Energy Infrastructure (EI): in a 2024 monthly, we analyzed the railroad sector's 2000s-era turnaround as a model for energy infrastructure (EI). Rails were over-indebted and under-earning before finding discipline in the 2000s. By 2010, a long-term bull market had begun. Two key lessons: 1) capex restraint can fuel long-term value creation; 2) markets can take years to recognize good behavior. In 2026, EI follows the railroad playbook, with high profitability and modest capex. In contrast, utilities are not learning from previous real asset cycles: utility profitability is falling, debt is rising, but asset growth is at all-time highs. Utility valuations remain elevated, suggesting markets are slow to recognize bad behavior too.

Natural Resources: Since the recent MOU (Memorandum of Understanding) in the Middle East, oil prices have fallen to the $55-85/barrel range outlined in our 2025 white paper titled "The Frack-tured Cartel". However, refined products have yet to fall similarly. While an easy explanation would be energy companies' greed to maintain refining profits, seasonal demand dynamics prove to be a more appropriate explanation.

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

June 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 June 2026, the Recurrent MLP & Infrastructure Strategy generated net returns of -0.39%, slightly lagging the Alerian MLP Index's (AMZ) -0.04% return. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by +74.31% (+3.42% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +110.81% and +4.84% 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 June 2026, the Recurrent Global Natural Resources Strategy fell by 9.45% net of fees, underperforming the S&P Global Natural Resources Index's 7.85% fall. During the month, the portfolio's overweight positions in the oil refining and energy infrastructure sectors benefited performance, as both rose during the month. Additionally, portfolio holding Murphy USA rose 6.5% during the month. After an extended period of strong performance year-to-date, the portfolio's chemical sector weightings negatively impacted performance in the month of June.

Energy Infrastructure (Midstream)

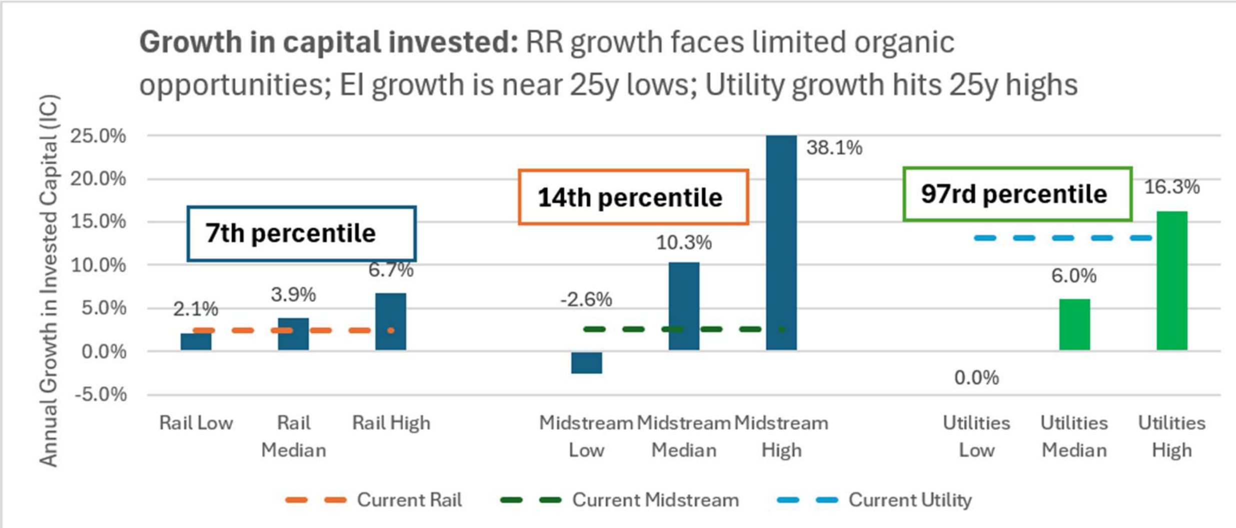
Midstream, railroads, utilities: three different "real assets", three different cycles

Today, investors are focused on artificial intelligence ("AI"), trade wars, and conflicts in the Middle East and Ukraine. Despite these volatile headlines, we believe that capital-intensive "real asset" and "infrastructure" investing remains governed by several unchanging principles.

