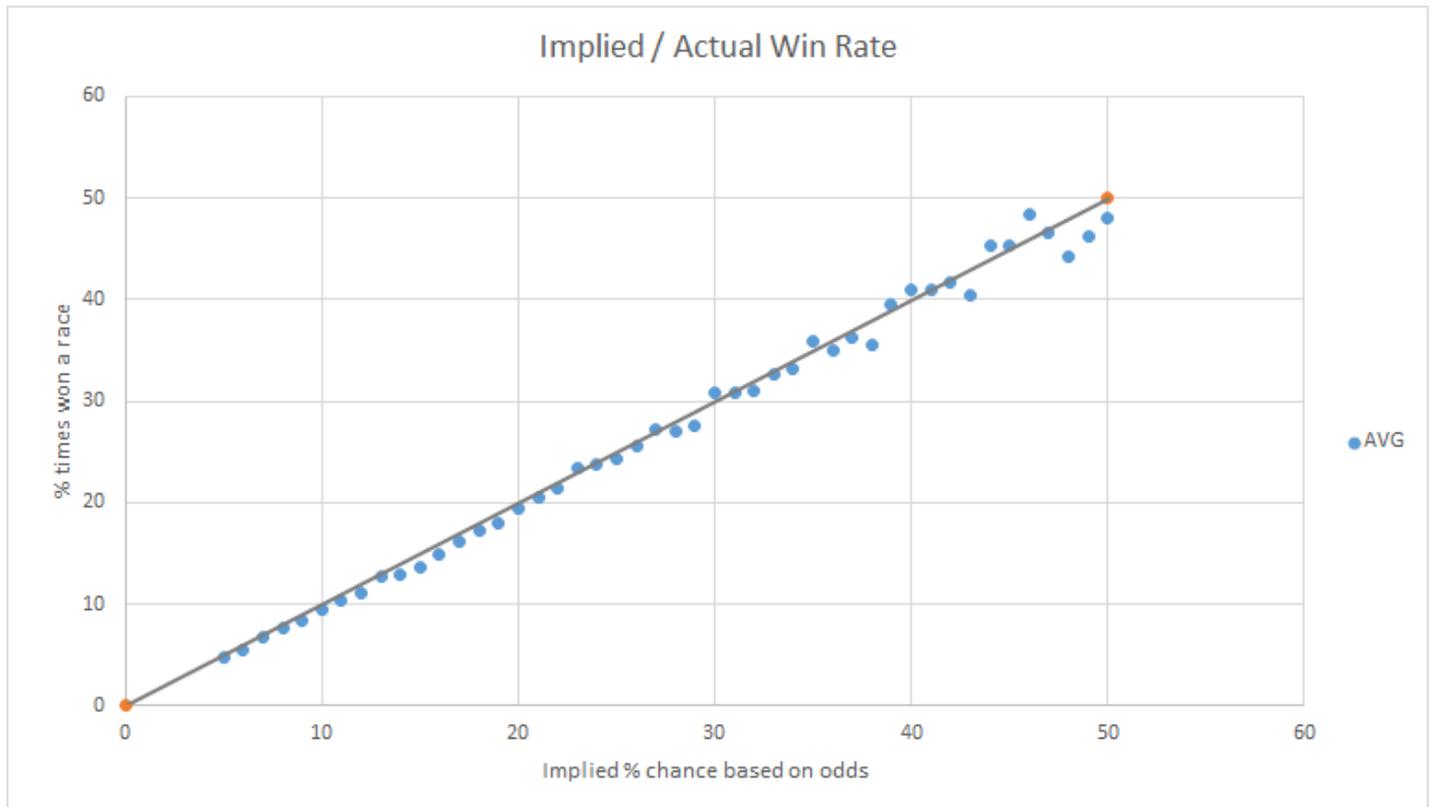


Drifters – Backing for Value

Can long term drifters provide a value indicator? Betfair reported that they do (in a very general way), I wanted to take a look for myself and I'll be presenting my findings here.

The basis of my theories here are centred around gaining odds on horses above the average odds matched on the exchange.

