

Energy Infrastructure (EI): inflation is marching higher once again, driven by rising energy prices. It seems obvious that the world needs more energy investment – but capex remains depressed. It seems unbelievable – but the exact same thing happened in 1978! In our [“Great Inflation Misdiagnosis” paper \(July 2022\)](#), we noted several parallels from the inflations of the 1970s and 2020s.

- 1) inflation persists until capex surges (Fed cannot help);
- 2) companies do not surge capex simply because spot prices rise; and
- 3) capex responds primarily to higher valuations.

Today, commodity producers face uncertain prospects and valuations remain mediocre; capex will stay low (and inflationary pressures will stay high) until something changes.

Natural Resources: The UAE announcement to decouple from OPEC elicited significant commentary from financial analysts, commentators and journalists, trying to explain the strategic rationale for the decision. While “geopolitics” and “OPEC ineffectiveness” were widely cited, the one perspective which was missing was the economic rationale. In a world where Shale’s elastic supply sits outside the OPEC cartel, the expected value of production cuts is low. Given UAE’s low cost structure, the revenue-maximizing strategy is to abandon the cartel and maximize production. The UAE’s actions are economically driven and explainable, using a power market comparison that Recurrent’s Principals have described for many years as the “dispatch curve”.

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

April 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 April 2026, the Recurrent MLP & Infrastructure Strategy generated net returns of +3.59%, slightly lagging the Alerian MLP Index’s (AMZ) +4.44% return by 0.85%. Since the strategy’s July 2017 inception, Recurrent’s MLP & Infrastructure Strategy has outperformed the AMZ by +83.18% (+3.77% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +120.88% and +5.20% 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

In the month of April 2026, the Recurrent Global Natural Resources Strategy rose +2.82% net of fees, outpacing the S&P Global Natural Resources Index’s +0.16% return by +2.66%. During the month, the portfolio’s Canadian Integrated oil holdings significantly outperformed the benchmark, while the portfolio’s overweight and strong stock selection in the steel sector additionally added

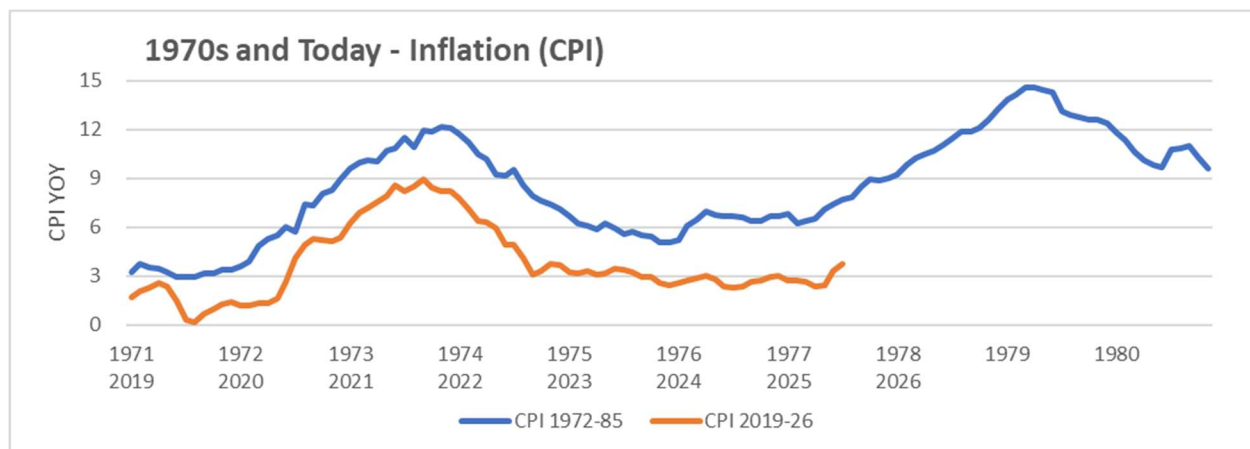
value relative to the benchmark. Since the strategy's June 2018 inception, the Strategy has outperformed the Index by +3.15% on an annualized basis, net of fees.

