AozoraStep

For professional clients

Q3 2026: The Energy Crisis everyone is ignoring[1]

Quarterly Performance	Turnaround Portfolio	FTSE All Share TR	S&P 500 TR	Nikkei 225 TR
Q2 17	-8%	1%	3%	6%
Q3 17	-5%	2%	4%	2%
Q4 17	-1%	5%	8%	12%
Q1 18	9%	-7%	-2%	-5%
Q2 18	19%	9%	5%	4%
Q3 18	-16%	-1%	7%	9%
Q4 18	-30%	-10%	-14%	-17%
Q1 19	45%	9%	14%	7%
Q2 19	39%	3%	4%	1%
Q3 19	0%	1%	2%	3%
Q4 19	8%	4%	9%	9%
Q1 20	-43%	-25%	-18%	-19%
Q2 20	42%	10%	17%	18%
Q3 20	-3%	-3%	10%	5%
Q4 20	76%	13%	12%	19%
Q1 21	32%	5%	7%	7%
Q2 21	-3%	6%	9%	-1%
Q3 21	5%	2%	1%	3%
Q4 21	1%	4%	11%	-2%
Q1 22	37%	1%	-5%	-2%
Q2 22	-3%	-6%	-16%	-5%
Q3 22	17%	-3%	-5%	-1%
Q4 22	20%	9%	8%	1%
Q1 23	0%	3%	7%	9%
Q2 23	-13%	0%	9%	19%
Q3 23	40%	2%	-3%	-3%
Q4 23	3%	3%	12%	5%
Q1 24	1%	4%	11%	22%
Q2 24	5%	4%	4%	-2%
Q3 24	6%	2%	6%	-3%
Q4 24	-14%	0%	2%	5%
Q1 25	-7%	5%	-4%	-10%
Q2 25	6%	4%	11%	14%
Q3 25	1%	7%	8%	12%
Q4 25	-9%	6%	3%	12%
Q1 26	10%	2%	-4%	2%
Q2 26	3%	5%	15%	37%
Q3 26	23%	2%	2%	-4%

For professional clients - Past performance is not a guide to future performance

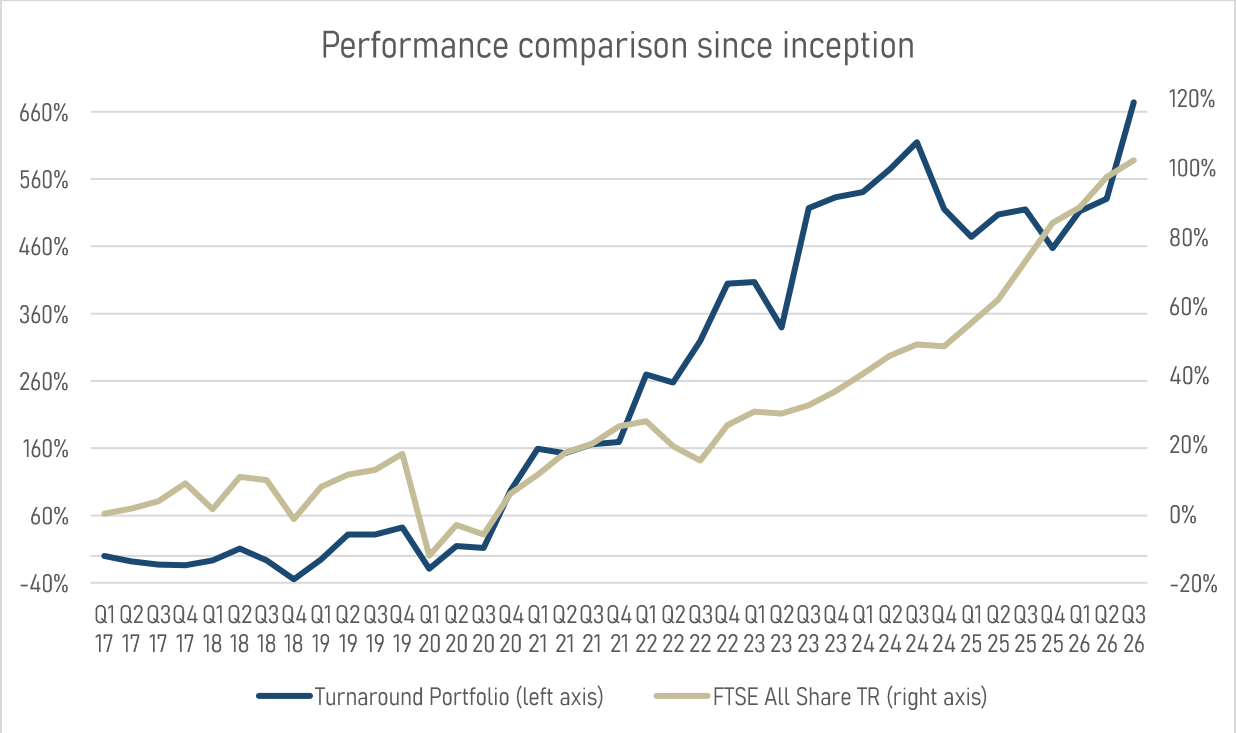
[1] assumptions & observations are based on modelling & analysis. Past performance is no guide to future performance

