



# Business Spectator

Home | The Spectators | Sharemarket | Hot Topics | Industries | Leadership | The Conversation | Wheels & Deals | Videos | Jobs

Welcome Sarah Jackson | My newsletters | My account | Log out | RSS | Mobile | About Us | FAQs | Contact Us | Sitemap

Go

## Commentary

1 Comment

### Phil Mathews' \$1 billion oil win

Alan Kohler

Published 7:35 AM, 10 Jun 2008

Phil Mathews, 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?



#### Free email news alerts

- Financial Services  
 Resources & Energy

Select an option to see more

#### Jobs

Director  
[Perth](#) 30 Jun 2011

Senior Accountant - RSG  
[Melbourne](#) 30 Jun 2011

Senior Manager - RSG  
[Melbourne](#) 30 Jun 2011

Transaction Support - Consultant  
[Melbourne](#) 29 Jun 2011

Senior Business Analyst  
[Melbourne](#) 29 Jun 2011

[Browse more jobs](#)

#### Recent Kohler

The big bang in Telstra's buck [Jun 27](#)

Gillard's carbon blinkers will hurt business [Jun 25](#)

NAB's house of learning [Jun 23](#)

The buyers are coming [Jun 20](#)

Black's art of mastering ethics [Jun 9](#)

#### Top News

Retail sales fall in May [12:04 PM](#)

Job ads partly recover in June [11:36 AM](#)

Carbon price to be unveiled this week [11:29 AM](#)

Oakajee project viable, construction costs jump [12:47 PM](#)

Tiger decision later this week [1:28 PM](#)

#### The Spectators

SCOREBOARD: Stirring the bears

**Bartholomeusz:** Murchison risks being run off the

#### Most Read Commentary

1. Too Green for the task?
2. SCOREBOARD: Buying signal
3. BREAKFAST DEALS: Foster's revisit
4. Plotting a Strauss-Kahn comeback
5. Productivity's public enemy

#### Leadership *Business Spectator*

Simon McKeon on Leadership: The Australian of the Year discusses why doing 'right' is good business strategy

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.

Phil Mathews started the Sabre Fund in April 2002 as a private fund with \$6 million.

His first big idea was a shocker – the German stockmarket. The German DAX index promptly fell from 5000 to 2800 over five months after he bought in and eventually bottomed at 2000. Sabre's unit price halved over its first six months and Mathews later said that it was a "crushing experience".

His next big idea was the poker machine manufacturer, Aristocrat Leisure. In an interview with the authors of the 2005 book "*Masters of the Market*", he said: "I realised that governments around the world needed to consistently raise money to pay for... ageing populations (another trend) and we therefore concluded that the easiest way for them to raise money is to issue poker machine licences.

Poker machines as an ageing population play – it was a typical Phil Mathews Big Idea.

After a volatile 2003, he started making returns of 10 per cent a month in 2004 and by December of that year the fund was worth \$137.8 million.

Now the Sabre Fund is worth around \$2 billion after a return since inception to the end of May of 2155.3 per cent.

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".

rails

Stuck in an EU quagmire

No, we haven't 'dodged' a petrol tax

CLIMATE SPECTATOR: Shock of the new



Sponsored Links



**Grow your business with the HP**  
ProBook 6550b Notebook PC.  
Works the way you want.



**ING DIRECT Business Optimiser**  
Designed to fit your D.I.Y Super  
It's that easy. Apply now



**Communicate effectively.**  
Unite your business.  
Visit [optus.com.au/business/vision](http://optus.com.au/business/vision)

## Most Read News

1. Tiger suspension to cost \$1.5m a week
2. Govt blocks Murdoch's TV tender
3. Gillard defends MRRT delay
4. Indonesia bans cattle imports: report
5. Fuel promise can't be believed: Abbott

## Most Shared Commentary

1. Who's in the farmland spending spree?
2. Greece's painful day of reckoning
3. Is Labor's vision just a mirage?
4. The great Axa rip-off
5. The big bang in Telstra's buck

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.

Sabre is a "2+20" fund – that is, the base fee is 2 per cent a year and Mathews gets a performance fee of 20 per cent of any increase in the net asset value of the fund.

There is no minimum performance hurdle, but, according to his website, the performance fees will only be applied on a high water market basis – that is, units will have to exceed previous highs in order for a performance fee to accrue.

Mathews invests all of his fees back in the fund – that is, he simply changes the name on some of the money to his – which is why he is now worth close to \$2 billion, and perhaps why he has been overlooked by the usual "rich people hunters".

He doesn't take much cash out and doesn't live very extravagantly – although he doesn't entirely emulate the modest lifestyle of Warren Buffett. Mathews drives a Bentley and has a property at Palm Beach. He's not married, by the way.

"I'm happy to have one or two houses and a car. You don't really need much more than that," he told the authors of *Masters of the Market*. These days, he says, he has "a bigger, faster car and a bigger house, but I'd be just as happy having an average house and an average car. We just like investing in the sharemarket."

When asked what he is good at, Mathews replied: "We're good at learning our lessons. I don't think I have significantly greater smarts than the next person. I'm just willing to take the losses that other people aren't in order to learn. By taking the loss I learn more than the other person, even though they might have greater ability. We also believe in not repeating our mistakes."

Phil Mathews grew up in Killara on Sydney's North Shore and went to Sydney Grammar School, graduating in 1977 before spending three years as a chartered accountant in Sydney and London.



## EUREKAreport

Get Alan Kohler's weekly in-depth investment analysis, exclusively available in Eureka Report.

[Sign up for a free trial now >](#)



### Related Industry Sectors

[View the latest stories on Financial Services](#)

[View the latest stories on Resources & Energy](#)

### Related People

[View all stories on GEORGE SOROS](#)

[View all stories on PHIL MATHEWS](#)

[View all stories on WARREN BUFFETT](#)