Energy Infrastructure (Midstream)

2026 is a re-run of 1978: stubborn inflation returns – while commodity capex falls

In our 2022 white paper, [“The Great Inflation Misdiagnosis”](#) we noted how commodity inflation stays high when commodity capex stays low – monetary policy cannot fix commodity shortages (and may exacerbate them).

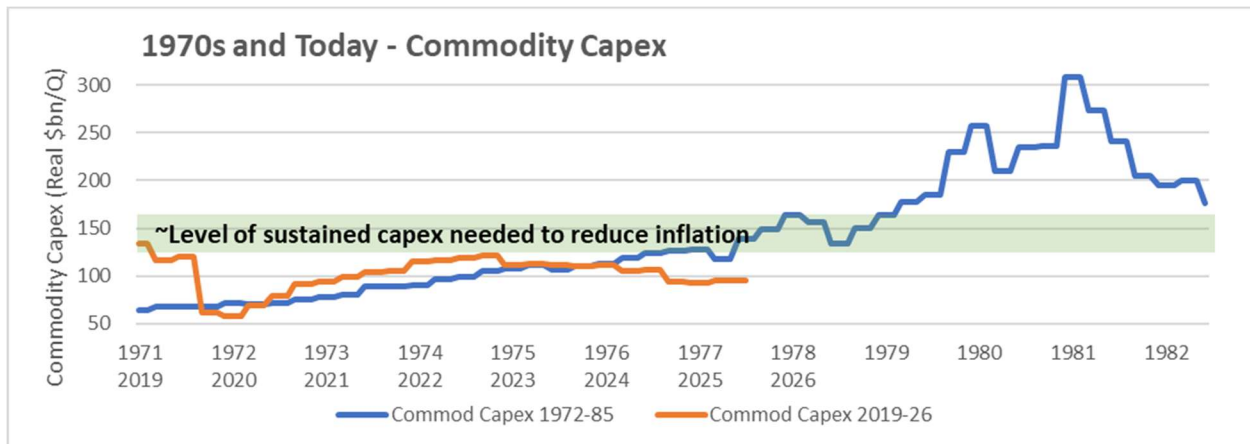
The parallels are clear: early 1970s inflation soared as war broke out in the Middle East; early 2020s inflationary pressures were stoked by the war in Ukraine. Lack of tangible investment in the mid-decade led to a return of inflation in the late 1970s and again today.



Source: Recurrent research, US Bureau of Labor Statistics (BLS).

In the early 1970s, the belief that “inflation is transitory” led politicians to introduce a variety of short-sighted policies – price caps, windfall taxes, export bans – to reduce commodity prices in the short-term. The effect was to reduce capex and supply in the long-term. Only after these policies were roundly rejected – and energy equity valuations surged - did the capex boom of the late 1970s get underway, ushering in lower commodity prices in the early-to-mid 1980s.

50 years later, politicians have used a variety of similarly myopic measures – withdrawals from strategic reserves, OPEC side deals, sanctions waivers for hostile nations – to ease short-term commodity pain. But again, these measures have had the impact of depressing capex and restraining long-term commodity supply growth – setting the stage for more persistent commodity inflation going forward. Factors such as steel tariffs have further increased costs in the oilfield and reduced drilling.

