Energy Infrastructure and Natural Resources: in YTD 2025, the equity market has rallied, despite geopolitical, fiscal and macroeconomic concerns. The rally has been largely driven by a few AI-levered companies – leaving the market highly concentrated and dependent on AI. While many have expressed concerns about the market's narrow breadth and high valuation, investors know that timing the market is a fool's errand. So how can investors reduce portfolio dependence on AI while still keeping pace with the market?

Diversification is the obvious answer – but how? Many strategies claim to offer "diversification," but have historically offered poor long-term returns. Other strategies have historically generated equity-like returns but are highly correlated to the S&P 500. Both sectors where Recurrent invests – midstream **energy infrastructure** and **natural resources** – have historically offered meaningful diversification vs. the S&P 500 while generating equity-like returns. Over the last 25 years, we've seen a massive commodity bust, Shale overspend, a multi-trillion-dollar attempt to rapidly transition to renewables and EVs, the shock of COVID, and trade wars – **and yet these sectors have offered uncorrelated returns, with total returns comparable to broad equity markets.**

For investors who aren't ready to call a top, but are concerned about their increasingly concentrated portfolio, real assets offer a potential solution – but as we show below, not all diversifiers are created equal.
Click here for our NEW white paper, *"The Frack-tured Cartel: How Shale's elastic supply broke OPEC's grip on the oil market"*

October 2025 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 October 2025, the Recurrent MLP & Infrastructure Strategy generated net returns of -3.89%, underperforming the Alerian MLP Index's (AMZ) -0.68% return by 3.21%. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by +42.38% (+2.65% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +67.95% and +4.05% 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.

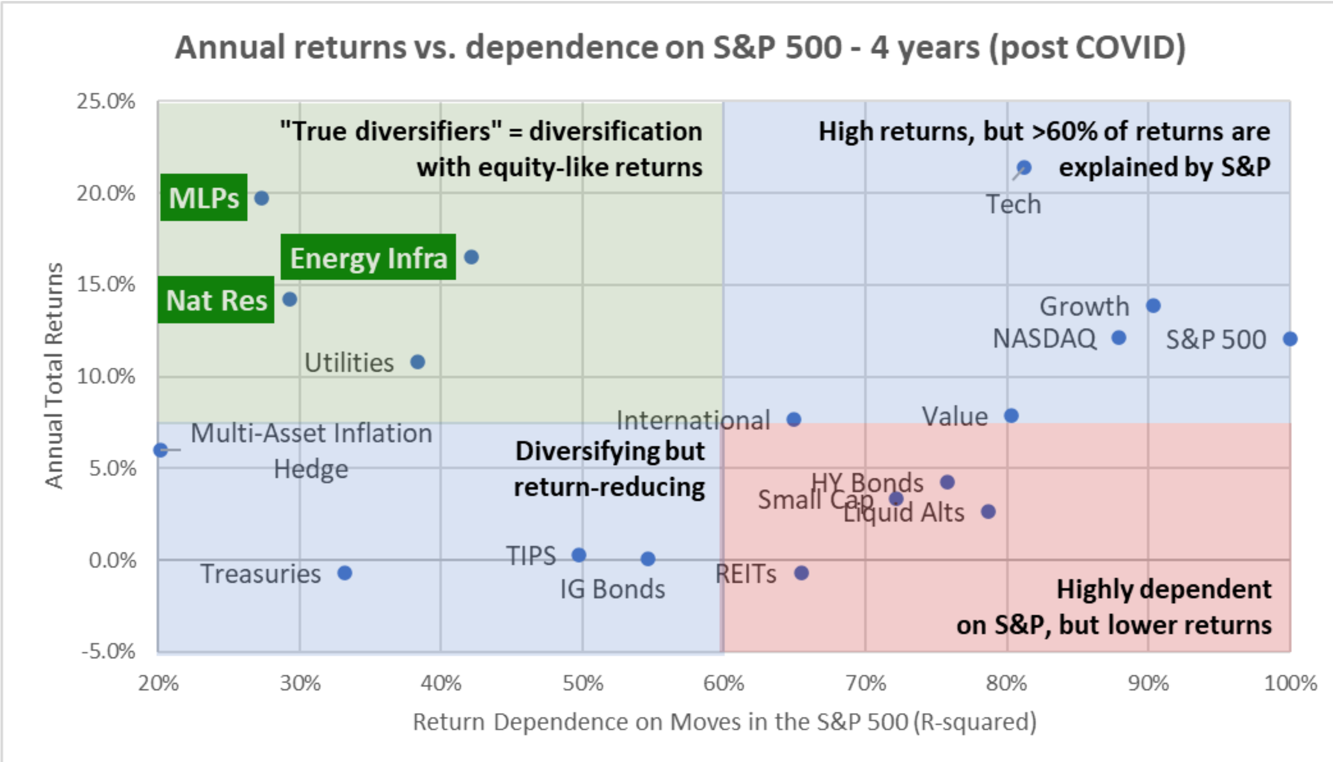
Natural Resources Performance Review

During the month of October 2025, the Recurrent Global Natural Resources Strategy fell -0.75% net of fees, performing in line with the S&P Global Natural Resources Index's -0.72% return. The portfolio's overweight to refining and underweight to gold miners positively contributed to performance, while positions in select midstream and chemical names ultimately detracted from relative performance.

