BURSTING THE SYSTEM BUBBLE

Examining the inner detail of a profitable system

Over the last few years I have taken the opportunity following invitation to appear regularly on various thoroughbred racing Radio shows. In addition, I have (at the request of Betfair Australia) published various educational articles and feature race analysis.

In many of my discussions I inadvertently revealed some of the keys to my own betting success. On the one hand, I have wanted to educate punters, on the other I have tried to protect the key attributes of my intellectual property and processes. During this period, I have also read several articles within the public domain via various media outlets that reveal selective betting opportunities using various form factors that are seemingly undervalued by the market.

What these articles did show was that a net profit was achievable (assuming you followed what were seemingly simple rules). What they didn’t show was the ‘inner detail’. What I am referring to is the experience, the journey towards achieving the result. So, before you rejoice in finding what might be a free, profitable, and easy to follow method, read on.

‘What we are talking about affects every system or method to some degree’. We have coined a term for it. ‘The Realities of Punting’ and have used it previously to assist clients and other punters with the view of giving them the knowledge and tools which allow them to be able to set achievable goals for their betting underpinned by realistic expectations.

My own analysis of some of these methods reveals that they could be worthwhile for the purposes of identifying a potential list of bets that with some further analysis could deliver decent profits. I have selected a simple system that I ran using the R2W Axis database for further analysis.

System*

<table>
<thead>
<tr>
<th>Bets</th>
<th>Wins</th>
<th>Strike Rate</th>
<th>POT</th>
<th>Bank growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,900</td>
<td>337</td>
<td>17.7%</td>
<td>4.48%</td>
<td>61.94%</td>
</tr>
</tbody>
</table>

*System is based on a date range of 01/08/2010 to 31/07/2016 (6 years) and uses the median Starting Price of the major corporate bookmakers.
Whilst the headline result from this system is impressive (compared to the benchmark result which is significantly negative) the ‘inner detail’ of the journey will reveal some potentially disturbing but inescapable facts. We are not insinuating anything sinister, in fact the issues we are talking about effects every system or method to some degree.

For many, punting has a built-in level of a blind and enthusiastic expectation of winning and being able to make it as a successful punter. Unfortunately, these expectations and goals often scope beyond reality. There is nothing wrong with you having hopes and dreams. However, the simple fact is that they are far more likely to materialise if they are grounded in logic and if you accept mathematical realities. Further, being realistic about one’s chances will result in far less disappointment and make punting a more positive experience.

Let’s examine the profitability and sustainability of the above system for the benefit of those who would like to take these types of methods onboard and use them in their punting. The period covered is 2,192 days or just on 6 years. Below we show the results of several dividend options as a contrast for comparative purposes. We’ll assume a $10,000 bank and demonstrate realistic outcomes which can be scaled up or down based on the reader’s own personal financial situation. Finally, our bets are assumed to be proportional and are set to collect 4% of the starting bank.

**Profitability**

Firstly, the results quoted in the System table above can only be achieved by proportional betting. While professional punters would agree, the intended audience; those who are learning, or are new to punting may have missed the point, so we are making that distinction. The realistic approach is to only bet proportionally, even if you could get a better outcome using flat stakes. Betting proportionally, reduces your bankroll risk and more easily keeps you in the game (assuming you have an edge over the market).

**Proportional results**, after 6 years of punting.

<table>
<thead>
<tr>
<th>Bets</th>
<th>Wins</th>
<th>Strike Rate</th>
<th>POT</th>
<th>Bank growth</th>
<th>Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,900</td>
<td>337</td>
<td>17.7%</td>
<td>0.64%</td>
<td>8.8%</td>
<td>NSW TAB-SP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.13%</td>
<td>43.25%</td>
<td>BT - SP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.48%</td>
<td>61.94%</td>
<td>Fixed price</td>
</tr>
</tbody>
</table>

The obvious question is when analysing system performance is, *did we make enough money?* Most punters would probably find it hard to face the reality that with a $10,000 bank the most you could win using a profitable system over 6 years is around $6,194. It’s certainly nothing to sneeze at but nowhere enough to turn professional and quit your job.

