



## MASSIFCAPITAL

Friday, May 15, 2026

Dear Friends and Investors,

During the first quarter of 2026, the Massif Capital Real Assets Strategy advanced 16.0% net of fees. The strategy has now completed its 28th consecutive quarter, with a since-inception annualized return (through the end of April) of 18.7% net of fees.

The first quarter's results were driven by mining and energy investments. The Norwegian upstream complex (Var Energi, Equinor, Aker BP), joined by the UK's Harbour Energy, contributed a combined 12.0% of gross quarterly returns. The materials sleeve added a further 11.2%, with performance split between miners and the warrant book. The quarter's largest single contributor was our position in Allied Critical Metals, a name we have not previously discussed at length, and to which we devote a full section below. The common stock and two tranches of warrants combined for a 6.7% return to the portfolio on exposure under 8% of NAV, an efficiency of capital deployment we would replicate at any opportunity. The warrants alone returned 4.9% to the fund. A position that began as a sub 3% private investment produced a quarter of the period's returns, which is the asymmetry our process is built to find.

The most challenging month of the quarter was March. January and February had delivered 19.6%; the third month returned -5.3% as the miners corrected. Lundin Mining, Equinox Gold, Alphamin, Magna Mining, and Larvotto were all down, resulting in our mining investments being down 8.5% for the month. Enovix was the single worst performer, dragging the portfolio down 2.4% due to stale fundamentals and a thinning tape. It costs more on its own than all the shorts combined. The thesis depends on commercial validation that has yet to arrive.

### April 2026 Performance Commentary

As the letter is late this quarter, we have added an extended April performance discussion.

The portfolio gained 10.9% in April on a gross basis. Materials contributed 9.8% to the return, and industrials another 1.9%. Energy was effectively flat at minus six basis points, the product of a violent intra-month round trip in crude as US-Iran ceasefire talk gave way to direct escalation by the end of the month. Index hedges and ETF shorts cost 74 basis points as the S&P 500 closed up 9.3%.

The largest single contributor was again Allied Critical Metals (ACM), which added 3.4% of NAV on the stock and another 1.6% across the warrant book, for a combined April contribution of 5.0%. ACM is a tungsten developer with Portugal-domiciled assets that has become our biggest winner over the last 18 months; we discuss it in more detail at the end of this letter. The April move reflected the market belatedly recognizing what we already owned: defense procurement spending, Section 232<sup>1</sup> tariff momentum, and the rare-earth complex rotating into the next-most-strategic minerals in the periodic table, an idea we have been betting on successfully for 18 months. Critical-minerals

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<sup>1</sup> Section 232 of the Trade Expansion Act of 1962 authorizes the U.S. President to impose tariffs or import restrictions on goods deemed to threaten national security. Originally written for oil, it has been used in recent years for steel, aluminum, and, increasingly, critical minerals, on findings from the Department of Commerce.

developers with qualified offtake counterparties deserve to trade at a premium to traditional base-metals comparables. April delivered the first month in which the market began to agree.

Lithium Argentina added 1.98% to the portfolio on a +44% monthly move, following a resource upgrade and Stage 2 expansion update. Enovix contributed 1.68%, having priced \$300 million of senior notes due 2030 and given itself the balance-sheet capacity to ramp Fab2 to commercial scale. Alphamin Resources added 1.47% on a record Q1 EBITDA print of \$158 million, up 46% sequentially, against realized tin pricing of \$49,278 per tonne.

Larvotto Resources added 0.97% on Hillgrove development tracking to mid-2026 production and the Australian critical-minerals stockpile designation for antimony. Surge Copper added 0.31% after African Rainbow Minerals took a strategic stake. Chemring contributed 0.30% on continuing defense procurement. These are seven different theses, seven different catalysts, seven different geographies. None of them is a copper bet or a gold bet.

Energy was a wash. The Norwegian and UK producers (Equinor, Aker BP, Vår Energi, Harbour Energy) had carried the book through the March oil shock. Regular reports of US-Iran ceasefire progress proved false every time President Trump mentioned it, but the market still responded to every one. By April 30th, Brent traded above \$124. The result for the month was Norway positions down 27 basis points, Harbour up 53, elsewhere, many energy names, such as US-listed integrated names, produced roughly flat results for the month. Every week, the Hormuz disruption extends and tightens the supply picture, and the producers we own are generating cash at \$80 Brent and gushing at \$115. The thesis is unchanged.

