**Energy Infrastructure and Natural Resources:** Investors are waking up to the fact that our sectors have exhibited close to **zero correlation** to Big Tech in recent years, while generating comparable returns. One major cause of this divergence is the radically different **capex policies** pursued by Tech. Tech has become a capex-heavy, asset-intensive business, while our sectors have kept capex low. This is due to **valuation**: EI & NR valuations favor low capex and cash distributions; Tech valuations encourage high capex at the expense of buybacks.

History shows **low capex** can sow the seeds of strong returns in various sectors: low capex preceded Tech's amazing 15-year run and has supported EI & NR's more recent strong performance. **High capex** has often preceded weak returns. Could **high AI capex** pose the same risk to Tech? Given the risks, we believe diversifying into low-capex sectors like ours could be a powerful portfolio enhancer in years to come.

Click here for our white paper, *"The Frack-tured Cartel: How Shale's elastic supply broke OPEC's grip on the oil market"*

***January 2026 Performance Summary and Market Commentaries***

Please find below performance and commentary for our strategies – MLP & Infrastructure and Natural Resources. See performance tables at the bottom of the commentary. For additional information, please contact us at (832) 241-6400 or info@recurrentadvisors.com.

## MLP & Infrastructure Performance Review

During the month of January 2026, the Recurrent MLP & Infrastructure Strategy generated net returns of +9.68%, outpacing the Alerian MLP Index's (AMZ) +6.27% return by +3.41%. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by +39.81% (+2.12% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +69.63% and +3.53% respectively. See performance section at bottom for more detail, plus performance detail on the Recurrent Energy Infrastructure Strategy, which seeks to track the MLP & Infrastructure Strategy while excluding MLPs.

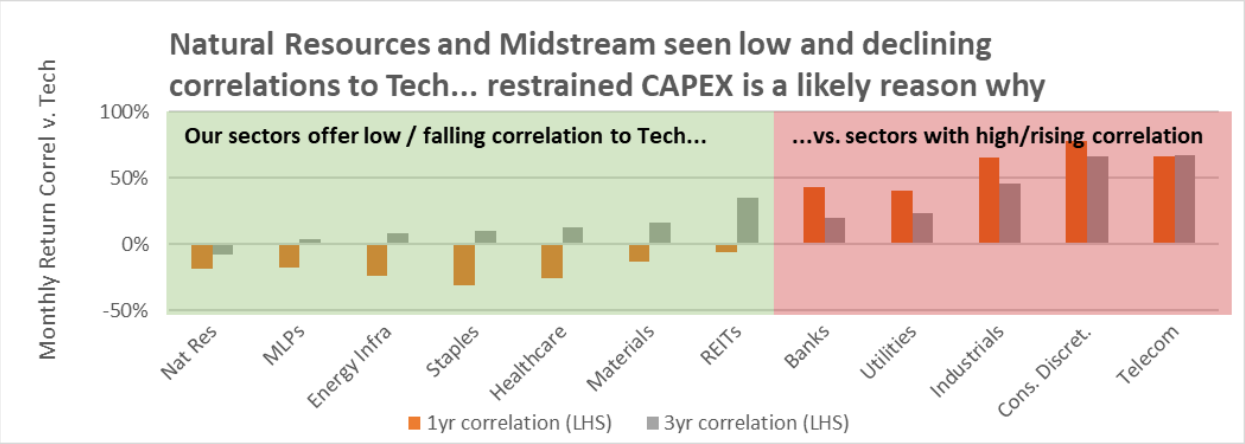
## Natural Resources Performance Review

During the month of January 2026, the Recurrent Global Natural Resources Strategy generated returns of +12.39% net of fees, outperforming the S&P Global Natural Resources Index's +10.35% return. Sub-sectors were broadly strong across the portfolio, with Metals & Mining, Midstream, Canadian Integrateds, and Refining driving outperformance over the month.

## Energy Infra / Nat Resources are uncorrelated to Tech like never before, thanks to divergent capex policies

Over the last 12 months, much of the S&P 500 has been increasingly influenced by the AI boom, as evidenced by **Tech**, **Telecom** and **Industrials** all performing strongly and with high correlation to each other. Meanwhile, **Energy Infrastructure** and **Natural Resources** have seen low and declining correlation to Tech. As we discuss in further detail

below, we believe these declining correlations are the result of **EI & NR's** lack of participation in the **AI capex boom**.




