RECURRENT
INVESTMENT ADVISORS

Monthly Investment Commentary
July 2026

Energy Infrastructure (EI): today's energy inflation reflects an **infrastructure shortage**, not a molecule shortage. Crude oil prices have remained surprisingly stable, and American gas prices are unchanged. And yet energy products everywhere are soaring. It seems that there are plenty of oil and gas molecules available – **the lack of infrastructure needed to transform them into usable products is causing economic pain**. This crisis has illustrated why energy investors should explore investing in these infrastructure chokepoints, rather than simply betting on the prices of raw commodities.

Natural Resources: in our January 2026 monthly investment letter, we highlighted the unique relationship between technology and energy/natural resources. Despite similar equity performance, over one-year time frames, equity performance was negatively correlated, with very minimal but positive correlations over three years. This month, we examine a potential causal factor – CAPEX.

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

July 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 July 2026, the Recurrent MLP & Infrastructure Strategy generated net returns of +8.50%, outperforming the Alerian MLP Index's (AMZ) +7.56% return by +0.94%. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by +82.84% (+3.52% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +122.76% and +4.95% 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 July 2026, the Recurrent Global Natural Resources Strategy rose +8.98% net of fees, outpacing the S&P Global Natural Resources Index's +7.49% return by +1.49%. Stock selection and an overweight positioning in the oil refining sector greatly benefitted portfolio performance, accounting for approximately half of the outperformance. The strategy has returned +24.42% net of fees year-to-date, outperforming the Index's +17.58% return by +6.84%.

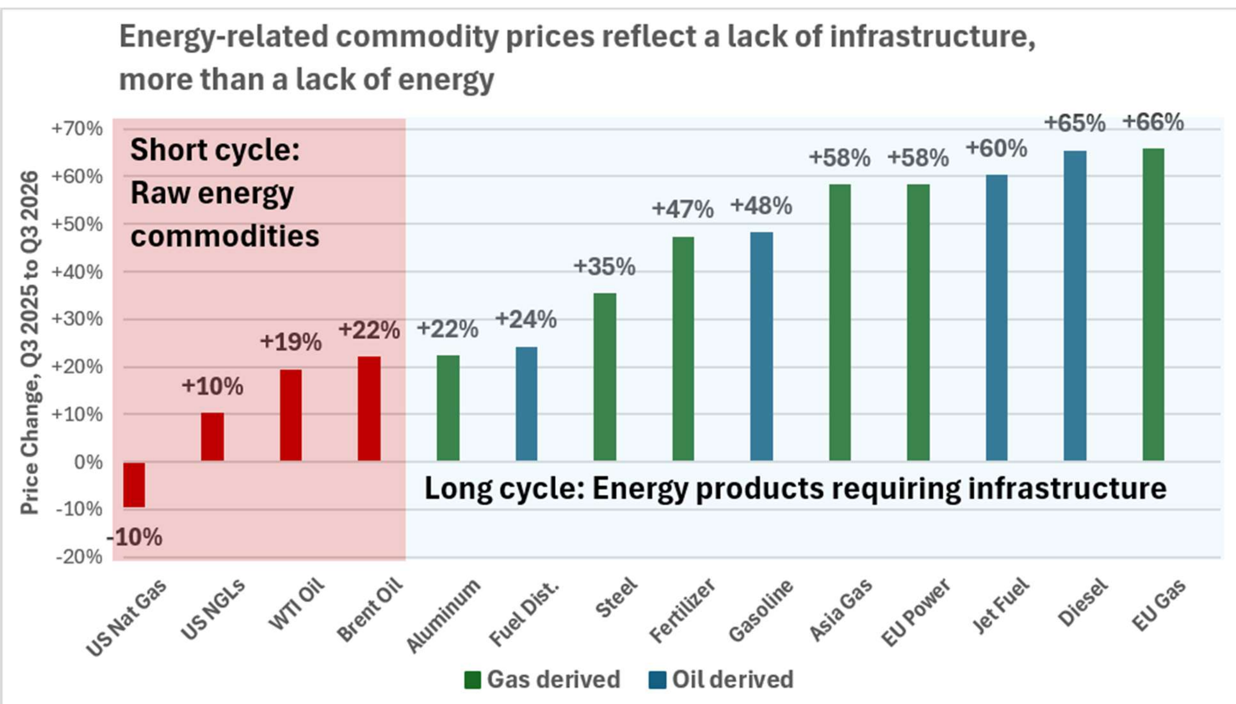
Energy Infrastructure (Midstream)

