

Energy Infrastructure (EI): Iranian oil exports have been frozen for months, and yet, oil markets remain strangely calm. Analysts cite several factors – non-OPEC production, global inventories, and hope for a near-term export resumption – allowing the global economy to muddle through. Amazingly, these headlines could be from 1978 or 2026.

With 20/20 hindsight, we know 1979-1981 saw a historic rise in oil prices. Today, the late 1970s are (incorrectly) viewed as one long inflationary shock. Our detailed study shows that oil prices stayed low during the Iranian Revolution. Markets came unglued only after a “resolution”. Will 2026 see a successful “resolution” in Iran, or a re-run of 1979?

Natural Resources: Just 4 years ago, countless institutions enacted ESG-based investment policies, many of which eliminated fossil fuel investments. While environmental rationales sat at the core of the decision to divest, one other influential yet unspoken factor played a role – the performance of the energy sector compared to broader markets. In our 3Q 2023 monthly investment letter, we highlighted that from 2014-2021, energy underperformed the broader S&P 500, and divestment announcements increased. In this monthly we update the analysis, since energy has outperformed the S&P 500 since the beginning of 2022. Has the pace of divestment announcements accordingly slowed???

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

May 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 May 2026, the Recurrent MLP & Infrastructure Strategy generated net returns of -4.53%, slightly lagging the Alerian MLP Index’s (AMZ) -2.88% return. Since the strategy’s July 2017 inception, Recurrent’s MLP & Infrastructure Strategy has outperformed the AMZ by +75.41% (+3.50% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +111.74% and +4.92% 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 May 2026, the Recurrent Global Natural Resources Strategy fell by 1.98% net of fees, underperforming the S&P Global Natural Resources Index’s 0.97% fall. After significant outperformance during the calendar year, chemical companies underperformed the broader benchmark as the prospect of reduced conflict in the Middle

East dampened profit forecasts. Conversely, stock selection in the refining and gold sectors benefited relative performance.

Energy Infrastructure (Midstream)

In 1978, oil markets remained calm in hopes of “normalization” ... is 2026 a re-run?

Even as Iran burned in late 1978, analysts and OPEC remained fixated on the oil oversupply resulting from early 1970s conservation efforts and new oil-producing regions such as the North Sea, Alaska’s North Slope, and the shallow water Gulf of Mexico. Inflation-adjusted oil prices fell during 1978, even as the Shah lost power and Iranian oil exports collapsed. In early 1979, the Shah went into exile, and still oil prices remained below 1975 levels. Oil prices only surged after the Iranian revolution stabilized and exports resumed. In other words, it was only after attempts at “normalization” that markets realized the world had permanently changed. Will 2026 experience a rapid return to normal, or a re-run of 1979?

The 1970s weren’t one long bull market for oil – prices were stagnant from 1975-78

The below deep-dive shows that the late 1970s were far from the straightforwardly inflationary time imagined by many modern investors. Much like the 2020s, the 1970s were a time of energy crises, interspersed with fears of oversupply and falling prices. Oil markets pivoted from panic in 1973-74 to complacency by the late 1970s. As Iranian oil exports collapsed in late 1978 and the Shah fled in early 1979, US refiners were still paying ~15% lower inflation-adjusted prices vs. 1975 levels.

Below, we see that energy dropped off the front pages in 1977 and 1978 as OPEC worried about excess supply. With the energy crisis of 1973-74 an increasingly distant memory, slow GDP growth and non-energy inflation eclipsed oil prices as a concern in the minds of voters. In 1977, then-President Carter made his famous “Moral Equivalent of War” speech, trying to rally support for further oil conservation measures to a public that had moved on from oil. As oil continued to fall in 1978, Carter, who refused to heat the White House while he wore a cardigan sweater, was ridiculed as being out of touch.