Here is why -

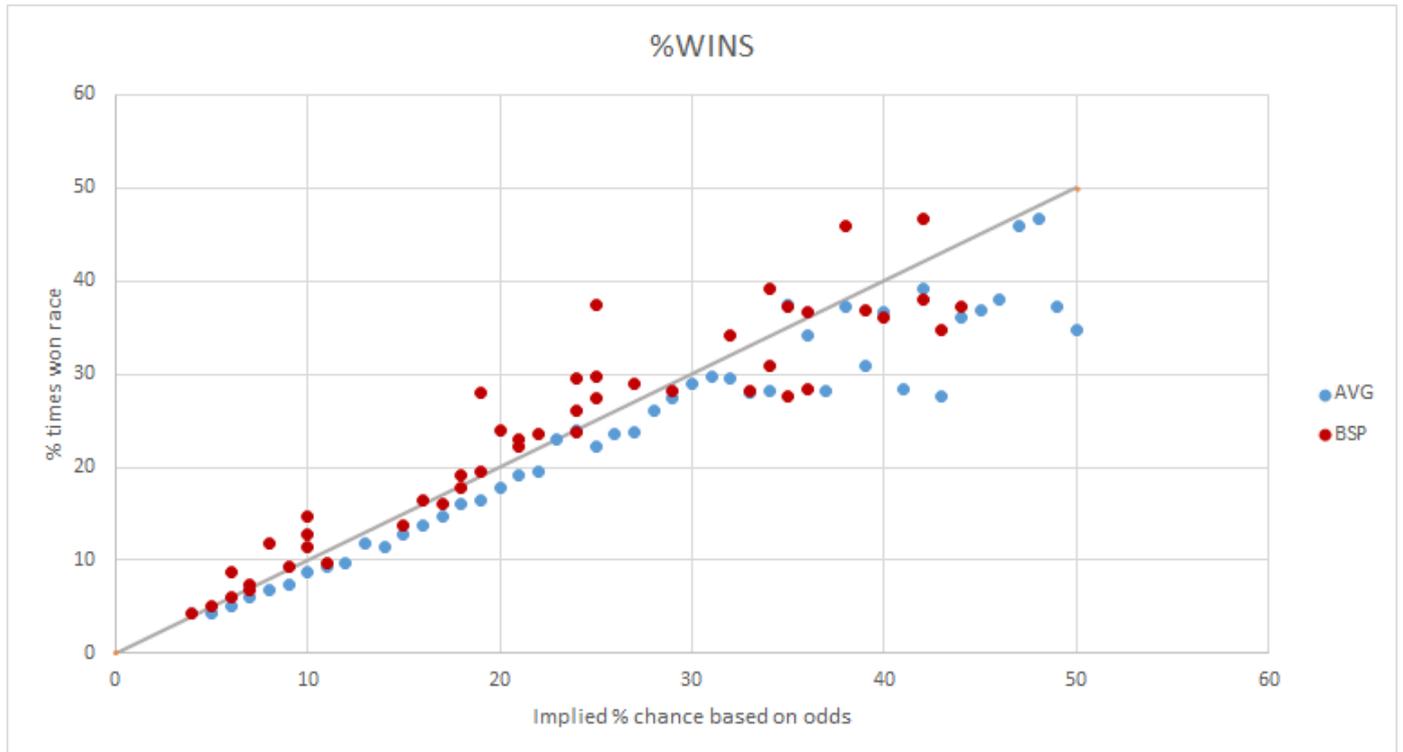


The correlation between the implied percentage chance of winning based on the average price matched and the actual percentage wins of horses with those odds is within a few tenths of a percent. As a slight aside, the data here shows a favouring on the lay side by 0.525%

It may sound obvious but if you were to achieve higher than average odds matched on all horses then you'd be in a very profitable position. This of course is impossible, as it would require you to know the odds movements for all horses before they happen. Does this still hold though for horses, where at near the off time, you know that you can achieve higher odds than the average - namely drifters?

