

Energy Infrastructure and Natural Resources: with war raging in the Middle East, energy's value as a “**high-return, low-correlation**” sector is being demonstrated in real-time. This thesis was laid out multiple times in our recent letters. So why are **Energy Infrastructure** investors trying to time the market and “sell the news”? Money flow data indicate **midstream investors** are selling after 2026's geopolitical rally – just as they sold during Oct 2021's post-COVID winter price spike, during the 2022 Russian invasion of Ukraine, 2023's voluntary OPEC cuts, and during oil price rallies in 2024 and 2025. Has “timing the market” actually worked for these sellers of oil price spikes? History offers a resounding “**No!**”. It seems that Warren Buffett was right to caution against market timing, even for energy investors.

Natural Resources: nearly a year ago, amid fears of increasing OPEC production and Trump's trade war would crash oil below \$50/bbl, we published our "Frack-tured Cartel" white paper. The core argument: US Shale's ability to swing production by ~1 million barrels per day within 12-18 months had effectively capped and floored global oil prices in a \$55-\$85/bbl band — and that band would hold even against significant geopolitical shocks.

Today, we see a real-time validation of our thesis as the oil market faces a potentially unprecedented supply disruption in the Straits of Hormuz. Spot prices have spiked to encourage some shale production, but the spike is much less than many OPEC-centric experts predicted. Oil futures remain almost completely unmoved. The market isn't waiting for Shale to respond; it's already pricing in the fact that it will. That is our thesis in action.

[Click here for our white paper, “The Frack-tured Cartel: How Shale’s elastic supply broke OPEC’s grip on the oil market”](#)

February 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 Integrations, and Refining driving outperformance over the month.

Energy Infrastructure (Midstream)

Sell midstream when oil spikes? History says no.

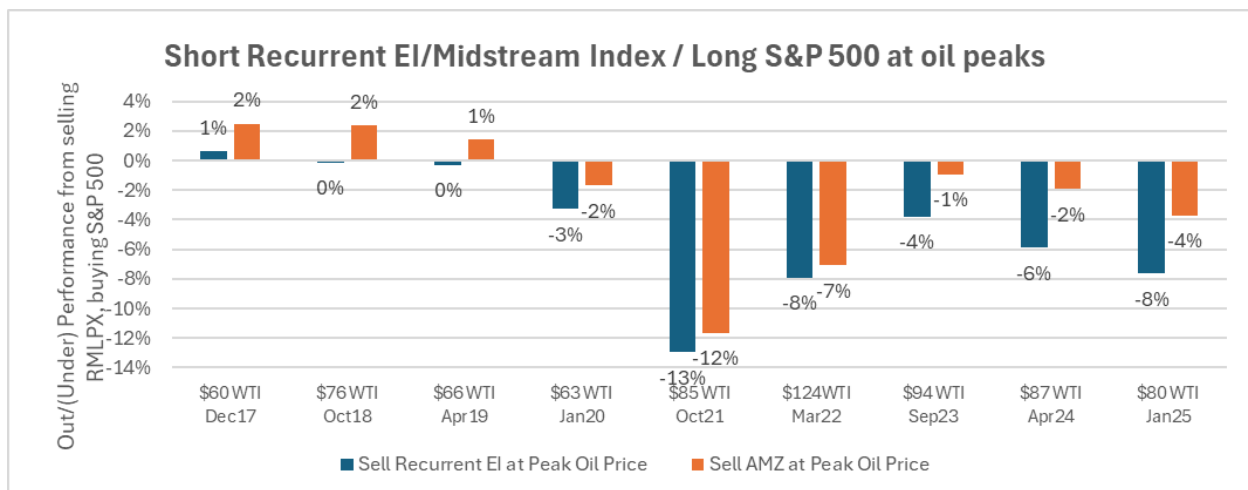
Midstream investors, skittish from years of volatile performance during 2015-2020, have been inclined to **sell every geopolitical oil price rally** in an attempt to time the market. With war in the Middle East driving oil higher, we’ve heard questions like: “won’t midstream and energy stocks get punished in the event of de-escalation?”