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Annual Performance	Turnaround Portfolio	FTSE All Share TR	S&P 500 TR	Nikkei 225 TR
2017	-9%	9%	15%	22%
2018	-31%	-9%	-5%	-6%
2019	113%	19%	31%	13%
2020	52%	-10%	18%	46%
2021	37%	18%	30%	0%
2022	99%	0%	-18%	-5%
2023	26%	8%	26%	21%
2024	-1%	10%	25%	0%
2025	-10%	24%	18%	43%
2026 9M	39%	10%	13%	35%

Overall Performance	Turnaround Portfolio	FTSE All Share TR	S&P 500 TR	Nikkei 225 TR
CAGR	**23.4%**	**7.5%**	**14.6%**	**16.0%**
2017-2026 9M Return	**674%**	**102%**	**278%**	**324%**

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31st October 2026

Dear Fellow Investor,

This quarter has again been driven by geopolitics with the conflicts in Ukraine/Russia and Iran/Middle East. The first two paragraphs will detail some new approaches to collecting information and finding opportunities across different markets, before going into some macro themes, performance drivers and investment ideas. Given the US Midterm Elections, there might be quite a few changes ahead, which also strongly supports the idea of holding cash for the time being. **The next week could therefore open up multiple doors to a significant number of new investments, whilst my core view is a continued stalemate in the Ukraine and Iran conflicts, at least for the remainder of this year.**

Inter Exchange Price Anomaly

Apart from calculated macro bets, the other main return driver at AozoraStep over the years has often been from UK equities that have most, if not all their revenue from outside the UK, and trade at significant discount compared to their peers, who are usually listed in the US. With many of these UK listed equities being bought out or having moved their main listings to the US, these opportunities became nearly non-existent in the UK in 2025. By moving from the UK to Japan and entering Japanese equities, this inter-exchange price anomaly has opened up again. The first such opportunity emerged when I received an email from Japanese listed K-Line regarding the spike in tanker charter rates (here). Instead of buying K-Line, I bought shares in tanker owner Okeanis Eco Tankers (here) amidst their high spot charter exposure, fleet of VLCCs and their number of vessels active around the Strait of Hormuz – 20% return generated in around one week. Another such opportunity was in System Support Holdings – a primary re-seller of ServiceNow in Japan that mimics the ServiceNow share price performance with a lag – 8% return in 24 hours. It's time-consuming working across different time zones, following multiple markets – but that's exactly where there is money to be made, and these are just two of many more such opportunities to come, especially as AI tools help me automate parts of this strategy over time. I've shared some of this approach in a recent podcast with Scaling Alpha (here).

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3-Dimensional Investing

Apart from the inter-exchange price anomaly opportunities, I've also recently started DV010 (here). Initially, set out as an intelligence gathering platform, I target to trade physical commodities and semiconductor markets over the long-term – best case scenario. I've completed two trips to China recently and have come to love this country. It feels like the Asian USA, full of very smart entrepreneurs, all eager to do business and make money. For me personally, it is a place where I can be an "adult boy" so to say – in the worst case, I have contacts of private companies in the metals, minerals and semiconductor space that I could reach out to anytime to receive market information, which really can be equivalent to insider knowledge, just in a perfectly legal way. In the best case, I could start doing physical commodity and semiconductor trading that can generate profits on top of the information I receive to make market bets. Together with the inter exchange price anomaly, I call this "3-dimensional investing", due to its multi-faceted approach to gain insights and information. DVO2 (here) therefore plays a more important role for other investors to also benefit from this information via the end of day 2-stock portfolio changes. Below follow some numbers on key macro themes and the portfolio performance.

Natural gas prices on path to 2022 levels

Today's energy market very much resembles that of 2021 when it comes to natural gas supply, and that of 1979 when it comes to oil supply and the tanker war. Both historic analogies call for higher or at least stable prices in the year ahead. European natural gas storage levels are currently at the lowest seasonal peak ever recorded, even lower than in 2021. As of 26th Oct 2026, UK front month natural gas prices are trading at 235GBp/therm[2], the equivalent of ~$183/bbl. Brent crude oil prices have been trading at an average of $90/bbl year-to-date or $96/bbl since the Iran conflict began (this compares to $100/bbl for whole of 2022 or $102/bbl from 24th Feb – end 2022)[3] – the prices are much higher when using dated brent. To me the outcome of the Iran conflict is quite simple: Iran does not budge on the nuclear issue, and Trump's only justification for the Iran conflict and higher oil prices is the Iran nuclear issue, i.e. it's a deadlock. **For this very simple reason, I consider investments in upstream energy-related equities like Harbour Energy and Inpex one of the best opportunities out there. The pain level in the energy market simply hasn't been reached yet and Midterm voting has already started – energy prices just have to stay**

