3343 or scan and email to unittrustoperations@prudential.co.za

Investor details (to be completed in block capitals)

Existing account number

Surname or name of Company / Trust / Close Corporation _____

First name or contact person _____

D3

Investment options

Fund selection	Initial fee	Annual service fee	Bank account no. for direct deposits*	Lump-sum amount (note minima on CIS summary)	Debit order amount (note minima on CIS summary)	Distributions <input checked="" type="checkbox"/>	
						Re-invest	Payout
Prudential Equity Fund	0.25%**	1.25%***	072528990	R	R		
Prudential Dividend Maximiser Fund	0.25%**	1.25%***	072529083	R	R		
Prudential Balanced Fund	0.25%**	1.50%	072528931	R	R		
Prudential Inflation Plus Fund Class A	0.25%**	1.25%	072508434	R	R		
Prudential High Yield Bond Fund **	0.25%**	0.75%	071863486	R	R		
Prudential Global Value Fund of Funds	0.25%**	0.75%*	072578580	R	R		
Prudential Global High Yield Bond Fund of Funds **	0.25%**	0.50%*	071863443	R	R		
Prudential Global Income Plus Fund of Funds	0.25%**	0.75%	071863575	R	R		
Prudential Money Market Fund	0.00%**	0.35%	072538368	R	R N/A		
Prudential Dividend Income Fund	0.10%**	0.60%*	072573341	R	R N/A		
Prudential Enhanced Income Fund	0.25%**	1.00%	240422104	R	R		
Prudential Enhanced SA Property Tracker Fund	0.25%**	0.65%	072654171	R	R		
Other							

* BANK ACCOUNT DETAILS Standard Bank, Claremont, Branch Code: 02 51 09 01. Separate deposits to be made into each account and made out in favour of the fund. (According to our internal regulations we may not accept cash deposits of any nature.)

** To attain a high yield the fund or underlying funds take on credit risk through investments in corporate bonds that do not carry a guarantee from the relevant governments. The underlying funds held in the Global High Yield Bond Fund of Funds do not necessarily carry a credit rating by a credit rating agency.

*** A performance fee may be charged.

• Further fees may be charged for investing in the underlying funds.

•• 0% fees charged on amounts greater than R1million.

Source of funds invested

(e.g. salary; investment proceeds; sale of assets; etc.) Prudential reserves the right to request documentary proof e.g. income statement, bank statement.

Method of payment

Cheque deposit All cheques must be endorsed as non-transferable and deposited directly into the relevant unit trust account by the investor. Prudential do not accept investor cheques for deposit. Banks do not accept cheques that exceed the amount of R5 million.

Electronic/Internet transfer Electronic internet transfers may take up to 2 days to appear in our bank account. Units may only be priced upon receipt of documentation and funds into the relevant Unit Trust bank account. Please attach proof of transfer.

Single premium collection by Prudential Electronic collection by Prudential is restricted to a maximum of R500 000.00 per debit. By selecting this method of payment for an investment amount greater than R500 000.00, an investor acknowledges that they are instructing Prudential to make multiple debits which may result in additional bank costs. In the event that an electronic collection is made, no withdrawals can be processed until 40 days from the electronic collection date have passed. The reason for this is that the client has up to 40 days to dispute an electronic debit from their account with their bank.

PRUDENTIAL

PORTFOLIO MANAGERS

Please initial each page

Single premium collection

I hereby authorise Prudential Portfolio Managers Unit Trusts Ltd to deduct the amount specified in the section "Investment options" from my bank account as per the bank details below. Please provide Prudential with a bank statement confirming that there are sufficient funds available. If not attached, please note that this could cause a delay in the investment being processed.

D4

Signature of account holder

Bank details (for all debit orders/single premium collections)

Bank _____
Branch name _____ Branch code
Account holder _____
Account number
Account type Savings Transmission Current (Cancelled cheque or bank statement must be attached as proof of banking details)
Annual escalation _____ % or R _____ Commencement date of debit order:

I hereby instruct and authorise Prudential to draw debits against my bank account with the bank indicated above. I agree to pay bank charges and costs incurred by this debit order. Debit orders are applied on the 1st of each month except where it falls on a weekend or public holiday where it will be effective from the 1st business day thereafter. The cut-off for all debit order notices to be processed in a particular month is seven business days before the 1st of the month.

Date

Signature of account holder

Financial advisor

D5

I hereby confirm the financial advisor is my appointed IFA and agree to the payment of fees as follows:

Initial IFA fee (see fund specification below):

Prudential Equity Fund	Initial fee _____ %
Prudential Dividend Maximiser Fund	Initial fee _____ %
Prudential Balanced Fund	Initial fee _____ %
Prudential Inflation Plus Fund Class A	Initial fee _____ %
Prudential High Yield Bond Fund	Initial fee _____ %
Prudential Global Value Fund of Funds	Initial fee _____ %
Prudential Global High Yield Bond Fund of Funds	Initial fee _____ %
Prudential Global Income Plus Fund of Funds	Initial fee _____ %
Prudential Money Market Fund	Initial fee N/A
Prudential Dividend Income Fund	Initial fee _____ %
Prudential Enhanced SA Property Tracker Fund	Initial fee _____ %

Date

Signature of investor

Date

Signature of appointed financial advisor

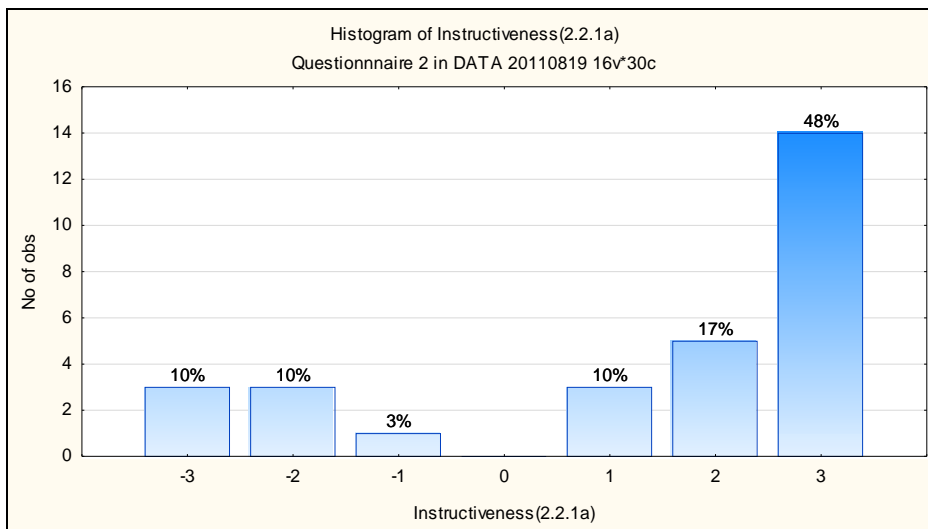
Please initial each page

/2

D1. Form title

Forty-eight percent of the 30 respondents (the number of respondents that chose scaled value 3) strongly agreed that the title of the form effectively explained what the form required from them (Figure 4.48). When all the positive scaled values were taken into consideration, 75% of the respondents agreed that the title effectively explained what the form required from them.

Figure 4.48: The title effectively explains what the form requires from you. (Question 2.2.1)
“-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”

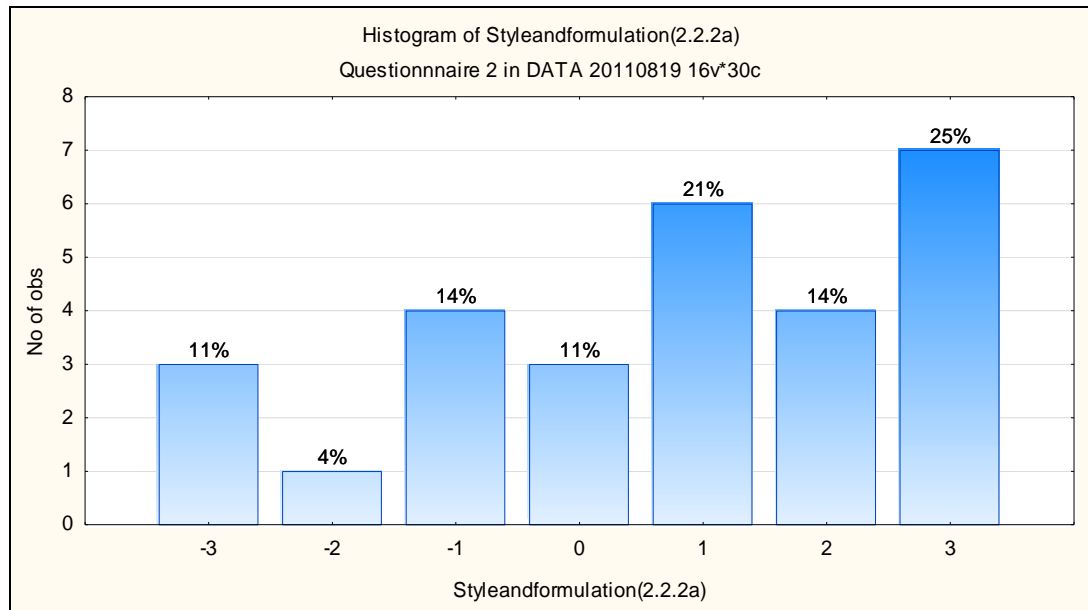


D2. Paragraph in grey box

The results of this question are fairly evenly distributed, with a predisposition towards the positively scaled values (Figure 4.49). The majority of the respondents (the number of respondents that chose scaled values 1 to 3) indicated that the tone and comprehensibility of this paragraph was appropriate, while 29% (the number of respondents that chose scaled values -3 to -1) indicated that the paragraph was unfriendly and incomprehensible. Eleven percent of the respondents were ambivalent (none of the respondents chose scaled value 0).

Figure 4.49: The tone of this paragraph is friendly and you understand everything written in the paragraph. (Question 2.2.2)

"-3" represents "the number of respondents that strongly disagrees"; "3" represents "the number of respondents that strongly agrees"



According to the thematic analysis of the plus-minus method interviews four respondents said the information in the grey box was accessible and easy to understand, while five respondents commented on the information in the grey box not being immediately "relevant", being in the "wrong position" and not being clear.

D3. Investment options

According to the plus-minus method interviews five respondents specifically mentioned that they experienced the "Investment options" table as being easier to interpret at this stage because they were more familiar with it.