Diversifying in a red-hot, AI-dominated market has paid off – for those willing to look at Energy Infra and Natural Resources

Over the last 4 years, Energy Infrastructure (both MLPs and C-corps) and Natural Resources have stood out as an excellent source of diversifying returns, as shown in the graph below. Not only have the returns been stronger than broad equities, but these returns have been largely independent of the S&P. For ease of reading, we refer to Energy Infrastructure and Natural Resources as "EI and NR" below.

In fact, since 2021, **EI and NR** returns have exhibited a lower correlation to the S&P 500 than **TIPS** and **Investment Grade Bonds**! Notably, higher-cost and complex strategies, such as **Multi-Asset Inflation Hedge** strategies (typically a basket of equities, commodities, and TIPS) offer diversification, but have offered much lower returns than **EI and NR** during this 4-year period of elevated inflation. Incredibly, **Liquid Alternatives**, have not only delivered weak returns, and also offer little in the way of truly independent return streams. **Bonds** of all types have been less diversifying than **EI and NR** since COVID, while meaningfully diluting equity portfolio returns.



Source: Bloomberg, Recurrent research

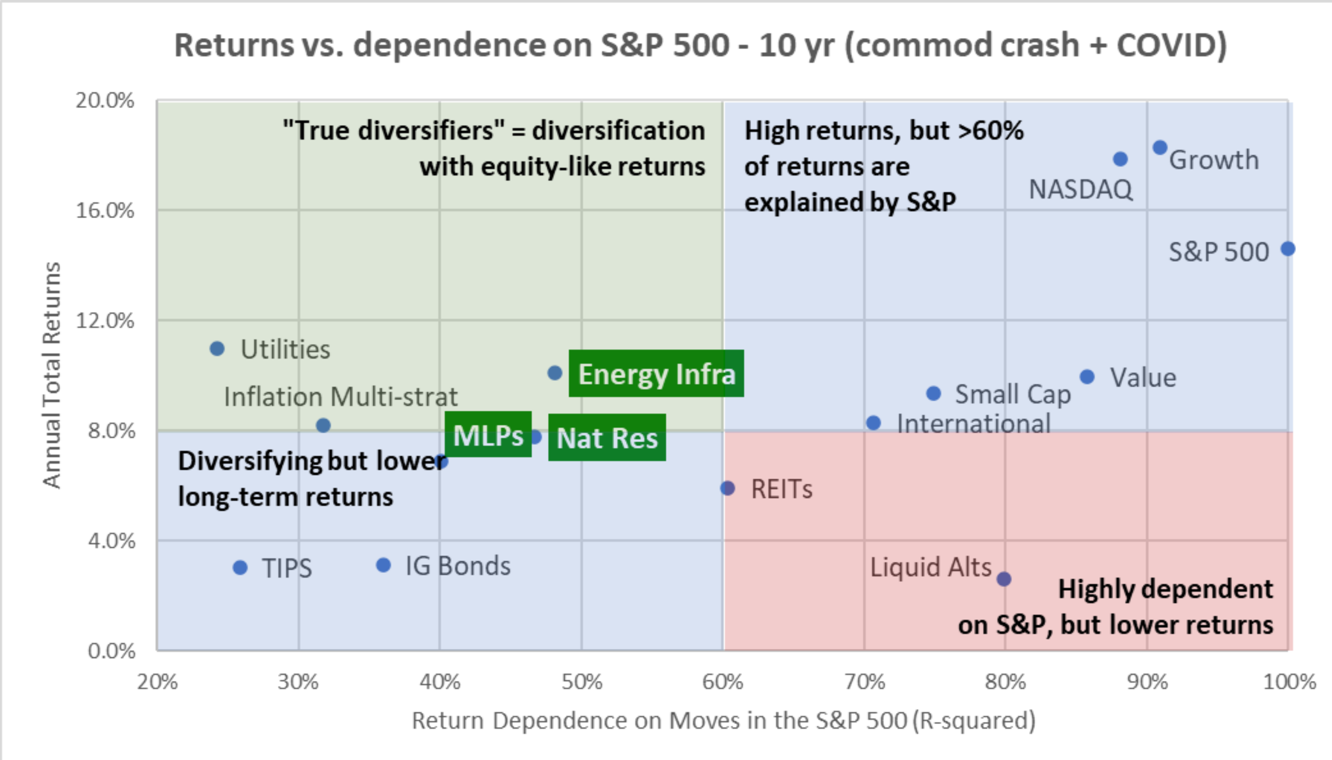
Notes: MLPs = Alerian MLP Index; Energy Infra = Alerian Midstream Energy Index; Nat Res = S&P North American Natural Resources Sector Index; Growth = Russell 1000 Growth Index; Value = Russell 1000 Value Index; TIPS = Bloomberg TIPS Total Return Index; IG Bonds = Bloomberg Corporate Aggregate Index; HY Bonds = Bloomberg High Yield Agg Index. Inflation Multi-strat = S&P Multi-Asset Dynamic Inflation Response Index; Tech = S&P 500 Information Technology; REITs = S&P 500 Real Estate; Utilities = S&P 500 Utilities; International = MSCI World Ex-US; Liquid Alts = Wilshire Liquid Alts Index; Small Cap = Russell 2000. Returns are through 10/31/2025.