1977-1978: oil markets remain complacent as the Middle East changes forever

1) Apr 1977: Carter sees energy complacency

DAY, APRIL 19, 1977

CARTER ASKS STRICT FUEL SAVING; URGES 'MORAL EQUIVALENT OF WAR' TO BAR A 'NATIONAL CATASTROPHE'



HIGHER PRICES SEEN

Nation Is Warned It Will Run Short in 1980's Unless Waste Is Reduced

By CHARLES SOBUSH

WASHINGTON, April 18—President Carter warned tonight that the United States faced a possible "national catastrophe" unless it responded with the "moral equivalent of war" to deterring energy supplies by accepting a program

2) Dec 1977: OPEC dominated by talk of "glut" from N Sea, Alaska

Forecasts Conflict Over Supply, Demand and Cost

Much Tougher Choices for The Cartel's Policymakers

By STEVEN BATTNER

WASHINGTON—As the Organization of Petroleum Exporting Countries meeting in Venezuela last week, the thoughts of the ministers were dominated by two issues. One, the matter, the issue was the economic impact of the war. The United States, after two years of sharp recovery, has begun to grow more slowly and high unemployment lingers. Western Europe suffered an abrupt pause at midyear that may or may not be ending. Japan's economy is growing at its slowest rate.

But underlying discussion at the semi-annual meeting was the "oil glut"—the excess abundance of petroleum supplies. For the oil exporters, the glut has become a grumbling concern for as storage tanks were filled to overflowing, the West has begun to purchase less oil from the cartel.

In the month of October, the cartel's exports to the United States were 18,291,000 barrels a day, up from 16,611,000 in September. The cartel's total exports were 80,870,000 barrels a day, up from 74,338,000 in September.

Worldwide oil reserves as of Dec. 1, 1977

WESTERN EUROPE	18,291,000
U.S.	16,611,000
ASIA	80,870,000
AFRICA	74,338,000
AMERICA	106,000,000
OTHER	100,870,000

Ranges of demand and supply

3) April 1978: Market skeptical of Carter's energy crisis

Energy: Where Did the Crisis Go?



The current picture: Instead of supply shortages, surpluses, instead of soaring prices, stability. At right, Henry M. Jackson, key figure in Senate Energy Committee, has a visible shortage (left) to oil that drove home, a three-day decline in oil prices last week. At right, Henry M. Jackson, key figure in Senate Energy Committee, has a visible shortage (left) to oil that drove home, a three-day decline in oil prices last week. At right, Henry M. Jackson, key figure in Senate Energy Committee, has a visible shortage (left) to oil that drove home, a three-day decline in oil prices last week.

4) Oct 1978: Iranian strikes shut down oil industry, exports collapse

Strikers in Iran Demand Expulsion Of All Foreigners Holding Oil Jobs

By JONATHAN KANDELL
Special to The New York Times

5) Nov 1978: US Energy Sec sees Iran oil "close to full restoration"

Schlesinger, Offering Fuel Plan, Cites Iran

By EDWARD COWAN

Schlesinger conceded that all such estimates were highly problematical. The use of statistical models based on experience

6) Dec 1978: US drilling declines as costs increase, prices remain low

Oil Drilling Takes a Breather

Oil Drilling Activity in the United States




Source: Recurrent research, Bloomberg, New York Times archive (timesmachine.com), US Bureau of Labor Statistics. For illustrative purposes only.

Many believe that oil spiked as the Shah fell, but reality was more complex

Above, we see that by late 1978, US energy companies faced lower (inflation-adjusted) oil prices and higher drilling costs. Rig count dropped during late 1978 even though the Iranian Revolution had been accelerating since January 1978. In October 1978, Iranian oil workers went on a nationwide strike, and Iran's 5-6 million barrels per day of exports collapsed. US officials made hopeful statements about a rapid recovery in exports, but full restoration would not occur until after the Shah fled in early 1979. See more below.

1978-1979: revolution ends, then real trouble begins; prices only surge *after* exports return

7) Dec 1978: Iran exports shut off, expats evacuated



The New York Times / Dec. 27, 1978
Iran's principal oil-export terminal on Kharg Island was closed.

9) Feb 1979: no reason to panic... yet

Not Yet an Oil Crisis

Continued From Page 1
that at the end of the embargo we wound up with more oil than we started out with."
And this time, the United States happens to have a surplus of natural gas. The Energy Department has estimated that, if these industrial fast users who can use home either oil or gas were to switch temporarily back to gas, the demand for oil would drop this year by 800,000 barrels a day. That alone would wipe out more than half of the worst-case shortage.
But even if the Government had to close the entire 4 percent gap by increasing demand, it could do so with a relatively modest round of conservation measures. The typical suggestions would create savings...