D4. Bank details instruction

The respondents were asked to make an additional investment by investing a once-off amount of R10 000. Four respondents did not indicate what their method of payment was, while six respondents wrongfully chose "Single premium collection" as a payment option (Figure 4.50). This may be an indication that:

- The respondents did not understand the hypothetical situation in which they were placed;
- The respondents did not know what a 'Single premium collection' is.

Out of the 20 respondents who correctly chose a cheque deposit or an electronic transfer as a method of payment, 13 unnecessarily completed their bank details (Figure 4.51). This is an indication that the instruction, "for all debit orders/single premium collection", is not sufficiently clear.

Figure 4.50: Method of payment chosen by respondents

The number of respondents that chose the “cheque/electronic” option or the “single premium” option, as well as the number respondents that chose to leave the “Method of payment” section open. In this instance choosing the “single premium” option would be considered incorrect.

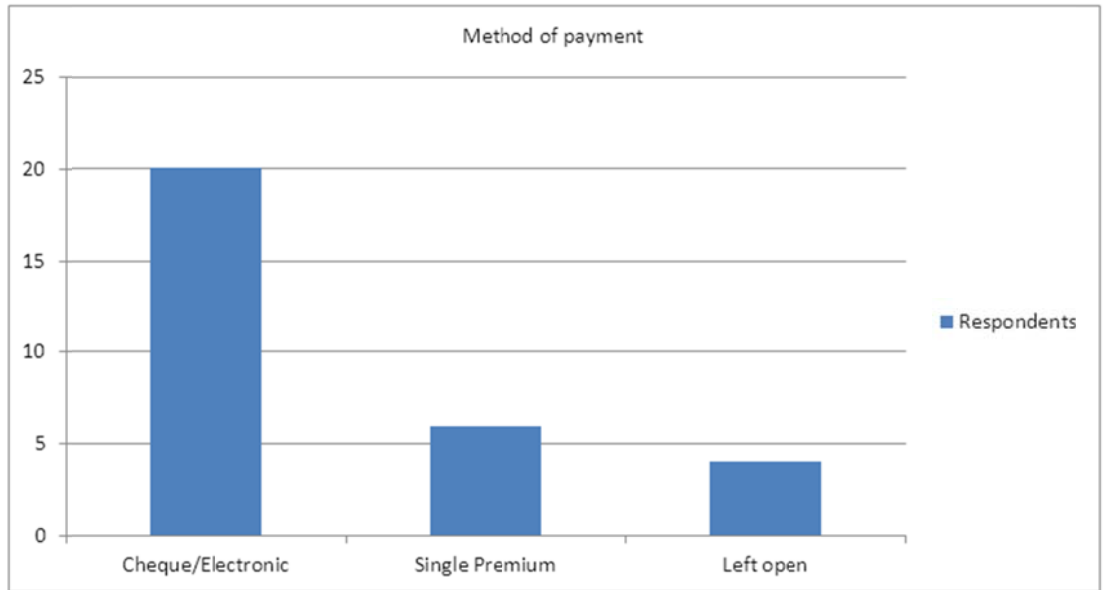
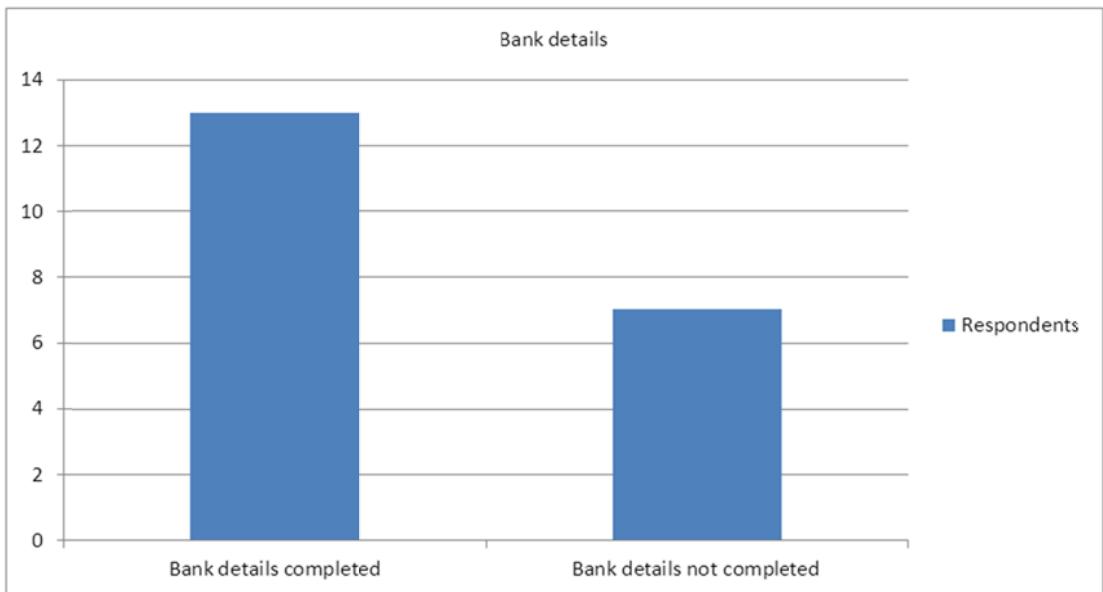


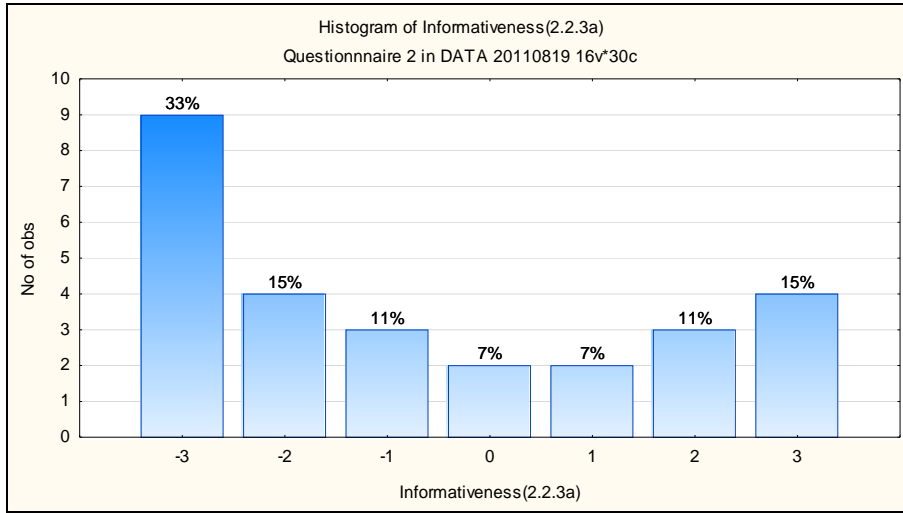
Figure 4.51: Number of respondents (those who chose either “Cheque deposit” or “Electronic/Internet transfer”) who completed the Bank details



D5. Instruction to CIS (Initial IFA)

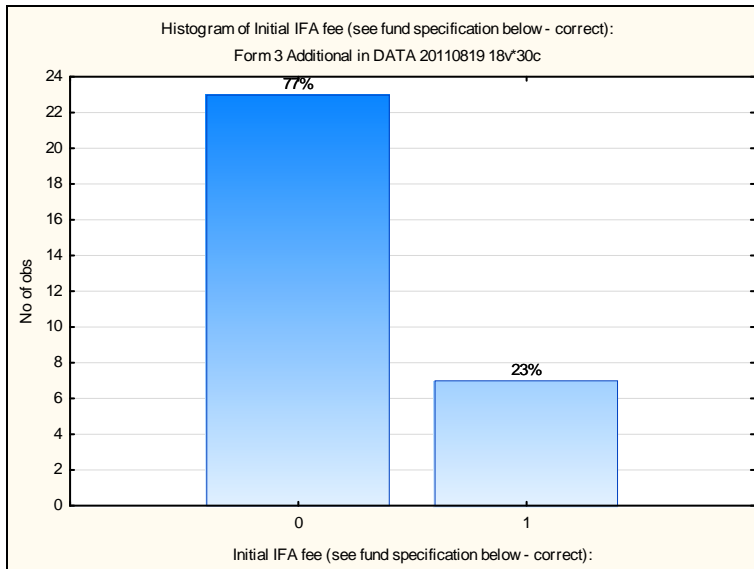
Thirty-three percent of the respondents (the number of respondents that chose scaled value -3) strongly disagreed with the statement that assumed that it is clear what the abbreviation IFA stands for (Figure 4.52). When all the negative scaled values are considered (the number of respondents that chose scaled values -3 to -1), 59% of the respondents indicated that they did not know what “IFA” stands for.

Figure 4.52: It is clear what the abbreviation "IFA" stands for. (Question 2.2.3)
 "-3" represents "the number of respondents that strongly disagrees"; "3" represents "the number of respondents that strongly agrees"



These statistical summaries correspond with the 77% of the respondents who incorrectly completed the initial IFA fee (Figure 4.53).

Figure 4.53: Number of respondents who correctly filled in the Initial IFA fee of their investment
 "0" represents "the number of respondents that completed the section in the form incorrectly"; "1" represents "the number of respondents that completed the section in the form correctly"



According to the thematic analysis of the plus-minus method interviews four respondents mentioned that that the instruction to specify the initial IFA fee was easier to interpret at this stage than earlier in the exercise. They motivated their experience by saying that they were more familiar with the "Collective Investment Scheme Summary Sheet", which specifies the initial IFA fee. Despite this, they were not sure what "initial IFA" stands for.

E. Repurchase/Investment Amendment Form (Local)

The thematic analysis of the plus-minus method interviews shows that the 30 respondents found it fairly easy to follow the repurchase instructions. Despite the “Regular Repurchase Payments” section causing confusion, the statistics show that an average of 65% of the questions were filled in correctly on this form. This makes the “Repurchase/Investment Amendment Form (Local)” the second most successfully completed form in this exercise.

For more information about the plus-minus method interviews, refer to Annexure 3.4.

