

# **January 2012, Number 64**

## **ALL-WAYS<sup>TM</sup> NEWSLETTER**

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#### **Winter: A Good Time to Explore, Learn and Improve Your Play**

As of this date, there are forty Frandsen Publishing Favorite Articles posted in the Newsletter section on the Frandsen Publishing Web site ([www.frandsen.com](http://www.frandsen.com)). These expanded and updated articles have received wide acclaim in the industry as one of the very best sources of handicapping and wagering insights available and they are free. The six part Handicapping Process Series and the five part Wagering Series make for very good reading during the winter months.

#### **Economical ALL-Ways Race Databases**

New **ALL-Ways Batch Download Data Files** have been posted on the ALL-Ways Data File page on the BRIS Web site for past races run at tracks with winter and spring meets. This includes files for Churchill Downs, Belmont and Pimlico, the home tracks for the upcoming Triple Crown races. These files make it easy, fast and very economical to instantly build large ALL-Ways Race Databases for the tracks you play. New **Meet Subscription Packages** are also available on the ALL-Ways Data File Page that let you download data files for every day of upcoming full meets and to do so at very attractive prices.

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#### **Help from the “Collective Public”**

##### **A Fresh Look at Wager Size**

We are using a little different approach in this article. Instead of just saying “Here is the concept and why it is good” we want to take the reader through the logical thinking that led to the concept in the first place. The concept is both simple and effective and going through the thought process helps to see that.

Readers of ALL-Ways Newsletters know we really like to explore and discuss effective handicapping and wagering ideas that are unique (new, innovative) and that are also easy to put into actual practice. This article does just that. The article discusses how to decide on the amount of money you invest in the individual wagers you make.

To be sure, this article does support the long standing conventional wisdom of wagering more if your probability of winning the wager is high and, conversely, wagering less if your probability of winning the wager is lower. But, the article also takes a fresh look at this conventional wisdom in the specific arena of horse race pari-mutuel wagering. It leads to some innovative ways to determine the size of your wagers based on the specific handicapping situation you face for the race. **It also re-enforces our long standing position that it is more reasonable to expect decent profits wagering on horse races than it is betting “against the house” in most casino games.**

### **Conventional Wisdom**

Base the size of your wager on your probability of winning the wager.

**Bet more if you have a higher  
probability of winning**

**Bet less if you have a lower  
probability of winning**

This is a solid, time tested axiom of wagering in most casino games when you are wagering “against the house”. The probability of winning such a casino wager can be determined with virtual certainty by skilled players. These probabilities are absolute when playing “wide open” games such as Roulette and Craps. These probabilities are nearly absolute when playing games such as Blackjack. We say “nearly” absolute because some cards have already been dealt face down and you do not know the precise makeup of the cards remaining in the deck that have not yet been dealt.

Let’s look at examples of determining probabilities at the Craps table where you roll a pair of dice. Each die has six sides numbered 1 through 6. When you roll the two dice, there are 36 possible combinations ( $6 \times 6 = 36$ ). The odds of rolling an 8 are 5 in 36 (2-6, 3-5, 4-4, 5-3, 6-2). The odds of rolling a 9 are 4 in 36 (3-6, 4-5, 5-4, 6-3). The odds of rolling a 10 are 3 in 36 (4-6, 5-5, 6-4). So, the rounded percentage probability is 14% for rolling an 8 ( $5/36$ ), 11% for rolling a 9 ( $4/36$ ) and 8% for rolling a 10 ( $3/36$ ). Once again, excluding the rounding, these probabilities are precise.

Now, let’s turn our attention back to playing the horses. Once again, this article does support the concept of wagering more when your probability of winning the wager is higher and wagering less if your probability of winning the wager are lower. This article does not recommend anything different. But, as you will see, the probability of winning a wager is determined very differently in horse racing than in casino games. **And, this difference is why it is easier to make money at the track than at the casino.**

### **Probabilities ► Odds ► Payoffs**

If there are 10 horses in a race, the probability of each horse to win is obviously not 1 in 10. This is because there are so many variables that must be evaluated for each horse, generally related to

suitability to distance, suitability to surface, current form, class level, speed, jockey, trainer, pedigree and more. There are also many variables that must be considered regarding how a horse will likely handle the specific situation it faces in the race such as its ability to handle the probable pace match-up scenario and whether the horse will be helped or hurt by track biases such as pace bias and post position bias.