Economic WEEKLY CO	
Commodity Index	Label Week
Crude oil	87.0
Gasoline	111.0
Heating oil	118.0
Auto production	108.0
Steel production	100.0
Foreign exchange	100.0
Consumer prices	100.0
Business index	100.0

11) Mar 1979: hopeful signs of softening prices

Drops in Spot Oil Prices Confirmed by U.S. Aide

By RICHARD HALLORAN
Special to The New York Times
WASHINGTON, March 21 — A senior official of the Department of Energy confirmed today that prices in the world's spot oil market "have declined markedly" because of resistance by oil companies to the resumption of Iranian exports.

U.S. Petroleum Data	
Millions of Barrels	Year 1979
Gasoline production	6.9
Crude production	3.0
Gasoline stocks	284.4
Crude stocks	119.3

12) May '79: Carter loses vote, gas lines "inevitable"

Carter, Scolding Americans, Sees Refusal to Face Up to Fuel Crisis

Continued From Page A1
challenge to come up with an emergency gasoline rationing plan within 90 days. "Right now," he said, "the voters aren't there for any kind of plan." The House turned down Mr. Carter's proposed plan 246 to 199, when 106 Democrats joined an almost solid bloc of Republicans in voting against it.
The Energy Department announced that it would re-examine its regulations to see whether gasoline dealers were getting adequate price margins to cover...

8) Jan 1979: OPEC plans 15% hike, US says price hike "unwarranted"

OPEC RAISING PRICES OF OIL 5% ON JAN. 1, 14.5% BY END OF 1979

CARTER DISAPPOINTED | AN AVERAGE OF 10%

10) Feb 1979: US sees higher oil price, even with Iran resumption

Schlesinger Renews Warning on Iranian Oil

Continued From Page A1
Mexico was increasing production, it had no plans to build it up fast enough to take up the slack.
The Secretary also said that some of the differences between Mexico and the United States over the price of Mexican oil dictated that the price of gasoline at the pump would reach \$1 a gallon in three or four years.
It was his first such prediction; he had turned aside the question earlier. But it put him at odds with Senator Henry M. Jackson, Democrat of Washington, who is chairman of the Senate Committee on Energy and Natural Resources.

13) May 1979: Exxon CEO sees demand > supply for a decade

Exxon Head Sees Oil Demand Exceeding Supplies for Decade

Special to The New York Times
SAN FRANCISCO, May 17 — World oil demand should exceed supplies for the next decade, the president of the Exxon Corporation, James H. Baker, said here today.
"We are not going to solve the problem," he said, "because we cannot meet the world's demand for oil. It will be a very tight market for the next 10 years."
Mr. Baker was speaking at a conference called by Exxon's chairman, Colton C. Clevins Jr., at his address...



Source: Recurrent research, Bloomberg, New York Times archive (timesmachine.com), US Bureau of Labor Statistics. For illustrative purposes only.

The post-crisis period saw a multi-year upward "reset" in oil markets

In early 1979, oil prices (and energy equities) remained shockingly resistant to discount the post-revolution "new normal". Global inventories had depleted, and in the background, large producers such as Russia had entered a period of falling production. By the end of the first quarter of 1979, disappointing OPEC supply growth and low inventories began to impact the market. By mid-1979 (9 months after the original Iranian outages), shortages were becoming consensus. By May 1979, policymakers were back to warning of oil shortages.

Oil markets were little changed **during** the ~13 month Iranian Revolution (January 1978-February 1979). **After** the revolution, markets began to sense a semi-permanent shift from oversupply (early 2026 was similar to 1978 in this regard) to a market with minimal cushion.

What does the 1978-1979 timeframe tell us about 2026?

In both timeframes, low capex persisted even as the crisis accelerated: Major sources of production growth in the mid- to late-1970s were generally discoveries made prior to the 1972-74 oil price spike. After prices spiked in the 1970s, energy companies were reluctant to spend in a politicized and inflationary environment (very similar to today). Then and now, stagnant oil prices, high costs, and government interference depressed capex. As we've noted elsewhere, energy and inflation cycles do not end without a meaningful capex response to drive new supply growth (in the 1979 case, this did not arrive until 1981-83).

