

# A STABLE INVESTMENT?

*Investing in horses provides glamour, excitement, thrills — and just possibly a nice return past the post*



**ELEANORE KELLY**  
IS SPEAR'S EQUINE WRITER

The UK has long been a world leader in racing, breeding and sports horses. British riders finished top of the medal table at the recent World Equestrian Games and won sixteen medals at the London Olympics. Horse racing remains the most watched sport in the UK after football and our studs and trainers have been responsible for breeding and nurturing countless equine heroes: Frankel, Sea the Stars, Arkle...

Our historic yet innovative equine and racing industry is worth nearly £8 billion to the UK economy and provides employment for up to 270,000 people according to DEFRA. UK exports of horses increased by 12 per cent between 2010 and 2013. The Chinese have just lifted the import ban on UK thoroughbred and sports horses, which DEFRA say will be worth millions each year. Tattersalls is Europe's oldest and leading bloodstock auctioneer and their chief sale is the October Yearling Sale in Newmarket. Last year a new European record for a yearling and a world record for a yearling filly were set when Al Naamah sold for 5 million guineas (£5.25 million) to Sheikh Joaan Al Thani's Al Shaqab Racing.

Investing in thoroughbred bloodstock can lead to significant profit without the need for 100 acres in Gloucestershire and if you don't know your forelock from your fetlock, there are experts to help. Unlike buying a racehorse or a showjumper that might require lengthy investment in training and upkeep, bloodstock trading can produce a quick return with less long-term exposure to risk. There is a good market for buying yearlings in the Tattersalls October sales and selling them as two-year-olds with some racing form. These sales have provided four Derby winners in the last ten years — Motivator, Authorized, Camelot and Australia.

Bloodstock agents work with your budget and deal with all the buying and selling for a commission or an advisory fee. Charlie Gordon-Watson has been an agent since 1985. 'We have a world marketplace here in the UK. British and Irish bloodstock is the best in the world and everyone wants to be involved.

Anyone wanting to sell a good horse is going to get good returns — although normally the very rich don't want to sell a good one.'

For those with an interest in horses or the lifestyle, ambience and thrill of seeing their horse at Royal Ascot, Hickstead or Badminton, but who are less concerned about profit, there are plenty of options available.

Take Harry Herbert's Highclere Thoroughbred Racing (HTR), which he set up in 1992 and which offers shares in a range of syndicates every year. The number of shares varies between ten and twenty and the number of horses will vary in each syndicate. The horses are selected by Harry's brother-in-law John Warren, a leading bloodstock agent and racing adviser to the Queen, and trained by the country's top trainers.

## THAT NAGGING FEELING

This is an opportunity for people to enjoy the sport at the highest level without the huge outlay and overheads of owning a racehorse. 'For less money than it costs to train one horse for a year, we are offering people shares in more than one to experience and enjoy the extraordinary buzz of racing with the best experts in the field to act as your racing managers.' Harry does warn that 'while the prize money can be significant, few people own a racehorse to make money. I would never sell anyone a share on this basis. Their aspirations are to be in the winner's enclosure at Royal Ascot or Glorious Goodwood and as we buy top quality yearlings, they have a real chance of this.'

Indeed HTR has had seven European champions including Derby winner Motivator and King George VI winner Harbinger. And there are examples of members reaping returns from their investments. Harbinger was sold after his big win with each shareholder coming away with £400,000.

Sport horses — those intended for dressage, showjumping and three-day eventing — can bring much enjoyment. They are usually a longer-term investment but financial rewards can be reaped. Penelope Lang of Smith and Williamson specialises in equine

tax: 'We have remained very sports active at the higher end in giving appropriate tax advice and I have recently come across two examples of sports horses reaching in excess of £5 million.'

With its links to luxury fashion, celebrities and VIP parties, dressage is popular among the wealthy with a healthy amateur market. While the prize money is relatively low, the horses command perhaps the highest prices of all sports horses. Medal winner Totilas is rumoured to have sold for €20 million. Michel Assouline has sold horses of all levels worldwide. His clients include Olympic and Paralympic riders and many corporate and private investors in the UK, Europe and the Far East.

'Most people are buying for their own enjoyment rather than to make a profit. We usually buy them as young horses and produce them for a few years. I have a large number of clients looking for horses at Grand Prix level and prices for these horses start at £250,000, reaching well into the millions for one with a good competition record.' Along the way owners can have a lot of fun but be warned: overheads are high. Expect to pay around £1,800 per month for management and training costs if a top rider is involved. Michel explains: 'We have sold a lot of good horses and while it has not made us wealthy it has made us very happy and I think the same can be said for most people in the sport.'

## HORSES FOR COURSES

The glamorous world of showjumping has also proved to be a thriving business at the top end. Over the last few years it has become a major-money sport with Longines, Rolex and Gucci sponsoring events. Showjumping horses that are ready to compete at World Championships or the Olympics are reported to command between £1 million and £5 million. The industry has seen significant growth with inevitably a large influx of money from new entrants around the world, particularly the Middle East.

It was rumoured that the Saudi team had a budget of £100 million to spend for the Olympics. In addition, their meteoric rise to success has driven wealthy owners and sponsors in nations with a tradition of showjumping to raise their game and find the horse power with future championships in mind.

Caroline Wilks recognised the business opportunity in the market and set up IN Showjumpers in 2011 for those who wanted to make money out of the business but did not have the expertise or contacts to identify horses with the scope and talent at the top of the sport.

Caroline explains: 'There has been little increase in the number of great horses being bred but there are more people with deeper pockets looking to find them. Very few individuals possess the rare qualities to identify such horses. We trade a portfolio of high quality showjumpers with the benefit of continuing advice of Duncan Inglis and Henk Nooren who have established international reputations as successful



riders and trainers for competing at the very top international and Olympic level and have a track record of selling horses for profit as opposed to keeping them for their own glory, which is the nature of this business.

'We buy horses that show the talent and potential to succeed at the highest level with the aim of selling them for significant profit within 18-36 months. Since we started we have set up two EISs and raised £4 million, and have an average return of 40 per cent net of expenses. Ninety per cent of our investors are non-horse people who, once they get their head around the fact it's a horse, recognise what an attractive asset-backed investment it can be. Our clients not only invest in horses but are getting shares in the company and we de-risk the opportunity by insuring all the horses for loss of use and mortality.' Furthermore, tax benefits include 30 per cent EIS, exemption from CGT on disposal of shares and 100 per cent IHT relief.

Penelope Lang confirms that there are tax benefits on offer in equine investment but they can be tricky to navigate: 'It is clear that the profit on buying and selling competition horses is tax free where the horses are bought for the purposes of competing rather than being bought as part of a trade. There are no hard and fast rules, but actions such as turning down a good offer for a top class horse because the owner thinks it will go to the world championships indicates a non-trading motive. The upside of a non-trading motive is that any profits are tax-free, but the downside is that costs are not deductible against any income.'

There is money to be made and fun to be had through investing in horses — more love than gain, perhaps, but for the skilled and lucky this can be a profitable and tax efficient pastime. *J*



*Syndicate members can reap returns — King George VI winner Harbinger was sold after his big win, with each shareholder coming away with £400,000*