So, how do we determine the probability of a horse winning a race? Most players use the tote board odds to determine probability. The following table shows examples of win “going-off-odds” related to the win probability implied by the odds and related to the corresponding payoff for \$2 win wagers.

Win Payoff Odds	Win Probability	\$2 Win Payoff
19 to 1	5%	\$40
9 to 1	10%	\$20
4 to 1	20%	\$10
3 to 1	25%	\$8
2 to 1	33%	\$6
3 to 2	40%	\$5
1 to 1	50%	\$4
1 to 2	67%	\$3

At first thought, this chart shows us that a horse going off at 4 to 1 has a 20% chance of winning the race and would pay \$10 for every \$2 wagered to win. A horse going off at 3 to 2 has a 40% chance of winning the race and would pay \$5 for every \$2 wagered to win. **But, does the chart really show us this? The answer is “Not exactly!”**

The \$2 win payoff amounts are indeed accurate and they, along with probable payoffs for Exacta and Daily Double wagers are very helpful when we are determining how to allocate the money we include in a wager as discussed below.

However, the percent probability of the horse to win the race is not a firm “absolute” number like it is for most casino games. Instead, it is the “Collective Public” opinion of everyone that wagers on the race. **It is the collective opinion of many good handicappers and many average handicappers and many poor handicappers.** This collective opinion is really the main point of this article and we are going to expand on it a little later in the article.

### **Using the Probable Payoffs Determined by the “Collective Public” to Allocate the Funds We Wager**

We are going to take a little detour here to briefly discuss ways to use the win payoff odds and some other pre-race probable payoff information provided to us by the “Collective Public”. There are basically three wager types for which we have a good grasp of the payoffs before the race is run. They are Win payoffs, Exacta payoffs and Daily Double payoffs. We can determine the Win payoffs by looking at the Win odds. We can determine the Exacta and Daily Double payoffs by simply looking at the “probable payoffs” that are shown on tote boards, TV screens and our computers.

Here is a very important distinction: The “Collective Public” determines their probabilities of a horse winning the race as well as the probabilities of Exacta and Daily Double combinations. These probabilities are not necessarily accurate. However, the probable payoff amounts related

to these probabilities are indeed precise when the betting windows close. For example, the 4 to 1 horse will indeed pay \$10 to win for a \$2 bet even if it really has a 33% probability of winning the race as opposed to the 20% probability implied by the 4 to 1 odds that are “assigned” by the “Collective Public”.

***The “Dutched” 2-Horse Win Wager***

As the name implies, this wager calls for betting on two horses to win in a single race. The “Dutched” notation means that different amounts are wagered on the two horses such that the payoff will be the same regardless of which horse wins. And, like most wagers, it is preferable to play this wager when the “Collective Public’s” top pick is a false favorite and it is not one of the two horses on which you bet.

Once you have decided that you are going to play the race and you have selected the two horses for the wager, you need to determine how much to wager on each horse. This is where the concept of “Dutching” comes in. Here is the "Dutching" formula.

$$\text{Horse "A" Bet} = (\text{Horse "B" Odds to 1}) + 1$$

$$\text{Horse "B" Bet} = (\text{Horse "A" Odds to 1}) + 1$$

For example, if Horse “A” is going off at 3 to 1 and Horse “B” is going off at 5 to 1, here is what the formula looks like.

$$\text{Horse "A" Bet} = 5 + 1 = 6$$

$$\text{Horse "B" Bet} = 3 + 1 = 4$$

This tells us to wager \$6 on Horse “A” for every \$4 bet on Horse “B”. So, if you want to wager a total \$20, you would wager \$8 on Horse “B” and \$12 on Horse “A”. If either one of these horses win, your payoff will be \$48, which is a \$28 net profit for the total \$20 wagered.

A very good handicapper will achieve 25% to 30% win success betting one horse to win that is not the favorite. The two horse win bettor will probably average about 50 to 55 percent wins. The following chart shows the return-on-investment percentage profit that would be generated based on a 50% win rate for the “Dutched” 2-Horse Win Wager.

Horse “A”	Horse “B”	ROI
3 to 1	3 to 1	0%
3 to 1	4 to 1	11%
3 to 1	5 to 1	20%
4 to 1	4 to 1	25%
4 to 1	5 to 1	36%

This chart is really informative. Based on a win rate of 50%, we believe this makes it clear that we should be looking for no less than a 3 to 1 horse and a 4 to 1 horse in our 2-horse win wager. Preferably, both horses in the wager would be 4 to 1 or higher. Our example of “Dutching” 3 to 1 and 5 to 1 horses yields a 20% profit if we win the wager 50% of the time.