An average of 65% of the questions were filled in correctly on this form. The averages for the different language groups were as follows:

- English first-language speakers: 65.3%
- isiXhosa first-language speakers: 61.5%
- Afrikaans first-language speakers: 70.7%

E1

Repurchase / Investment Amendment Form (Local)

E2Licensed as a Discretionary Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 2002

To implement a repurchase, this instruction must be received by Prudential before 1.30pm for the repurchase process to commence on the same day, except for the Dividend Income and Money Market Funds which have a cut-off time of 10.30am and 11.30am respectively. All the relevant sections must be completed in full. Fax the repurchase form to us on (021) 671 3343 or scan and email to unittrustoperations@prudential.co.za

Personal details (to be completed in block capitals)

E3Investor number

Surname or name of Company / Trust / Close Corporation _____

First name or contact person _____

Contact telephone numbers _____

Repurchase details

E4

Fund	Rand amount	Unit amount
Prudential Equity Fund	R	
Prudential Dividend Maximiser Fund	R	
Prudential Balanced Fund	R	
Prudential Inflation Plus Fund Class A	R	
Prudential High Yield Bond Fund	R	
Prudential Global Value Fund of Funds	R	
Prudential Global High Yield Bond Fund of Funds	R	
Prudential Global Income Plus Fund of Funds	R	
Prudential Money Market Fund	R	
Prudential Dividend Income Fund	R	
Prudential Enhanced Income Fund	R	
Prudential Enhanced SA Property Tracker Fund	R	
Other	R	

Bank account details

Bank _____

Branch name _____ Branch code

Account holder _____

Account number Account type Savings Transmission Current

If you have changed your bank account details since your last instruction to us, we require a cancelled cheque or recent bank statement as confirmation of proof of bank details. Please note that repurchase proceeds will not be paid into a Third Party bank account. We are unable to facilitate payments to credit cards, call accounts, bond accounts or market-linked (Money Market) accounts.



Debit order instructions

My debit order on this account is to:

- Remain unchanged
- Be cancelled from
- Be changed to R _____ per month commencing on

Signature of investor

E5

Regular repurchase payments

- Cancel all regular repurchase payments
- Change regular repurchase payments. If this option is selected, please complete the table listed below.

Fund	Amount per repurchase
_____	R _____
_____	R _____
_____	R _____
	Total amount to be repurchased R _____
	Preferred date: _____

E6

Terms and conditions

Units will be repurchased by the Manager at the ruling price calculated in accordance with the requirements of the Collective Investment Schemes Control Act and the Deed and will be paid to the unitholder within 48 hours of the received written request.

If the units to be repurchased are subject to a cession, then written consent, signed by the cessionary is necessary for the transaction to commence.

If a full repurchase is actioned, distributions will follow the repurchase and will not be reinvested.

Please ensure that we receive new or changed debit order instructions at least 7 business days before the debit order commencement or cancellation date. The full repurchase made from a recurring debit order will only be settled on the expiry of 40 days.

Signature of investor

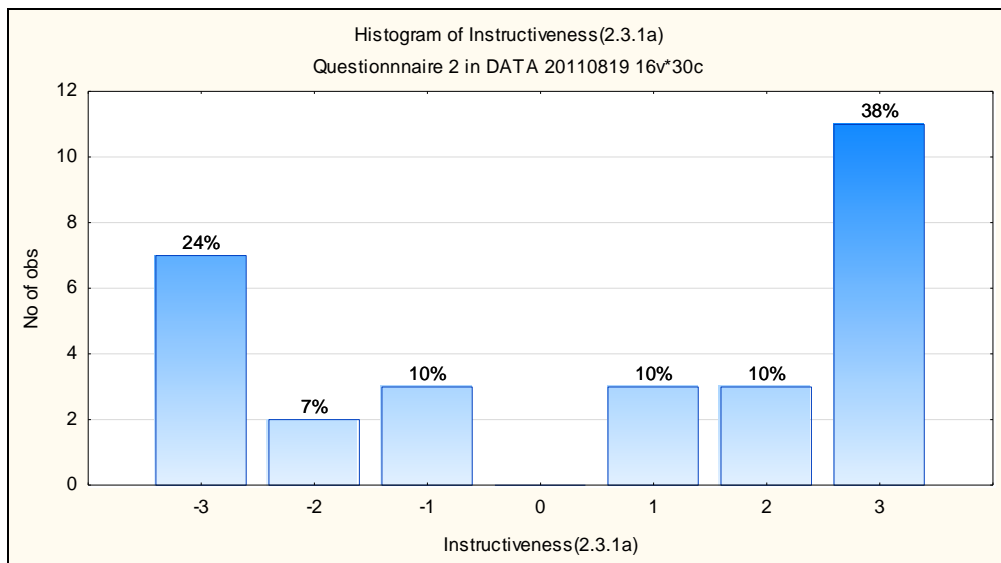
Date

Please initial each page
/2

E1. Form title

Although 58% of the respondents (the number of respondents that chose scaled values 1 to 3) indicated that they felt that the form title was self-explanatory, 41% of the respondents (the number of respondents that chose scaled values -3 to -1) indicated that the form title did not effectively explain what was required from the investor (Figure 4.54).

Figure 4.54: The title effectively explains what the form requires from you. (Question 2.3.1)
“0” represents “the number of respondents that completed the section in the form incorrectly”; “1” represents “the number of respondents that completed the section in the form correctly”



The following theme identified in the thematic analysis stand out: Seven respondents felt strongly that “repurchase” was a misnomer for this form. According to them, “repurchase implies that you are buying and not selling”. One respondent said that, to him/her, “repurchase” means to repurchase an investment that Prudential had redeemed in the past.

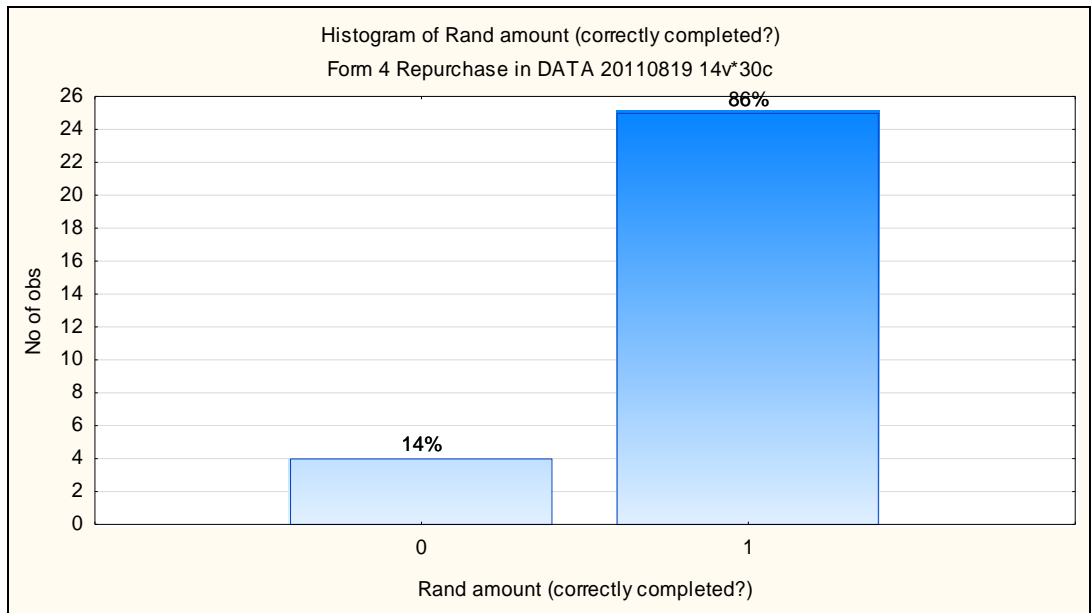
E2. Surname or name of Company/Trust/Close Corporation

According to the thematic analysis four respondents were unsure why the “Repurchase Investment Amendment Form (Local)” referred to “Investment number”, while the other forms use the term “Existing account number”.

E3. Repurchase transaction

The respondents were asked to buy back unit trusts to the value of R1 000 to Prudential. Eighty-eight percent of the respondents completed this transaction successfully (Figure 4.55).

Figure 4.55: Number of respondents who correctly repurchased
 “0” represents “the number of respondents that repurchased incorrectly”; “1” represents “the number of respondents that repurchased correctly”



The following consistencies were highlighted by the thematic analysis of the plus-minus method interviews:

- Seventeen respondents said (or implied) that completing the repurchase transaction in the “Repurchase details” table was uncomplicated.
- Ten of the abovementioned respondents were unsure if they were supposed to complete the “unit amount”.

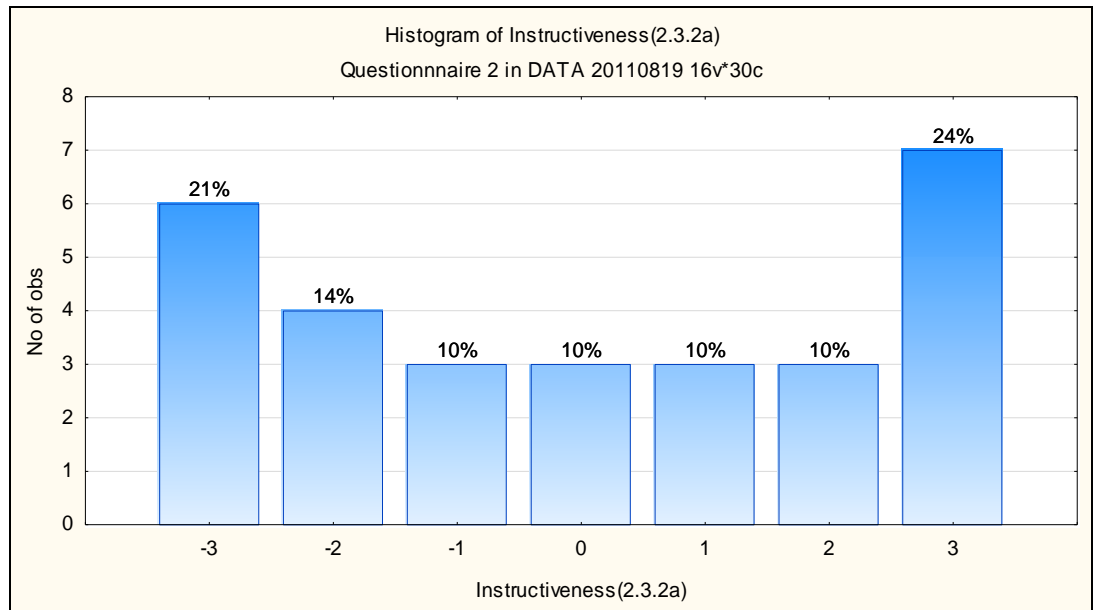
E4. Rand amount vs. Unit amount

The “Repurchase details” table gives investors the option to write down the Rand value and unit amount they intend to “repurchase”. However, it seems that it was unclear whether both the Rand value and unit amount need to be completed, or if completing only one option would be satisfactory. According to Prudential, only one column has to be filled in.