*Source: Bloomberg, Recurrent Research. Data shown for the period ending 1/31/2026.*

EI & NR correlations to the Tech sector have been declining in recent years, even turning negative in the last year. Given this falling correlation, it is noteworthy that **EI & NR** have continued to exhibit strong "equity-like" returns over this time period. In most cases, if a sector displays low correlation to a high-performing sector, the expectation is for weak performance. In the case of EI & NR, despite low correlations to the S&P Technology sector, performance is solid over 1-, 3- and 5- year time horizons.

Other sectors with negative correlation to the AI boom – **Healthcare, REITs**, and **Staples** – have been distinguished by their weak returns in recent years, as can be seen below:

**EI & NR have been strong performers sectors, despite low-AI dependence**

| 1-year returns | |
|---|---|
| Nat Res | 32% |
| Telecom | 29% |
| Tech | 26% |
| Industrials | 21% |
| Utilities | 14% |
| Materials | 14% |
| Energy Infra | 11% |
| Staples | 10% |
| MLPs | 9% |
| Healthcare | 7% |
| Banks | 5% |
| REITs | 4% |
| Cons. Discret. | 3% |

| 3-year returns | |
|---|---|
| Telecom | 39% |
| Tech | 34% |
| Energy Infra | 21% |
| MLPs | 20% |
| Cons. Discret. | 20% |
| Industrials | 19% |
| Banks | 15% |
| Nat Res | 13% |
| Utilities | 11% |
| Staples | 9% |
| Materials | 7% |
| Healthcare | 7% |
| REITs | 5% |

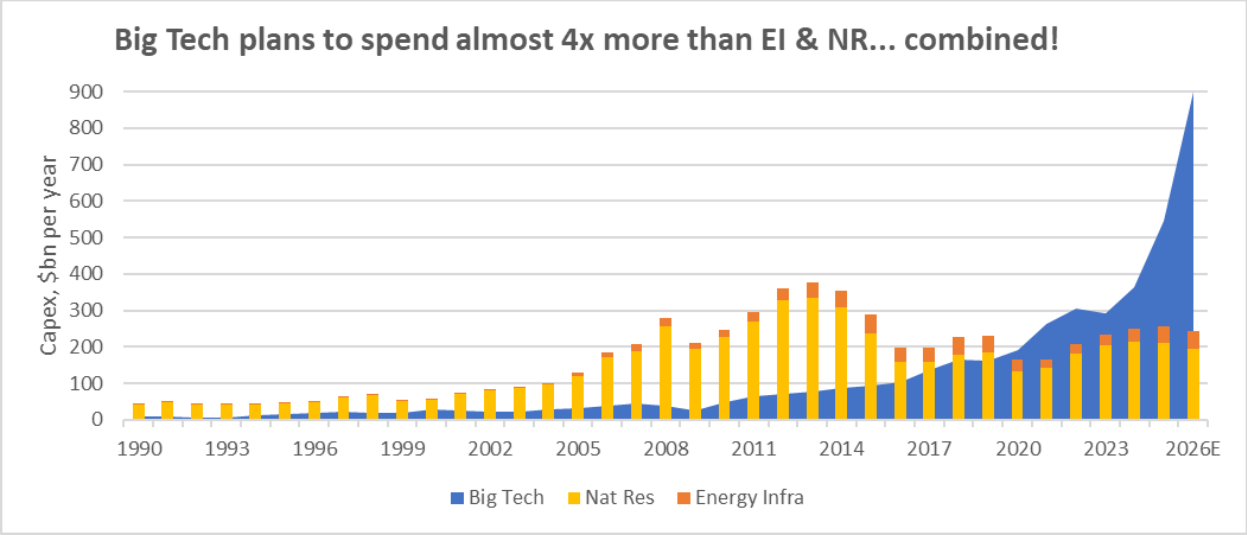
| 5-year returns | |
|---|---|
| MLPs | 22% |
| Energy Infra | 20% |
| Tech | 19% |
| Telecom | 19% |
| Nat Res | 16% |
| Industrials | 15% |
| Banks | 10% |
| Utilities | 9% |
| Cons. Discret. | 9% |
| Staples | 7% |
| Materials | 6% |
| Healthcare | 6% |
| REITs | 0% |