The investing patterns of last decade have created a uniquely uneven energy crisis

In 2016 and again in 2025, Recurrent white papers explained how Shale – with its unique ability to rapidly turn on and off in the face of changing commodity prices – had transformed oil into a "short cycle" commodity. In other words, the decade-long oil cycles of 1960-2010 were gone, replaced by much shorter oil price cycles. Despite historic geopolitical disruptions, our prediction has been borne out – oil has remained in our Shale-defined price band roughly 90% of the time since 2015.

In a parallel development, our [2023 white paper] explained how a variety of factors: ESG, political risk, and reduced investor appetite for cyclical investments had increased the industry's cost of capital. Given much higher costs of capital, projects with rapid paybacks – like Shale wells – became relatively more attractive, while long-duration projects – like refineries, long-haul pipelines, energy export facilities, grid expansions, oilsands and offshore developments – became unacceptably risky.

Today, we see the outcome of the frameworks we've developed over the last decade: Shale operators have continued to grow domestic oil and gas production, while investments in facilities needed to transform raw commodities into usable products have failed to keep up. This dynamic is shown clearly in the graph below:



Note: US Nat Gas = Henry Hub natural gas prices; US NGLs = weighted average of US ethane, propane, butane and natural gasoline prices. Fuel distribution = margins charged by gas station operators to deliver fuel to pumps. Steel = US hot rolled steel. Fertilizer = Ammonia prices. Asia Gas = JKM LNG pricing. EU Power = Spain day-ahead electricity prices. EU Gas = TTF pricing. Source: Recurrent research, public filings, Bloomberg. Data as of 8/14/2026

Infrastructure has faced long-term underinvestment, while Shale has been able to turn on and off in response to short-term commodity prices

As shown above, the prices of the raw energy commodities produced from Shale have remained notably stable, even five months since the closure of the Strait of Hormuz. Meanwhile, on the right side of the chart, products produced by facilities requiring long lead-time investment decisions have seen soaring prices.

Refineries, LNG plants, pipelines, power plants, smelters and other energy-intensive industrial facilities require years of permitting, engineering and construction, followed by many more years of operation to earn an adequate return. They cannot respond to a six-month price signal; a price signal viewed as temporary will not impact a 20-year decision.

This underinvestment has contributed to an inflationary environment, created price spikes, and indirectly driven higher borrowing costs – all factors likely to further reduce, not increase, long-cycle investment in the coming years.

Some types of infrastructure – such as power plants – have escaped the underinvestment curse by wrapping themselves in the mantle of AI. For refineries, petrochemical facilities, export facilities, and smelters, underinvestment and expanding margins are likely to persist. As we've noted elsewhere, **higher valuations**, not higher profitability, can break the spell of underinvestment – and in today's AI-dominated capital markets, cyclical companies remain undervalued vs. historical norms.