Let’s examine this implication: **what was the performance of an investor who sold midstream perfectly on the day oil price peaked in each year from 2017 to 2025.**

If “sell the news” or “sell the oil spike” was the right strategy, you’d expect meaningful outperformance from an investor with an uncanny ability to nail oil price tops every year.

Sadly, there is no such thing as a free lunch. Even with near-clairvoyant oil market timing ability, investors have generally done poorly selling out of Midstream (either Recurrent or the Index) and moving into the S&P 500 when oil price spikes in recent years.

Selling Recurrent EI (or the Midstream Index) during oil price spikes hasn’t worked



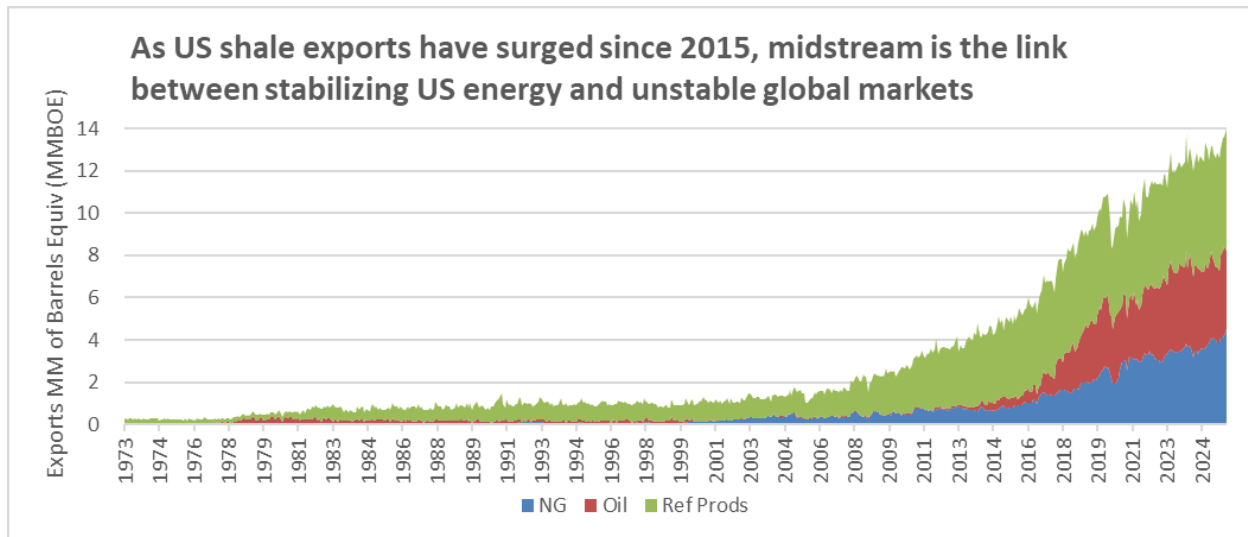
Source: Bloomberg, Recurrent research.

Notes: relative performance is annualized if more than 1-year period. Annual WTI Oil price peaks shown in x-axis labels. Recurrent EI = Actual Recurrent performance, net of highest applicable fee amount. AMZ = Alerian MLP Index.

Midstream resilience reflects an increasing export focus

Many midstream investors recall the years of volatility and high oil price correlation during 2015-2020, and wonder what’s changed. As we’ve written in the past, past volatility reflected a midstream sector that was 1) saddled by **high debt levels** and 2) committed to spending significant **capex in excess of cash flow** – two issues that midstream companies have addressed.

Additionally, 10 years ago, midstream business models were largely landlocked. In the past decade, US energy exports to the world have dramatically increased. In effect, **midstream assets have become a bridge between a stable and energy-rich American continent and an increasingly unstable and energy-poor global market.** So, contrary to oil price spikes representing one-time “windfalls,” we would argue that the value of these energy infrastructure assets has actually increased as the disparity between reliable American-sourced energy and unstable global markets has become more clear.



