Horse Racing Handicapping: Dutching

Dutching is the professional handicapper's equivalent to portfolio diversification. One of the greatest mistakes an investor can make is not properly diversifying his or her portfolio. Adequate diversification will include an increased number of investments, allowing those with upward price movements to offset those with downward price movements.

In handicapping, dutching allows a bettor to wager on two or more runners, at different odds, in the same race. The bets are made in proportion to each horse's chances of winning, so that no matter which runner prevails, the payoff will be the same. Since dutching allows us to bet on three or four runners, obviously we have a better chance of cashing *Xtra Winners*. However; even when we win while dutching, we will always have some losing tickets with this method.

Here is how it works: Assume that through applying a long-shot angle, you have eliminated the non-contenders and are left with three horses. You are confident that one of the three will be victorious but have no particular bias toward any of them. By placing a varying win bet on each of the three horses, the dollar amounts being dictated by the odds, you will realize a profit no matter which of the three wins. In addition, the profit will be approximately the same for each outcome, and you can predetermine it.

So, how do we know how much to wager on each horse in order to guarantee a profit? First, we need to convert the horses' current odds into a percentage. This tell us what the market or pool says the real-time percentage chance each horse has of winning the race. The math for this is simple, but, in the interest of brevity, I am going to omit it here. It is covered in detail in my book, *Handicapping the Wall Street Way: Picking Xtra Winners at the Track.*

Just print the following chart:

ODDS	***%***	***ODDS***	***%***	***ODDS***	***%***
1-5	83	2-1	33	**10-1**	**9**
2-5	71	**5-2**	**29**	**11-1**	**8**
1-2	67	**3-1**	**25**	**12-1**	**8**
3-5	62	**7-2**	**22**	**13-1**	**7**
4-5	56	**4-1**	**20**	**14-1**	**7**
1-1	50	**9-2**	**18**	**15-1**	**6**
6-5	45	**5-1**	**17**	**18-1**	**5**
7-5	42	**6-1**	**14**	**25-1**	**4**
3-2	40	**7-1**	**12**	**30-1**	**3**
8-5	38	**8-1**	**11**	**40-1**	**2**
9-5	36	**9-1**	**10**	**70-1**	**1**

**Notice that the odds as low as 5-2 are in bold. This is to mark the point separating sufficient profit from meager profit. Or, in some instances, loss because the payout for horses whose odds are lower than 5-2 just is not enough to generate an adequate profit. I use the same reasoning in limiting the number of horses played.*

Let us look at a fictitious example of how we would fare by dutching three different horses, each at different odds:

HORSE	*ODDS*	*%*	*AMT. BET*	*PAYOFF*
Pisces Pleasure	3-1	25	$25.00	$100.00
Nostalgic Moment	4-1	20	$20.00	$100.00
Trubble	9-1	10	$10.00	$100.00

With a total outlay of fifty-five dollars, we would expect a profit of forty-five dollars whether Pisces Pleasure, Nostalgic Moment, or Trubble won. For this example, I assigned a unit value of one dollar to each percentage point. Although the value assigned is entirely at each individual handicapper's discretion, it MUST be the same for each horse.

As with the stock market, there is a certain degree of volatility in the betting pool. It is not at all uncommon to see sizable fluctuations in the odds, especially at smaller tracks. To negate these fluctuations, one should endeavor to **wait until the last possible second to place his or her wagers.**

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