Gold was the offsetting drag inside materials. Equinox Gold cost 30 basis points against a 9.0% portfolio weighting, despite repaying \$990 million of debt in the quarter and initiating its first dividend. The hawkish Fed pivot is a bad environment for non-yielding assets, and gold-equity multiples compressed accordingly. The balance-sheet repair at Equinox is a durable re-rating event, not the inaugural dividend.

April was a real-assets month, with materials carrying the load and energy holding its ground despite ongoing geopolitical chaos. The capital cycle plays out company by company, not at the sector-index level. We are early in assessing the durability of the critical-minerals premium, but the price action over the past four weeks is the first evidence that the market is beginning to compensate for the supply-side scarcity we have been underwriting. Energy stands at 26% of gross exposure and gold equities at 9%; both are sized to absorb the kind of intra-month volatility April delivered easily, but, in our opinion, given how easily the portfolio handled it, they should be scaled up.

## Iran-US Conflict: Status and Portfolio Impact

*A note on method. Our analysis is anchored in widely accepted empirical facts rather than contested interpretations. We take no position on the wisdom or morality of the policies we examine. That is not our lane. We do not shape the environment into which we deploy capital; we read it, respond to it, and, where possible, anticipate it. Our sole concern is what happens next.*

Ten weeks into the Iran war, the global oil market is running two prices. On the futures screens, Brent hovers near \$100 a barrel, up roughly 50 percent since the shooting started on February 28 but down from a \$128 spike on April 2. In the physical spot market, where actual cargoes change hands, the all-in delivered cost of a prompt barrel runs closer to \$110-120 once war-risk insurance, longer-haul logistics, and assorted premiums are tallied. Var Energi, our largest energy position, reported on April 22 that it was realizing \$130 per boe. Trafigura's Saad Rahim and Gunvor's Frederic Lasserre, speaking at the FT Commodities Global Summit in Lausanne on April 20-22<sup>2</sup>, put cumulative cargo loss at roughly one billion barrels of crude and refined products. The S&P 500, undeterred, sits at a record high.

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<sup>2</sup> Trafigura and Gunvor are two of the four large independent commodity-trading houses (with Vitol and Mercuria) that move the bulk of seaborne crude and refined products. Saad Rahim is Trafigura's chief economist; Frederic Lasserre is Gunvor's.

The reason the screens look calm is that someone is making up the difference, and for now, that someone is the world's strategic and commercial inventories. Vitol's Russell Hardy<sup>3</sup> puts current demand destruction at 4 mbd; Gunvor expects 5 mbd next month. The IEA, which entered the year forecasting 730,000 bpd of demand growth, now expects an 80,000 bpd contraction, the first since the pandemic. The destruction is happening offstage: idled Southeast Asian rice fields, throttled-back Korean petrochemical plants, canceled KLM flights, Asian fuel-rationing programs going under the polite label of "emergency import measures." Lasserre warned that if Hormuz remains shut for three months, "the case becomes a macro issue where the world is about to fall into recession." Restoring pre-war inventories, the conference's median estimate, takes five years; put another way, future geopolitical events will occur in the presence of a significantly reduced buffer.

The diplomacy is moving slowly, if at all; it's hard to tell. Iranian Foreign Minister Abbas Araghchi flew to St. Petersburg on April 27 carrying a peace offer; Putin handed back satellite imagery of US, Gulf, and Turkish military assets, the same imagery the Russians have shared with Tehran throughout the war. Trump called the offer "much better" but "not enough." On April 22, the IRGC seized the Greek-owned Epaminondas and the Panama-flagged MSC Francesca, testing whether the diplomats had any authority. They did not. The Institute for the Study of War concluded on April 24 that IRGC commander Ahmad Vahidi has won the intra-regime power struggle, sidelining the speaker Ghalibaf and pulling Iran's Islamabad delegation back after the foreign minister "exceeded his mandate." Through early May, the April 16 ceasefire, twice extended, has hardened into a regime: the IRGC operates an Iranian-approved transit lane and charges roughly \$2 million per tanker for what it euphemizes as "priority transit," with the funds flowing to the Central Bank. Every day, more ships are paying the toll, further solidifying Iran's grip on the straits.