Low Correl to Tech  High Correl to Tech

*Notes: Global Natural Resources = S&P Global Natural Resources; MLPs = Alerian MLP Index; Energy Infra = Alerian Midstream Energy Index; all other sectors reflect S&P 500 subsectors. Source: Bloomberg, Recurrent research. Data shown for the period ending 1/31/2026*

## Tech rose to prominence as a capex-light sector. Tech is now becoming capital-intensive, as EI & NR capex stagnates

As we noted above, we believe the declining correlation between EI & NR and Tech is the result of radically different capex profiles. Below, we show the capex trajectory for **Natural Resources**, **Energy Infrastructure** and **MLPs** is radically from Tech and AI-related companies. In 2026, just a handful of large Tech companies are expected to spend roughly quadruple the total capex of these 3 sectors – and that excludes massive private company capex being spent by the likes of OpenAI, Anthropic, and others.

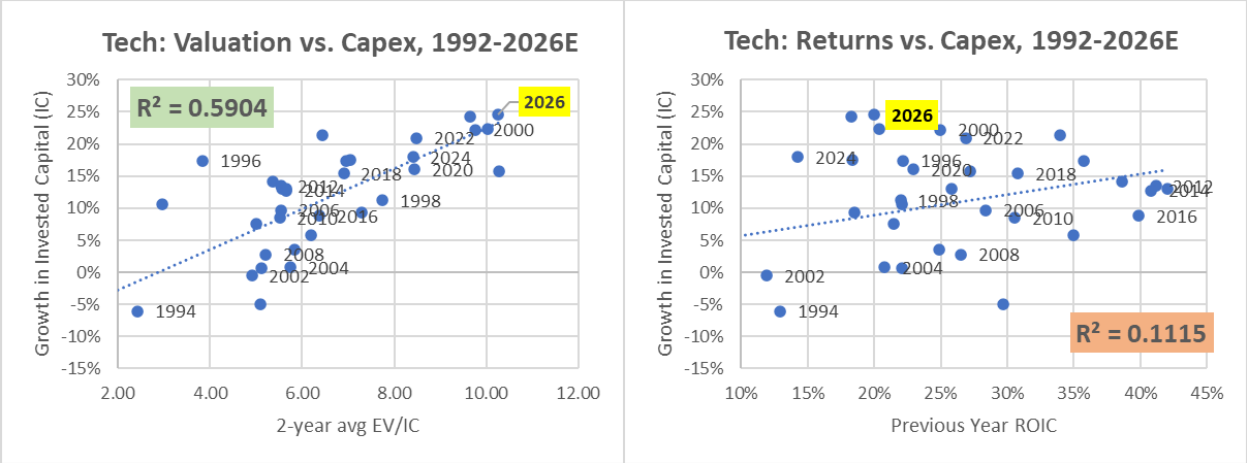



*Source: Bloomberg, Recurrent research.*
*Notes: Big Tech = AAPL, MSFT, AMZN, TSLA, GOOG, META, NVDA, MU, AMD, AVGO, CSCO, TXN, IBM, INTC, TSM, ORCL, Samsung, SK Hynix.*
*Nat Res = Energy + Mining. Energy = OXY, XOM, CVX, COP, BP/ LN, SHEL LN, HES, EQNR, CNQ, SU, EOG, PXD, DVN and predecessor companies. Mining = FCX, BHP, RIO, GLEN, VALE, TECK, AAL LN, FMG AU, FM CN, ANTO LN, AA, GMEXICOB MM, ALB, MT, NUE.*
*Energy Infra = KMI, EPD, ENLC, ET, WMB, PAA, SUG, SXL, Spectra, MMP, TRGP, OKE, MPLX, PSXP, WES, LNG, TRP, ENB, KEY CN, PBA and all predecessor companies.*

## Why are some spending massively on AI, while others are not? Counterintuitively, capex tracks valuation, not profitability

Many investors interpret rising capex as a bullish signal of expanding profit opportunity. Historical data across **various sectors** suggest a different pattern: capex rises and falls with **valuation**. If a dollar of capital investment is worth several dollars in market cap, managements will (logically) seek to deploy more capital.

