RECURRENT
INVESTMENT ADVISORS

Monthly Investment Commentary
October 2026

Energy Infrastructure (EI) & Natural Resources: For the last decade, megacap Tech has been the market's largest source of free cash flow (FCF). We've written how **AI capex** surpassed all natural resources capex over a year ago. This year alone, AI capex forecasts have doubled, turning the market's largest source of FCF into a major consumer of cash. Meanwhile, EI and NR remain solidly FCF-positive despite improving growth, while borrowing costs have fallen below Tech's for the first time in years. As positive FCF generative sectors become scarcer across the broader market, the value of energy and natural resources should increase.

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

October 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 October 2026, the Recurrent MLP & Infrastructure Strategy generated net returns of +10.04%, outperforming the Alerian MLP Index's (AMZ) +4.54% return by +5.50%. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by +104.36% (+4.21% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +147.62% and +5.63% 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

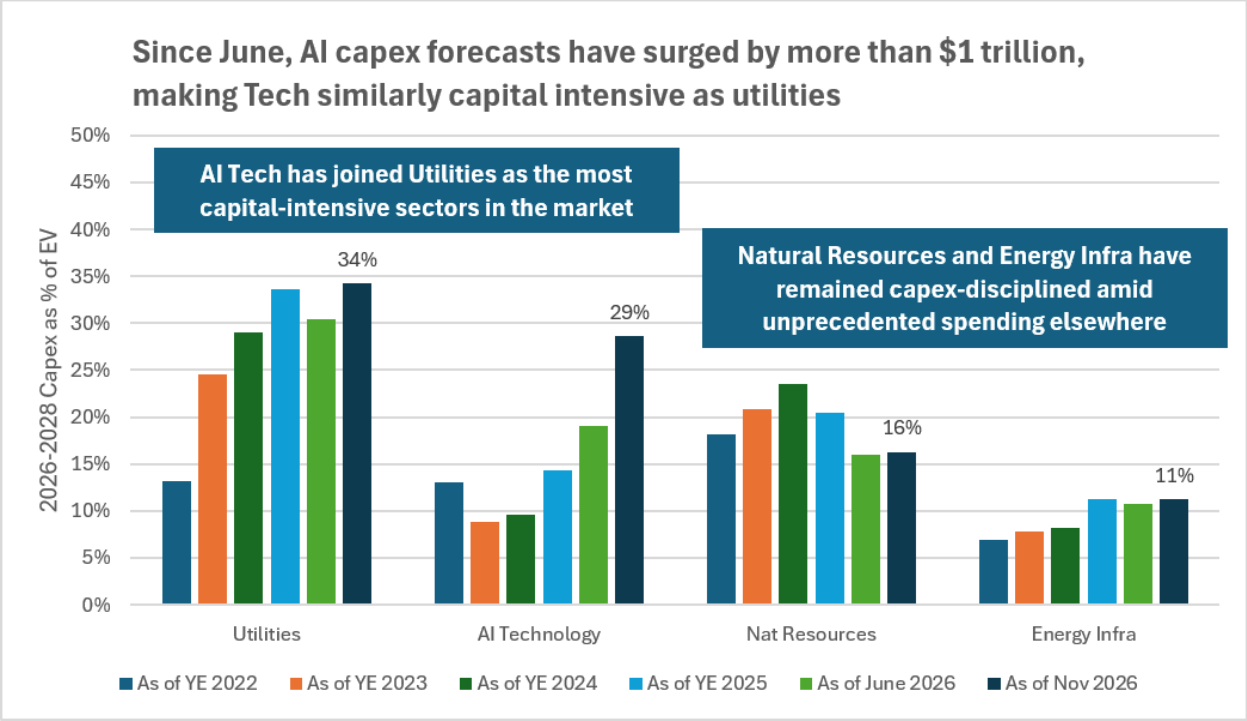
During the month of October 2026, the Recurrent Global Natural Resources Strategy rose +2.31%, outpacing the S&P Global Natural Resources Index's +1.81% return by +0.50%. During the month, the Portfolio's overweight to LNG exporter Venture Global (VG) and chemical producers Dow (DOW) and Westlake (WLK) benefitted relative performance, while stock selection in Diversified Metals/Mining and Integrated Oil & Gas detracted from performance. Since its June 2018 inception, the Strategy has outperformed its benchmark by +2.73% net of fees on an annualized basis.

Energy Infrastructure (Midstream) & Natural Resources

Tech began 2026 with a FCF-positive outlook. Since then, capex forecasts have jumped by $2 trillion, pushing FCF negative. Meanwhile, EI and NR FCF remains intact

Since 2023, we've written about surging AI capex - and EI and NR capex discipline. Only a year ago, AI capex surpassed all commodity and energy infra capex combined. Since then, AI capex forecasts have only accelerated. In the last 12 months, 2026-2028 capex forecasts have more than doubled, with another 50% in just 100 days.