We envision four possible paths forward, none of which are particularly appealing. First is an eighteen-to-twenty-four-month "fig-leaf" deal that lets Iran rebuild quietly; it is the cleanest scenario for our portfolio from a macro perspective: Brent in a \$90 to \$110 corridor, the sulfuric-acid bottleneck keeping the copper cost curve steep, the Norwegian and U.K. upstream cluster compounding the position. Scenario Two, a Houthi-led move on Bab al-Mandeb as conflict spreads, is the highest-vol scenario: Brent \$120 to \$130 in days, war-risk premia go vertical, Asian economies buckle as they scramble for alternative oil supplies. Probably not terrible for our portfolio, but sufficiently problematic that a global recession is easy to envision, which is not good for the portfolio in the medium term. Scenario Three, Iran/US resumes direct conflict: Brent through \$150, gold to \$5,000, sulfur above \$1,500, and we are thrilled to have our tail risk hedge. Scenario Four, the pragmatists somehow take over in both Iran and the US: Brent halves to \$50 to \$65, before settling at +\$75, our oil investments retrace 25% to 35%, but are in a stronger position long term due to the rest of the floor price of oil due to geopolitical risk. Painful but absorbable, and a potentially excellent opportunity to add to positions in oil and gas.

The portfolio is built for a situation in which the war's commodity consequences outlast the war's headlines. Scenario three produces the maximum P&L; scenario one continues the current trends in the near term; scenario two is the highest vol; scenario four is the single path forward that costs the portfolio money, but we suspect only in the short term.

## Geography-First Commodity Pricing

As noted, the portfolio is positioned for the war's impact to outlast the headlines because we believe a broader regime change is underway, from what we call a geology-first to a geography-first commodity order. We do not mean that geology has been abandoned and its importance should be ignored. Metallurgy still holds, petroleum reserves still hold, copper grades still decline, and oil still floats. We mean that the price-discovering margin has shifted from

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<sup>3</sup> Russell Hardy is CEO of Vitol, the largest independent oil-trading house in the world by volume; Vitol handles roughly seven million barrels per day of physical crude and product flows.

the marginal cost curve to a mixed discovery mechanism that hinges on the regulatory and political maps. The decisive question is no longer “can the molecule be pumped and the metal mined?” but “will the sovereign let it leave?” and “can the hull pass the strait?”

The open commodity-trading order of 1990 to 2015 was the historical anomaly, not the historical norm. The default state, from Grotius forward, is contestation. The post-Cold War commodity order, with its single global prices, freely transiting tankers, and dollar-denominated benchmarks, was a 25-year holiday from history. Walk backward through the twentieth century and the holiday vanishes. The 1970s gave us OPEC's two oil shocks, the Arab embargo, and a parade of resource nationalizations from Caracas to Tehran to Lagos. The 1950s and 1960s ran two parallel commodity systems separated by an Iron Curtain, with CMEA bilateral barter on one side<sup>4</sup> and Western majors carving up the other. The interwar years produced autarky, barter trade, and the strategic stockpiling that prefigured war. Before 1914, commodities flowed through empire rather than market: rubber from the Belgian Congo, oil from Anglo-Persian, copper from Katanga, all priced by the imperial center to which they were politically tethered. The “free” commodity market is a young invention.

What made 1990 to 2015 anomalous was a confluence that does not recur often. The Soviet collapse threw open Eurasian resources. China's WTO accession in 2001 absorbed marginal supply at almost any price. The U.S. Navy underwrote sea lanes from Hormuz to Malacca without a serious challenger. Dollar settlement was uncontested. Western majors and trading houses operated in jurisdictions that, however venal, did not actively confiscate. None of these conditions holds today. One might object that Pax Britannica delivered a similar liberal order from 1815 to 1914, and so it did, for British capital inside the British system. The point is not that markets cannot function. It is that a single global price, set by Chicago and London and quoted to a buyer in Shanghai or Lagos, requires a hegemon willing to keep the lanes open, the contracts enforceable, and the politics out. Hegemons of that disposition are rare.

Stretch the lens further, and the picture darkens. The mercantile era ran on chartered monopolies, the Dutch and English East India Companies, the Hudson's Bay Company, and the Royal African Company, being sovereign instruments wearing commercial dress. Spanish silver from Potosí flowed through royal treasure fleets, not arbitrage. When Britain wanted Chinese tea and the Qing wanted no British silver in return, the matter was settled by gunboat in 1839 and again in 1856. Napoleon's Continental System and Britain's Orders in Council made grain and Baltic timber instruments of war.