Source: Dept of Energy’s Energy Information Agency (EIA), Recurrent research.

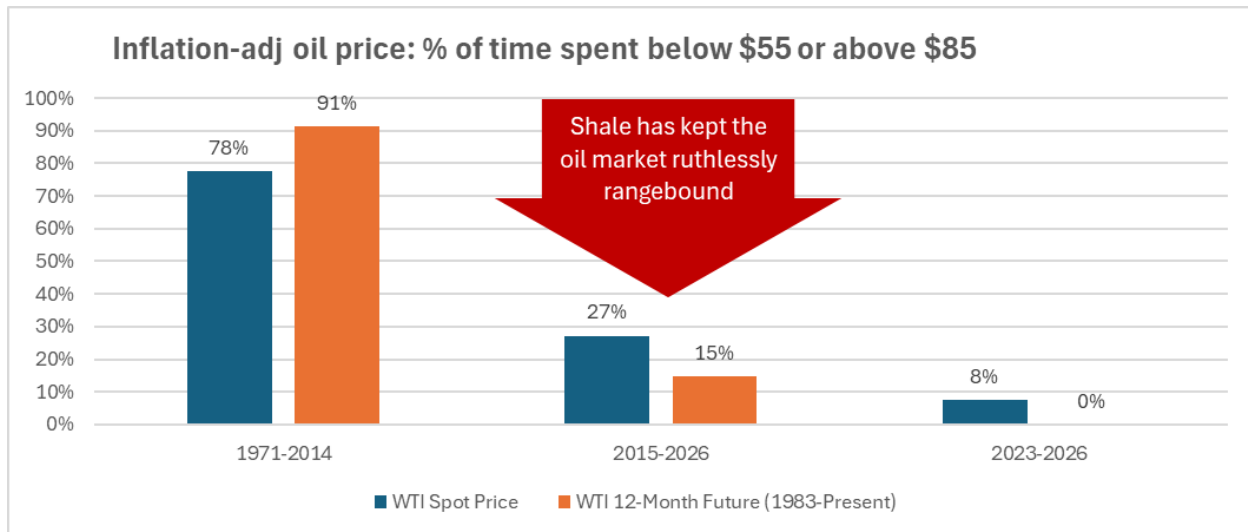
Natural Resources

War in the Middle East offers a real-time test of our “Frack-tured Cartel!” thesis

A week ago, if someone told you the Ayatollah would be dead from joint US-Israeli action, and oil price would remain well below not only 5-year highs, but also pre-Russian War 2021 highs, you would probably have called them crazy. And yet this outcome is **exactly** what our white paper laid out last year.

*“Oil market behavior in the face of unprecedented demand destruction during COVID and historic geopolitical disruption supports our claim. **The oil market of the last decade has become less prone to bouts of extreme pricing, despite macroeconomic dislocations.**”*

We introduced a \$55/bbl to \$85/bbl range defined by Shale drilling economics that we claimed would hold in a variety of macro shocks, and **valid even in the face of an increasingly volatile and unpredictable geopolitical backdrop.** This is not predicated on Shale growing; but simply due to Shale being uniquely price-sensitive and elastic source of supply. For a framework to be useful, it needs to work even if reality is confusing and rapidly-changing – our framework has held as many of December’s energy bears have flipped to bulls 2 days into March.



Source: Bloomberg, Bureau of Labor, Recurrent research.