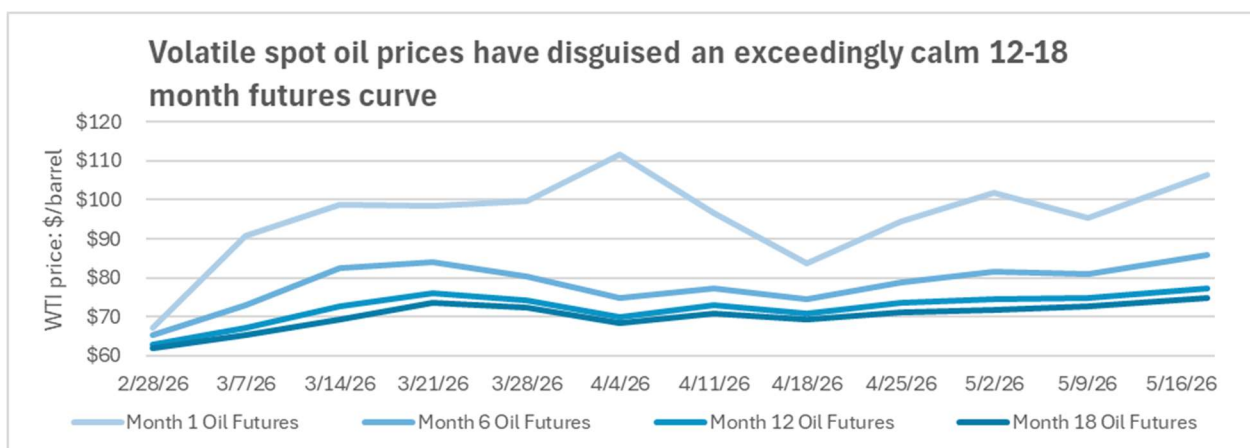


Source: Recurrent research, US Bureau of Economic Analysis, St. Louis Fed (FRED).

Even with an unhelpful policy backdrop, shouldn't Shale companies be drilling more?

Current discourse around the state of the energy markets frequently includes the following question: "Why aren't energy companies drilling in response to the rise in oil prices?"

Perhaps counterintuitively, Shale is cushioning the global economy from near-term pain, but the global economy's complacency in relying on high-cost Shale will lead to longer-term, more structural inflation. Compared to the hyperbolic predictions of \$200/barrel price spikes espoused by many energy experts, our ["Frack-tured Cartel" \(May 2025\)](#) white paper explained how North American Shale's incredible flexibility can act as a shock absorber to prevent oil markets from coming untethered in the face of geopolitical disruptions. Even as the Iran conflict remains stubbornly unresolved, 12 to 18 month oil futures – where oil companies often sell their future production volumes - remain firmly below \$80/barrel, as the market continues to bet heavily on the fact that Shale supply response and de-escalation will keep a lid on oil price.



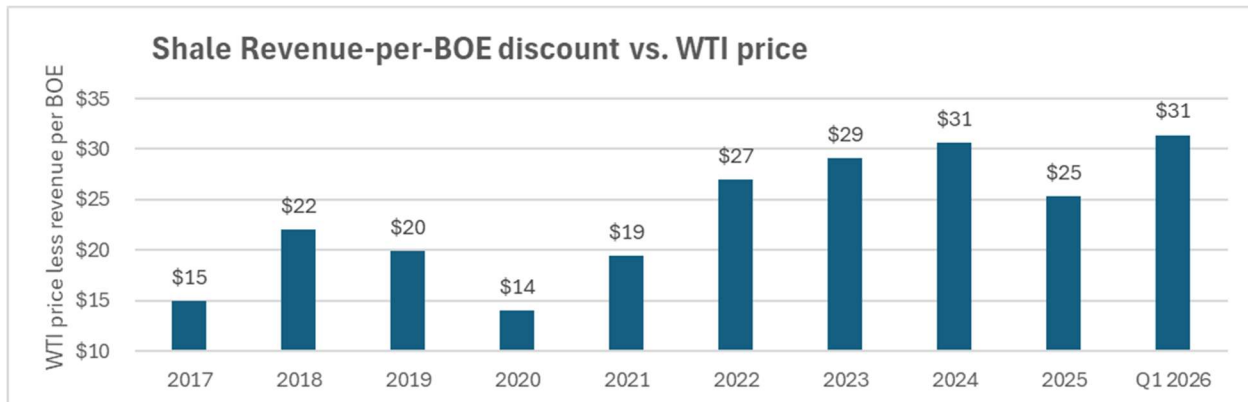
Source: Recurrent research, Bloomberg.

