

THURSDAY, APRIL 2, 2026

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Well, hello and welcome to this week's Dividend Cafe. You will notice it is not coming on Friday, as tomorrow is Good Friday. It's a market holiday. It goes into a special Easter weekend, and so we are sending it out here today, on Thursday. But nevertheless, you can consider this the weekly Friday Dividend Cafe.

And I want to talk to you today about the subject of energy, and I want to talk about it because it is very pertinent in what is the largest market story right now: volatility in financial markets caused by significant increases in energy prices, caused by significant geopolitical turmoil in the Iran military operation. But at the same time, this is an investable story when we talk about energy that I believe starts at the beginning of time. My thesis, and the thesis we have at our company, is not a thesis related to a particular geopolitical tailwind. And so I want to make the case today that if you understand energy properly, it is integral to understanding economic growth.

Fundamentally, I'm going to borrow from my friend and the brilliant economist Louis Gave, that economic growth is essentially energy transformed. And that has tremendous ramifications. It is connected to the way Louis is meaning it, the physical world, and yet I want to argue that there is a metaphysical component as well, out of which value is created. Things, goods, and services are produced. There is a human component when we ourselves are activated and energized, but it mirrors the physical components from which actual energy goes about creating economic growth. And fundamental to the energy investment story has to be this understanding in terms of the here and now.

I'm going to put a chart up right now of WTI crude oil prices just in the last five days. We already know that they spiked significantly from the sixties up to the nineties, so let's call that a 50% move higher when the strikes in Iran began. But then now we've seen that, first of all, stubbornly hang in there with the Strait of Hormuz closing, and then now go into kind of super mode up here this morning above \$109, \$110, as a byproduct of the president's speech last night. It had gone down \$7 in expectation of the president's speech yesterday. So there was this belief that he was going to be pursuing an off-ramp, and so oil prices dropped, stock markets rallied, and bond yields fell—bond markets rallied. Then now you see all of these things reverse as they say, okay, well maybe the president is talking about going on further, deeper escalation and prolonging. And so then that pushes oil prices higher, and that's the crux of a lot of this financial market volatility.

THURSDAY, APRIL 2, 2026

And there's very good short-term reasons for that, and there's a perfectly clear explanation as to why a supply shock would push the price higher of a globally priced commodity like oil that is integral to so much of the world's economic activity. However, when you see in the chart this big move up, big move down, big move up, that is not and cannot be and should not be the basis for investing in energy. When I refer to the concept—Louis's line about economic activity being energy transformed—what we're essentially saying, and there's a lot of history in this, you can think about how oil and gas transformed transportation, fertilizers with agriculture, electricity with computers and the whole digital age, heat pushing steel manufacturing.

This is a technological story that is all rooted and centered around energy being transformed and facilitating the production of goods and services that enhance our quality of life. And this has gone on since the beginning of time—we've just gotten a lot better at it. And yet it is more than just a restructuring of atoms. I don't want to discount the element of physics because there is a physics story in all of this. But for myself, in the great moral philosophy of economics and how this goes into financial markets, I believe that this energy transformation story is integral in understanding capital markets too, because we do not create value from capital markets. Capital markets are a tool that are very important in allocating resources, but the harnessing and transforming of energy is essentially what mankind is doing. Labor and capital and technology all integrate into this process.

When I refer to it being metaphysical, I'm talking about the way I think a human being was created—that they cannot produce things and create economic growth and create profits and create all the things we think of as wealth and prosperity in passivity. A person laying on the couch is not active. A human being that gets energized, that gets catalyzed, that gets incentivized goes out and does things. This is the same idea of energy transformed creating value, but applied to the human person. So the combination of the metaphysical truth of how humans act and how the material world improves for us and creates goods and services, from which profits can be extracted and investors can make returns, all comes down to this energy component in both a physical and metaphysical context.

So once we establish that energy matters in creating value in society, you have two things going on at once. First, richer societies are going to have an abundance of energy. That's the supply side. But then you need a wise extraction, utilization, and transformation of that energy. Both are necessary. Neither is sufficient alone. Access to energy without the ability to transform it is inadequate, and the ability without energy is equally inadequate. Together, they create prosperity and investable opportunity.

People can talk about oil and gas in narrow ways, but the reality is it is an entire energy ecosystem that sits at the heart of economic growth. When we formulate an economic theory of the case, it starts with this idea. The price of oil matters, margins matter, and supply shocks matter. But beyond that, there are structural forces at play. Data centers, for example, represent a

THURSDAY, APRIL 2, 2026

massive demand for energy. That power is not coming from nowhere. It is coming significantly from oil and gas, directly or indirectly.

So all of these things are cyclically relevant, but rooted in a foundational truth: energy is a primary driver of economic growth. The idea that we can talk about a modern economy without centering energy is a mistake. And when you look at the weighting of energy in the S&P 500, you see just how underrepresented it is relative to its importance.

Yes, energy stocks have had strong performance recently, but even with that, the weighting remains low. That tells you something. Energy is more important than the market is currently pricing it to be in structural terms.

People ask what to do depending on whether the war ends or continues. I don't think that's the right question. The geopolitical situation will create volatility, yes, but the energy investment thesis is not about days or weeks. It is about decades. The war will end. Energy transformation will continue.

When we invest in energy companies, we are not simply buying oil prices. We are investing in businesses managing complex systems—supply, demand, geopolitics, cost structures, and long-term capital allocation. There are multiple layers to the business model. And beyond upstream production, there is an entire ecosystem—LNG exports, pipelines, refining, and more.

There has been a global shift in LNG supply that has benefited U.S. exporters, but again, that is a cyclical tailwind. The core thesis remains unchanged. It is rooted in the idea that energy transformed drives economic growth. Those who approach this as a short-term trade may get whipsawed. But those who understand the long-term structural role of energy are looking at something much deeper.

I am very excited to continue talking about this subject. There is much more to cover, from the electrical grid to nuclear to renewables. But for today, the key point is this: energy transformed creates economic growth. There is a physical component that is investable and a metaphysical component that explains how value is created. And the energy sector must be understood beyond the headlines of the moment.

I will leave it there for today's Dividend Cafe. I hope you have a wonderful Easter weekend, and I look forward to being with you again on Monday. Thanks for listening, thanks for watching, and thank you for reading the Dividend Cafe.