Even the supposed Pax Britannica required the Royal Navy at Trafalgar, the Suez Canal under British control after Disraeli's purchase in 1875, and the partition of Africa at the Berlin Conference of 1884 to keep the cocoa, rubber, copper, and diamonds moving on terms congenial to London. The twentieth century's oil order was carved up at Achnacarry in 1928, where the Seven Sisters drew lines on a map and called it a market.<sup>5</sup> The 1973 nationalizations did not invent political risk; they ended the previous arrangement under which the Anglo-American majors had owned the resource at the wellhead.

Set against this five-century arc, the 1990 to 2015 interlude is a thin slice. The default mode is otherwise: commodities priced by power, moved by sovereign favor, and confiscated when convenient. What looks today like fragmentation, geography reasserting itself over geology, dollar substitution at the margin, sanctions and counter-

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<sup>4</sup> The Council for Mutual Economic Assistance (CMEA, or Comecon) was the Soviet-bloc economic organization that ran from 1949 to 1991, linking the USSR with Eastern Europe, Mongolia, Cuba, and Vietnam. Intra-bloc commodity trade was conducted in bilateral barter arrangements and transferable rubles rather than convertible currency at world prices.

<sup>5</sup> The Achnacarry Agreement (also known as the "As-Is" Agreement) was a secret 1928 pact signed at Achnacarry Castle in Scotland by the heads of Standard Oil of New Jersey, Royal Dutch Shell, and Anglo-Persian Oil, later joined by the rest of the "Seven Sisters", the seven Western majors that controlled roughly 85 percent of world oil reserves outside the Soviet Union and the United States until the 1970s nationalizations. The agreement froze each company's market share at then-current levels and set common pricing, effectively cartelizing the global oil trade for four decades.

sanctions multiplying, the Strait of Hormuz back in play, is not a departure from a stable system. It is a return to the one that prevailed throughout most of history. The investment implication is not nostalgia. It is recognition that the assumptions baked into modern commodity equity valuation, single-price benchmarks, frictionless flow, and neutral jurisdiction belong to a regime that has ended.

There have been ample signposts along the way the last few years. The IMF's October 2023 World Economic Outlook states that "commodities are particularly vulnerable to geopolitical fragmentation due to concentrated production, hard-to-substitute consumption, and their critical role for technologies." The IEA's Global Critical Minerals Outlook 2025 records that "China is the dominant refiner for 19 of the 20 minerals analyzed, holding an average market share of around 70 percent." UNCTAD's 2025 Review of Maritime Transport, released last September, records seaborne ton-miles up roughly six percent in 2024 against 2.2 percent volume growth, with Suez Canal tonnage stuck around 70 percent below 2023 averages into May 2025 and the average maritime voyage stretching from 4,831 miles in 2018 to 5,245 miles in 2024. Geography, both physical and human, is the new tax.

Eight transmission channels carry geography into the cleared commodity price.

- 1) Corridor risk premia and freight rates (VLCC spot Middle East-to-China TCEs that touched \$423,736 a day in late March, a level with no precedent in the data back to 2005).
- 2) Insurance and war-risk markups (Lloyd's Joint War Committee<sup>6</sup> Hormuz premia from 0.05 to 0.15 percent of hull value pre-Epic Fury to 0.7% to 1% and higher; on March 3rd, the President directed the US International Development Finance Corporation to provide war-risk insurance for Gulf shipping, an extraordinary use of a development-finance institution to backstop a maritime risk pool). It is worth noting that, although the announcement was made, we are unaware of any business using this option. If anyone is aware of use, please let us know.
- 3) Processing chokepoints and licensing discontinuities (Chinese exports of unwrought gallium near zero throughout 2025, with European prices up 365 percent, antimony exports near zero with prices up 437 percent).
- 4) Sovereign fiscal-regime arbitrage (the U.K. Energy Profits Levy, a 38% tax on top of a 30% corporate tax and a 10% supplementary charge, has had its life repeatedly extended).
- 5) Sanctions architecture and price caps (the G7 oil-price cap at \$44 in February, the Russian shadow fleet now insured outside the IGP&I Clubs<sup>7</sup> and registered in flags of convenience).
- 6) Dual-circulation and friend-shoring premiums (the Department of Defense's \$110 per kg NdPr floor at MP Materials, the IRA's section 45X advanced-manufacturing credits).
- 7) Working capital and inventory financing (CMOC's 48,600-tonne March 2025 cobalt inventory exceeding Glencore's entire 2024 cobalt output of 38,200 tonnes, held through eight months of zero exports).
- 8) And, finally, discount-rate effects on producer valuation: the market embeds geography into the discount rate before it embeds it into the cash flow.