Coordination is easier during a crisis than after it: OPEC and non-OPEC production surged during the Iranian Revolution, supported by inventory draws. After the acute phase of the crisis, both Saudi Arabia and Russia (among others) indicated that supply growth was unlikely to continue without sustainably higher prices. Today, the crisis has been mitigated by a significant drawdown in inventories in the US and China and the US's ability to export more oil than ever before in its history. After the crisis, the process of replenishing stocks can create a competitive buying environment which supports prices.

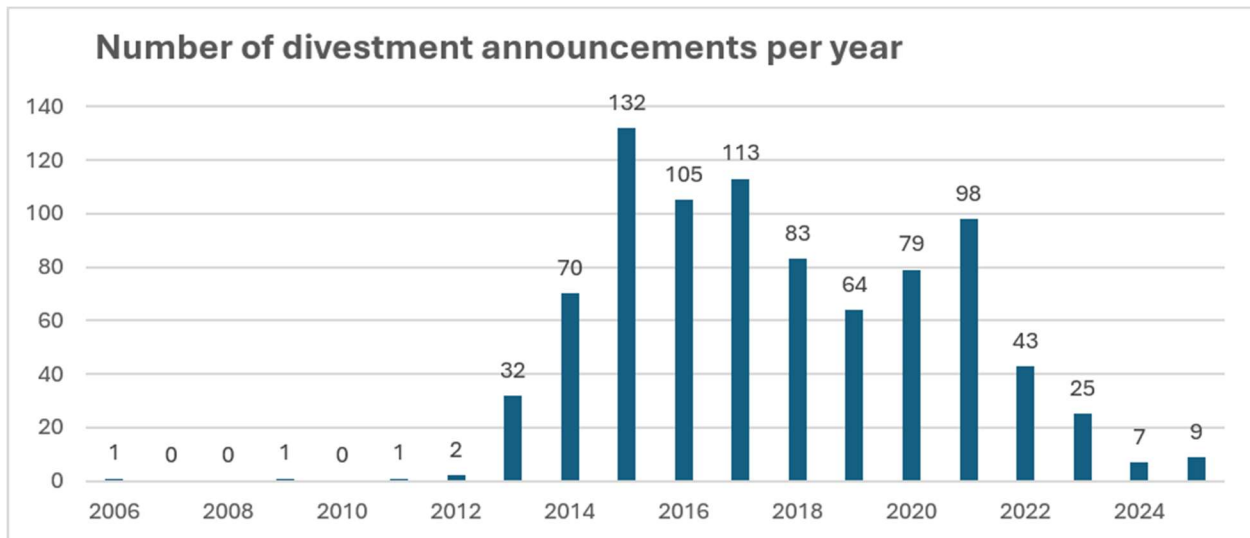
Iran "normalized" but never returned to full exports: In 1979, the new Iranian government rapidly restored production (as it was essential to fund the Iranian economy) but was unable to match the foreign expertise of the Shah's government. Today, it remains to be seen whether any settlement has the ability to rapidly de-mine and de-risk the Persian Gulf, and restore the Strait of Hormuz to pre-war levels.

Natural Resources

Investment Discussion

Earlier this decade, ESG investing was in vogue, with many institutions announcing plans to divest from fossil fuel investments in order to preserve the environment.

In 3Q 2023, our monthly commentary outlined our research of more than 1500 global divestment announcements which dated back to 2006. We noted that more than 90% of divestment announcements occurred between 2013-2021, as seen in the updated chart below. Since the last monthly commentary, there have only been a small handful of further divestment announcements.



Source: <https://divestmentdatabase.org/>, Recurrent Research. For illustrative purposes only.

While most observers attributed the increase in divestment announcements purely to social reasons, our analysis showed that equity performance also played a large role. While environmental rationale is relevant, Board members must also look to maximize performance to maintain their fiduciary responsibilities. In order to consider how so many institutional investors arrived at the decision to divest, we looked at what could be used as investment rationale for making a relatively qualitative decision – recent past performance.