Shale operators are capturing less of the headline oil price than ever before

Shale's unique flexibility has insulated the global economy from crippling oil price spikes during the Iran War. However, as the global market becomes more dependent on US Shale exports, the world will be more exposed to Shale's accelerating cost inflation. Shale is experiencing its own structural

inflationary pressures which have discouraged drilling while raising the breakeven cost of US oil production. These pressures go beyond the rising costs from steel tariffs and oilfield services.

As Shale basins have aged, they have steadily produced a greater share of natural gas and natural gas liquids (NGLs) vs. oil. These non-oil byproducts often yield per-barrel revenues that are a fraction of the oil price. As a result, the average Shale operator during 2024 and 2025 generated revenues per barrel-equivalent (BOE) \$25 or \$30 below WTI. In Q1 2026, this discount reached a record \$31, or 43% of WTI.



Source: Recurrent research, Bloomberg.

In other words, a Shale operator drilling today, at a time of \$100/barrel spot oil prices, is actually selling into a 12-month futures market closer to \$75/barrel. After accounting for low gas/NGL revenues, the producer may realize \$45 per BOE (or less). With cash operating costs of \$12 to \$20 per barrel-equivalent, and capex per barrel of another \$12 to \$25 per barrel-equivalent, it is easy to see why Shale producers are choosing to proceed cautiously in the current environment.

With Shale operators seeing lower revenues per BOE and costs rising, and energy valuations insufficient to encourage a surge in capex, the global economy will be left to “muddle along” with tighter-than-normal commodity markets and higher-than-normal inflation for the foreseeable future, with Shale’s increasingly gas- and NGL-heavy production requiring more midstream services per BOE.

Natural Resources

Investment Discussion

In the midst of the dispute between Iran and the US/Israel, the United Arab Emirates (UAE) announced its departure from OPEC, expressing the desire to increase oil production free from OPEC constraints. Many analysts opined that OPEC would have less influence to “manage” global oil prices – to which we agree. At the same time, the same analysts suggested that weakened OPEC influence would make future global oil prices more volatile – a perspective we disagree with. The headline and byline from the Wall Street Journal, seen below, provide insight into consensus thinking around the event. As for the headline...the previous world order is breaking down. However, the byline is particularly interesting. Where the WSJ described the move as moving the market further away from “economic efficiency” toward a market “shaped by politics and conflict”,

we view the UAE's decision to be completely the opposite. The UAE departure from OPEC will help move the oil market to a more orderly economic regime, instead of less.

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The Global Energy Order Is Breaking Down