Natural Resources

Investment Discussion

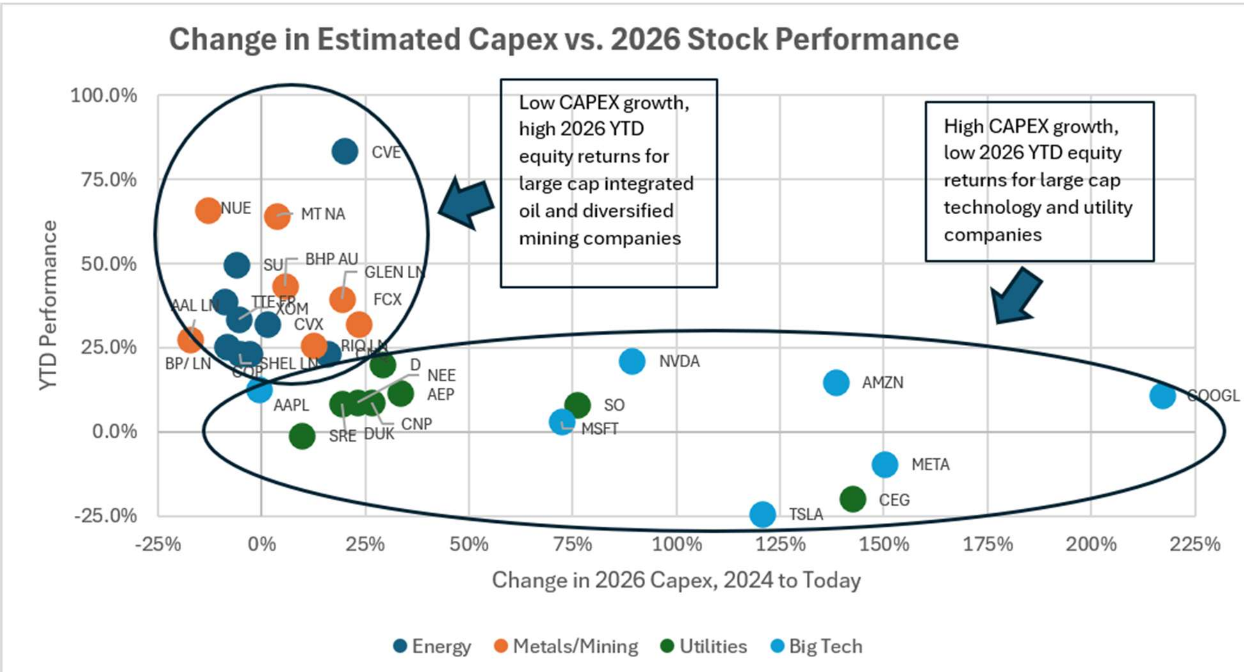
In our January 2026 monthly investment letter, we looked at one- and three-year equity correlations between technology and other market sectors. Of particular note to us was the number of equity sectors which maintained low correlations over three years, and increasingly negative correlations to technology over one year – a relatively rare confluence of events in our investment careers. The more we considered the attributes of market sectors and their respective similarities/dissimilarities to technology, the one potential theme was the impact of CAPEX on equity performance.

To further investigate the impact of CAPEX on equity performance, we looked at the change in sell-side analysts' 2026 CAPEX estimates from the beginning of 2024 until mid-August 2026. During this time frame, AI data center growth accelerated, which became incorporated into analysts' estimates.

In particular, there were two notable points from the analysis. First and foremost, the degree to which technology and utility CAPEX estimates accelerated was noteworthy. To reiterate, the chart outlines the change in consensus sell-side analysts' 2026 CAPEX estimates since the beginning of 2024. AMZN, META, and GOOGL's 2026 CAPEX estimates increased by 239%, 277%, and 392% respectively!

The second noteworthy point looks at the relationship between growth in 2026 CAPEX estimates and 2026 YTD equity performance. Technology and utility companies have experienced moderate equity performance YTD, despite tremendous growth prospects for years to come.

In contrast, integrated oil and diversified mining companies – both beneficiaries of the increased resource use by data centers – saw more moderate CAPEX increases over the same time frame. The difference between the high and low CAPEX sectors is acutely identifiable when looking at the combination of the change in 2026 CAPEX estimates and 2026 equity performance.



Note: Integrated Oils include XOM, CVX, BP/LN, CVE, SHEL LN, SU, TTE. Diversified Metals/Mining companies include AAL LN, BHP AU, GLEN LN, RIO, TECK, FCX. Technology companies include GOOGL, AAPL, META, AMZN, MSFT, TSLA. Utilities include NEE, SO, DUK, CEG, AEP, D, SRE.

Source: Bloomberg, Recurrent Advisors. Data as of 8/14/2026.

Market enthusiasm surrounding AI and data centers, with regular announcements of buildout commitments across many companies/industries, has captured significant investor attention and mindshare. However, as seen in the chart above, the low CAPEX sectors – integrated oil companies and diversified metals/mining companies – have exhibited stronger equity performance YTD, while tech/utility companies with higher CAPEX growth saw more moderate equity performance.

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