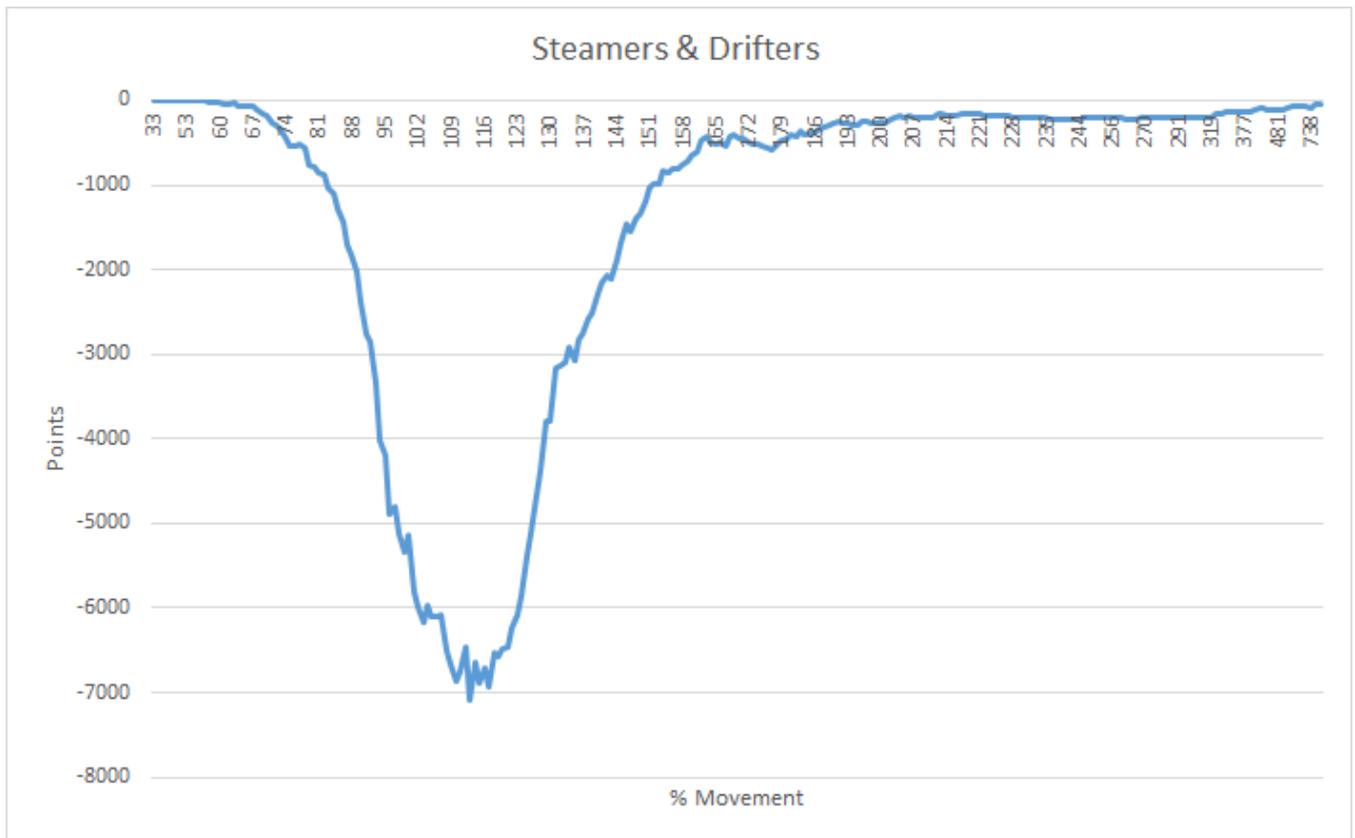
For this we need a sub set of runners, where the BSP is over the average + 10% to get over the Betfair commission and to give some room for a profit. This cuts our pool of horses down from 760,000 to 416,000, so about 55% of horse's drift 10% or more.

Using this sub set of horses and now plotting % times won of BSP prices - in red, and average matched prices - in blue, shows:



Average prices are actually lower than their percentage chance implies. More importantly BSP's are over. If they are on average over enough to overcome Betfair commission then there may be profit to be had from backing drifters.