The intellectual heritage of these transmission mechanisms is much older than Excel spreadsheets. In 1609, the Calvinist Hugo Grotius, twenty-six years old and on a brief from the Dutch East India Company, published *Mare Liberum*, the founding charter of the modern shipping order: the sea, by its nature, could not be possessed. In 1635, John Selden, an Anglican lawyer commissioned by Charles I, answered with *Mare Clausum*, holding that sovereignty

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<sup>6</sup> A committee of underwriters from the Lloyd's of London insurance market and the International Underwriting Association that designates global waters as "listed areas" requiring additional war-risk insurance premiums. A vessel's owner pays the extra premium for each transit through a listed area; changes to the list move shipping costs immediately.

<sup>7</sup> The International Group of Protection & Indemnity Clubs is the consortium of thirteen mutual insurance associations that provides liability cover to roughly 90 percent of the world's seaborne tonnage. A tanker insured outside the IG cannot, in practice, dock at most Western ports or call on standard reinsurance, which is why the "shadow fleet" carrying sanctioned Russian crude operates with non-IG cover and flags of convenience.

extended over the seas adjacent to a kingdom and that the freedom Grotius had imagined was a fiction useful only to commercial powers like the Dutch. The two treaties stand, four hundred years on, as the founding documents of all modern arguments about chokepoints, exclusive economic zones, transit regimes, and what the IRGC is doing in the Strait of Hormuz when it tells you to drop anchor or be sunk.

Mahan's *Influence of Sea Power Upon History* (1890) supplied an operational corollary: command of the sea, and especially of its narrow passages, was the decisive factor in the rise and fall of empires. His readers in 1900 were Theodore Roosevelt, the Kaiser, and the Imperial Japanese Navy. His readers in 2026 should be chief investment officers and portfolio managers; politicians the world over would probably be well served by reading it as well. Henry Farrell and Abraham Newman, in their 2019 *International Security* paper "Weaponized Interdependence,"<sup>8</sup> identified the contemporary mechanisms as the panopticon effect (powerful states monitoring traffic through hubs they control) and the chokepoint effect (powerful states denying access through hubs they control). The Strait of Hormuz is a chokepoint. China's monopoly on rare-earth refining is a chokepoint. The DRC's cobalt export license is a chokepoint. Using the US dollar exposes you to a chokepoint. These are not metaphorically similar; they are structurally the same.

The investor framework, in four phrases. Basis is the new beta. Netback realization determines who survives. Working-capital cycles have lengthened. Discount rates absorb geography first.

## The Five-Year Outlook for Oil

The Brent futures curve is in steep, uninterrupted backwardation across the entire term structure, from approximately \$105 at the front end to roughly \$66 by late 2038. There is no contango anywhere in the curve. The slope is steepest in the near term, from 2026 through 2028, before flattening into a shallower yet persistently declining profile through the back end of the curve. Money managers hold approximately 326,500 net long Brent contracts, a positioning level that reflects caution rather than conviction after two years of difficult trades. The strip prices approximately \$73 to \$75 by late 2028 and roughly \$68 to \$70 by 2030, implying the market expects the current supply disruption to fade and prices to revert toward long-run equilibrium over the medium term. The consensus has treated Operation Epic Fury as a temporary supply shock rather than a structural regime change, and the shape of the curve is the clearest expression of that view. We believe the curve is wrong. The argument for being constructive on oil over a five-year window does not require a demand surprise or an accelerated supply collapse. It requires only that the current fragmentation of global energy markets and ongoing geopolitical noise persist, which is the most probable single outcome on a careful reading of the evidence.