1. **Valuation creates a temptation to grow.** Growth spending (capex or M&A) often rises and falls with valuation, although disciplined managements or regulatory obstacles sometimes depress growth even in the face of higher valuations. But on average, higher valuations typically = higher growth and more capital spending.
2. **Returns on capital often move inversely to growth.** High-growth companies often struggle to maintain high returns. Capex in progress is "fallow capital" (not generating returns) during construction. For infrastructure, this impact is even more dramatic as capital stays "fallow" during 3-6 year construction timelines. Low returns and high growth often necessitate significant debt issuance.
3. **Returns drive valuation… with a lag.** As noted in 2024, railroads saw returns improve in the late 2000s, but valuations improved in the 2010s. For utilities, returns have been falling for years, but valuations remain near the high end of historical ranges. For midstream, returns have been improving for years, but valuations have only recently exceeded long-term (25-year) averages.

EI and RR companies have pursued prudent growth; utilities grow at record rates

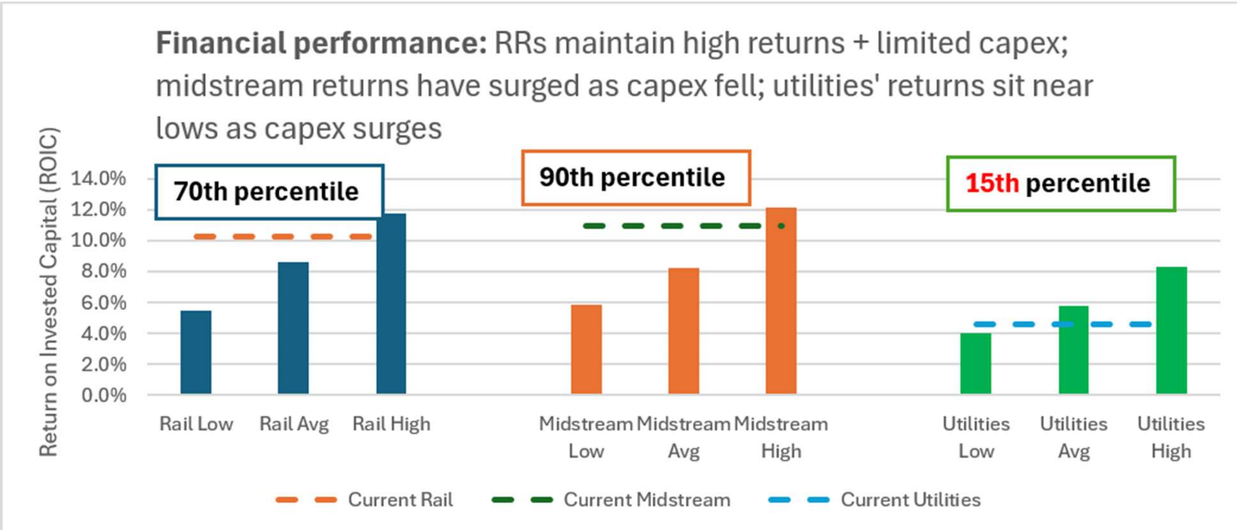
Below, we see that railroads are in a mature, low-growth cycle, with few opportunities for M&A and organic capex keeping growth rates low. Energy Infra, after explosive growth in the 2010s that led to over-indebtedness and a downturn in the late 2010s leading to negative asset growth in the early 2020s, remains in the bottom quartile of historical growth rates. Utilities, responding to accretive equity valuations and AI capex opportunities, are experiencing growth not seen since the "deregulation" boom of the late 1990s and early 2000s.