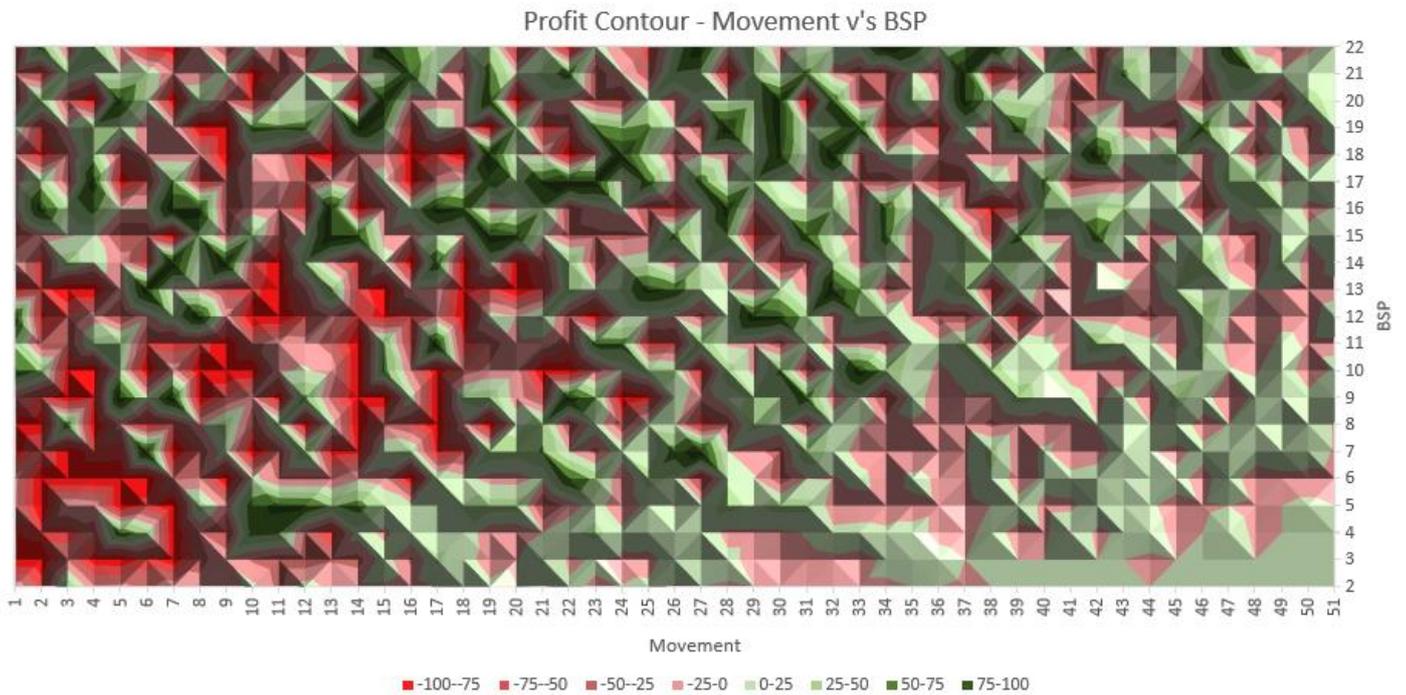
Finding the optimum amount drifted is a touch tricky mainly due to our old friend Betfair commission, which is applied on a race by race basis (which is a blessing at least). Fortunately, I'm after a trend here to find a 'sweet spot' and haven't currently got to proving profit over time for a set of filters yet.