We believe you can currently think through the oil price outlook with four simple scenarios. The Supercycle case, defined as a genuine demand-supply mismatch that sustains real Brent above \$100 throughout the next five years, is a low-probability bet; we assign it a 15% probability. The fragmentation-premium case, in which the present regime persists, and Brent settles into a structurally elevated range anchored in the low-to-mid \$80s to low \$90s, with the Brent-WTI spread, Urals discount, and Hormuz premium all remaining permanent features, receives 35%. The range-bound case, in which the forward curve is approximately correct at \$65 to \$75 real Brent, receives 35%. The structural bear case, in which an EV inflection, an OPEC rupture (this may be happening), a Russian rehabilitation, and a Venezuelan recovery combine to break the price, receives 15%. Probability-weighted, real Brent over the window

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<sup>8</sup> Farrell (Johns Hopkins SAIS) and Newman (Georgetown) are political scientists whose 2019 paper in *International Security* argued that the United States and other powers had begun using their control of global financial, informational, and logistical hubs (SWIFT, the dollar clearing system, internet backbones) as instruments of coercion. The paper's vocabulary of "panopticon" and "chokepoint" effects has since become standard usage in foreign-policy and national-security circles.

comes to approximately \$83, against a strip implying \$68 to \$72 by the 2030s. The mean is not the primary argument. Half the probability mass sits at fragmentation-premium-or-better outcomes, against 15% at structural bear.

The supply setup is tighter at mid-decade than consensus has priced in. Thunder Said Energy puts current upstream capex at roughly \$13.8 per barrel of oil equivalent, compared with a long-term historical norm of closer to \$24. Tier-one shale inventory stands at 3.7 years of supply at current extraction rates. The Permian rig count is at 242, well below the level at which the basin was a reliable marginal-barrel supplier. Estimated ultimate well recoveries are declining, modestly but consistently. The marginal cost of a Permian barrel is climbing toward \$70 on a fully-loaded basis. The non-OPEC growth wave from Brazil, Guyana, and Argentina is front-loaded into the 2024 to 2027 window; after 2027, the net contribution turns negative on most credible models. The deepwater pipeline, subject to seven- to nine-year lead times, was largely emptied during the 2015 to 2020 capex drought. Whatever gets sanctioned in 2026 will produce, at best, no sooner than 2032.

OPEC+ headline spare capacity at 5.3 million barrels per day is the figure the bear case relies on, and it requires significant qualification. A material portion of the headline is held in fields whose deliverability has not been tested at the implied rates, in jurisdictions whose maintenance regimes are opaque, and against export infrastructure that has, in several recent cases, proven less capable than stated. The volume deployable within ninety days at sustained rates without compromising reservoir integrity is more plausibly 1.5 to 2.5 million barrels per day, with Saudi Arabia accounting for the bulk. The cartel may choose to open production. Whether the volumes materialize is a separate question.

The supermajors, taken in aggregate, have not been replacing reserves. Reserve replacement ratios over the past five years reflect a pattern of managed decline rather than growth investment. Equinor is the exception. The Norwegian Continental Shelf operates under a fiscal regime that combines a 78% marginal tax rate, cash-flow expensing of capital, and a 71.8% government refund of exploration losses. The structure socializes downside while permitting full capture of after-tax upside, making it the most operator-friendly high-tax regime in the developed world. Equinor has publicly committed to holding production at 2020 levels through 2035, the only major to have made such a commitment backed by a credible fiscal foundation. The portfolio's Norwegian overweight, Var Energi, Aker BP, and Equinor, sit inside this distinction.

Demand continues to grow, and the product slate has tightened. The IEA's Stated Policies Scenario now projects approximately 5 million barrels per day of demand displacement from electrification by 2030. This figure has been revised downward in three of the last four annual updates. The US 2030 EV penetration estimate has been cut from 55% to 20%. Petrochemicals and aviation are now the marginal demand drivers: petrochemicals because global plastics consumption grows with income and has no near-term electrified substitute; aviation because no battery capable of powering long-haul commercial flights will exist in this five-year window. India is on track to add roughly 2 million barrels per day of demand through 2030. The refining picture is underappreciated: seven US refineries have closed since 2020, removing 1.6 million barrels per day of capacity from a system already running at structurally high utilization. US jet fuel days-of-supply stands at 21, the lowest reading since 1963.

The geopolitical dimension is the most consequential part of the thesis and the portion that the consensus is least equipped to value. Operation Epic Fury produced what the IEA itself characterized as the largest oil supply disruption in the agency's data series. Brent peaked at \$128 on April 2 and has since settled in the \$95 to \$105 range, retracing roughly one-third of the spike while retaining two-thirds of it. That retention matters. It indicates the market is beginning to price this as something other than a transient event, although the Brent curve suggests not fast enough. JPMorgan estimates approximately 800 million barrels of operationally available inventory in the global system. That inventory is the entire buffer against further Iranian retaliation, cascading effects on insurance and tanker availability, and the range of contingencies that an exchange of fire across the Strait of Hormuz tends to produce. Iran retains approximately 50% to 70% of its missile arsenal, according to most credible assessments; the campaign degraded

capacity but did not eliminate it, or frankly, come close. Investors need to start pricing a permanent, structural, geopolitical premium, and the forward curve does not yet reflect that distinction.