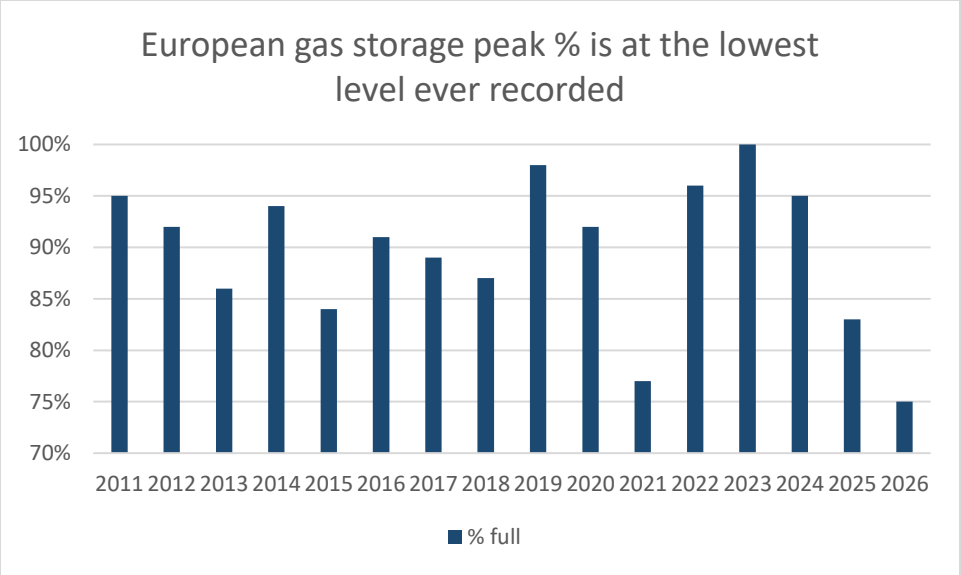
[2] https://www.barchart.com/futures/quotes/NF*0/futures-prices
[3] https://www.investing.com/currencies/xbr-usd-historical-data

constant for 2-3 months for these investments to play out. When the energy pain level has been reached, expect Russia and Iran to show interest in settling the war and supply Europe with its gas, oil,… and… uranium.

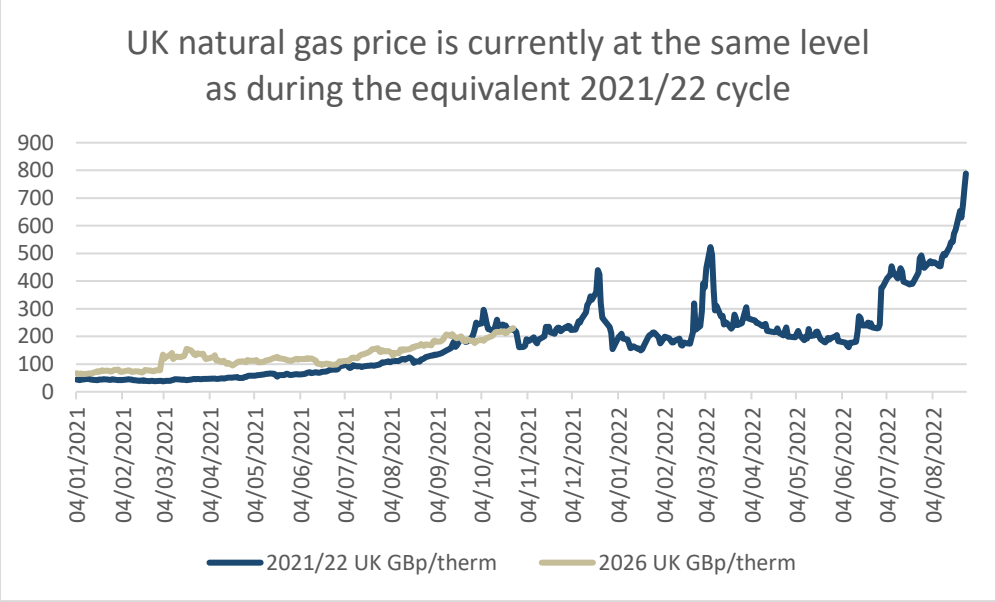
European gas in storage is likely peaking at one of the earliest days in the year and the lowest level ever