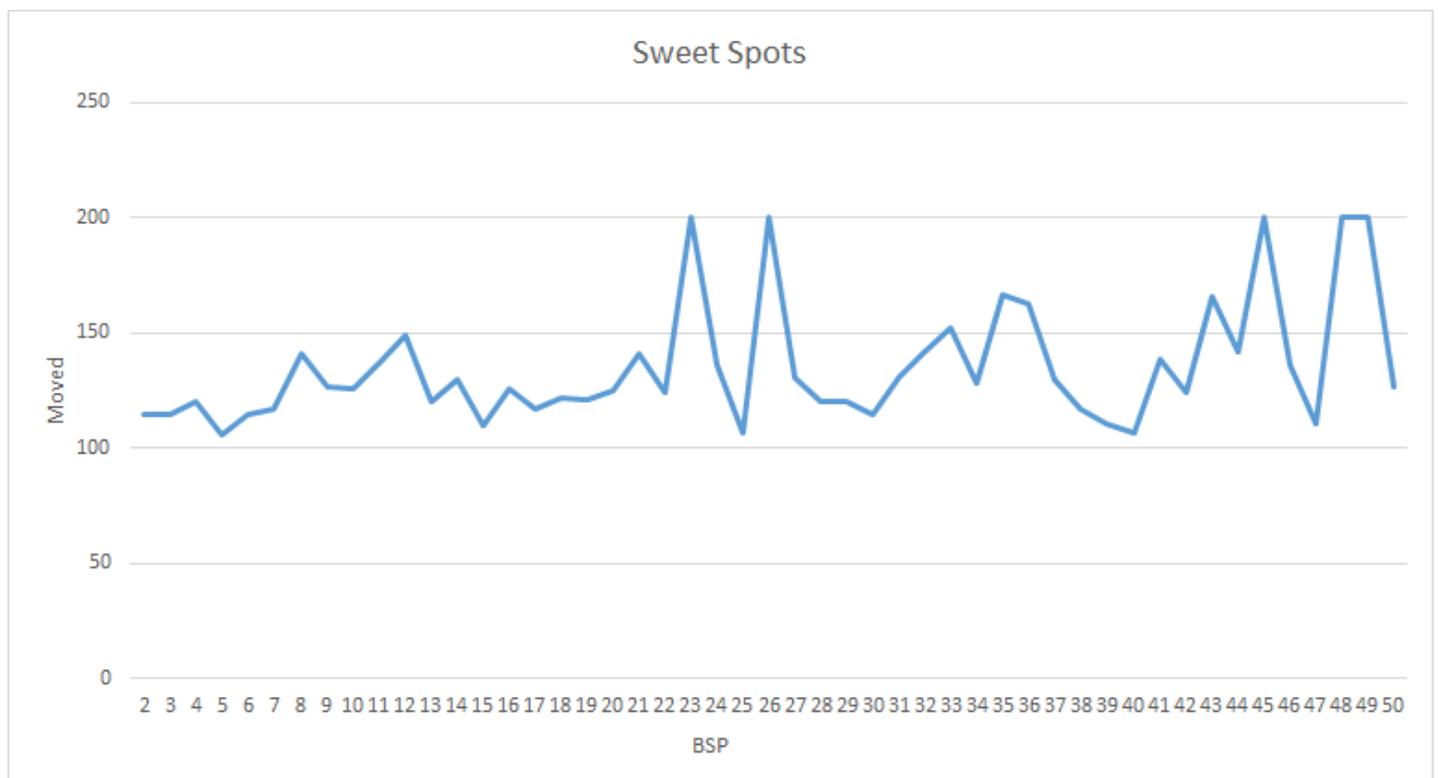
The grouped profits of each rounded percentage movement have been 'adjusted' here to give an overall profit of 0. This allows an 'un-distracting' view, the nature of the chart remains whether the data has commission taken as 5% per bet or not applied at all but it's easier to see the rates of change by presenting the data in this way. The point here is not looking for profit (as they are skewed - a lot), but to find the right movement range to target by looking for a positive rate of change.

113% (BSP = 113% of average) is the lowest point, 121% is into the non-volatile rise. It's as clear as day that drifters (BSP / Average) are more profitable than steamers and anything over a 20% increase seems to be a good point to further the investigation.

This 'sweet spot' however is for all odds 1.01 to 20, to see if this changes for finer odds ranges a I tried a profit contour (heat map) chart, the dark the red the more the loss, the greener the green the more the profit:



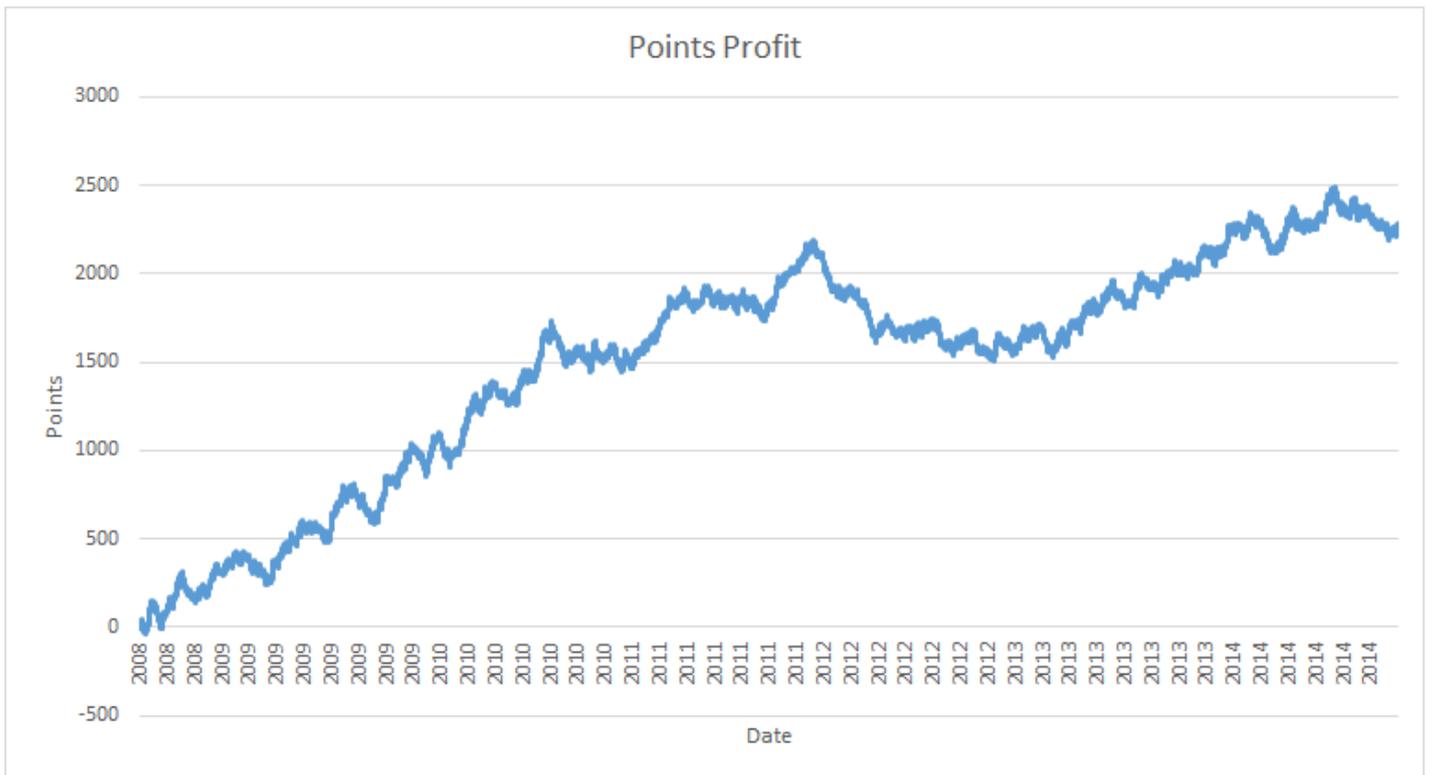
If you're feeling like that's a 'bridge too far', you're not alone, I can't tell a great deal from this, there's red to the left and green to the right but that's about it. I had to do this the hard way by repeating the 'steamer and drifter' line chart for each odds range: 0.5 to 1.5, 1.5 to 2.5 and so forth and pick a sweet spot from each. I won't show all those charts here but here are those sweet spots against their odds:



There is no real determinable pattern here, the fluctuations are just a mixture of natural variation and my judgement in picking the value from each test - sometimes they weren't quite as obvious due to smaller data sets. I did extend my search up to odds of 50, just to see! The pattern gets quite volatile after odds of 22 so that's worth keeping in mind when we go forward to looking for actual profits from this data, at least though I'm happy to stick to a minimum movement of 20% in all cases - which make the job a lot easier, but it was worth checking.

So let's get down to it and see what the profit / loss over time is for drifters of 20% or more. The data is grouped by race and commission is taken at 5% per race.