The results of this question demonstrate a high level of ambiguity being experienced by the thirty respondents. An equal distribution of nine respondents (the number respondents that chose of scaled values -1 to 1) were more ambivalent about the statement, assuming that it was compulsory to fill in both the Rand value and the unit amount columns (Figure 4.56).

Figure 4.56: This section requires you to complete both the “Rand amount” as well as the “Unit amount” (2.3.2)

“0” represents “the number of respondents that completed the section in the form incorrectly”; “1” represents “the number of respondents that completed the section in the form correctly”

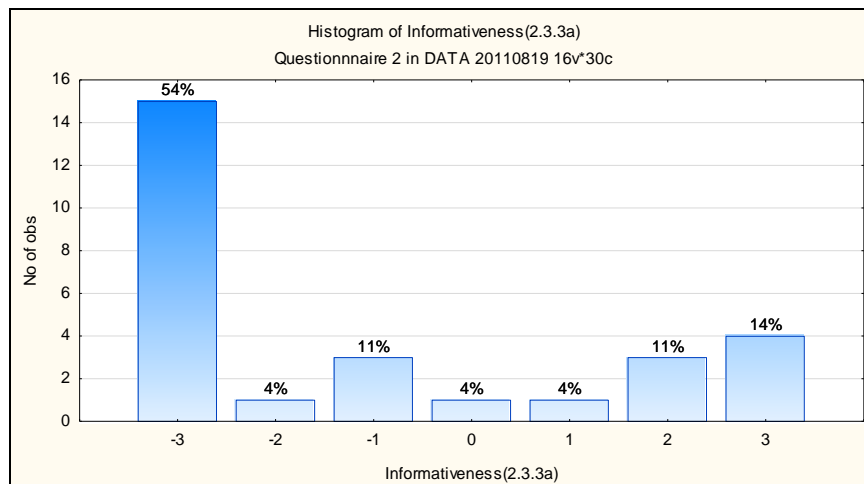


E5. Regular repurchase payments

Sixty-nine percent of the 30 respondents (the number of respondents that chose scaled values -3 to -1) were unaware of what “regular repurchase payments” refers to (Figure 4.57). Although the hypothetical situation in which the respondents were placed did not require them to complete the “Regular repurchase payments” section, 20 of the respondents were confused by the meaning of the title of this section. Some of them had no idea what the title referred to, while others had a difficult time trying to figure out the meaning.

Figure 4.57: You fully understand what is meant by the concept “regular repurchase payments”. (Question 2.3.4)

“0” represents “the number of respondents that completed the section in the form incorrectly”; “1” represents “the number of respondents that completed the section in the form correctly”



E6. Terms and conditions

Many respondents were unclear about the meaning and process behind the concepts "Cession", "Deed" and "full repurchase.": Some of the comments was as follows:

- Positive that they refer to the 48 hours. But what does "cession" mean? This is not written in laymen's terms. I think Prudential is smart in not allowing distributions not be reinvested after a full repurchase is activated. The "7 day" time frame is good, but they should tell the reader how long it will take Prudential to process a new debit order instruction.
- "Collective Investment Schemes..." and "The Deed" ... what is this? I don't know what it refers to. "If the units to be repurchase..." what does "cession" mean? I don't understand the sentence.
- Don't really know what the Deed is. Understand that within 48 hours of receiving the form, they will pay out the required amount. If you no longer want to continue with the policy then you have to notify them in writing – sentence on repurchase that are subject to a cession. What does "distributions will follow" mean? Don't understand this. Understand that they won't be reinvested but what about distributions will follow? Don't really understand what they're saying in this part of the terms and conditions.

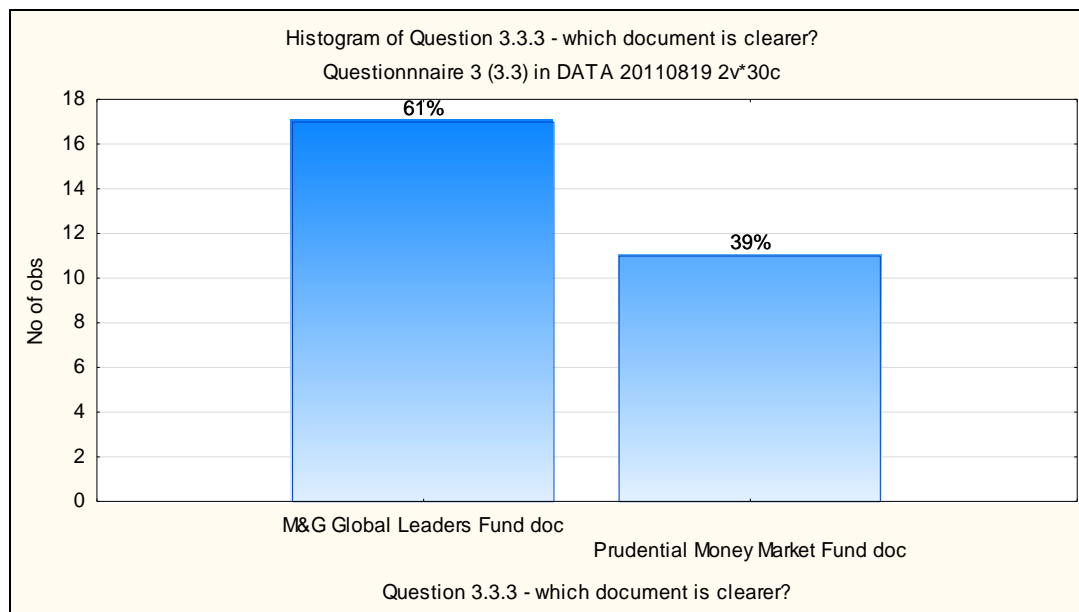
For more comments about this section, refer to Annexure 3.4

F. The “M&G Global Leaders Fund” and the “Prudential Money Market Fund” fact sheets

Sixty-one percent of the 30 respondents indicated that the information in the M&G Global Leaders Fund is clearer than the information in the Prudential Money Market Fund (Figure 4.58).

Figure 4.58: Which company’s fund information is clearer? (Question 3.3.3)

The “M&G Global Leaders Fund doc” column refers to the number of respondents that chose in favour of the “M&G Global Leaders Fund fact sheet”; The “Prudential Money Market Fund doc” column refers to the number of respondents that chose in favour of the “Prudential Money Market Fund fact sheet”.



F1. You fully understand how the fund is managed

79% of the respondents (the number of respondents that chose positive values 1 to 3, Figure 4.59) indicated that the M&G Global Leaders Fund fact sheet effectively explains how the specific fund is managed. Seventy-six percent of the respondents (the number of respondents that chose positive values 1 to 3, Figure 4.60) indicated a positive regard for the explanation in the Prudential Money Market Fund fact sheet of the way the fund is managed. Therefore the respondents perceived the M&G Global Leaders Fund fact sheet to better explain how the fund is managed.

Figure 4.59: You fully understand how the M&G Global Leaders fund is managed? (Question 3.1.1a)
 “-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”

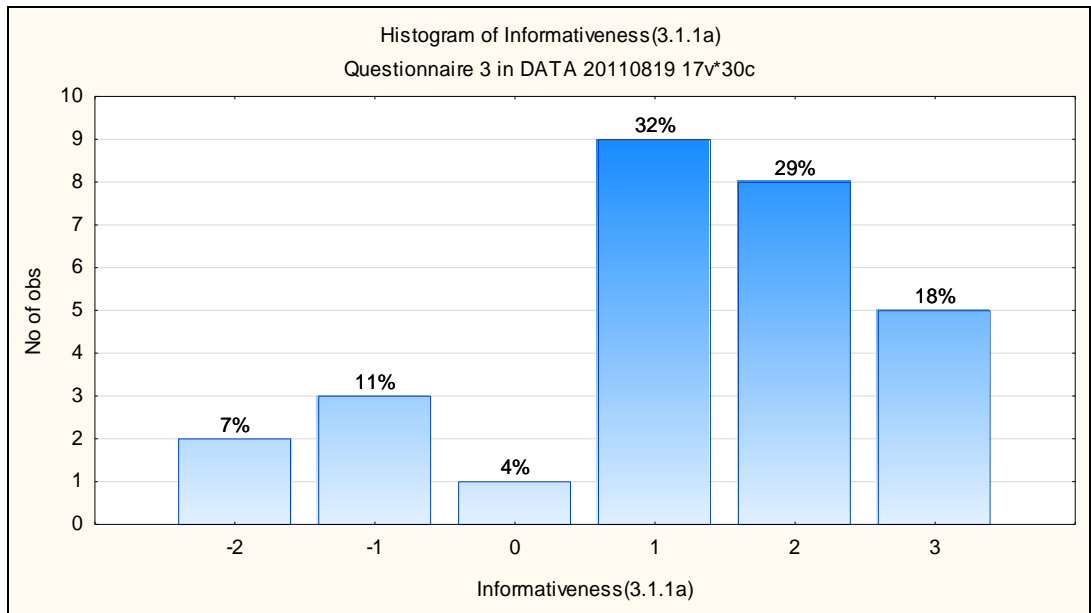
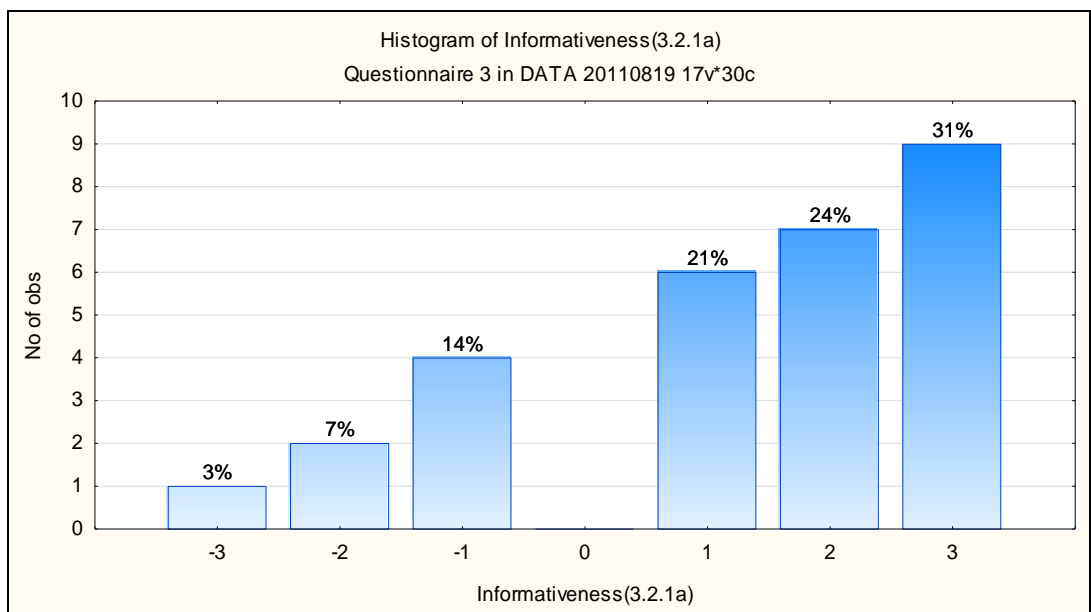


