



Value Betting: The Nuts & Bolts

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Introduction

Thanks for downloading this report. Feel free to share it with anybody that you think might find it of use!

In my video the other day, I mentioned that I didn't really become a profitable bettor until I fully grasped the concept of value and started applying its principles to every single bet I place.

I literally cannot stress enough how important it is to understand and seek out value in all of your betting. It is, by far and away, the most important factor in profitable betting!

The only way you can make profit from betting in the long term is to ensure that you are getting value prices about your bets. If not, you are doomed to failure. It is that simple.

Amazingly, there are plenty of people out there who will tell you that finding winners is the only important thing. Anybody who tells you that is showing such staggering naivety (and inability to perform the simplest of calculations) that I need to meet them immediately and start offering them some wagers!

The 'Hole in One' gang are a great example of finding a value proposition and exploiting it ruthlessly. It's a famous story but I think it bears a re-telling here.

The 'Hole in One' gang operated very successfully for a short time in the early 90s. They were 2 gamblers by the names of Paul Simons and John Carter who,

through detailed study of past results, came to realise that the occurrence of a hole in one in professional golf, far from being a freakish, rare event was actually exceptionally common.

They calculated that the true odds of a hole in one being scored in one of golf's majors are shorter than even money.



They were staggered to discover that large numbers of independent bookmakers were simply not doing their homework and were prepared to offer them ludicrous odds about a hole in one – up to 100/1 in some cases!

They toured the country surreptitiously placing bets in singles, doubles, trebles and accumulators for a hole in one to be scored in the majors, taking all prices from 3/1 upwards. By the time they were finished, they had plunged their entire lives savings of around £40,000 into a multitude of bets.

The rest is history. A hole in one was scored in most, if not all, of the majors that year and the gang's winnings totalled somewhere in the region of £500,000. (Some of the bookmakers subsequently welched on the wagers and they eventually collected around £420,000).

£420,000 – all for doing a very simple piece of research and realising that the odds available were offering a ludicrous level of value!

Now clearly value opportunities of such magnitude (particularly on such a probable event) don't arise everyday but you would be surprised just how often decent value opportunities do occur – particularly in horse racing where bookmakers have to assess an almost infinite set of factors in formulating their prices.

A value bet explained

We have found value on an outcome when we secure a price that exceeds the true probability of that outcome occurring.



Let's look at a very simple event to demonstrate the principle:

We are betting on a coin toss. There are two possible outcomes of a coin toss: heads comes up or tails comes up. Either of those is equally likely to occur on any one coin toss, therefore the probability for either one is 50%.

A probability of 50% expressed in fractional odds is 1/1 or even money. In decimal odds that same probability would be expressed as 2.0.

If you were to take those odds about either event occurring in a coin toss, in the long run you would break even, neither making or losing money (though in the short term you could easily come unstuck due to general variance).

In other words, at odds of even money you have no edge – and are therefore receiving no value.

Even worse than that, a bookmaker would price up either event at 10/11 (1.91) to lock in his profit margin (known as their over-round).

On average we would achieve the following results backing heads at 10/11 (1.91) for £1 a time over 1000 bets:

500 winners: +£455

500 losers: -£500

Overall P/L: -£45

Clearly not a course of action we would want to pursue!

Conversely, if we managed to find a bookmaker prepared to offer 2.1 (11/10) about either outcome in a coin toss on average we would achieve the following results:

500 winners: + £550

500 losers: - £500

Overall P/L: + £50

Much better! The second set were value bets – we were getting a price that exceeded the true probability of the event occurring! We would be very foolish not to avail ourselves of that price, repeatedly and to the largest stakes we could afford (while applying sound money management principles, of course).

Unfortunately, we are unlikely to find any bookmaker offering 11/10 about a fixed probability event such as heads coming up in a coin toss. The true probability is fixed and therefore easily calculated. (If anybody ever does find such a bookmaker, please introduce me!).

Luckily, this is not the case for all events you might want to assess.

Value in horse racing

In the coin toss example, we realised that it would be very hard to find a bookmaker offering a value price about an event with easily calculated, fixed probabilities.