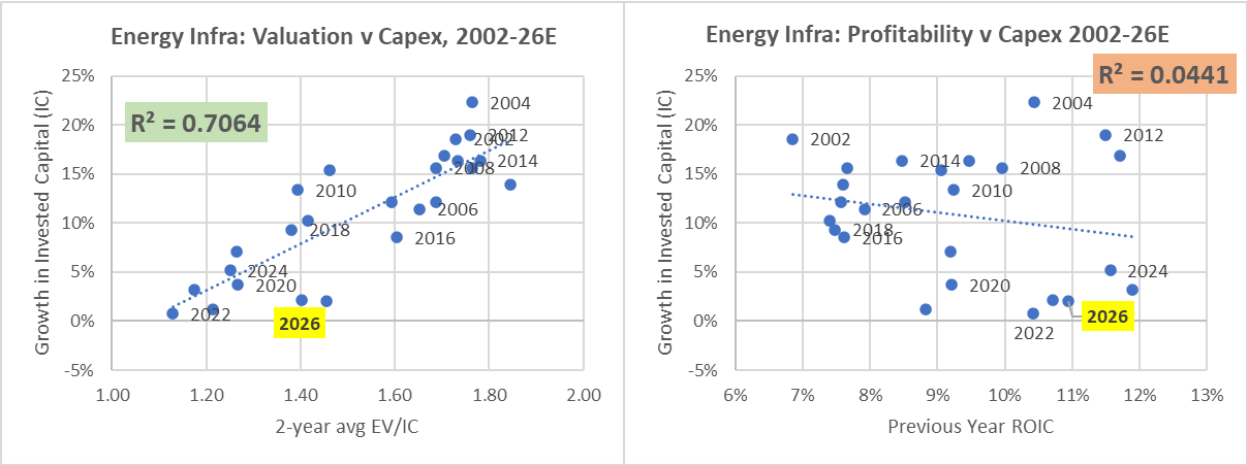
This underappreciated point is visible below. On the left, we see the strong valuation-capex relationship. On the right, we see the return-capex relationship is much weaker.




*Notes: Capex includes organic spending and cash acquisitions. Big Tech = AAPL, MSFT, AMZN, TSLA, GOOG, META, NVDA, MU, AMD, AVGO, CSCO, TXN, IBM, INTC, TSM, ORCL, Samsung, SK Hynix. Source: Bloomberg, Recurrent research.*