Figure 4.60: You fully understand how the Prudential Money Market Fund is managed (Question 3.2.1a)
 “-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”



F2. You can easily find the additional costs associated with the fund

86% of the respondents (the number of respondents that chose positive values 1 to 3, Figure 4.61) indicated that they can easily find additional costs associated with the Prudential Money Market Fund when reading the Prudential Money Market Fund fact sheet. Seventy-four percent of the respondents (the number of respondents that chose positive values 1 to 3, Figure 4.62) perceived the M&G Global Leaders Fund explanation of the same information

to be positive. Therefore, the respondents perceived the Prudential Money Market Fund fact sheet to better explain what the additional costs associated with the fund were,

Figure 4.61: You can easily find the additional costs associated with the Prudential Money Market Fund (Question 3.2.2a)

"-3" represents "the number of respondents that strongly disagrees"; "3" represents "the number of respondents that strongly agrees"

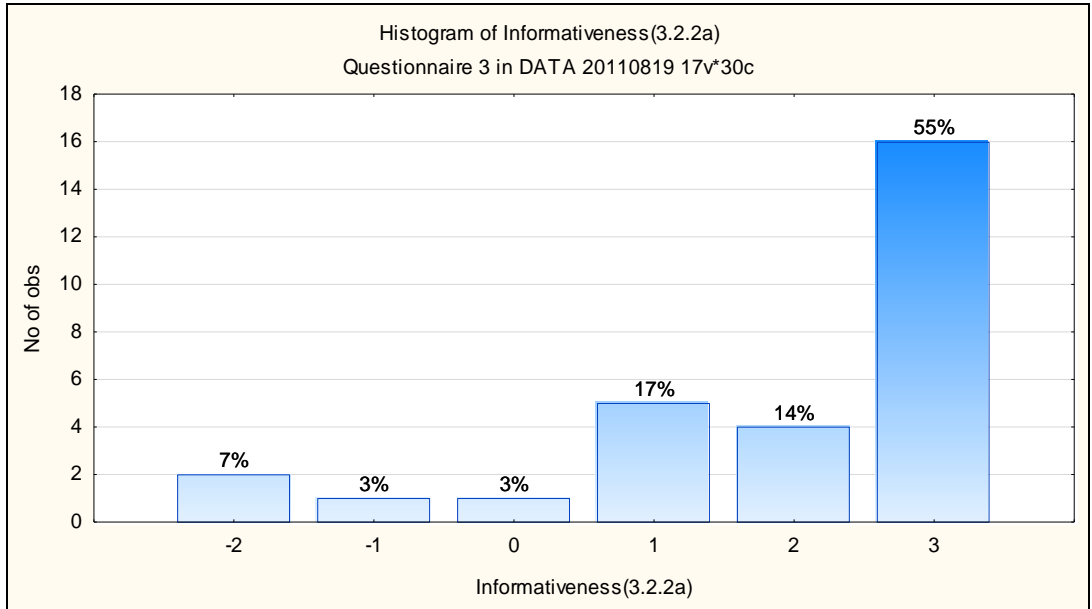
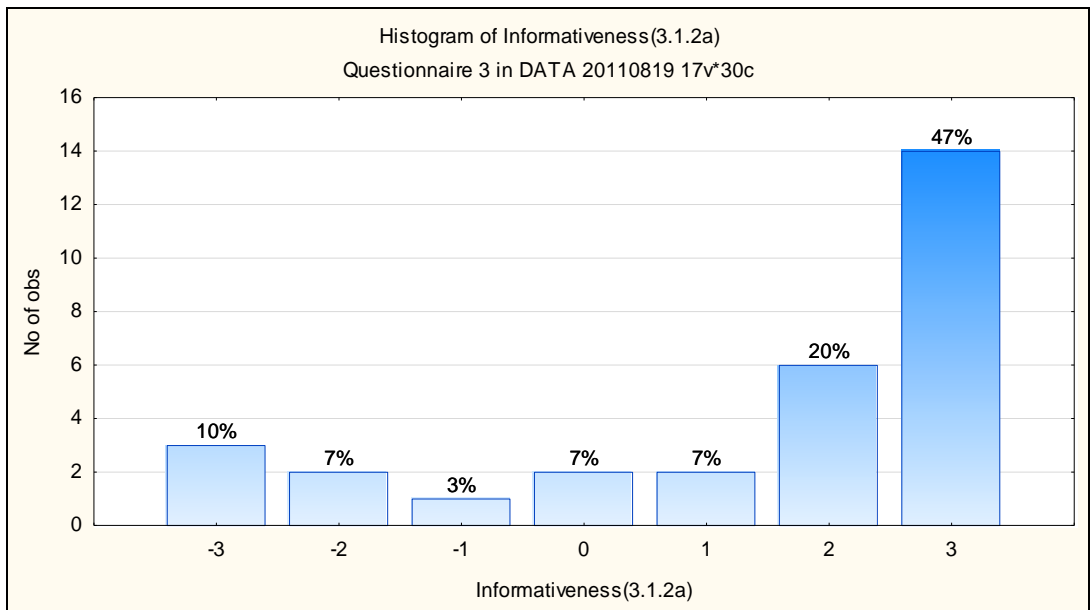


Figure 4.62: You can easily find the additional costs associated with the M&G Global Leaders fund (Question 3.1.2a)

"-3" represents "the number of respondents that strongly disagrees"; "3" represents "the number of respondents that strongly agrees"



F3. You can easily evaluate the fund performance when looking at the graph

75% of the 30 respondents (the number of respondents that chose positive scaled values 1 to 3) the graph in the fact sheet of the Prudential Money Market Fund to effectively illustrate the fund performance (Figure 4.63). Seventy-four percent of the respondents (the number of respondents that chose positive scaled values 1 to 3) perceived the graph in the fact sheet of the M&G Global Leaders Fund to positively illustrate the fund performance (

Figure 4.64). Therefore, the respondents perceived the graph in the fact sheet of the Prudential Money Market Fund to better illustrate the fund performance.

Figure 4.63: You can easily evaluate the fund performance when looking at the graph (Question 3.2.4a)
 “-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”

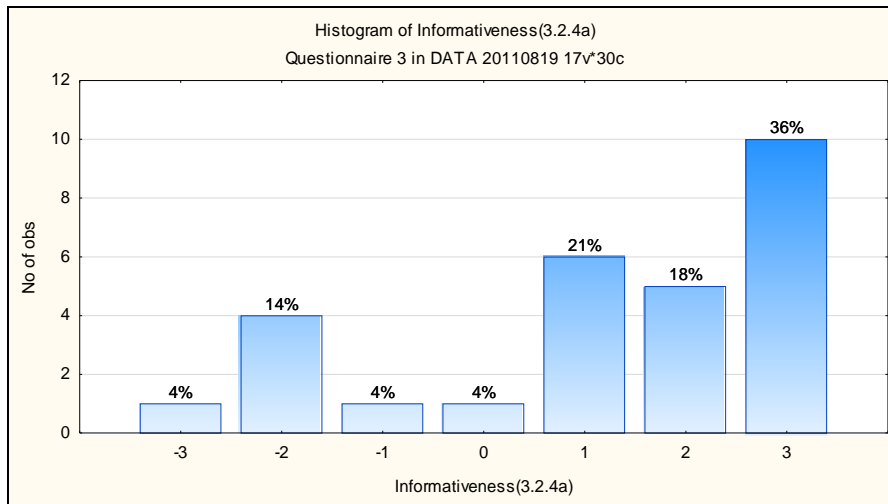
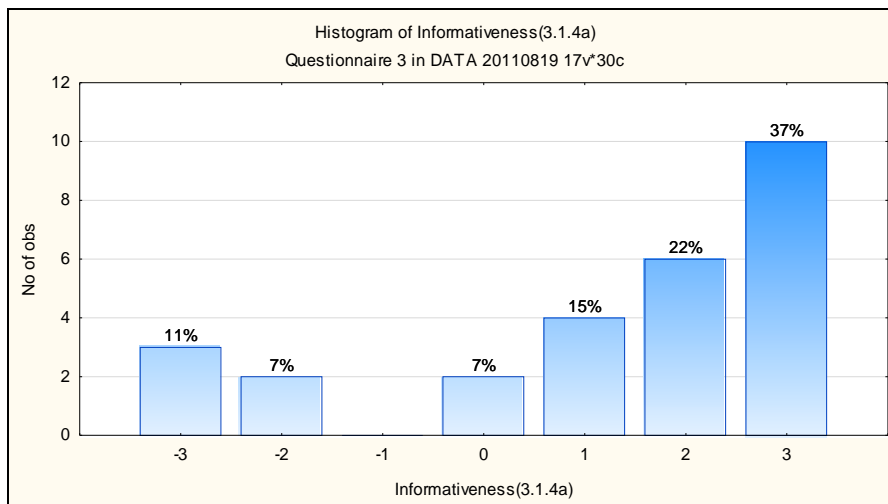


Figure 4.64: You can easily evaluate the fund performance when looking at the graph (Question 3.1.4a)
 “-3” represents “the number of respondents that strongly disagrees”; “3” represents “the number of respondents that strongly agrees”



F4. Briefly explain how the fund is managed (i.e. what the fund strategy/objective is)

Forty-seven percent of the respondents correctly described how the Prudential Money Market Fund is managed (Figure 4.65), while 43% of the respondents correctly described how the M&G Global Leaders Fund is managed (Figure 4.66).