Russia is the second geopolitical leg. The country's shadow fleet now carries between 49% and 56% of seaborne Russian crude exports, depending on the month. The Urals discount to Brent, which had compressed to roughly \$10 in mid-2025, has widened to \$26 following the October 2025 OFAC tightening and the February 2026 price-cap reduction to \$44. Russian and non-Russian barrels are no longer fungible at the margin; they trade in segmented markets with distinct logistics, insurance, and buyer pools. Venezuela is the third leg and the most underappreciated. Maduro was removed in January 2026; the transition government has some legitimacy but likely very little popular support, and certainly not the capital, the infrastructure, or the institutional capacity to restore the country's production base on any near-term timeline. Rystad Energy puts the cost of holding production at 1.1 million barrels per day at \$53 billion over fifteen years and the cost of restoring production to 3 million barrels per day at \$183 billion. The Venezuelan state will fund neither figure. The scenario in which a post-Maduro Venezuela floods the Atlantic basin and breaks the price is geologically and financially incoherent for the next five years and probably the next decade.

The implication of all of this is equity exposure to the right tail of the oil-price distribution through producers whose break evens sit comfortably below the probability-weighted price and whose payoff is convex to the fragmentation-premium and Supercycle outcomes. The portfolio already runs this exposure by construction. The question is whether to add. We believe the answer is yes.

Any thesis could be wrong, and the following seven criteria we believe warrant watching:

- 1) An OPEC+ rupture;
- 2) A global recession with emerging-market contagion;
- 3) A Hormuz settlement that demilitarizes the Gulf;
- 4) An EV inflection in the heavy-duty and petrochemical segments;
- 5) A shale resurgence;
- 6) Russian rehabilitation through a Ukraine settlement and sanctions relief;
- 7) Venezuelan delivery against the Rystad numbers.

While OPEC may be on the ropes with the UAE's departure, it has not yet collapsed, and while EVs are starting to attract some attention again among consumers, they are not inflecting. Any combination of three or more of these events would be sufficient grounds for reassessment. None of those signals is currently flashing.

The base case is a structurally elevated price environment that the forward curve has not yet priced in. The more consequential scenario is the asymmetric tail exposure available through the right equity selection.

## Allied Critical Metals: A Western Tungsten Pure-Play

A word on tungsten before the company. Tungsten is the densest, hardest, and highest-melting-point metal in industrial use, with no near-term substitute in cemented carbide tooling (60 percent of demand), specialty alloys (18 percent), semiconductor chemical applications (12 percent), or defense end-uses. It is also one of the more concentrated supply chains on the planet. Three jurisdictions (China, Russia, and North Korea) hold 87 percent of global reserves; China alone accounts for 52 percent of reserves and roughly 83 percent of mine production.

The United States has been a net importer of 100 percent of its consumption since 2015, has stockpiled tungsten in the National Defense Stockpile, and, on February 4, 2025, watched Beijing add tungsten to the menu of metals it can

simply withhold. Six weeks later, invocations of the Defense Production Act began. Tungsten APT, at roughly \$380 per metric tonne unit at the end of 2024, printed at \$3,150 per mtu on March 27—a 726 percent gain. The marginal cost of a new Western supply is \$300 to \$500 per mtu. The current trading range is, in other words, five to eight times replacement cost, driven by geography rather than geology.

Allied Critical Metals, a firm we have been invested in since 2024, when we were the first institutional investors in what was then a private entity, is seeking to develop the past-producing Borralha asset, which is approximately 100 km northeast of Porto in Portugal. The mining concession covers 382 hectares, is supplied with electricity by the Venda Nova hydroelectric dam three kilometers north, and is easily accessed via paved roads. The workforce is local, experienced, and (this matters) has a mining background, having operated Borralha from 1903 through 1985 and produced roughly 18,500 tonnes of wolframite concentrate over eight decades of continuous operation. Borralha did not close in 1985 because the rock gave out. It closed because tungsten APT prices collapsed from \$147 per mtu in 1981 to \$63 by July 1985 during a China-led supply expansion that buried Western tungsten miners as a class. Forty years later, with that policy direction reversing, the rock is the same, and the infrastructure is mostly still there.