The historical risks of diversifying into cyclical, commodity-related sectors like EI and NR

We can imagine the howls of protest already. “That graph only includes the last 4 years, which have been favorable to EI and NR, as the world grappled with post-COVID inflation and the impact of the Russia-Ukraine War on global commodity markets!”

Fair enough! Below, we look at the uniquely unfavorable trailing 10-year period (2015-2025), including COVID, and the commodity bear market that preceded COVID. We see that the general pattern still holds: **EI and NR** provide a stream of equity-like returns (even during one of the worst commodity crashes in history), largely independent of the S&P, with diversification properties comparable to **Investment Grade Bonds**, albeit with higher returns (and higher volatility). **REITs** have been a consistently lower-return, higher-correlation option than **EI and NR**, while **Value** and its close cousins **International** and **Small Cap** equities have offered comparable performance to EI and NR, with less diversification. **Liquid Alternatives** remain one of the worst options for returns +

diversification during this period as well, with higher fees.



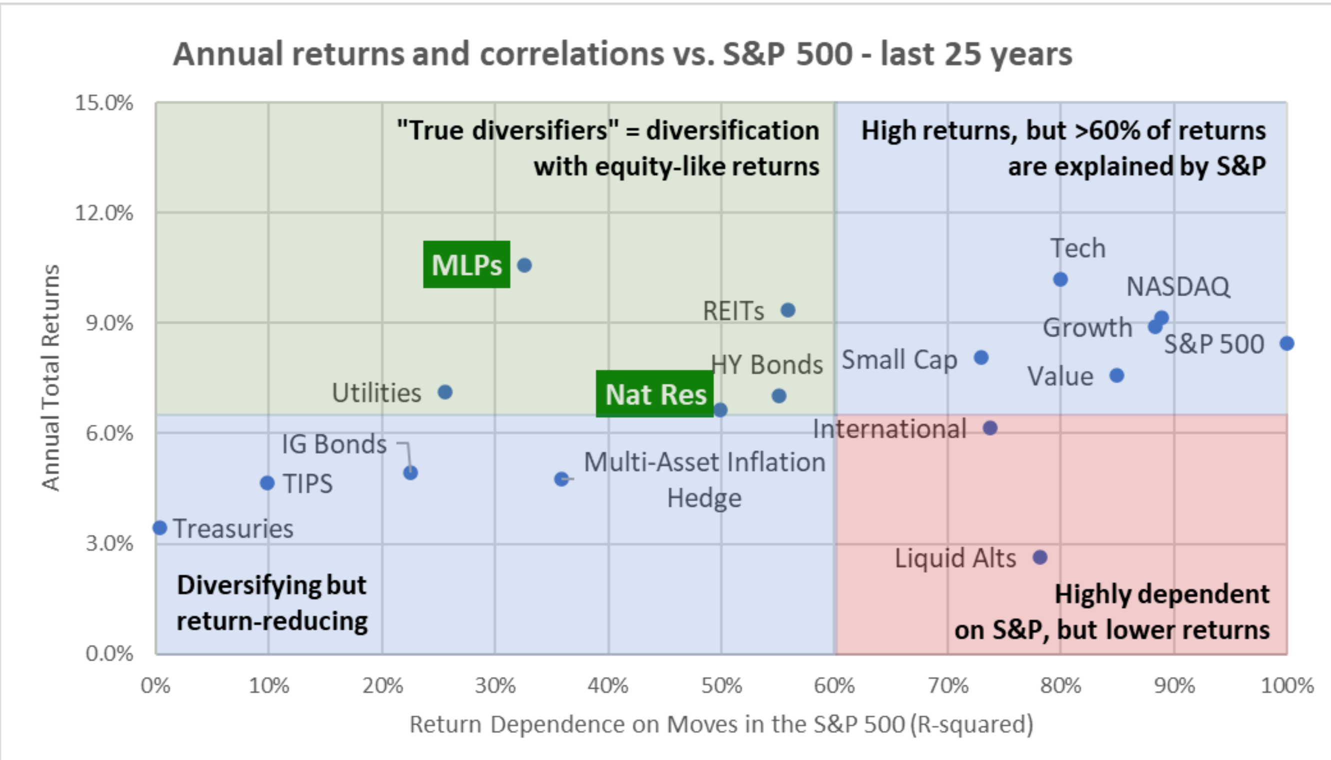
Source: Bloomberg, Recurrent research
Notes: see graph above. Returns are through 10/31/2025.