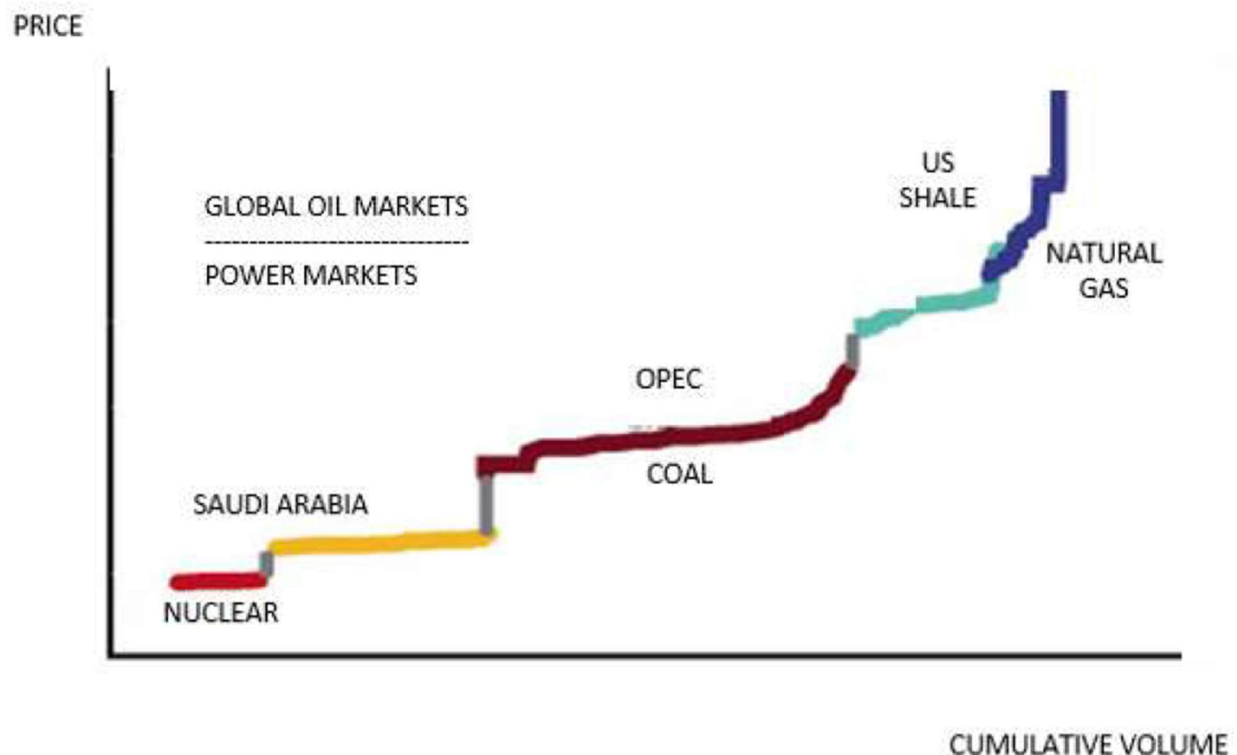
Iran war is accelerating shift from an oil market structured around economic efficiency toward one shaped by politics and conflict

By **David Uberti** **Follow**

April 29, 2026 5:30 am ET

Source: Wall Street Journal.

As we have written in multiple white papers, starting at our predecessor firm, and further described in the 2017 white paper [“The Impact of Shale on Energy Cycles”](#), US Shale's uniquely high-cost and quick-to-turn-on/off production has made Shale the global oil price-setter, and the world's predominant source of elastic oil supply. In the white paper, we compared the global oil market structure to that of unregulated power markets, as depicted in the chart below.



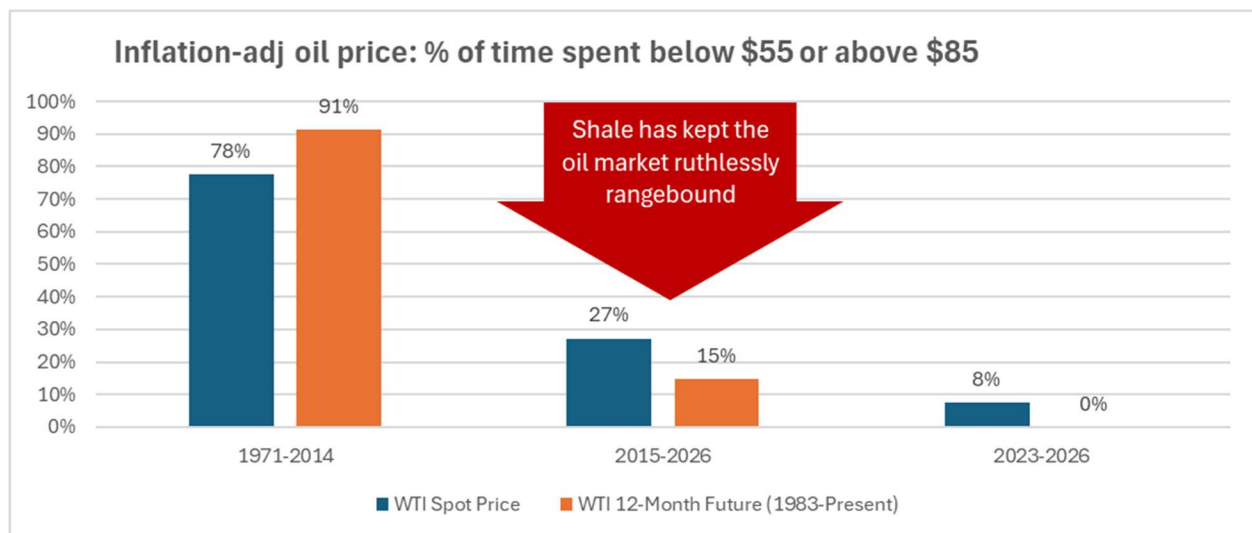
Source: Prof Liza Moyer, University of Chicago, Recurrent research.