Figure 4.65: Briefly explain how the fund is managed (i.e. what the fund strategy/objective is). (Question 3.2.1b)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”

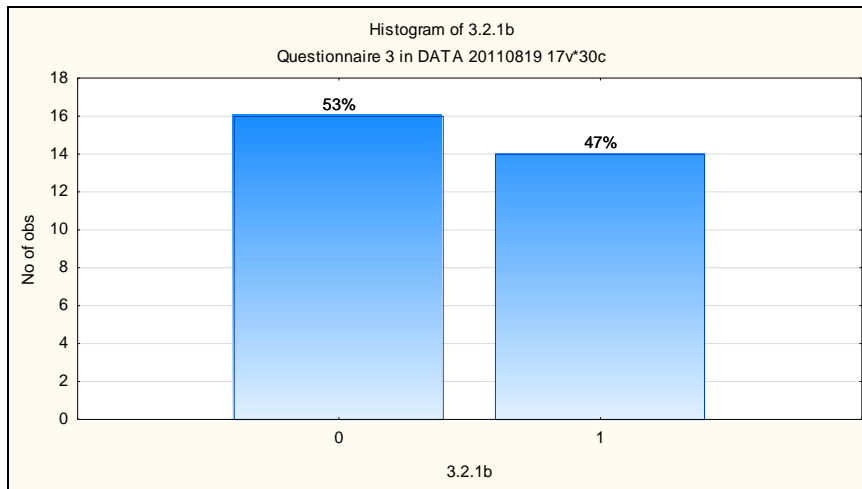
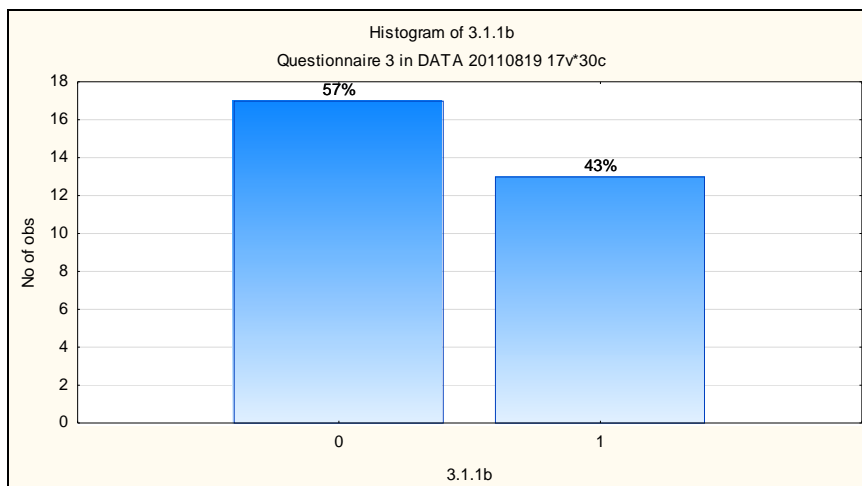


Figure 4.66: Briefly explain how the fund is managed (i.e. what the fund strategy/objective is). (Question 3.1.1b)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



F5. What is the annual management fee?

Ninety percent of the respondents correctly pointed out the correct annual management fee of the M&G Global Leaders Fund (Figure 4.67), while 83% of the respondents correctly pointed out the annual management fee of the Prudential Money Market Fund (Figure 4.68).

Figure 4.67: What is the annual management fee? (Question 3.1.2b)

"0" represents "the number of respondents that answered incorrectly"; "1" represents "the number of respondents that answered correctly"

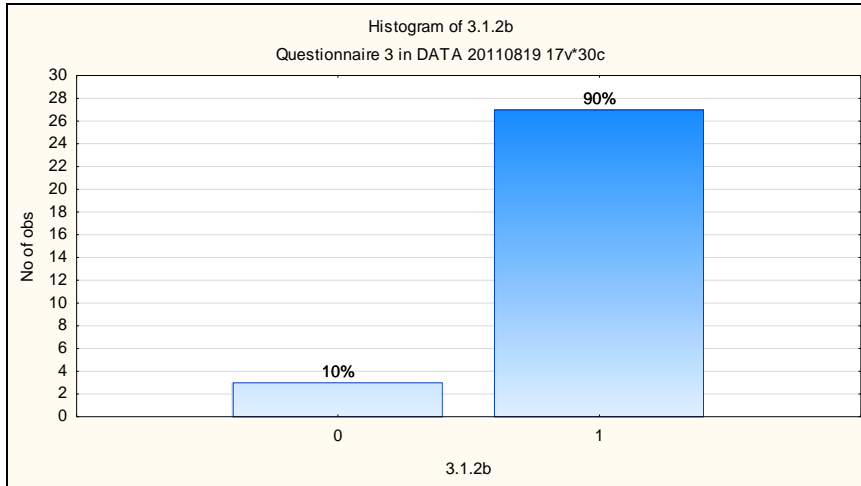
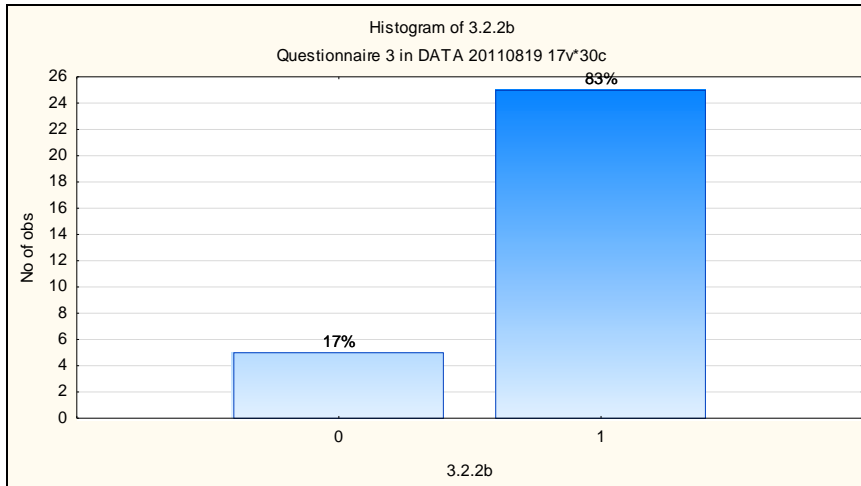


Figure 4.68: What is the annual management fee? (Question 3.2.2b)

"0" represents "the number of respondents that answered incorrectly"; "1" represents "the number of respondents that answered correctly"



F6. What is the performance of the fund for 2010?

Sixty percent of the respondents correctly pointed out the performance rate of the Prudential Money Market Fund (Figure 4.70), while 43% of the respondents correctly pointed out the performance rate of the M&G Global Leaders Fund (Figure 4.69).

Figure 4.69: What is the performance of the fund for 2010? (Question 3.1.3b)
 "0" represents "the number of respondents that answered incorrectly"; "1" represents "the number of respondents that answered correctly"

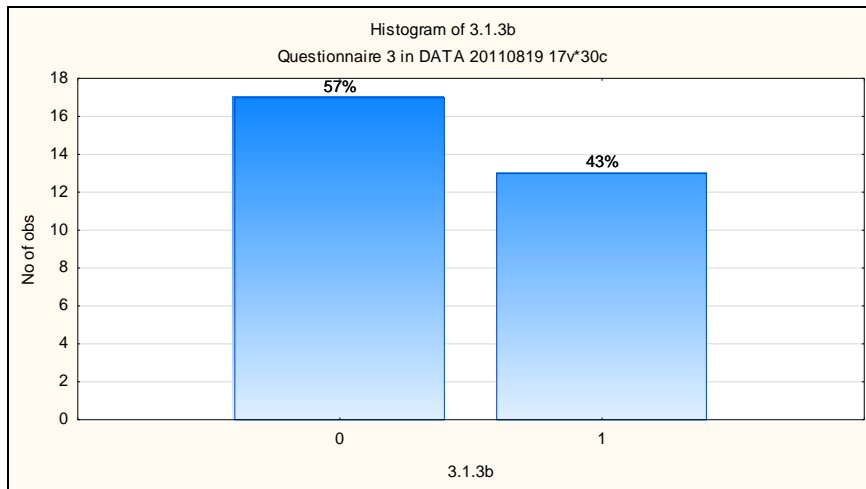
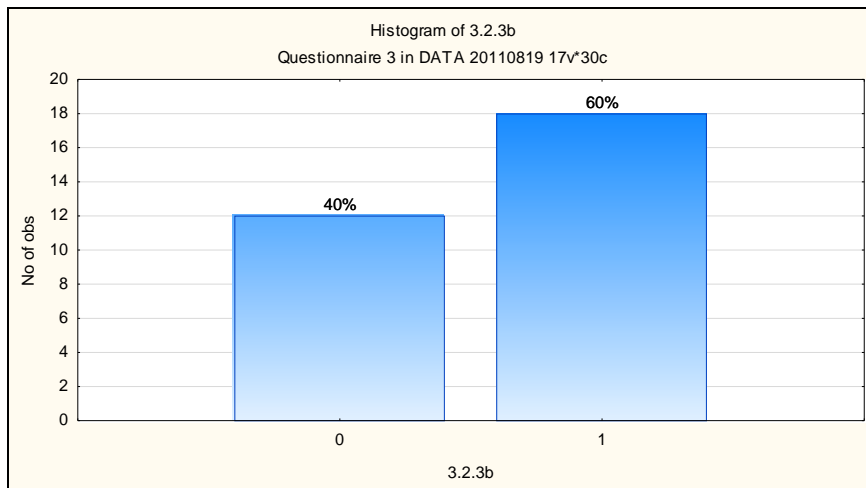


Figure 4.70: What is the performance rate of the fund for 2010? (Question 3.2.3b)
 "0" represents "the number of respondents that answered incorrectly"; "1" represents "the number of respondents that answered correctly"



F7. What does the x-axis represent?