Diversifying into EI and NR has worked during the worst 10-year period for commodities in history… is 25 years "long-term"

How long is "long enough"? It's a hard question to answer. We've certainly seen plenty of misleading analyses of markets, choosing the 2000 tech bubble peak or some other distorted moment in market history as the base year. The 25-year period below begins on October 31, 2000 (at which point the NASDAQ had already fallen by 35% from its peak), and finds **EI and NR** in a mid-cycle environment, well off the mid-1990s commodity market lows. Again, we find that the general fact patterns from our 4- and 10-year studies above are intact: **EI and NR offer equity-like returns, with much lower dependence on the S&P 500 than other equity investments.** Put simply, over multiple time frames, **EI and NR have been portfolio enhancing**, offering equity-like returns with lower dependence on the broad equity market than anything found in the equity markets.

As we see below, the valuable diversifying role played by **EI and NR** shown in the 4-year period (<u>favorable</u> for commodities), 10-year period (<u>unfavorable</u> for commodities) holds over this longer 25-year period. **Tech** and **Growth** are less dominant when we include the 2000s decade of lackluster returns, but still superior to **Value**, **Small Cap** and

International. **EI and NR** provide more diversification than **High Yield Bonds**, with comparable or better returns. All other types of **Bonds** provide greater diversification but lower returns. **Inflation Hedge** strategies continue to offer less attractive exposure than **EI and NR**, with **Liquid Alternatives** continuing to offer the least attractive portfolio enhancement of any asset class.



Source: Bloomberg, Recurrent research
Notes: see notes above. The Energy Infra index shown above did not exist until 2006, and the EI sector was predominantly MLP equities in the 1990s and 2000s, so we only show the MLP Index in the 25-year graph. Returns are through 10/31/2025.

Why are investors overpaying for liquid alts and inflation hedges, when EI and NR has proven to be a superior option?

The studies above are unequivocal – EI and NR play a valuable role in diversifying a portfolio, while maintaining strong long-term returns. So why are investors so hesitant to reach for these sectors in a red-hot market?

Is it a lingering memory of the pain of the 2015-2020 commodity downturn? We would note that this anomalous period of low returns, and the lessons learned by EI and NR sectors after a period of excessive capex spending, could suggest higher-than-normal returns going forward… just as the "capital efficient" tech sector becomes addicted to massive capex programs.

Is it a fear of energy's "high beta" in recessions? We addressed this dynamic in a 2022 monthly, where we noted that energy/resources underperformance in recessions is not a given. Prior to 2015, energy/natural resources was viewed as a "place to hide" in recessions or selloffs – energy outperformed in the market crashes of the 1970s, the tech bust of the early 2000s, and the Great Financial Crisis of the late 2000s. The two worst bouts of underperformance – the 1980s and 2010s – coincided with strong GDP growth and stock markets (but ruinously high capex). It was high debt and capex that created the "high beta" dynamic that contributed to outsized volatility during 2015-2020, and has now been imprinted in investors' memories. Even the example of 2022 – when a crashing stock and bond market coincided with massive EI and NR outperformance – has been dismissed as an anomaly, even though the pattern of 2022 is consistent with pre-2015 history.

Is it ESG, geopolitical concerns, or fears of a phase out of energy? As we addressed in our "Frack-tured Cartel" white paper, the energy market is now less volatile than history, even during a time of historically volatile government policy and geopolitics. This is because Shale is now sufficiently large to balance the global market in 12 months or less. Accordingly, commodity-related investments can be evaluated against a backdrop where extreme (high or low) prices are the exception, not the rule. Compare this to the oil market of the 1960-2010 period, when prices were extreme roughly 80% of the time.

Against the backdrop of a red-hot and highly concentrated equity market, investors' portfolios have become increasingly concentrated as well. EI and NR can offer a powerful diversifying portfolio component, while historically allowing investors to maintain equity-like returns over the long term. The fact that **EI and NR** continue to be dismissed by many allocators as a portfolio enhancer, despite their proven value as a diversifier, strengthens the argument for their inclusion in a diversified portfolio, in our view.

Monthly Investment Commentary
Oct 2025

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