Note: Railroads include UNP, CSX, BNSF, NSC, KSU (until merger with CP), CP, CNI. Utilities include SO, DUK, D, EXC, ETR, AEP, ED, FE, SRE, PEG, XEL, NEE. Energy Infrastructure includes KMI, ET, TRGP, MPLX, MWE (until merger with MPLX), WMB, EPD, MMP (until merger with OKE), PBA, KEY.TO.
Source: Recurrent research, public filings, Bloomberg.

As our framework predicts, high-growth utilities see falling returns, as low-growth EI and RR see high/rising returns

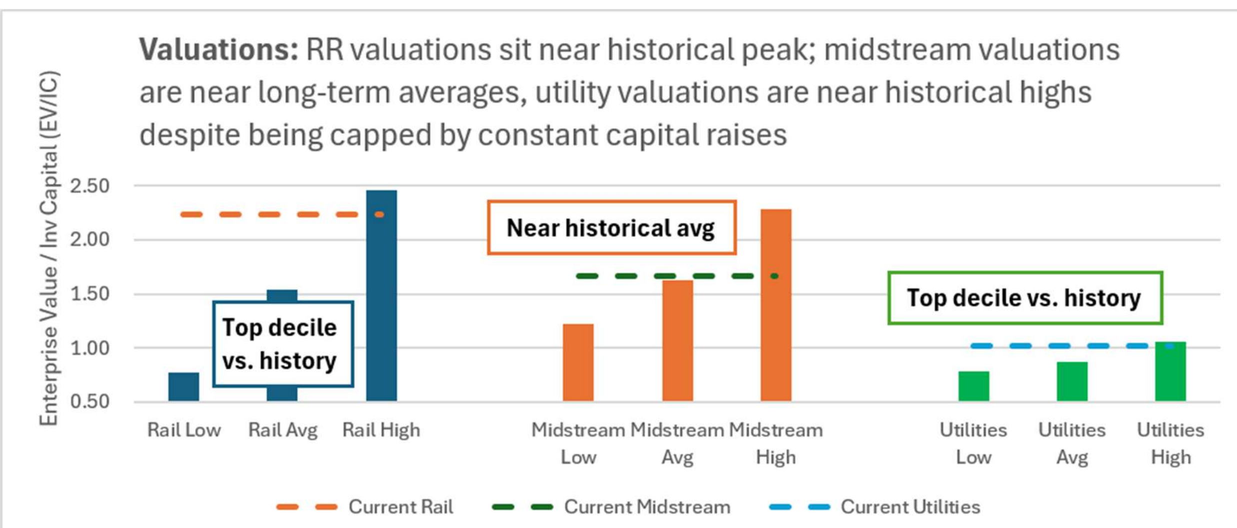
Railroad returns on invested capital (ROIC) have stayed in 10-12% range for much of the last decade, with ROIC hovering near 10% since the post-COVID boom of the 2021-22 period. Midstream returns have steadily climbed, with ROIC forecast to reach 11% in 2026, approaching peak 2022 levels, which were then viewed as a “one-off” given export profits during the initial phase of the Ukraine War. Utilities, in contrast, have seen returns decline for much of the last decade, as utilities have generally shed higher-ROIC unregulated fossil fuel generation in favor of huge low-ROIC renewable buildouts. Utilities have continued to see returns sag as they have pursued aggressive growth as AI opportunities have beckoned.



Notes: see companies included above.
Source: Recurrent research, public filings, Bloomberg.

Valuations allow companies to pursue growth, but do not force them to

As we've written here and elsewhere, high valuations encourage growth more than high profitability does. Sectors tend to grow faster when they are highly valued. However, valuation is not destiny. Highly valued companies can choose lower capex, slower growth and higher profitability - either by management discipline, or because of regulatory concerns or shifting industry dynamics. Railroads and midstream have both grown slowly in recent years. Utilities have grown rapidly. Below, we see railroads (low growth) and utilities (high growth) both valued in top 10% of 30-year valuation ranges; midstream has seen valuations improve from all-time lows in 2020, but valuations could continue to improve as midstream companies maintain prudent growth plans and high ROICs.



