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## 'Best damn gas trader on the planet' took home up to \$2-billion

**Centaurus head John Arnold tops list of best-paid by betting against Amaranth**

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FROM THURSDAY'S GLOBE AND MAIL

CALGARY — John Arnold sits atop what *Trader Magazine* calls “capitalism's ultimate honour roll,” having taken home as much as \$2-billion (U.S.) last year from successful natural gas trading, some of which came at the expense of failed Canadian trader Brian Hunter.

Mr. Arnold, head of Houston-based hedge fund **Centaurus Energy LP**, is ranked No. 1 on *Trader Magazine's* fourth annual list of the 100 highest-paid traders. The 33-year-old made his name as a whiz kid trader at Enron Corp. before starting his own firm after Enron imploded. He has produced eye-popping results — reportedly routinely tripling his holdings annually — and 2006 was his best year yet, bringing him an estimated \$1.5-billion to \$2-billion.

“He's the best damn gas trader on the planet,” said Peter Fusaro, co-principal of Energy Hedge Fund Center LLC. “And everyone has a high regard for him. He seems to be a trader in a class by himself. He's consistently shown returns.”

Mr. Arnold's success last year came in part owing to the disastrous bet of another young trader of the same age, Mr. Hunter of Calgary, who wagered late last summer that natural gas prices were set to shoot higher as Mr. Arnold's firm bet they would slump.

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In a duel worth billions, Mr. Hunter lost what *Trader* monthly billed as a “clash of the titans,” as more than \$6-billion evaporated, putting his firm Amaranth Advisors LLC out of business in the biggest hedge fund failure ever.

Meanwhile, on the eighth floor of an anonymous building right beside Interstate 610 in Houston, Mr. Arnold's fund was celebrating, though reports vary as to whether he was trading directly against Mr. Hunter or simply taking the opposite view but with different trading positions.

“It was one of greatest takedowns in the history of trading,” said Ty Wenger, editor of *Trader Monthly*. “He earned it.”

Mr. Arnold's huge haul came largely because Centaurus regularly returns big winnings to its investors to keep the fund size manageable, and Mr. Arnold has the largest stake in the fund, which he started with only \$8-million in 2002.

Like other traders and most people in the murky, secretive world of hedge funds, Mr. Arnold keeps a low profile. He caused a fuss in Houston when he tore down an old home in a swanky neighbourhood to put up a modern house and recently gave \$10-million to a charter school network with his wife Laura, a lawyer. He rarely does interviews, however, and didn't respond to a request for one yesterday.

Even when he does talk, he says very little. “We don't really discuss what we do,” Mr. Arnold told *The New York Times* in January, 2006.

At a conference in Houston last year, Mr. Arnold — described as “boyish and shy” in a Platts wire service report — took part in a panel discussion in which he spoke generally about his firm's strategy. He said he looks for what he called “bias,” where he perceives mispriced assets. “We ask ourselves, ‘Can we identify what is forcing a market to price a product at an unfair value, and then, what will push it back to fair value?’”

With his No. 1 ranking on *Trader Monthly's* list — the magazine is due out on April 17, and some of the results are already online — the relatively unknown Mr. Arnold joins a group of better-known traders at the top of the business, including Boone Pickens and Steven Cohen.

Whether Mr. Arnold can maintain his momentum is a tough question — but there are second lives in the trading game, even for the biggest losers. Mr. Hunter is in the process of raising money for a new fund, based in a two-storey building west of Calgary's downtown, with his silver Bentley parked in the lot. John Meriwether, who oversaw the demise of Long-Term Capital Management in 1998, bounced back the next year and currently manages several billion dollars.

Michael Covel, author of a book about trading called *Trend Following*, said some skeptics believe successful trading is in the end all about luck, but he added, “To some degree, I think that's somewhat disingenuous, specifically when you have some traders in business for 20 years.”

In terms of how it's done, it's all about volatility, and there are few markets as wild as natural gas, which gyrates daily, often because of the weather. Among Mr. Arnold's employees is a full-time meteorologist.

“The good traders don't really care if it's natural gas or corn or some obscure Chinese stock. All they care about is if there's enough movement and enough liquidity,” Mr. Covel said. “I'm sure Mr. Arnold is agnostic to the market. He just wants to find the opportunity. And if Mr. Arnold has the golden touch, all props to him.”

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