Thirty-three percent of the respondents correctly pointed out what the x-axis on the graph in the Prudential Money Market Fund fact sheet represents (Figure 4.72), while 30% of the respondents correctly pointed out what the x-axis on the graph in the M&G Global Leaders Fund fact sheet represents (Figure 4.71).

Figure 4.71: What does the x-axis represent? (Question 3.1.4b)

"0" represents "the number of respondents that answered incorrectly"; "1" represents "the number of respondents that answered correctly"

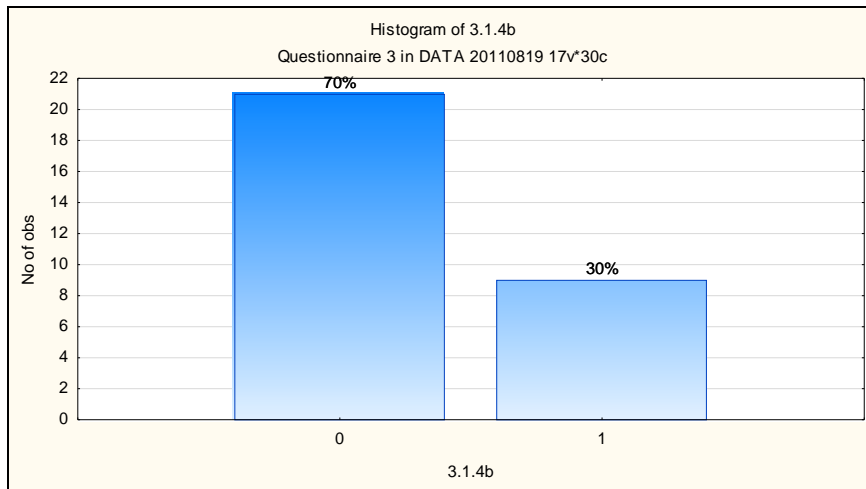
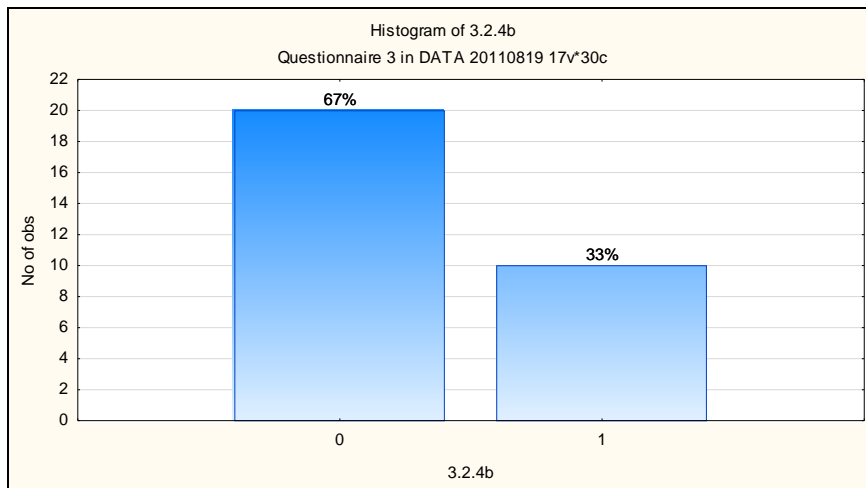


Figure 4.72: What does the x-axis represent? (Question 3.2.4b)

"0" represents "the number of respondents that answered incorrectly"; "1" represents "the number of respondents that answered correctly"



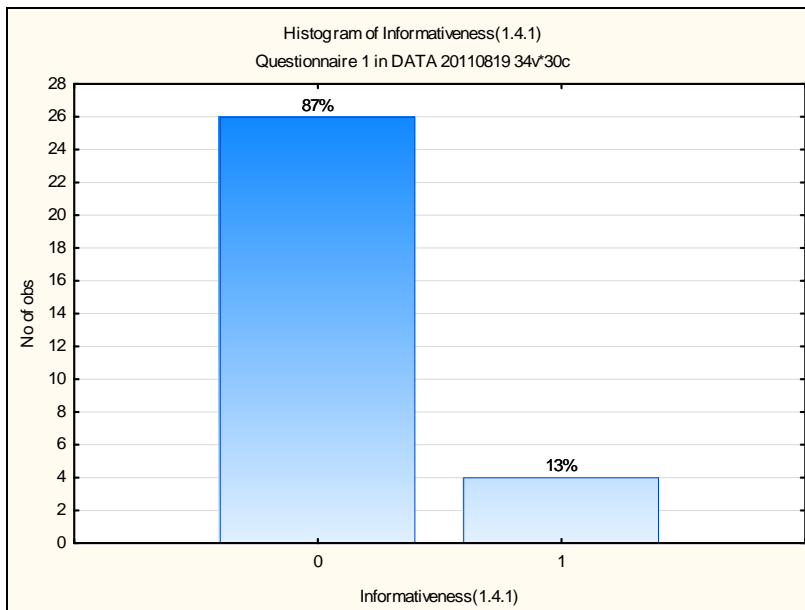
G. Collective Investment Scheme Summary Sheet

The respondents were asked to invest in a fund with a medium risk profile (medium to low or medium to high), a minimum debit order amount of R500 and a fund with the lowest Total Expense Ratio. They were furthermore asked to use the “Collective Investment Scheme Summary Sheet” to make the investment choice.

The correct answer to this question would be to invest in the Prudential High Yield Bond Fund. Thirteen percent of the respondents managed to answer the question correctly (Figure 4.73).

Figure 4.73: Taking this into consideration, which fund would be the most appropriate to invest in? Please motivate your answer. (Question 1.4.1)

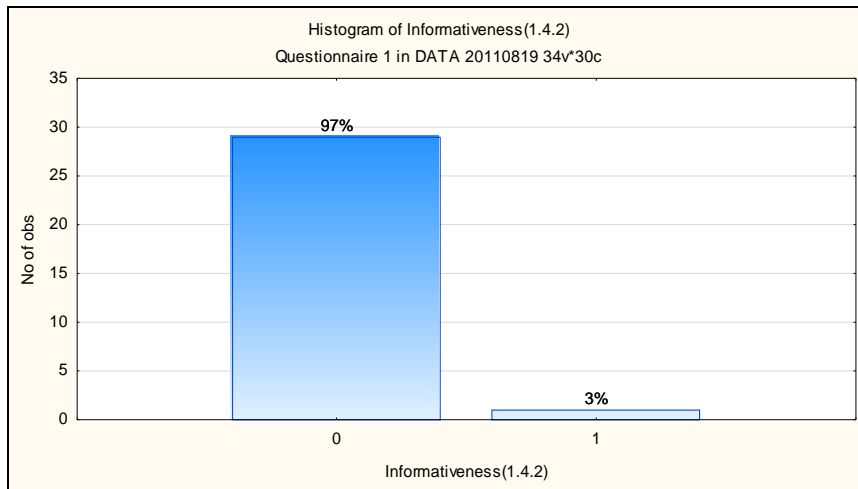
“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



IFA stands for “Independent Financial Adviser”, and “Initial” refers to the initial fees paid by the investor, or the fees that are deducted before the investment is made. The respondents were asked to explain what the abbreviations stand for. Three percent of the 30 respondents correctly explained what IFA stands for (Figure 4.74)

Figure 4.74: What does “Initial IFA” stand for? (Question 1.4.2)

“0” represents “the number of respondents that answered incorrectly”; “1” represents “the number of respondents that answered correctly”



5 THE GENERAL STRUCTURED INTERVIEWS

The general structured interviews were the final part of the methodology and it took the participants about 20 minutes to answer the questions that were put to them. The aim of the structured interviews, as mentioned in the methodology section, was to ensure that the participants had a final opportunity to mention anything that they might not have mentioned during the completion of the forms, during the interviews based on the forms or in the questionnaires that they had to complete. Most of the information in the interviews reiterated views and comments that the participants had made mentioned throughout the completion of the various forms or in the interviews based on their experience of the forms.

The participants were asked a series of questions and their comments were recorded in the various sections. In the following paragraphs, comments made in relation to some questions that highlighted certain elements in terms of the participants' experiences are discussed briefly. The rest of the detailed interviews can be found in Annexure 5.

5.1 WHAT IS YOUR IMPRESSION OF THE FORMS YOU WERE ASKED TO COMPLETE?

The participants' responses to this question were varied in the sense that there were both very positive and very negative comments. More specifically, the comments can be divided into three categories, as shown below.

Positive comments	Mixed comments	Negative comments
<ul style="list-style-type: none"> • "Very professionally set out. Content is very clear and can understand why they want what they asked for." • "Learned a few things on investments. Layout of the forms was clear. The content of the forms is clear, didn't get bored reading them. Precise and to the point." • "Forms nicely put out and like the layout. Like the feel of forms of switch form, additional and repurchase. Forms are understandable and numbered to make it easy to fill in." 	<ul style="list-style-type: none"> • "Very informative but can get a bit confusing. Have to read it 2/3 times and making links between forms. Some are easy some are more technical. Found the fund form sheet were more technical and would have liked to see some help with the info." • "Fairly easy to complete. Certain elements were not clear but I would put it down to the point that I'm not that financially clued up. Not so good with mathematics and interpreting graphs and trends." • "80% successful and 20% unsuccessful. Layout of application was successful it was just difficult for me to understand what they want from me." 	<ul style="list-style-type: none"> • "There were certain places where it wasn't as informative and I had to apply my mind/logic and assume this is what they are asking." • "Not meant for the general public. The forms were meant for a specific client that is familiar with the investment industry." • "The forms were a bit overwhelming, mainly because there was some stuff I didn't understand."

There was one participant who commented extensively on several issues that were found to be problematic in completing the *Prudential Investor Service Instruction & Application Form*. The comments were as follows:

- “Confusing, not sure what they’re asking.
 - For example, the one about contact person, who is consultant, manager and financial advisor?
 - Single, premium collection – sounds like debit order, but why don’t they call it a debit order? If not a debit order, then there should be an option for debit order, because many people would prefer this method of payment.
 - Another example is marital status – didn’t know what ANC stands for; should have been more options of widowed, divorced etc.
 - Another example, resident and non-resident. Resident – someone who lives in SA, but wasn’t born here. Non-resident – someone who has been in SA only temporarily. Nationality – SA born and living here, but if they referring to black, white, coloured should give options. If I ticked this box, what would Prudential assume here?”