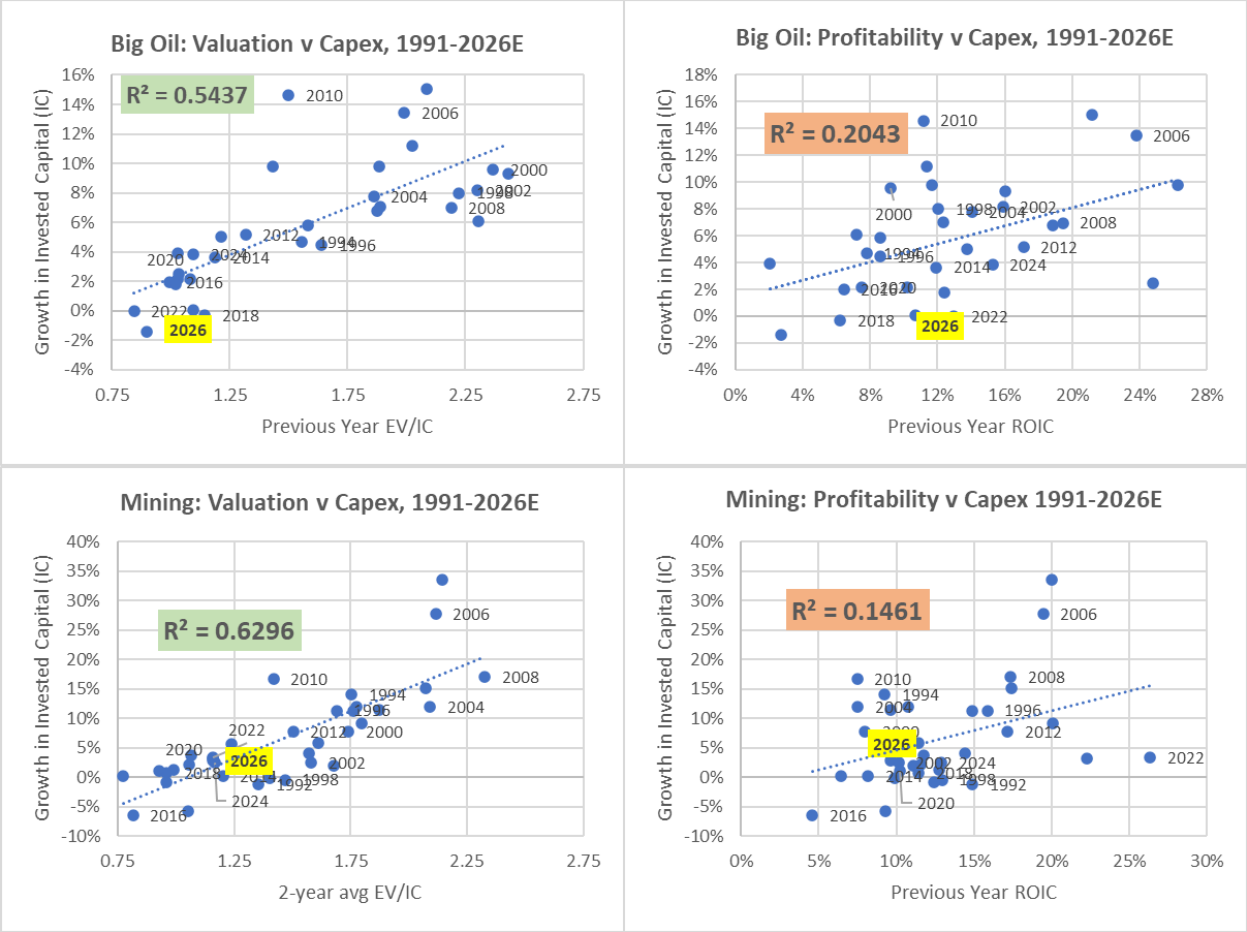
As we see above, Big Tech cultivated some of the world's most profitable business lines for years, with staggering returns (returns on invested capital, or ROIC, of 30% or greater) accompanied by relatively modest 10% or slower IC expansion.

In **energy infrastructure**, a sector very fundamentally different from Tech, we see a similar pattern. Managements spend when valuation encourages it, not when their businesses are generating significant cash flow. Today's historically robust ROIC of 11% is accompanied by a very modest rate of IC growth.




*Energy Infra = KMI, EPD, ENLC, ET, WMB, PAA, SUG, SXL, Spectra, MMP, TRGP, OKE, MPLX, PSXP, WES, LNG, TRP, ENB, KEY CN, PBA and all predecessor companies. Source: Bloomberg, Recurrent research.*

In **natural resources sectors**, we again see that valuation is consistently more correlated with capex and asset growth than profitability.




*Energy = OXY, XOM, CVX, PBR, COP, BP/ LN, SHEL LN, HES, EQNR, CNQ, SU, EOG, PXD, DVN and predecessor companies. Mining = FCX, BHP, RIO, GLEN, VALE, TECK, AAL LN, FMG AU, FM CN, ANTO LN, AA, GMEXICOB MM, ALB, MT, NUE. Source: Bloomberg, Recurrent research.*

## High capex can make "Non-Cyclical" industries behave cyclically, while low capex can also reduce the cyclicality of commodity businesses

Investors in historically capex-light, non-cyclical sectors may assume their industries are insulated from the boom-bust dynamics associated with capital-intensive cyclical businesses. History suggests otherwise: capex booms have historically introduced volatility into non-cyclical businesses.

Capital cycles occur repeatedly in financial history: railroads over a century ago, fiber optic and merchant power buildouts of the 1990s, mining and oil capex cycles of the 2000s, Shale and pipeline capex in the 2010s, and more recently renewable power boom in the early 2020s: in each case, significant capex changed previously "stable" ROIC profiles and added debt, exposing equity investors in sectors once thought defensive to significant risk.

If the AI capex boom reduces free cash flow available to shareholders while making future ROIC less certain, a future where Tech behaves more like a capital-intensive "cyclical" investment is certainly possible. We believe that investors do not need to bet against AI to

recognize the benefit of diversification into lower-capex sectors.

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