But what if we were looking at an event where there were a huge number of factors that can influence the final result – ground conditions, fitness, class, stamina, pace, speed, determination, draw, jumping ability, toughness, breeding - on and on ad infinitum.



A horse race, for example.

Would it be quite so easy for the bookmaker to set prices with the same accuracy as in the coin toss example?

Are the true probabilities involved as easily calculated in a horse race as they are in a simple event like a coin toss?

Of course not.

There is margin for errors in such a complex event – sometimes huge errors.

Bookmakers employ odds compilers whose job it is to assess the myriad factors mentioned above and create odds that reflect the true probability of any horse winning a race. These odds are then tightened to create an over round - the method by which the bookmaker locks in his profit if he balances his book.

I won't go into the over-round in any great detail here. There are some excellent articles freely available online that explain it – in fact I've found a decent explanation to save you the trouble of hunting for one:

<http://www.bettingmarket.com/overround.htm>

In most instances, the odds compilers are very good at their jobs (though not in all as the hole in one gang so profitably demonstrated) and to expose any flaws in their odds, we need to be at least as knowledgeable and experienced. Where we have an advantage over the odds compilers is our ability to pick and choose the races we get involved in.

They need to get *every* price right, we only need to find the odd wrong price.

If we specialise in a particular type of horse racing, our chances of knowing more than the odds compiler are increased.

For many years I specialised in big field handicaps – the kind of races that most professional punters hate – because I always found there was a lot of potential in such difficult to evaluate events.

Initially, and for many years, my hunt for value led me to compile my own odds for each and every race I wanted to get involved in. This is an incredibly valuable skill and anybody taking their punting seriously is well advised to learn it.

There are numerous articles available online where you can pick up clear, concise advice on how to compile your own odds. I've found a really good thread on The Racing Forum that explains some methods of converting your opinion in a race into odds and probabilities:

http://www.theracingforum.co.uk/horse-racing-forum/viewtopic.php?forum_uri=&t=84941&start=

Please note here that you will need to find a reliable, accurate method of formulating your opinion before you will be able to create reliable and accurate odds! You need to be confident in your opinion and that will only come with time, experience and some past results!

Once you formulated your own prices about an event (and you trust those prices), finding value in the bookmakers odds will be a walk in the park.

However there are drawbacks in creating your own odds – the biggest of which is the time consuming nature of the process. Even working at it full-time, I would often only have time to analyse 3 or 4 races a day. As a result, the number of value opportunities I was able to find was limited. If the number of opportunities are limited, you need to stake more on each one of them to get decent profits – exposing yourself to greater single event risk.

As a result I was always on the hunt for quicker, easier ways of locating value – that way I could find more opportunities, turn my money over faster and create greater profits – at the same time exposing myself to less risk.

The perfect win-win – but could I find it?

Finding value – a new way

I did find it!

I no longer create full odds for every race I want to get involved in. Of course, I still do it on the big races or any race I am particularly interested in figuring out but I stopped doing it on a daily basis quite some time ago now – when I realised something very important (and very profitable!).

Even though I think my own assessment of true probability is very good, there is a freely available tool out there that makes those assessments far more accurately than I ever could.

It's called Betfair

Selections: (48)	102.7%		Back	Lay	75.3%	
Sir Des Champs	6 £10	6.4 £27	6.6 £23	7 £5	7.4 £53	7.6 £100
Long Run	9 £8	9.4 £48	9.6 £36	10.5 £55	11 £9	11.5 £36
Bobs Worth	9.4 £30	9.6 £12	11 £347	11.5 £46	12 £8	13 £16
Flemenstar	10 £60	10.5 £4	11 £2	14 £10	14.5 £6	15 £15
Grands Crus	19 £3	20 £4	21 £8	23 £15	24 £20	25 £22
First Lieutenant	20 £10	21 £17	24 £30	26 £13	27 £2	28 £15
Last Instalment	23 £86	24 £6	26 £20	29 £4	30 £17	32 £5
Hunt Ball	24 £11	30 £3	32 £5	34 £3	38 £3	40 £10
The Giant Bolster	29 £124	36 £3	38 £30	48 £2	70 £5	85 £7
Burton Port	28 £6	42 £2	48 £23	55 £3	60 £5	80 £2
Silviniaco Conti	13 £2	34 £33	40 £31	46 £4	48 £50	50 £5
Invictus	36 £4	40 £5	46 £18	50 £10	65 £3	70 £50
Hidden Cyclone	34 £124	40 £10	42 £7	80 £14	85 £3	90 £5

– and it's considerably more accurate in the long term than the opinion of any one odds compiler, no matter how expert they are.