Notes: see companies included above.
Source: Recurrent research, public filings, Bloomberg.

EI's low growth, high returns and modest valuations are encouraging for future returns

As shown above, railroads have high and stable returns, low growth, and valuations in the top decile of a 30-year range. Railroads have the cost of capital to pursue growth, but given the already-concentrated industry and unappealing prospects around constructing new track, the industry remains in low-growth mode. Given low growth rates, returns should remain high, but given valuations at the 90th percentile of historical ranges, it's arguable that these favorable growth and profit attributes are well understood.

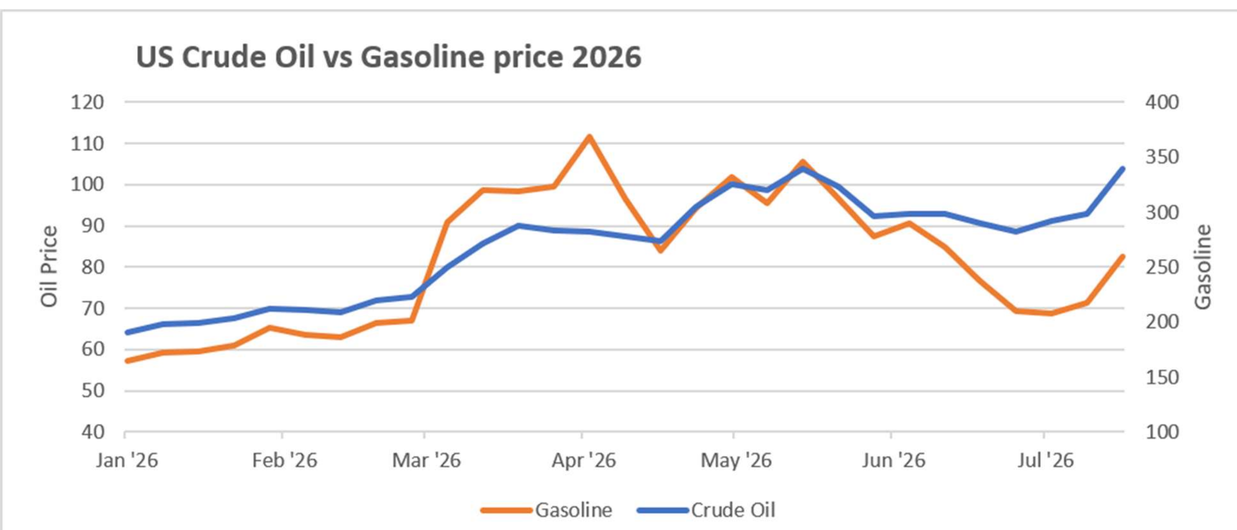
Midstream/Energy Infrastructure has now caught up to the railroads in return generation, and industry-wide asset growth continues at a low- to mid-single digit rate. Encouragingly, midstream remains valued near historical averages despite top-decile ROIC levels vs. history. The 25% unlevered valuation discount vs. railroads suggests >25% upside to fair value for equity valuations.

Utilities remain an outlier in many respects, although they are once again the exception that proves the rule. We have noted that growth typically responds to valuation, not profitability – utilities support our thesis as current growth rates are at 25-year highs; meanwhile returns are near the bottom of the long-term historical range. With valuations at the 93rd percentile of historical ranges, utility investors seem to be betting that this time is truly different.