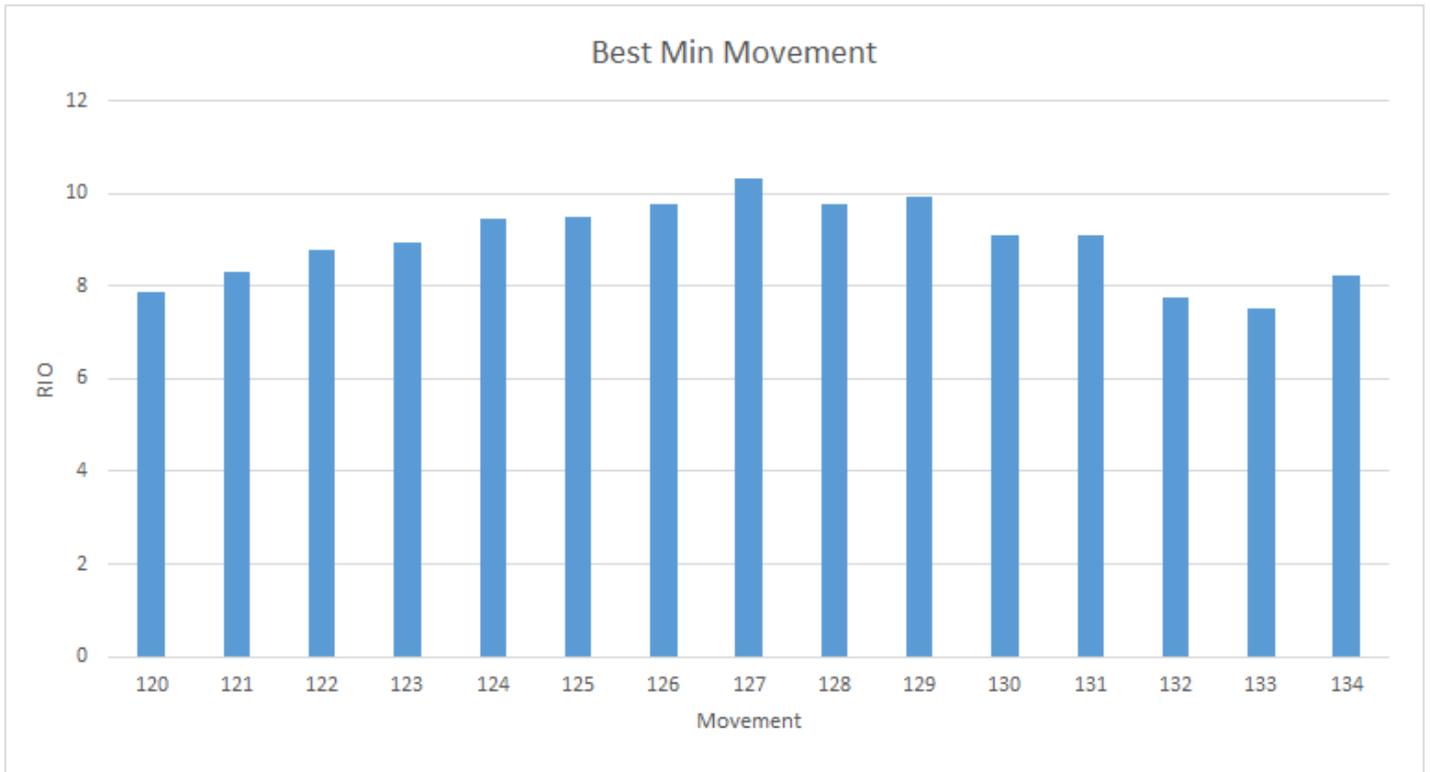
The odds used are based on BSP's from 2.0 to 20 inclusive and the date range is from 04/2008 to 11/2014:



60825 bets were made with a resultant profit of 2267 points giving a yield of 3.7% - after commission. The higher the odds included the much more volatile the profit line gets.

This odds range is as good as I could find. We can however optimize the min movement we are going for, just because the profit sweet spot is at 20% does make it the best yield wise.

A 'quick and dirty' ROI search against movement (no commission and all that) shows 127 might be the best for that:



I checked this with more in depth methods and it held up as I suspect.

The profit / loss stats for 127% (27% movement) and over are 1921 points over 33854 bets giving a 5.67% return - which is a bit better.



Negatives:

The overall impression is of consistency but there are some big drops (nearly $\frac{1}{4}$ of the bank over a lot of 2012). Also, although in profit, 5.6% is healthy but not terribly exciting doesn't leave a lot of room for error.

I've no idea why early / mid 2012 was the year that bucked the trend for this system. If you've any clue please let me know!

Positives:

There are about 15 bets per day here and the conditions for betting are not over filtered and are based on a sound principle. This approach is well worth adding to your portfolio or being used to combine in with other strategies which I'll be doing in other reports on steamers and drifters.

Recap:

Odds 0 to 22

Min Movement 27% (BSP from WAP)

Instructions on how to set this up will be included with the Pro Software.