Numerous studies have shown that the horse racing markets on Betfair are exceptionally accurate predictors in the final few minutes before a race goes

off, particularly at the head of the market (they are slightly less accurate on the outsiders because there is less liquidity on those runners).

One such piece of research was instrumental in making me realise just how accurate a tool Betfair is. If you are interested, you can read that piece of research at the link below:

<http://www.probabilitytheory.info/content/item/15-the-efficiency-of-the-betting-exchange-markets>

That research concludes, with some caveats, as follows:

“Betfair would appear to be a beautiful demonstration of the efficiency of a freely tradable market”

Why are Betfair horse racing markets so accurate?

It's a good question! It can at least in part be explained by a phenomenon known as "The Wisdom of Crowds" made famous by the book of the same name.

"The Wisdom of Crowds" maintains that the averaged estimations of a group of people are likely to be more accurate than the single estimation of an expert.

For example, if you were to ask 1000 people to guess the weight of a cake then took the average of their answers, that average is likely to be very accurate – more accurate, in most cases, than the guess of any individual group member. It appears that "group intelligence" almost always exceeds that of the most expert member of the group – even if the group is made up almost entirely of non-experts.

Betfair prices represent the averaged opinion of tens of thousands of punters, some of them experts, the majority not. As such Betfair prices are always likely to be more accurate than the opinion of any one individual.

Additionally, Betfair is a weighted average of those opinions because stronger opinions are given greater weight in the form of bet size.

The key thing to remember is this:

Betfair prices, in horse racing markets just before the off, are by far the most accurate guide we have to the true chance of a horse winning a race.

So how can we take advantage of this knowledge?

At first glance it would seem of little use that Betfair is our most accurate guide to true probability, when it only becomes truly accurate in the final few minutes before the race.

Surely by that time all the value prices have gone?

Well, yes they have.

However simply knowing that the prices on Betfair are becoming progressively more accurate throughout the day, points us towards a very simple method of ensuring we are getting value on our bets.

If, earlier in the day, we can identify and back those horses that are shortening in price and are therefore likely to be shorter on Betfair in those final moments before the race – we have automatically found value.

Remember that sentence – therein lies the key to long term betting profits.

As long as we can identify horses that will end up a shorter price on Betfair at the off, than the price we are taking now – we cannot fail to make money in the long term!

Now, identifying those horses, with any accuracy, is easier said than done. It can be achieved in a number of ways and you are best searching out a method

that suits you – or of course, you could join my Evening Value Service and allow me to do all the hard work!

I use a variety of methods to identify my Evening Value Service selections. Each morning I will have a good idea of a fair price for all the runners I am interested in based on form study, trainer stats/jockey stats, my own ratings and a variety of other indicators.

I then monitor the Betfair and bookmaker prices throughout the day to identify whether my opinion is being confirmed/refuted by the markets. This will involve detailed analysis and prediction of price movements based on a variety of indicators.

What's key in all this is I'm rarely trying to identify the *winner* of a race. I'm simply using market analysis to identify the horses that are likely to go off at a shorter price than they are currently available at. Having found that value, the winners take care of themselves in the long run.

The analysis of price trends will not be right all the time – that's impossible – but it doesn't need to be. As long as it is right most of the time, profits are guaranteed.

In conclusion, finding value is the route to long-term profitability and I hope that my observations on the Betfair markets make finding value that little bit easier for you.

I hope you have enjoyed this value betting report and have found it useful.

Please look out for an email from me on Monday at noon when I will be opening the Evening Value Service to new members. There are a very limited number of spaces available and more than 8,000 people have been following this process.

I can only make memberships available to a tiny fraction of those people so if you have any interest at all in becoming a member, I urge you not to delay when you receive my email on Monday.

All the best,

Kieran Ward

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