

How to Buy a Horse

In the constantly evolving world of alternative investments, racehorses represent a unique intersection of passion, prestige, and financial opportunity. For professional investors, family offices, bankers, and lawyers seeking uncorrelated asset classes, the equine investment market offers a distinct – albeit nuanced – avenue for diversification. Beyond potential financial returns, racehorse ownership can open doors to elite networks, exclusive events, and valuable branding opportunities. However, this asset class demands a level of diligence and legal structuring comparable to that required for more conventional investments.



*By Agnieszka Kalinowska
Of Counsel Davidoff Law
Equine Law Specialist
Zurich*



*and Ariel Sergio Davidoff
Founder Davidoff Law
Equine Law Specialist
Zurich*

1. The Racehorse Market

The global racehorse industry, particularly within thoroughbred racing, constitutes a significant segment of the wider sports and entertainment economy. Major racing hubs include the United Kingdom, Ireland, France, the United States, Australia, and, increasingly, Japan and the Middle East. Within these markets, racehorses are traded through both public auctions and private transactions. Institutions such as Tattersalls (UK), Keeneland (USA), and Arqana (France) act as key venues for the purchase and sale of racehorses, ranging from yearlings to established racers and broodmares.

Market values are driven by several core factors: pedigree, conformation, race performance, and breeding potential. Horses with elite bloodlines and strong racing records can command prices in the millions, whereas younger or less proven horses may be traded at considerably lower valuations. Notably, racehorses are biological assets whose value may appreciate rapidly following a single win, or depreciate sharply as a result of injury or underperformance.

Prize money and breeding revenues represent the two principal sources of income. Top-tier races offer purses ranging from hundreds of thousands to several millions, and a successful racehorse

may command substantial stud fees upon retirement. Mares, likewise, can become valuable breeding assets, particularly where they produce successful offspring. This dual-income potential enhances the investment case, but also introduces additional layers of complexity and risk.

“Recent international industry reports show that prize money has become one of the key variables shaping investment decisions in racehorses. While rising purses in selected jurisdictions improve the revenue potential of racing careers, they also influence where horses are bought, trained, and campaigned. In-

vestors increasingly look beyond headline figures, focusing instead on the depth and consistency of prize money across race classes, as this determines the sustainability of returns rather than isolated high-value wins.” – Annamaria Sobierajska, a well-known racing and equestrian journalist.

2. Ways to Acquire a Racehorse

There are multiple pathways for investors to enter the racehorse market, each with differing levels of capital exposure, control, and involvement. Legal and tax implications vary significantly by structure, making early-stage legal consultation essential.

2.1 Direct Purchase

Direct acquisition remains the most traditional and transparent route. Under this model, the investor purchases a horse outright, typically at auction or through a private treaty sale. While this approach affords maximum control, it also entails full exposure to the associated costs and risks.

Expenses can be considerable: training fees, veterinary costs, insurance premiums, transportation, and race entry fees must all be incorporated into the investment model. Depending on the jurisdiction, owners may also be subject to VAT, import duties, and registration requirements imposed by racing authorities. Legal due diligence should encompass verification of title, careful review of seller representations, a thorough pre-purchase veterinary examination, and scrutiny of the applicable auction house conditions.

2.2 Co-Investment and Syndication

Syndicates and co-ownership models offer more accessible entry points. Here, a group of investors collectively acquires a horse and shares ongoing costs and proceeds. This reduces individual capital exposure and allows participation in higher-quality bloodstock.

Syndicates may be informal or professionally managed. In either case, it is critical to have a well-drafted co-ownership agreement addressing ownership percentages, decision-making rights, prize money allocation, exit mechanisms, and dispute resolution. Some

jurisdictions require syndicate registration with racing authorities.

2.3 Corporate Structures (SPVs)

Many professional investors opt to hold racehorse investments via a Special Purpose Vehicle (SPV) or corporate entity. This approach can enhance liability protection, provide tax planning benefits, and facilitate structured partnerships. It also allows the racehorse to be treated as a business asset, potentially enabling depreciation or cost offsetting.

Legal considerations include corporate governance, shareholder agreements, directorship, regulatory filings, and the contractual framework with trainers, veterinarians, and transport providers. Where cross-border transactions are involved, tax residence and withholding obligations should also be analysed.

2.4 Associations and Clubs

Racing clubs and associations operate on a subscription basis, offering members a lifestyle experience with limited or no equity ownership. Members enjoy access to stable visits, race-day hospitality, and updates but do not usually bear operational risks or enjoy financial returns.

While these arrangements are less about financial investment and more about social capital, legal clarity is still essential. Terms of membership, liability disclaimers, and data privacy obligations should be clearly documented. Clubs may also be subject to consumer protection or advertising regulations depending on their structure.

2.5 Leasing Arrangements

Leasing a horse offers a flexible and comparatively lower-risk means of participating in racehorse ownership. Under a lease arrangement, the lessee pays a fee – often on a seasonal or annual basis – in exchange for control over the horse’s racing career, including the selection of trainer and entry into races.