***The “Dutched” Exacta Wager***

A very good method to approach the Exacta and one that will help you determine how to structure your wager, is to draw a simple Exacta Matrix as shown below. The win horses are down the left side along with their odds. The place horses are shown across the top with their odds. Simply fill in the appropriate cells with the probable Exacta payoffs shown at the track.

**Exacta Probable Payoff Matrix**

<b>Odds</b>	<b>Place ▶</b>	<b>8-1</b>	<b>2-1</b>	<b>5-1</b>	<b>4-1</b>
<b>Win ▼</b>		<b>#2</b>	<b>#3</b>	<b>#6</b>	<b>#7</b>
<b>5-1</b>	<b>#6</b>	<b>\$98</b>	<b>\$28</b>	<i>xxxx</i> <i>xxxx</i>	<b>\$54</b>
<b>4-1</b>	<b>#7</b>	<b>Pass</b>	<b>\$23</b>	<b>\$48</b>	<i>xxxx</i> <i>xxxx</i>

In this example, we are looking at the payoffs for a 6,7 over 2,3,6,7 Exacta which has six possible combinations. The chart below shows how we might allocate our wager dollars to essentially “Dutch” the Exacta wagers.

<b>Win-Place</b>	<b>Wager Size</b>	<b>Total Payoff</b>
<b>#6 - #2</b>	<b>\$2</b>	<b>\$ 98</b>
<b>#6 - #3</b>	<b>\$7</b>	<b>\$ 98</b>
<b>#6 - #7</b>	<b>\$4</b>	<b>\$108</b>
<b>#7 - #2</b>	<b>pass</b>	<b>-</b>
<b>#7 - #3</b>	<b>\$8</b>	<b>\$ 92</b>
<b>#7 - #6</b>	<b><u>\$4</u></b>	<b>\$ 96</b>
<b>Total Wager</b>	<b>\$25</b>	

If one of our five Exacta combinations is a winner, we will be paid from \$92 to \$108 for our \$25 wager. This is not a true “Dutch” because the win amounts are a bit different, but it is close enough. We do not need a calculator at the track to determine these individual wager amounts.

**(Continued)**

### *The “Dutched” Daily Double Wager*

Let’s say you like four horses in the first race and two in the second race, with the “A” horses being your favorites in each race. Here is how we would structure the wager:

	<b>Race 1</b>	<b>Race 2</b>
<b>Wager set #1</b>	<b>A</b>	<b>AB</b>
<b>Wager set #2</b>	<b>ABCD</b>	<b>A</b>

We have only six possibilities with five distinct combinations. We will win the wager twice if our favorites (the “A” horses) win each of the two legs. To “Dutch” this wager bet proportionately more on the lower paying combinations than on the higher paying combinations. Again, you do not need to be precise. Approximations will do.

<b>Combo</b>	<b>Probable Payoff</b>	<b>Bet Size</b>	<b>Total Payoff</b>
<b>A/A</b>	<b>\$20</b>	<b>\$4</b>	<b>\$40</b>
<b>A/B</b>	<b>\$30</b>	<b>\$3</b>	<b>\$45</b>
<b>B/A</b>	<b>\$30</b>	<b>\$3</b>	<b>\$45</b>
<b>C/A</b>	<b>\$40</b>	<b>\$2</b>	<b>\$40</b>
<b>D/A</b>	<b>\$40</b>	<b><u>\$2</u></b>	<b>\$40</b>

**Total Wager \$14**

The net of this is that we would get a payoff of \$40 or \$45 for our total \$14 wager.

### *Other Wagers*

Win, Exacta and Daily Double wagers are easy to “Dutch” using the “Collective Public” probabilities and payoffs because we can actually see the probable payoffs in advance of making the wager. You can also get a pretty good idea of what Place and Show payoffs will be by looking at their respective wager pools. You can also gain some insight by using Exacta payoffs to estimate rough payoffs of Trifectas and Superfectas. Likewise, the Daily Double payoffs can help us estimate rough Pick 3 and Pick 4 payoffs.

**Pause:** Up to this point, we have used the Win, Exacta and Daily Double payoffs determined by the “Collective Public” to help us structure our wagers. More specifically, we have apportioned our total wager amount to each individual wager ticket such that we will get a payoff that is essentially the same (“Dutched”) regardless of which of our wagers actually wins. **And, by doing this, we have wagered more on outcomes with possibly higher probabilities and wagered less on outcomes with possibly lower probabilities.** The “Collective Public” will be wrong to some degree on the probabilities, but we do know the payoffs with some certainty and used that information to our advantage.