Natural Resources

Investment Discussion

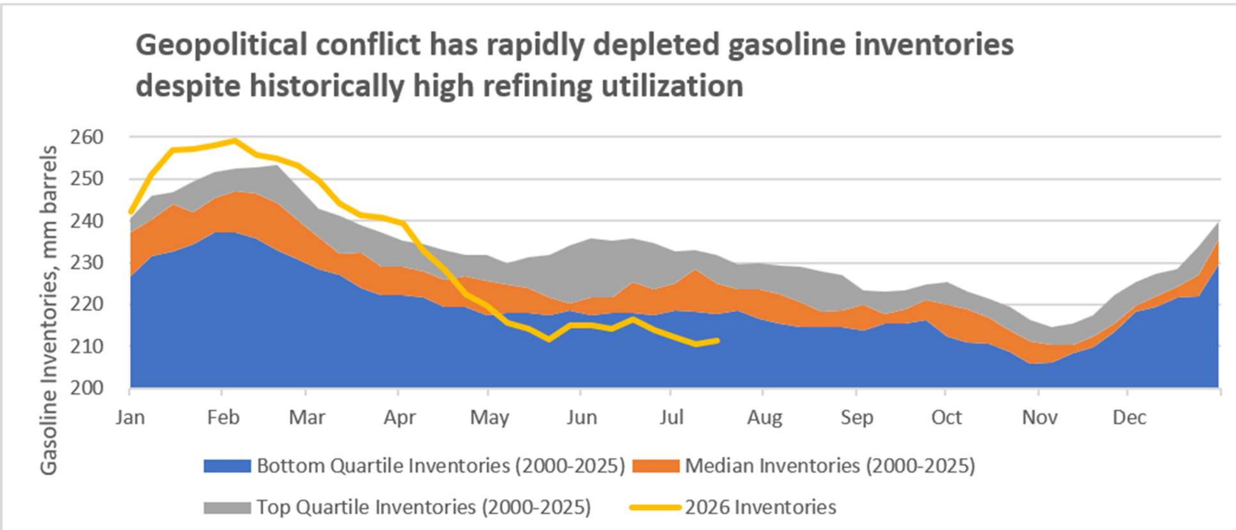
Since the initial ceasefire announcement between the U.S., Israel and Iran on April 7th, crude oil prices have fallen by approximately 50%. However, recent media and investor focus has highlighted the dichotomy between crude oil and stubbornly high gasoline prices due to the impact of gasoline prices on inflation.



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

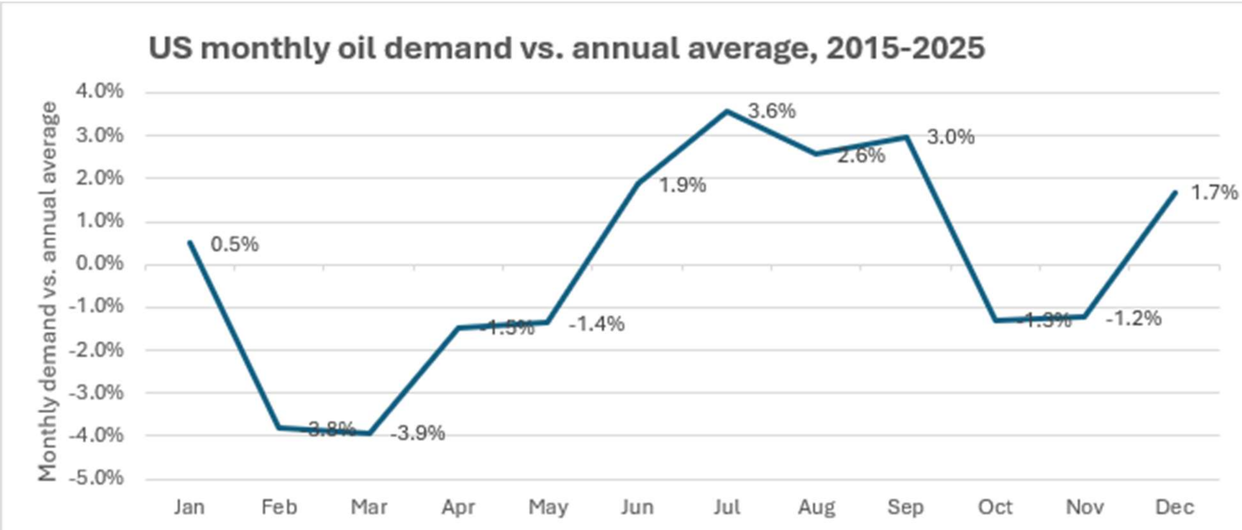
While the disconnect between input and output prices is fairly unique from a historical perspective, there is one factor playing a decided role in causing the pricing anomaly. As we wrote in our monthly commentary nearly 2 years ago, the seasonality of demand, when combined with the timing of the 2026 supply disruption, combines to extend elevated refined product prices.