This model is particularly suited to those wishing to experience the benefits of ownership without the need for long-term commitment or significant capital outlay. Lease agreements should clearly delineate the respective rights and obligations of the parties, including performance expectations, insurance cover-

age, veterinary care, and return conditions. In certain jurisdictions, such arrangements must also be registered with the relevant racing authority.

2.6 Digital Platforms and Tokenisation

Technology is reshaping the racehorse investment landscape. Digital platforms now offer fractional ownership through tokenisation, allowing investors to acquire small stakes in high-value horses via blockchain-based tokens.

This model offers unprecedented liquidity, transparency, and access, particularly for a younger demographic. However, it also raises regulatory, custodial, and legal issues. Investors must understand the rights attached to each token, including voting, prize money entitlement, and exit options. Platforms should be vetted for compliance with financial promotion rules, investor protection standards, and digital asset custody protocols.

“The world of horse racing, along with its evolving forms of ownership and co-ownership, continues to develop. The history of the sport is filled with examples of horses purchased for staggering sums that never achieved spectacular success, as well as those acquired at relatively accessible prices that later delivered outstanding racing performances. Naturally, there are many risks along the way and numerous factors that can influence the outcome, but ultimately there is something that cannot be valued, the profound satisfaction of entering a world where royalty and ordinary individuals compete on the same level and have the chance to stand on the same podium. Moreover, whether one owns 5% or 100% of a horse, the emotions experienced during the race are exactly the same.” – Annamaria.

3. When Is an Escrow Needed?

Escrow arrangements have become an increasingly common feature in racehorse transactions, particularly in private sales and cross-border deals. An escrow mechanism ensures that purchase funds are not released to the seller until specified conditions have been satisfied, such as the completion of a veterinary examination, the transfer of

ownership documentation, or the fulfilment of export or import requirements.

The appointment of an independent escrow agent – typically a law firm – serves to mitigate counterparty risk and provides a structured framework for managing potential disputes. Escrow provisions should be clearly and precisely set out in the sale and purchase agreement, including the conditions for release, applicable timelines, dispute resolution procedures, and the governing law. Escrow structures may also be employed in syndicate contributions, leasing arrangements, or digital platform distributions, thereby enhancing overall investor confidence.

4. Can Racehorses Be Used as Collateral?

Racehorses may be used as collateral in secured lending transactions, although lenders typically apply stringent due diligence standards. This will usually include verification of title, confirmation of adequate insurance coverage, independent valuation, and, in many cases, the assignment of control rights over race winnings or breeding income.

In more structured financing arrangements, the racehorse may be held through a dedicated vehicle – such as a trust or corporate entity – whose shares are pledged to the lender. The relevant contractual framework must address enforcement rights, clearly defined events of default, and mechanisms for realisation or liquidation. Owing to the inherent volatility and biological risks associated with the asset class, mainstream financial institutions are often reluctant to accept racehorses as collateral. Instead, specialist lenders or boutique finance providers are more active in this area, particularly where the horse forms part of a broader portfolio that may include breeding rights or associated real estate.

From a legal standpoint, any security interest must be properly perfected and, where applicable, registered in accordance with the relevant jurisdiction. The priority of competing liens should be clearly established. Fluctuations in valuation, mortality risk, and differences in legal recognition across jurisdictions all necessitate careful structuring and comprehensive documentation.

5. Summary

Racehorse investment is both emotionally rewarding and potentially lucrative despite its considerable financial exposure. The market offers a range of entry points, from lifestyle-oriented club memberships to sophisticated SPV structures and tokenised participation. Investors may generate returns through prize money, capital appreciation, and breeding income, but must also contend with significant costs, health-related risks, and regulatory complexity.

For professional investors and institutions, racehorses can provide a tangible diversification opportunity within a broader portfolio. However, as with any alternative asset class, careful structuring and robust governance and risk control are essential. Legal documentation should be comprehensive and precise, and commercial risks should be transparently assessed.

As the industry continues to professionalise, standards of due diligence and investor expectations are rising. This trend is a welcome one: greater transparency, enhanced regulatory frameworks, and the use of digital platforms are contributing to a more accessible, structured, and credible investment environment.

6. Next Steps:

Legal Advice as a Strategic Asset

Racehorse transactions involve a unique blend of commercial, tax, regulatory, and asset-specific considerations. Whether one is acquiring a horse directly, joining a syndicate, leasing a prospect for a season, or investing via a tokenised platform, legal expertise should be engaged from the outset.

Key legal services include:

- Drafting and negotiating sale and lease agreements
- Structuring SPVs and syndicates
- Advising on escrow, collateral, and security structures
- Performing due diligence on title, health, and ownership history
- Navigating racing authority registrations and compliance
- Reviewing tokenisation and digital platform documentation
- Managing tax and cross-border implications

Engaging a law firm with industry-specific experience ensures that investors' interests are protected and transactions are structured optimally. In a high-stakes environment where fortunes can turn on a single race or regulatory decision, sound legal advice is not merely advisable – it is indispensable.

For those prepared to combine passion with prudence, racehorses can offer more than just financial returns: they provide a gateway into an enduring cultural tradition, an emerging investment niche, and a distinctly human pursuit of excellence.

agnieszka.kalinowska@davidofflaw.ch
arielsergio@davidofflaw.ch
www.davidofflaw.ch