## Determining Total Wager Size

Now, we will turn to the second focus of this article which is how we can take advantage of the errors made by the “Collective Public” in their determination of Win probabilities.

Here are some important reminders.

### Reminder

**The “Collective Public” is made up of many good handicappers, many average handicappers and many poor handicappers.**

### Reminder

**Your job is to identify, in advance, the two out of three races that are not won by the crowd favorite and to identify the two non-favorite horses most likely to beat the favorite.**

### Reminder

**Races with 4-1 and up winners have Exacta and Trifecta payoffs about double (200%) the overall Exacta and Trifecta payoff averages and about quadruple (400%) the Exacta and Trifecta payoff averages for only races with winners going off at under 4-1. Here is an example of the payoffs for dirt sprints run at Calder Race Course in Florida.**

	Exacta	Trifecta
All Races	\$72	\$521
\$10 + Winners	\$147	\$1,193
Under \$10 Winners	\$35	\$188

*Note: See the Frandsen Publishing Favorite Article titled “Spotting the Surprises in Advance” for a comprehensive look at the payoffs for a broad selection of tracks across the country.*

**It is a fact that a horse's probability of winning the race is not exactly what the "Collective Public" says it is. This is a good thing! In fact, you want the "Collective Public" to be wrong, the more wrong the better.**

Our task at this point is twofold:

- 1) Determine when the "Collective Public" is wrong about their selection(s) and we are right about our selection(s).
- 2) Determine just how wrong the "Collective Public" is and just how right we are, sort of the "Collective Public's" degree of "wrongness" and our degree of "rightness".

Another way to state this is that we need to determine our level of confidence that the "Collective Public" is wrong and we are right. The higher our degree of confidence, the more we are willing to wager.

Now, here is the concept we have been leading up to. We were first introduced to this "gem" by an ALL-Ways Software handicapper ("Linda from Minnesota") who submitted a guest article that Frandsen Publishing included in ALL-Ways Newsletter #56 (January 2010). Linda's article was also included in the Frandsen Publishing Favorite Article Series, specifically in the article titled "*Handicapping and Wagering Made Simple ... It Works!*" ALL-Ways Newsletters and Frandsen Publishing Favorite Articles are available on the Frandsen Publishing Web site and they are free. Linda's concept is used in the Show Partial Parlay wager, but, as you will see, it can be expanded to other types of wagers as well.

Here, in her own words, is what Linda wrote:

*"A little 'trick' I use here is that the more top 3 public favorites I think will finish off the board, the higher the percentage of my Show Partial Parlay bankroll I will bet. If just one top 3 favorite will be off the board, I bet 10% of the bankroll. If I think two will be off the board, I bet 15% of the bankroll. If I think all three will be off the board, I play 20% of the bankroll. Again, the more top 3 public favorites that finish off the board, the better chance my show horse selection has of finishing in the money. If all the top 3 public choices are likely to take the win, place and show positions, I do not make the wager, again, because the show payoffs would just be too small."*

Here is a chart that illustrates Linda's thinking.

<b>Number of Top 3 Favorite(s) Off-the-Board</b>	<b>Show Partial Parlay Wager Size as % of Bankroll</b>
<b>1</b>	<b>10%</b>
<b>2</b>	<b>15%</b>
<b>3</b>	<b>20%</b>

**Here is the powerful logic used by this approach:**

- The more of the crowd's top 3 favorites that finish off-the-board, the higher our confidence level will be for our show horse to succeed because there will be more open slots for the horse to finish in-the-money
- The higher our confidence level is, the higher percentage of our bankroll we are willing to wager.
- The more of the crowd's top 3 favorites that finish off-the-board, the higher the show payoffs will be.

**Stop and think about this. The more top 3 favorites that will likely finish off-the-board, the higher our confidence will be, so we wager more of our bankroll and, at the same time, we can expect the best payoffs for our largest wagers! This is like a positive “perfect storm” ... if there is such a thing.**

**Important!**

We strongly support the concept of increasing wager size as more of the crowd's top 3 favorites figure to finish off-the-board. And, we support the 10, 15 and 20 percent of bankroll figures specifically for the “high percentage win” Show Partial Parlay wager. However, these percentages are probably a bit too high for wagers with inherently lower probabilities. Something like 4% - 6% - 8% or 6% - 9% - 12% may be more appropriate for higher risk wagers. The key is to be comfortable with the percentages you decide to use.