When looking at the above chart, the pricing dynamic in power markets - below the supply curve - ranks the power producers by their cost. Every hour, the market price is determined by the amount of demand in that hour. The cost of the power plant which serves to match supply/demand is the

price of power for that hour. A fundamentally critical feature of this market is that the lower cost power plants – nuclear and coal – are cheaper cost, but can not turn off and on quickly in order to match changes in demand. Therefore, as power demand changes, the quick-to-turn-on/off natural gas power plants turn off and on to match supply and demand, making for an efficiently functioning market. As demand changes, only the highest cost natural gas power plants turn off and on to match supply/demand. Low-cost, slow-response power plants are incentivized to turn on and stay on at maximum capacity, while high-cost, rapid-response plants serve to set prices and meet incremental changes in demand.

Importantly, before US Shale grew to prominence in the global oil market, a high-cost, quick-to-turn-on/off source of production did not exist. OPEC assumed the role of price setter. However, as a low cost, slow-to-react source of oil production, its effectiveness has been checkered. In our 2025 white paper titled [“The Frack-tured Cartel”](#), our study of prices showed that before Shale, when OPEC was the dominant source of market elasticity, oil prices were frequently at extremes (outside of an inflation-adjusted \$55-85/barrel range).

The introduction of Shale, in a similar role to that of natural gas power plants in power markets, offers a high cost, quick-to-turn-off/on source of production which has made for a more orderly oil market, with prices regularly inside the \$55-85/barrel range.



Source: Recurrent research, Bloomberg.

If we incorporate the above framework to consider the plight of the low-cost UAE production, strategically the UAE and other OPEC members should abandon their price setting efforts. Instead, like nuclear and coal power plants, they should produce at maximum capacity and let Shale producers use oil/natural gas prices to make economic decisions to increase or decrease production. Without OPEC’s intervention, the oil price would actually be higher over time, because increased production would always come from higher cost producers. OPEC intervention only disrupts markets irrationally, at times reintroducing low-cost barrels into the market.

In fact, approximately a decade ago, the Saudis were mistakenly accused of increasing production in order to reclaim market share from Shale. At CERAWEEK in February 2016, one-time Saudi oil minister Ali Ibrahim Al-Naimi was quoted saying:

“Inefficient, uneconomical producers will have to get out. This is tough to say, but that is a fact... We have not declared war on Shale or on production from any given country or company, contrary to all the rumors you hear and see.”

These comments indicate that the Saudis were considering a move to align more with a “dispatch curve” strategy outlined above. While the 2016 comments were highly controversial in Saudi Arabia, the latest announcement by UAE shows further alignment with the idea that low-cost producers should increase production to maximum capacity, and not turn on/off. Instead, high-cost and elastic Shale producers should play the role similar to natural gas power producers in power markets, making for an orderly and enduring market structure.

Recurrent Investment Advisors LLC

3801 Kirby Dr, Ste 654
Houston, Texas 77098
d: 832.241.6400



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