The comments above highlight some of the comments that came through during various interviews based on the completion of the first form, namely the *Investor Service Instruction & Application Form*.

The next question to be highlighted in the report focused on the participants’ experiences of the completeness of information:

5.2 DID YOU HAVE ALL THE INFORMATION YOU NEEDED TO MAKE AN INFORMED DECISION WHEN COMPLETING THE VARIOUS FORMS? WHY OR WHY NOT? (QUESTION 3 IN THE STRUCTURED INTERVIEW)

Although there were eight participants who said that they had sufficient information to make an informed decision, the rest of the participants either registered a mixed or a negative response. At least 14 participants noted that they did not believe they had all the information they needed in order to make an informed decision, while the rest mentioned that they believed that the information was available but they were not sure how to use it.

Positive comments	Mixed comments	Negative comments
<ul style="list-style-type: none"> • “All the info was on the forms that is necessary for you to complete the investment forms.” • “Definitely; all information was provided for the various forms that needed to be filled in.” • “Yes, because if you read through the forms then you can see what is needed and the CIS summary sheet helped you to decide on a particular fund.” 	<ul style="list-style-type: none"> • “Yes, the information was available, but I’m not sure if I interpreted it correctly. Answers are based on my interpretations.” • “Definitely, fairly straightforward. Fine, but did battle with some of the sections in the forms.” • “Yes, for instance on the repurchase form, it does ask 	<ul style="list-style-type: none"> • “I don’t think all the information was there. Or maybe it was there but I didn’t always understand it, e.g. the instance where it seemed to separate the manager and the financial advisor and asked me for information.” • “The CIS was confusing. I wouldn’t be able to

<ul style="list-style-type: none"> • “Definitely. They even give you guidance.” 	<p>there for the rand amount and the unit amount; could relate to the rand amount more than to the unit amount.”</p>	<p>complete the forms on my own. They weren’t that clear.”</p> <ul style="list-style-type: none"> • “Not really, I didn’t really understand the tables. I didn’t know how the money would be invested, how it would grow or whether there would be any losses. Would prefer someone to go through the tables with me.” • “Not all of them; those tables are still confusing. e.g. MANCO and IFA mean absolutely nothing to me.”
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The third question focuses on the Collective Investment Scheme summary sheet and to what extent the summary sheet enabled the participants to complete the forms, especially with regard to the investment options:

5.3 HOW DID THE COLLECTIVE INVESTMENT SCHEME SUMMARY SHEET ENABLE YOU TO COMPLETE THE FORMS? (QUESTION 7 IN THE STRUCTURED INTERVIEW)

While some participants found the CIS summary sheet to be very helpful, there were others who were of the opinion that they could not really use the summary sheet to complete the necessary forms.

Positive comments	Negative comments
<ul style="list-style-type: none"> • “Very informative. Performance history; management fees; benchmark performance. This would give me an indication where to place my money at Prudential.” • “More informative than the other documents, because brief descriptions of the various investments (funds).” • “Easy to read. It gave a good indication if it is a high risk, of the various options, and of what the different payment options are (lump sum, debit order).” 	<ul style="list-style-type: none"> • “The information (investment option table) didn’t correspond to the information in the CIS. This was confusing. This would be a negative. There should be guidance that the investor should refer to the CIS.” • “It was confusing. I didn’t actually use it. It is not in the same order as the in the form. The names were different from the fund names in the table.” • “Not useful at all; there’s a lot of info offered and a lot of big words that were not explained and not knowing a lot about the investment world, made it useless to me.”

The next question focused specifically on suggestions from the participants regarding the changes they would like to see in the forms that they were asked to complete was question 10:

5.4 WHAT ASPECTS OF THE FORMS DID YOU FIND DIFFICULT TO COMPLETE? WHY?

The participants’ suggestions focused on a range of elements. Some of these comments are offered below:

- “The wording needs to be more user-friendly. The wording needs to attract people who know nothing of investments. At the bottom of the CIS there needs to be a summary of

the abbreviations before the abbreviations are used. Examples of how to do the calculations would be helpful with a graph to ensure that you really know how to choose a fund based on performance.”

- “Abbreviations don’t work – a legend is needed.”
- “There should be an explanation or a glossary which one could refer to if you didn’t understand something. Must be in language which is easy to understand for people, because we don’t deal with legal or financial terms – professional but understandable.”
- “A person who does not have a business background should be able to read it. There shouldn’t be difficult words such as “natural person” which I still don’t know what it stands for. Also abbreviations should be elaborated on.”
- “Prudential Money Market fund fact sheet – info at the bottom is too small print, rather bigger as currently feels like Prudential doesn’t want client to read it.”

The rest of the suggestions made by the participants can be found in Annexure 5.

A question that focused on the participants’ perceptions of whether their needs were being addressed in the documents yielded very mixed responses, as some of the participants felt strongly that their needs as potential investors were met, while others were of the opinion that their needs were not met at all. The paragraphs below show some of the positive and negative comments that were made by the participants. The relevant question was number 13 in the structured interviews: How focused were the documents on your needs as a potential investor?

Positive comments	Negative comments
<ul style="list-style-type: none"> • “The CIS gives you a good indication of who the organization is, I would use the CIS as a marketing tool.” • “Very focused. Came directly to the point and no long way of saying things. Not trying to confuse you with accounting jargon.” • “Very focused. They give you info about risk involved for example.” • “They are quite focused on the needs of the investor, because they tell you exactly what needs to happen. Only a small part is focused on them and the manager obligations and a much larger part in focused on the client called investor obligations. More focused on the client than on themselves.” • “It is good in terms of the Terms and conditions. They tell you what the risks are and they explain the consequences.” 	<ul style="list-style-type: none"> • “They weren’t very custom made. They were more focused on the legal side vs being more focused on the reader.” • “It wasn’t for my need. It was more for their need. How can you start a document with a rule? How would that make me want to invest there? It is a case of “what can you do for us?” where they don’t focus on us but on themselves.” • “There was little emphasis placed on the needs of the investor. There is a little intimidation involved, because some of the information isn’t clear.” • “The documents seem that they are for the person educated in business and not necessarily for the lay person. A booklet would be helpful here.” • “No, not focused on my needs at all. In more than a few instances in most of the documents it came across as though you were entering into the agreement at your own risk.” • “There were less emphasis on me and more emphasis on them. i.e. the lack of effective introductions, the terms and conditions continuously saying that Prudential is not responsible for anything. That made me feel unsafe/nervous.”

The final question to be highlighted here in terms of the structured interviews was concerned with investor obligation 11 on page 4 of the Prudential Investor Service Instruction & Application Form. The participants were asked specifically what they understood by this obligation, which reads as follows: "The investor indemnifies and agrees to hold harmless, and agrees to have no claim or cause of action against Prudential".

Most participants correctly understood that they could not hold Prudential liable for any losses they might suffer due to their investment choices. Only a few of the comments, of which some also registered the participants' emotions, are listed below. Please consult Annexure 5 for the rest of the participants' comments.

- "...the scary statements should be stated differently. Seasoned investors might not mind but I don't want to lose my money."
- "This means that we can't hold them accountable, but you feel that there are proper channels of holding them accountable – "ombudsman". This statement indemnifies Prudential. It doesn't state that it indemnifies the financial advisor."
- "It means that I would be responsible for any losses and I couldn't sue Prudential. It's a total risk that I would take on my own."
- "That I'm not going to blame Prudential if something goes wrong. Which is not so reassuring."
- "They don't want the investor to hold them liable for anything that may go wrong with your investment. It's quite scary! If you read this, I don't know if you would want to invest."
- "They are indemnifying themselves about the choices I made. They gave me options and I made my own choice/decision without being forced."
- "I don't understand. They use big words."
- "It shouldn't be there. This is not fair. Prudential is also a role player in this contractual agreement. And they should be able to negotiate responsibly. Prudential should in this instance rather help the investor than losing him/her/her."

The rest of the participants' comments on the questions of the structured interviews can be found in Annexure 5.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 CONCLUSIONS

As is evident from the preceding sections, this research project provides the client with a wealth of information that clearly indicates the following:

- a) There is sufficient reason to believe that, in terms of the narrower goal set for this project, the documentation tested will not comply with the requirements generally associated with plain language.
- b) The overall usability and effectiveness of the different documents are under pressure, and they deserve urgent attention, especially when one takes the broader goal of the company into consideration, namely that of assuring strong, healthy relationships with clients and the attitudes that they hold regarding the company. This project is about more than just compliance with the CPA.
- c) There are problems concerning the accessibility, comprehensibility and application of critical components in these documents that deserve urgent attention.
- d) Special attention should be paid to the accessibility, comprehensibility and application of critical components, such as "Terms and conditions".
- e) These problems are highly identifiable in the categories referred to in the report, making them equally highly approachable with a view to effecting a redesign that should greatly improve the accessibility, comprehensibility and application of these documents.
- f) There is not sufficient reason to believe that the availability of documents in English only is a problem, but further research on this issue might be necessary.
- g) It is also important to take note of responses pertaining to user attitudes regarding the company in general, and to these document types in particular.

It is important for Prudential to take cognisance of the fact that there is a body of research indicating the value of redesign based on findings from projects such as this one. The usability of different document genres can be improved by between 10% and 30% in most cases, with substantial gains for companies and institutions.

6.2 RECOMMENDATIONS

Against this background, we recommend

- a) That Prudential consider the redesign of the tested documents and of other, related documents that were not tested. The consideration here is that the problems that were identified will in all probability also arise in other documents.
- b) Following recommendation a), that Prudential consider the expert *analysis* of a wider range of documents before redesigning them.
- c) That more research would be advised to test more carefully for the effect of independent variables such as age, gender, language, etc.

In this regard, the Unit for Document Design of the Stellenbosch University Language Centre hopes to be of further service to the company.

6.3 CLOSING REMARKS

The researchers wish to stress the following two points:

- We were impressed by the level of commitment shown by the respondents. This is particularly important, since it relates directly to the value of the data that we gathered.
- This project puts Prudential firmly in the position of a role model regarding ways in which these issues should be dealt with. For that reason it was a pleasure to do the research and collaborate with the company.

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