Now, let's see how we can use this concept for other types of wagers. We divide the wager types into three groups, specifically the “Foundation Wagers”, other “multi-position” wagers and multi-race” wagers.

***The Foundation Wagers***

The Foundation Wagers are the 2-Horse Win wager, the Win/Insurance wager and the Show Partial Parlay wager. Here are the four “Foundation Handicapping Skills” that are helpful for successfully playing these wagers.

- **Evaluating the crowd favorite as legitimate, vulnerable or false**
- **Identifying the two non-favorite horses with the best chance to beat the favorite**
- **Identifying a good Show Partial Parlay Horse**
- **Determining how many of the top 3 crowd favorites will likely NOT finish in-the-money**

**Note:** For more detailed information about these wagers and skills, see the Frandsen Publishing Favorite Article titled “Building a Solid Foundation.”

Regarding the **Show Partial Parlay Wager**, we have already seen that the Show payoffs will be larger and our confidence higher as more of the “Collective Public’s” top 3 selections finish off-the-board. This is also the case with the **Win/Insurance Wager**. This wager is where we bet on a single horse to win with “saver/insurance” wagers to Place and Show on the same horse. We bet using a ratio of \$2 to Win, \$4 to Place and \$12 to Show. In both of these Foundation Wagers, we benefit when the favorites are off the board. Note: If you want to play a **Place Partial Parlay Wager**, then you are focused on how many of the top 3 public favorites will not finish in the Win or Place positions, because the Show horse has no bearing of the Place payoffs.

Regarding the **2-Horse Win Wager**, we are only concerned with the payoff for the winning horse and we know what the payoff will be before we place the wager. So, the “Number of Favorites off the Board” concept is helpful primarily as it affects our confidence level and, consequently, the total size of our wager.

### ***Within Race Multi-Position Wagers***

These wagers are basically the Exacta, Trifecta and Superfecta. **The impact of the “Collective Public” favorites finishing off-the-board is very strong for these wagers.** The more of the “Collective Public” top three favorites that do not finish in the Win or Place positions, the higher the Exacta payoffs will be and the higher our confidence level will be as well. The more of these favorites that finish completely off-the-board, the higher the payoffs will be for the Trifecta and Superfecta wagers and, again, the higher our confidence level will be.

**Here is a big point:** If you play the Show Partial Parlay Wager, or at least handicap for it, the handicapping you do for the wager will put you in a good position to decide if you will play the Exacta and/or the Trifecta and/or the Superfecta and, if you do, how much of your bankroll to invest in the total wager.

### ***Multi- Race Wagers***

These wagers are the Daily Double, the Pick 3, the Pick 4, etc. These wagers are a bit different. We do know the probable Daily Double payoffs in advance, which is not the case for the Pick 3 and Pick 4 payoffs. We also know the “Collective Public’s” top picks for both legs of the Daily Double, with the second leg being based on the probable Daily Double payoffs. So, we can apply the “off-the-board” concept to both legs of the Daily Double which is also the first two legs of the Pick 3 and the Pick 4.

## **Summary**

**Reminder:** The “Collective Public” is made up of many good handicappers, many average handicappers and many poor handicappers. We obviously strive to be in the group of “good” handicappers.

A good way to pursue this goal is to focus on determining how many of the “Collective Public’s” top three favorites will likely finish off-the-board. The more of these favorites that will likely finish off-the-board, the higher our confidence level will be regarding our selections and, consequently, the more of our bankroll we will be willing to use in our wager(s).

Then, we can use the “Collective Public’s” odds and payoffs to allocate our wager dollars by “Dutching” our wagers.

## **Repeat**

The more of the “Collective Public’s” top 3 favorites that finish off-the-board, the higher our confidence level will be for our selected horses to succeed because there will be more open slots for these horse(s) to finish in-the-money.

The higher our confidence level, the higher percentage of our bankroll we are willing to wager.

The more of the “Collective Public’s” top 3 favorites that finish off-the-board, the higher the wager payoffs will be.

**Higher confidence yields higher payoffs for our biggest wagers.**

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PO Box 1439  
Minnetonka, MN 55345  
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How to contact Frandsen Publishing

Phone: 952.937.9180

E-Mail: [FrandsenPublishing@Comcast.net](mailto:FrandsenPublishing@Comcast.net)

Website: [www.frandsen.com](http://www.frandsen.com)

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