Importantly, the conflict started in the late winter and continued through the spring. Through that period of time, global refined product inventories fell counter seasonally. By June 2026, inventories approached seasonal lows usually seen in November.



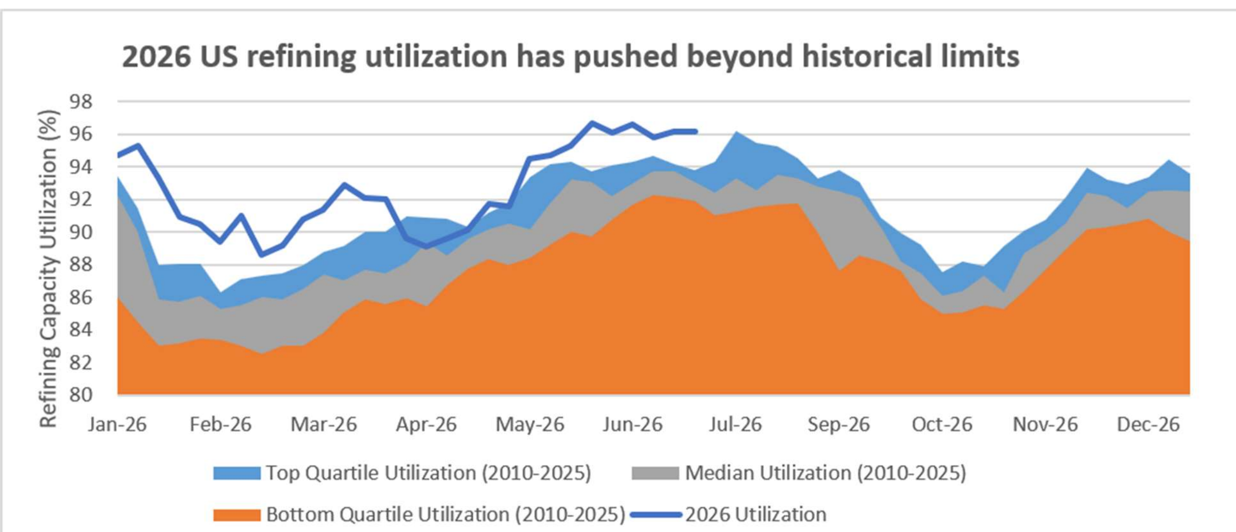
Source: Bloomberg, Recurrent research.

The confluence of low inventories and increased global demand in June keeps refined product prices high. In our July 2024 monthly investment letter, we noted that 86% of global oil demand is from the Northern Hemisphere. Also, we noted that demand increases in the summer months due to increased travel etc. The chart from the July 2024 monthly is attached below – June-August demand is seasonally higher than any other time of year.



Source: Bloomberg, Recurrent research.

