



Three pints of snakebite, darling: Perks can help you travel in style

'The cheap travel was great, but the share was a total dog'

Firms are enticing investors with cheap travel, gift vouchers, and even free beer. Martin Baker on the perils of being over-influenced by shareholder perks

"Precision is the basis of passion," says the Kyle McLachlan character in David Lynch's cult movie, *Blue Velvet*. It's a quirky line in a quirky film, and one thing's for sure: investors who let their passions run amok are going to end up with a pretty quirky investment performance. Why? Because in the financial world precision and passion are polar opposites.

"When I first started investing, I used to get quite excited about the daftest things," says Geoffrey, a former lawyer and Cambridge tennis Blue who now devotes his time to coaching tennis and managing a portfolio that has grown from a less-than-six-figure sum, to a total "approaching a quarter of a million".

What most embarrasses Geoffrey about his past performance is the way he fell for perks: benefits companies offer to lure shareholders and keep them loyal once they're lured. As a founder investor in Eurotunnel, Geoffrey got big discounts on travel to and from the continent: "The cheap travel was great, but the share was a total dog, and has been for years. It shows what happens if you invest in a company for perks. It can be like buying a Ferrari with no engine in it. It might be superficially attractive but there's no guarantee of performance." (Eurotunnel's perks are currently the subject of litigation, as some argue that the founding shareholders got too good a deal).

Ben Yearsley, an investment manager at independent financial adviser, Hargreaves Lansdown, agrees that "investors can get passionate about individual companies". Shareholder perks, he says, can be seen as a way of making a company distinctive, of offering a unique attraction to bring in capital. But the biggest factor, he says, is size: "Investors, especially if they are small, can invest not just financially but emotionally in the tiddlers. They track and follow minnows, and can get attached to them and be reluctant to sell, even if they are high-risk. They're more likely to take a more detached, dispassionate view of bigger companies like, say, BP."

"You really shouldn't let the tail wag the investment dog. Getting a voucher for £25 worth of a company's goods is quite nice. But it's hardly a determining factor if you have to invest £2,000 to get the perk in the first place. And of course a company can always stop offering the perk. Some do."

Perks can be seen as an alternative form of shareholder dividend, says Yearsley, though the discounts and vouchers should be discounted in investors' decisions: "Companies offer perks because they want to give investors a bit of extra return. The shareholders are the owners of the company, after all. Perks can range from a bit of fun – a free cup of coffee or a few chocolates – to some fantastic offerings. Eurotunnel and British Airways have had some great perks in the past."

Perk-collectors are perhaps an upmarket version of 'compers' – people who hungrily scan the supermarket shelves and magazine pages in search of free offers and competitions. They now have their very own 'bible':

a new guide produced by Barclays Stockbrokers on all the shareholder perks currently available (www.stockbrokers.barclays.co.uk/certificates).

James Bartholomew, who writes the "Diary of a Private Investor" column for *The Daily Telegraph*, takes a similar view to Yearsley: "Shares are over- or under-priced and you must take a view, not a sentimental attachment. In that sense perks, while some are more interesting than others, are really an irrelevance."

Bartholomew, who has been investing for over 35 years, says two things about investing excite his passion: "One is the basic similarity with gambling. If you're right it's very clear that you're right, because the share price goes up. You often don't get that in life – and especially not at work. You might consider yourself good at your job, but then someone might come along and take the credit. In

investing the feedback is undeniable."

For Bartholomew, perks, as a kind of offbeat proxy for shareholder dividends, are nowhere near as important as earnings growth: "My Holy Grail is to find a share that is a growth share on a reduced valuation."

So is investing on the basis of the perks that come with a share a mistake? Bartholomew would argue that the answer is almost always "yes", but that the mistakes can be valuable in the long run.

"I don't like to knock the habits of the investing masses. There's an argument to be made that if they make the classic mistakes – buying on the basis of a superficially attractive perk, at the top when commentators are saying that shares are going to be valued on a different basis – if nothing else, they gain experience." ☒

PERK ME UP

A few examples of the perks being offered to shareholders:

Aga Foodservice Group (Registrar: Lloyds TSB)
Requirement: 1,000 shares

Eligible shareholders are entitled to a 10% discount on purchases totalling £500 or more from Aga Shops, Fired Earth, Domain, La Cornue or Divertimenti. The maximum discount is £500.

Austin Reed Group Plc (Capita Registrars)
500 ordinary shares

Eligible shareholders will receive discount vouchers which entitle the holder to a 15% discount on full-price items purchased at Austin Reed or Country Casuals store (excluding concessions, airport shops and factory outlets).

Bloomsbury Publishing Plc (Capita Registrars)
250 shares

Eligible shareholders are entitled to 35% off the recommended retail price of all Bloomsbury books.

British Airways Plc (Computershare)
200 ordinary shares

A discount coupon is issued

to eligible private individual shareholders which entitles the bearer and up to five travel companions (booking and travelling with them) up to 10% off the price of a broad range of British Airways fares (for leisure travel only).

EuroDisney (Computershare)
500 shares

Shareholders are entitled to apply for a membership club card which is valid for two years. (Those shareholders who own less than 2,000 shares will have to pay an administration fee of €30 for this card.) It entitles them to discounts (typically 10%) on Disney entry tickets, hotel room rates and shows.

Eurotunnel Plc (Computershare)
1,000 shares

Eligible shareholders can get a 30% discount on standard long or short stay tickets for three return or six single car journeys per year.

Mothercare Plc (Lloyds TSB)
500 ordinary shares

Eligible shareholders are offered a 10% discount on

purchases at UK stores on up to £500 of merchandise. The discount is offered through vouchers normally sent with the company report and accounts in June.

Mulberry Group Plc (Computershare)
500 ordinary shares

Shareholders can get a 20% discount in stores including: New Bond Street, London; Brompton Road, Knightsbridge, London; Gees Court, St Christopher's Place, London; Westbourne Grove, London and Multrees Walk, Edinburgh (Mulberry bag, pictured right).

Newbury Racecourse Plc (Capita Registrars)
100 shares

Shareholders who own between 100 and 4,999 shares are entitled to a voucher for two-day member badges on the race days of their choice. Holders of a minimum of 5,000 shares are entitled to an annual metal badge. This badge allows the holder entry into the Members Enclosure on race days. Holders of 10,000 or more shares are entitled to a double (ie 2 people) annual metal badge.

Shepherd Neame (Computershare)
100 ordinary shares

Shareholders are entitled to vouchers ranging in value from £10 to £100, depending on the number of shares held. These can be used at the bar in managed houses and for meals and accommodation.

Tesco Plc (Lloyds TSB)
All shareholders

A small gift, such as a bottle of wine, may be given to those shareholders who attend the company's annual general meeting.

Source: Hargreaves Lansdown Asset Management Retail Finance
All the above perks are subject to terms and conditions, please contact the company registrars for full details. Independent financial advisers Hargreaves Lansdown and Barclays stockbrokers have booklets and online guides to share perks. See www.h-l.co.uk