There is not enough turnover and even if you increase your stake 10-fold, and if you can consistently get set, $62,000 over 3 years is still quite low for living purposes. A method like this may be suitable as part of a suite of systems which would provide enough bets to produce a profit that in turn meets your needs. This brings us to a point in the narrative where we examine the sustainability of the method.
Sustainability

For many, the outcomes above could be more than satisfactory for a bit extra cash on the side. The practical problem is that betting those selections would require you to never miss a bet. That could be a problem if you have planned holidays or other events in your life, or simply if you have a life. But, assuming you could manage that, there is then the question of endurance.

To be able to endure the system’s ups and downs, it is necessary to understand its behaviour and determine if in fact you can indeed sustain the stress it places on you as a punter to reap the projected benefits.

Most punters focus only on the result and they miss a critical factor of the system; it’s winning dynamic. This determines the systems sustainability, as it applies to your ability to continue with it during the inescapable bad runs. Sadly, most punters never see the guts of the system until the reality hits them square between the eyes. If you assume that you would receive a steady supply of tax-free money with a profitable system, you would be GREATLY mistaken.

Running a simple betting analysis quickly reveals some startling realities:

Max Bank Risk 31.5%, Max Bank Drawdown $6,139. In any block of 50 bets, you can expect: 9 winners on average, as few as 3 winners and as many as 13 winners BUT…

“The Feel-Like-A-Winner indicator is only 2.6% or just 49 bets from the 1,900 in total. This means that 97.4% of the time your bank will be somewhere less than its previous high. You will only advance or equal a previous bank high on 49 occasions in 6 years”.

Examining the 5 largest drawdowns shows the above also means that you would have experienced periods of 1,190 days (884 bets), 100 days (186 bets), 175 days (165 bets), 77 days (136 bets) and 119 days (96 bets) between those rare occasions when your Bank reached a new high.

“The Feel-Like-A-Winner indicator is probably the easiest way to present the reality of how a system performs in plain terms”. You don’t need a Ph.D. in mathematics, pie charts or graphs to understand it, and together with the drawdown break-down, it is a simple yet effective way to evaluate the true performance of a system. While a system may be in profit compared to its starting bank, most punters will fail to deal with the fact that they will feel like they are losing (using the system under review) around 97.4% of the time, as their punting Bank will be at a lower level compared to its previous high.

The questions you need to ask yourself is, will you be able to handle waiting up to 1,190 days between new bank highs? Can you handle clawing your way back only to be smacked down again? And then front up for perhaps another 175 days wait before you again experience that winning feeling? Remember, the whole period is 6 years in total. Can you handle the $6,139 (actual dollars) bank drawdown? Do you know where most of the profit...
was made? Will you miss a crucial set of winning bets because you have family commitments? I guess you get the picture.

It is also worth remembering that making decisions about a system based on a system test, where you have the foresight of the total outcome is far easier to absorb than going through the experience described above.

Having examined the system in the above manner, we can say that it is plausible that you could win with it. The difficulties presented in this article may be one of the reasons why the angles used in this system remain ‘undervalued’ by the market; not because the market can’t find these pockets of profit, that’s the easier part (assuming you have an accurate database upon which to research and identify these market weaknesses). More likely, these are like honey traps that leave most of their unprepared users disillusioned; if not broke as they go off the rails.

Punters that play the long game necessary for the rewards to materialise, will find these and others as the gifts that keep on giving. These punters have the right mindset and access to right tools that can dissect a system in such a manner that have the propensity to reveal it’s dynamic. This type of research will show them how to take advantage of these pockets of gold and forewarn them about any relevant pitfalls.

The tools mentioned above are available in the R2W Axis database and as punters, we use them on daily basis; as do many of our other clients. Our success comes from providing our clients with real-world information, knowledge, and the actual tools that we ourselves use. The above advice is certainly not the enthusiastic ‘feel good’ kind and whilst we accept that, the sobering point we are trying to make is that whatever your hopes are and how you feel about information won’t change what happens. Financial success from betting is only achieved by facing the inescapable Realities of Punting.

Cheers and Good Punting

Paul Daily

For more information on why R2W Axis is Australia's best and most powerful horse racing database please me directly.

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