The same megacap tech companies that generated the world's largest FCF surpluses are now expected to consume cash for the foreseeable future. Regardless of what the returns on AI capex turn out to be, the funding requirements have fundamentally changed the financial profile of the tech sector, and the broader market.

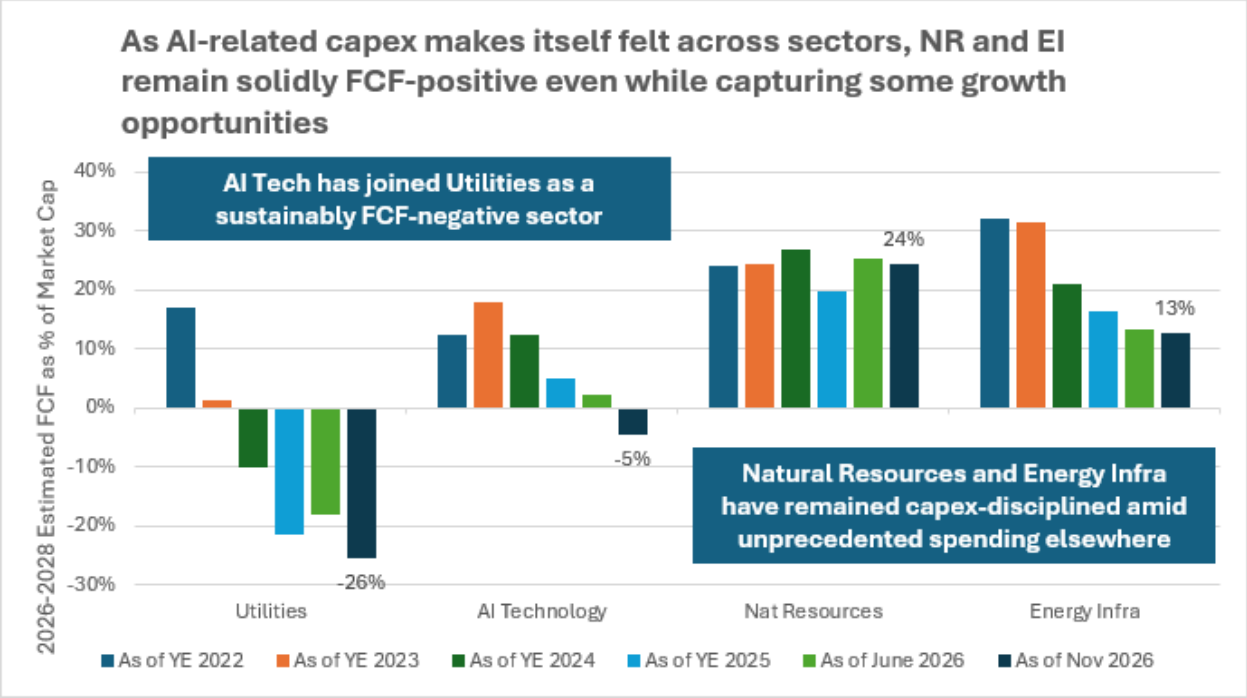


Source: Bloomberg consensus estimates, Recurrent Advisors.
Notes: AI Technology (9): SpaceX, AMZN, Nebius, CRWV, MSFT, GOOG, ORCL, META, IREN. Natural Resources (26): XOM, CVX, BP, Shell, Eni, TotalEnergies, OXY, COP, Canadian Natural Resources, Cenovus, Suncor, EOG, DVN, Repsol, MPC, PSX, VLO, FCX, BHP, Anglo American, Rio Tinto, Glencore, NUE, Vale, Teck Resources, ArcelorMittal. Utilities (18): SO, NEE, DUK, AEP, D, ETR, SRE, XEL, EXC, ED, WEC, PEG, AEE, DTE, PCG, CNP, ES, PPL. Energy Infrastructure (13): ET, EPD, KMI, TC Energy, Enbridge, OKE, TRGP, LNG, WMB, DTM, Pembina Pipeline, WES, KNTK. Universes are selected company groups, not broad sector indices. SpaceX figures reflect pre-IPO projections. Source: Bloomberg, Recurrent Advisors.

EI and NR remain FCF-positive despite improving export and AI growth opportunities

Both industries have seen capex forecasts rise, yet over 2026–2028, NR companies are expected to generate cumulative FCF equal to 23% of market capitalization, versus 13% for EI, negative 5% for AI technology, and negative 25% for utilities. If the investment boom were going to push our industries back into negative FCF, we might have expected to see it by now. Instead, both continue funding substantial investment internally, reflecting years of improved capital discipline and reduced dependence on external financing.