The November 2025 mineral resource estimate included a 2.6-times increase in Measured and Indicated tonnage over the maiden 2024 figure, with 13.0 Mt at 0.21 percent WO<sub>3</sub> in Measured and Indicated and another 7.7 Mt at 0.18 percent in Inferred, one of the largest undeveloped tungsten resources in the European Union. The April 14, 2026, PEA carries an after-tax NPV at an 8 percent discount of C\$473 million and an IRR of 48.8 percent at the mid-case \$1,000 per mtu, against an initial capital cost of \$91 million at the Preliminary Economic Assessment (PEA) stage ±35 percent accuracy. All-in sustaining costs of \$303 per mtu put Borralha in the second quartile of the global tungsten cost curve, roughly 21 percent below the global median of \$385. At \$1,500 per mtu, the NPV is C\$964 million, and the IRR is 78 percent. At spot, the math is theoretical because no rational person designs a mine to the current spot price. The point is the elasticity. Every \$ 500-per-mtu price move equates to roughly C\$1.20 per share of NAV.

The single largest historical impediment, environmental permitting, was cleared on January 12, 2026, when the Portuguese Environment Agency issued a favorable Environmental Impact Declaration. On February 24, idD Portugal Defense formally recognized Borralha as a “strategic initiative of national importance.” On March 4, former Portuguese Defense Minister Marco António Costa joined the board. Funding is in place: \$10 million of a \$25 million private placement closed on May 4 alongside a \$15 million senior secured project finance facility (five-year, SOFR plus 2.5 percent, signed and undrawn), with a second equity tranche of \$15 million from a new strategic investor targeted for July 17. Management says the package fully funds the company through the end of 2027. The U.S. operating subsidiary in Nashville, with former DHS Secretary Kirstjen Nielsen and Major General James “Spider” Marks on its board<sup>9</sup>, is the disciplined signal of direction of travel that institutional capital in defense-procurement supply chains is starting to take seriously.

The valuation case rests on a probability-weighted intrinsic value of C\$3.83 per fully diluted share against a current price of C\$2.12, representing a 45 percent margin of safety. The implied tungsten APT price embedded in the current quote is approximately \$850 per mtu, well below the current spot price and at the low end of the Argus Media long-term forecast band of \$700 to \$1,200, as well as the PEA mid-case. Across four scenarios (Bear \$500 at 15 percent, Base \$1,000 at 50 percent, Bull \$2,000 at 25 percent, Extreme \$3,000-plus at 10 percent), the weighted average sums to C\$3.83. 85% of the probability mass lies at an intrinsic value above the current price. The destination valuation reference, for what it is worth, is Almonty Industries (All CN), a producing 1,700-to-2,000-tpa Western tungsten producer with multi-asset optionality, at a market capitalization of C\$8.2 billion.

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<sup>9</sup> Kirstjen Nielsen served as the sixth U.S. Secretary of Homeland Security from 2017 to 2019. Major General (Ret.) James “Spider” Marks is a former U.S. Army intelligence officer who commanded the U.S. Army Intelligence Center; he is a CNN military analyst and serves on several defense-industry boards. Their appointments are read by the market as signals that ACM is positioning for U.S. defense-procurement contracts.

The objections deserve hearing. Forty percent of the life-of-mine inventory is currently in inferred resource categories; a conversion failure would shorten mine life from eleven to roughly six and a half years. Construction has not yet started; the PEA carries a ±35 percent capex band; the related-party governance question (the Borralha mineral title currently sits in trust with Minerália, a services entity controlled by the company's COO, João Barros, pending a final €125,000 license payment) is fully disclosed but real. None of these breaks the case. The 20,000-meter 2026 drill program, fully funded and now underway, targeting Inferred conversion and the historically known but never modern-drilled Venise Breccia, are the two largest near-term re-rating catalysts.

A pure-play on the tungsten APT price trajectory through 2027 to 2030, anchored by a fully permitted, fully funded, second-quartile-cost European tungsten developer trading at a market discount to its own published PEA. The downside in the Bear scenario is an impairment of C\$1.60 per share from the current price; the upside in the Extreme scenario is C\$7.06 per share.



As always, we appreciate the trust and confidence you have shown in Massif Capital by investing with us. Should you have any questions or concerns, please do not hesitate to reach out.

Best Regards,

A handwritten signature in black ink, appearing to read 'W. Thomson', with a stylized, cursive script.

William M. Thomson

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