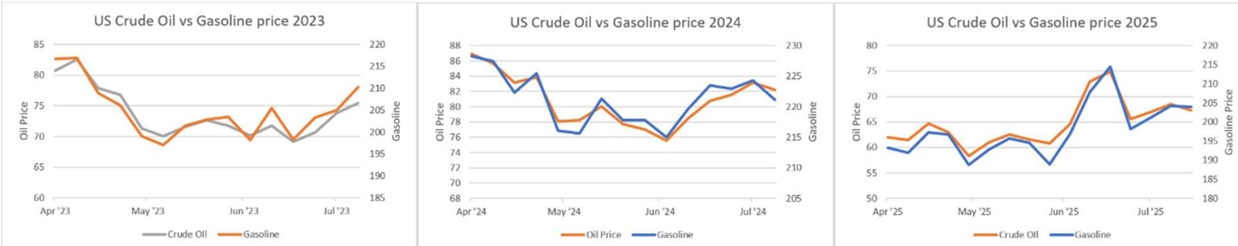
Every year, the global refining complex struggles to meet increased seasonal demand on a spot basis – pre-built inventories are usually required to meet demand. However, in 2026, the timing of the conflict reduced inventories, just before the high-demand season in summer. Therefore, 2026 refining utilization has persistently remained at multiyear highs, stressing the refining complex.



Source: Bloomberg, Recurrent research.

Since May 2026, oil prices have generally fallen, but high refined product prices reflect the stress on the refining complex. In the period from April-July in 2023-2025, oil and gasoline prices moved in lockstep.

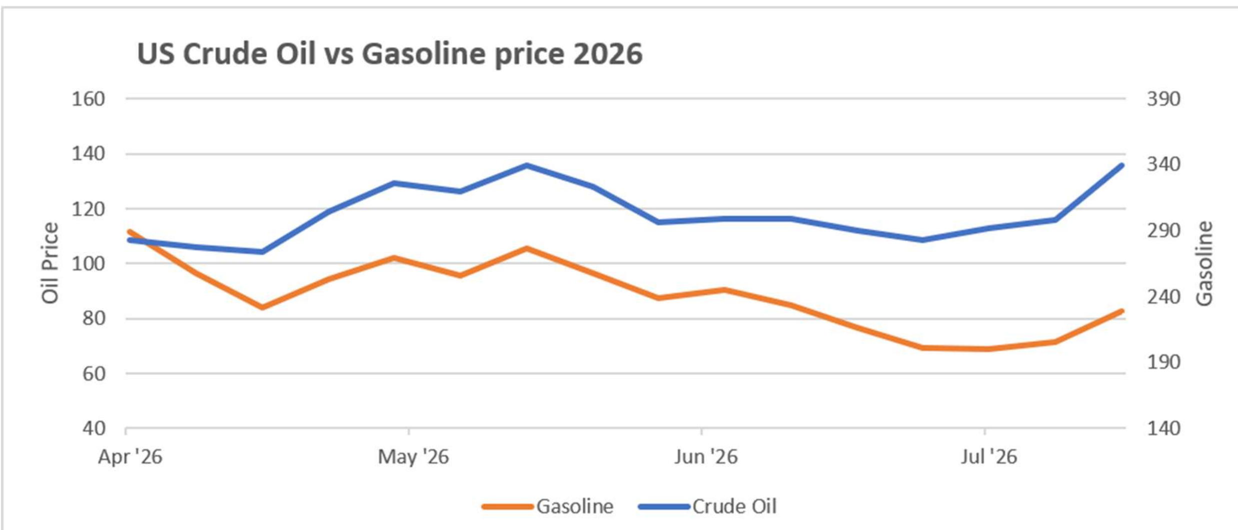
April-July Crude oil vs Gasoline prices, 2023-2025:



Source: Bloomberg, Recurrent research.

However, in 2026, oil and gasoline prices diverged greatly. Oil prices fell, but gasoline prices rose. While some observers identified energy companies' greed as the cause, the more appropriate cause is likely to be tight supply/demand dynamics within the refining industry.

April-July Crude oil vs Gasoline prices, 2026:



Source: Bloomberg, Recurrent research.

Recurrent Investment Advisors LLC
3801 Kirby Dr, Ste 654
Houston, Texas 77098
d: 832.241.6400