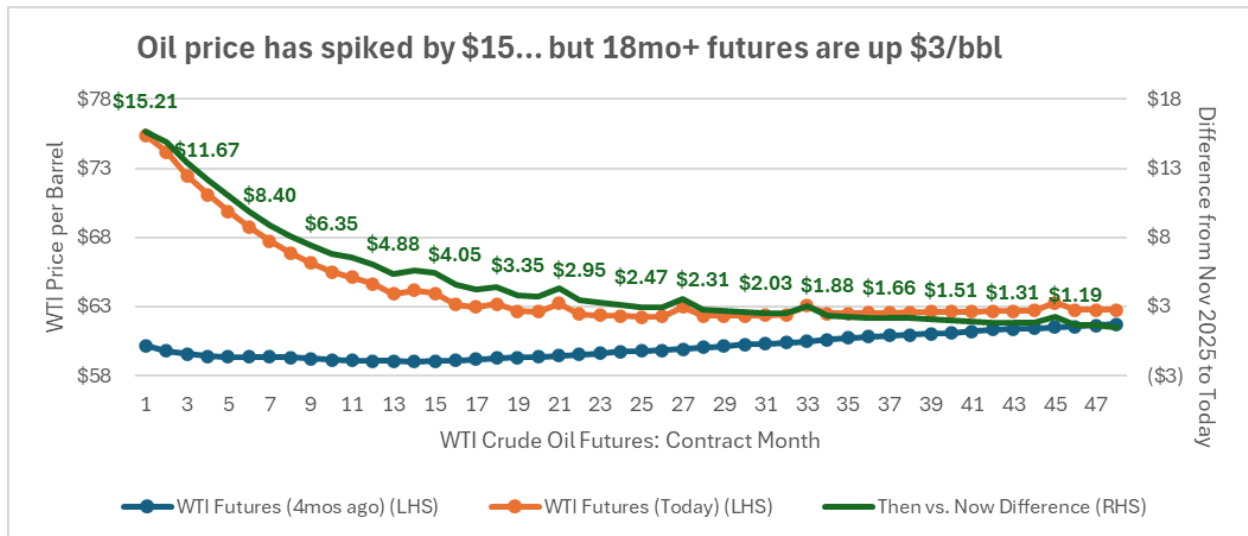
Today’s Iran-impacted oil price remains **~10% below pre-Russia-Ukraine 2021 highs and ~25% below Russia-Ukraine highs when adjusting for inflation**. Even with the potential for unprecedented disruption, spot oil markets remain within the peacetime range of the last 10 years.

The power of our Shale thesis is even more evident in the behavior of oil futures, which imply near-zero disruption beyond 18 months

Again, our 2025 white paper:

“The 12-month futures contract for WTI – a contract that tends to look past near-term disruptions to the supply/demand balance 12 months from now – has been especially stable, spending only 16% of the time outside of the \$55 to \$85 band. This further bolsters our argument that the market is highly confident in Shale’s ability to respond within 12 months.”

The graph below proves out the notion that the global market remains unfazed by risks that fall within Shale’s 12-18 month reaction function. Before Shale can react, futures move \$15/bbl, reflecting both the need for immediate barrels from storage and incentive for shale producers to increase production. Beyond 18 months, prices reflect near-zero disruption. As shown below, 18-month to 48-month oil futures are seeing increases of less than \$3/barrel.



Source: Bloomberg, Recurrent research

To offer a historical comparison: during the Arab Spring in early 2011 (before Shale was a “world-scale” resource capable of adding 1 million waterborne barrels of supply), spot prices jumped by \$20/bbl. Long-dated (>12mo) oil futures jumped by \$10/bbl in sympathy, reflecting the fact that no large-scale supply source would be available in 12-24 months. The market has absorbed our Shale-centric price framework, even if many other investors and energy experts have not.

Many investors and competitors continue to cling to what we have called outmoded “OPEC-centric” analysis. This analysis believes that decisions of OPEC and other major players determine long-term “oversupply” or “undersupply,” and thereby dictate the direction of the oil markets. These frameworks are highly newsflow-dependent, and therefore wildly whipsaw from bearish to bullish perspectives, based on completely unpredictable and unanalyzable phenomena.

What’s notable is that Shale is delivering this stabilizing effect even as rig counts decline and production has been stagnant. Elasticity, not growth, is the mechanism. And for investors who internalize that, it frees up analytical bandwidth for commodity subsectors where long-cycle, inelastic economics still dominate — and where genuine price dislocations and durable supply-demand mismatches are possible, offering significant investment opportunities.

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