



Australia's Peak Oil Billionaire

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Alan Kohler of the Business Spectator's "KGB Report" has an interesting column on an Australian fund manager, Phil Matthews, who has apparently [become a billionaire](#) after betting big on peak oil. The KGB boys seem to have become peak oil believers, with Robert Gottliebson also writing a column on peak oil - "[Peak Oil Gathers Steam](#)".

Phil Matthews, the Sydney-based fund manager nominated by Barron's as the best performing manager in the world, seems to have made a billion dollars in May alone from oil futures. It looks like he is now personally worth as much as \$2 billion as a result of his incredible oil bet.

That would make him Australia's 13th richest person, just ahead of Lang Walker and behind John Gandel, except the BRW rich list editors haven't discovered him yet. His Sabre Fund ended April with \$906 million; it is now worth around \$2 billion. He has told me that the three funds he manages are now worth around \$3 billion. About two-thirds of the money in the funds is believed to be in his name.

Mathews is not much of a talker, but one of his clients told me, between gusts of happy laughter, how he made a billion dollars from oil futures last month. Late last year Mathews noticed that 2013 oil futures were trading at a big discount to the spot price, which then was around \$US90 a barrel. The oil price is going to rise over the next five years, he believes, not fall, so the price for five-year delivery should be at a premium, not a discount.

Those who know Mathews say that when he gets an idea, he "backs a truck up to it" and bets big, usually with borrowed money. The client we spoke to said: "You've got to wear plastic underpants with Phil." So when he saw the absurdity of 5-year oil trading at a discount to spot, he plunged.

At that point the May 2013 price was around US\$80 a barrel against spot of US\$90. By the end of May 2008, the spot price had gone to US\$120 and the price for May 2013 delivery was at US\$140. It was a 'whiplash'. While the front month futures contract, or spot price as it's more commonly called, rose 33 per cent, the 2013 price went up 75 per cent, as long futures moved from a discount to a premium to spot. Has anyone ever made a bigger killing from one bet since George Soros made US\$1.1 billion shorting the British pound in on September 16, 1992?

Although his 2008 oil futures win has undoubtedly been his biggest, it is the culmination

of a six-year story of big bets and mostly wins that has ended up now focusing on energy. ...

According to his (clients only) website the Sabre Fund's estimated return in May was 75 per cent. There are two other funds – Tomahawk and Velocity – which contain close to a \$1 billion.

These days for Mathews it's all about energy, and as usual he has approached that sector single-mindedly. Last week Mathews Capital emerged with 5.1 per cent of Santos, worth more than \$650 million. According to other recent substantial shareholder filings Mathews also owns 12 per cent of Beach Petroleum, worth \$100 million, 19.6 million shares in Nexus Energy, 15.4 million in Arrow Energy, 9.6 million in Metgasco and 6.5 million in Pure Energy. On top of that he also owns 93 million shares or 10.5 per cent of Renison.

In 2005 he told the Masters of the Market authors: "Our basic point is that world energy markets will only add 300,000 net barrels of production a day between now and 2010, and yet demand is projected to grow from 84 million barrels a day now to 125 million barrels a day by 2050. So you're going to have a 50 per cent increase in demand and there's been almost no significant, major discoveries for 30 years!"

In 2005 Mathews said he had committed over 60 per cent of the fund's assets into "oil, oil-related stocks or any energy-related theme that fit that trend". At the time of that interview, his biggest holding was Woodside Petroleum, which he said would go beyond \$50 "or possibly \$60 a share". On the day of that interview, Woodside closed at \$24.24. It went above \$50 in October last year, hit \$60 a month ago and last traded at \$60.58, having peaked (so far) at \$70.20.



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