To summarize the analysis of our 3Q 2023 investment letter, we looked at the 3 year rolling annualized performance of the S&P Energy Sector vs the broader S&P 500 Index. In periods when the energy sector underperformed, the investment rationale “if we didn’t own energy during the last 3 years we would have performed better....” would prevail.

As it turned out, the correlation between rolling 3 year energy underperformance and divestment announcements was striking. The period from 2014 – 2021 saw the deepest 3 year underperformance, and the most divestment announcements.

To end the 3Q 2023 discussion, we highlighted that if we considered energy sector performance, the strong outperformance of energy in 2022 was likely to dramatically change the prevailing dynamic. Energy outperformed the S&P 500 by more than 80%, leaving institutions which had divested without the strongest performing S&P sector.

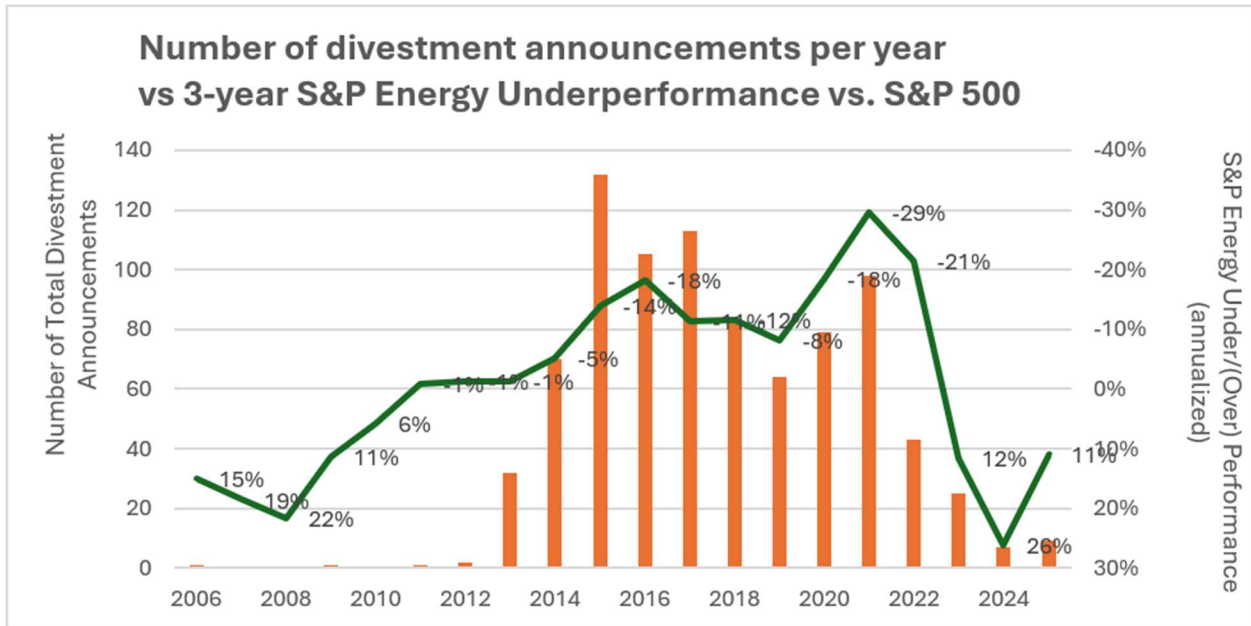
Fast forward to June 1st, when Princeton’s Endowment announced it would return to investing in publicly traded oil and gas companies.

NEWS

Princeton University Investment Company walks back divestment from publicly traded oil and gas companies

Source: *The Daily Princetonian*.

Since our 3Q 2023 investment letter, the trailing 3 year performance (12/31/2022 – 12/31/2025) continues to show energy’s outperformance compared to the broader S&P 500 as seen in the chart below. Furthermore, energy continues its strong relative performance, outperforming the S&P 500 by +15% YTD through the end of May. Given energy’s outperformance, we would expect to see more announcements like Princeton’s, as fiduciaries focus on their responsibility to maximize performance.



Source: <https://divestmentdatabase.org/>, Recurrent Research. For illustrative purposes only.

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