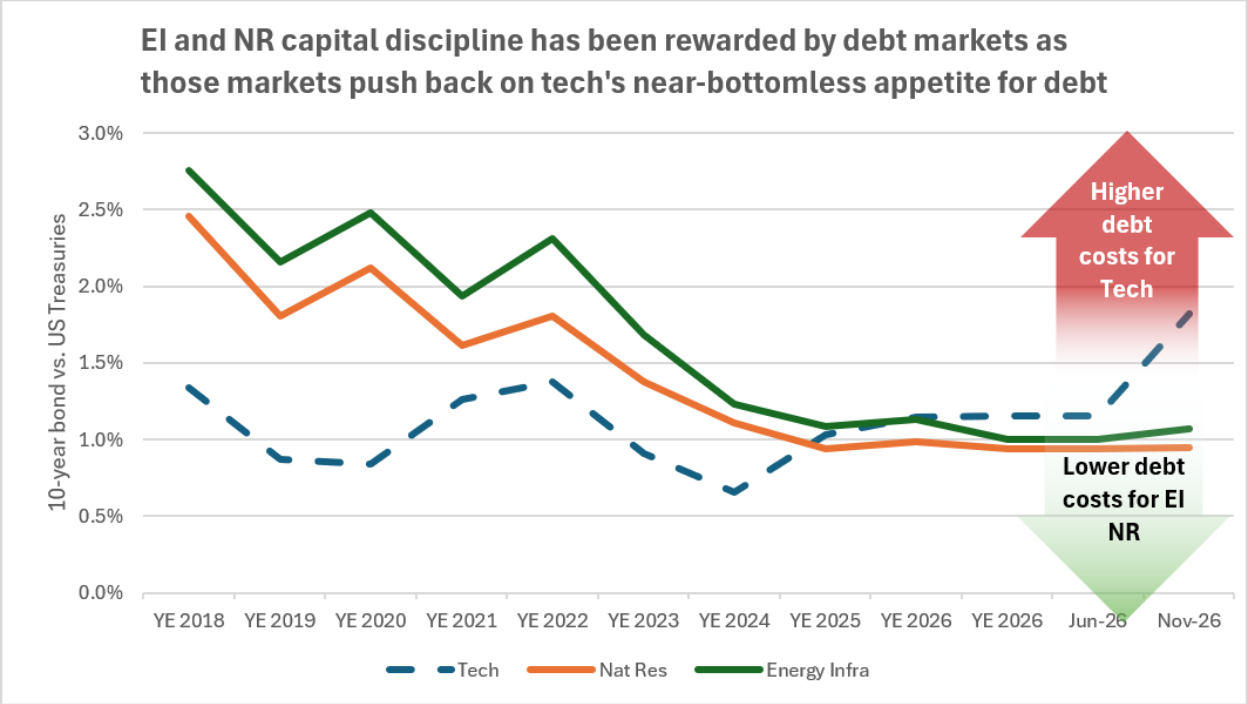
Utilities, which we've discussed in prior letters, continue to produce negative free cash flow yields, becoming more capital-intensive than the industry they're serving – an echo of spendy pipeline companies running spending in advance of Shale producers during the debt-intensive 2010-2015 time period.



Source: Bloomberg consensus estimates, Recurrent Advisors. See first graph for universe definitions.

Free cash flow may be increasingly valuable as it becomes scarcer

Our analysis shows that 10-year midstream corporate bond spreads are now lower than technology spreads for the first time in years. That's a remarkable reversal for a tech industry that was once expected to be in a “net cash” position indefinitely, and a similarly remarkable reversal for EI and NR sectors once considered hopelessly capital intensive.



Source: Bloomberg consensus estimates, Recurrent Advisors. Spreads are based on all publicly-listed debt with 5 to 15 years until maturity as of Nov 2026. See first graph for universe definitions.

Putting this seismic shift in context, today's forecasted 2026-2028 **FCF burn for AI-centric tech is as large as all natural resources and energy infrastructure FCF generation**. While credit spreads reflect many factors beyond FCF, the comparison underscores the divergent paths cash-hungry AI-centric tech vs. the cash-rich companies in our investment universe.

As more AI-related companies commit to borrow to fund future AI projects, we believe businesses generating FCF surpluses from existing assets with limited capital needs may become increasingly valuable – perhaps even vertical integration acquisition targets for highly-valued but cash strapped AI tech companies.

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

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This material is for informational purposes only. It is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. The opinions referenced above are those of the author as of November 18, 2026. The opinions expressed are based on current market conditions and are subject to change without notice. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties, and assumptions; actual results may differ materially from expectations. An investment cannot be made directly into an index.