

27 April 2010 - Tara Loader Wilkinson

How to spend your bonus, part 4: Racehorses

In the final edition of a four-part series, Financial News looks at investing in racehorses. Not for the faint-hearted or cash-tight, racing horses has been called "the most fun you can have with your clothes on" - with the benefit of a real potential for making a profit.



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Experts are quick to warn that not all horses will yield a return, but if you get lucky and back the right horse you could end up making millions.

"Everyone dreams of finding the next Derby winner, and we have backed some star horses but we have had our share of Dobbins," said Harry Herbert, managing director of Highclere Thoroughbreds, a horse racing syndicate firm.

The best performing horses are bought as yearlings for around 50,000 Guineas from horse centres like Newmarket in Suffolk, and can get sold six years later for upwards of £6m (€6.9m).

Prize winnings, stud fees or sales of foals can add three or four more zeros to the value of a horse. "Some horses pay for themselves several hundreds of times over", said William Sporborg, founder of asset manager Breeding Capital.

One such horse is Dar Re Mi, owned by British composer Andrew Lloyd Webber and his wife Madeleine. The mare won £2m in the [Dubai](#) Sheema Classic last month, and is estimated to have a residual value of £8m. Her foals will sell at a premium.

Sea The Stars, the champion Irish thoroughbred colt racehorse, has earned £4.4m in prize money and is estimated to be worth £80m from his stud value which is likely to be upwards of £25,000 per mare.

But the capital gain should not be the main motivation for those wishing to break into horse racing, Sporborg added. "It is the most fun you can have with your clothes on. But horse racing is by its nature, a loss-making activity. You need good advice and a bit of luck to make money."

Depending on how much of your bonus you've got to flutter, there are three main ways to break into racehorses.

Some racing aficionados choose to invest through a syndicate. An investment of £15,000 will get you a tenth share of a good quality yearling, with all veterinary, transport management and social costs taken into account, at Highclere Thoroughbreds.

Harry Herbert is the driving force behind Highclere, the UK's largest racing syndicate with 250 clients and 40 horses. Highclere has campaigned Derby 2005 winner Motivator and multi-award winning mare Petrushka, and enjoyed other victories at [Ascot](#) and Newmarket.

London's Thurloe Thoroughbreds also has a good track record with stars like 2002 champion sprinter Kyllachy, top-class hurdler Geos and the fine sprinter Baltic King, now at stud in [Ireland](#).

For those less endowed in the bonus department, there are horse racing funds which yield more predictable annual returns.

William Sporborg runs asset manager Breeding Capital, which has a £5m portfolio of bloodstock assets, comprising broodmares, foals and yearlings, with a minimum investment of £10,000. The fund falls under the enterprise investment scheme, giving investors 20% tax relief.

For the die-hard horse lovers or the super-rich, buying a horse outright is another option. Experts advise getting in touch with a bloodstock agent like [John Warren](#), Tom Goff, [Richard Brown](#) and [Peter Doyle](#), who charge a 5% fee in return for advising on the best horse. Veterinary fees, transport, and training can cost a further £30,000 annually.

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