Year	Date of peak pre-winter storage	% full
2016	9-Oct	91%
2015	12-Oct	84%
2025	13-Oct	83%
2011	16-Oct	95%
2026	**20-Oct**	**75%**
2021	21-Oct	77%
2012	25-Oct	92%
2014	26-Oct	94%
2018	28-Oct	87%
2019	28-Oct	98%
2024	28-Oct	95%
2017	29-Oct	89%
2013	30-Oct	86%
2020	2-Nov	92%
2023	6-Nov	100%
2022	13-Nov	96%

Source: https://agsi.gie.eu/data-overview/eu, https://www.eia.gov/naturalgas/weekly/archivenew_ngwu/2013/11_07/, https://www.gie.eu/wp-content/uploads/filr/2851/02.2.%2020150922%20%20PRES%20GSE%20GCG%2022%20September%202015.pdf

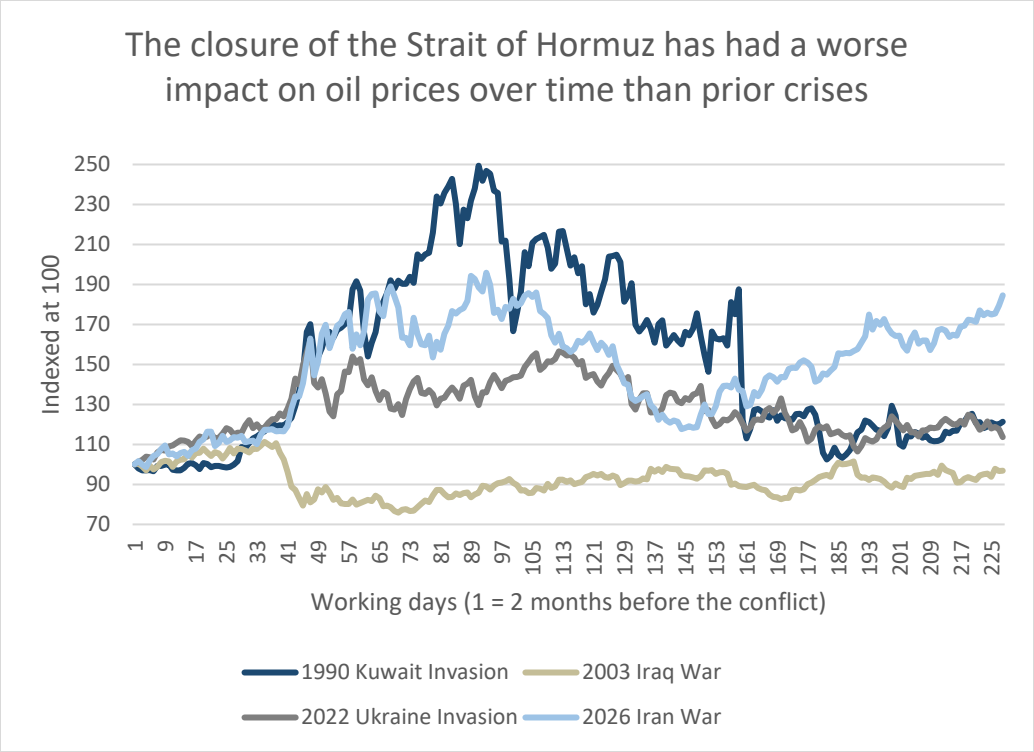


Source: https://agsi.gie.eu/data-overview/eu, https://www.eia.gov/naturalgas/weekly/archivenew_ngwu/2013/11_07/, https://www.gie.eu/wp-content/uploads/filr/2851/02.2.%2020150922%20%20PRES%20GSE%20GCG%2022%20September%202015.pdf



Source: https://www.investing.com/commodities/uk-nbp-natural-gas-quaterly-futures-historical-data

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Source: https://www.investing.com/currencies/xbr-usd-historical-data

Yellow cake gets more expensive

There are many things to focus on when it comes to supply/demand of uranium – some of this can be found in charts below. I'll focus on just one key aspect here: Russia's 44% of global share of enrichment capacity and its supplies to the US (around 24% of US demand[4]) and to Europe (around 23% of Europe's demand as well as 16% of natural uranium[5]). Back in November 2025 under the Biden administration, the US implemented an import ban of Russian enriched uranium by 2028[6]. This kicked off the rewiring of supply chains to wield the West off Russian (enriched) uranium supply. The long-term uranium price is at the highest level in more than 18 years, with several utilities actively seeking U3O8 from early 2027 starting and extending into the late 2030s[7]. During the Q&A of Cameco's Q3 2026 call Cameco's Grant Isaac explains this dynamic very well on the back of a question by Mark Shooter (here). When enriched

[4] https://www.meticulousresearch.com/product/uranium-enrichment-market-6937
[5] https://www.reuters.com/business/energy/eus-unclear-stance-russian-nuclear-fuel-holds-back-investments-urenco-ceo-says-2026-08-13/
[6] https://www.spglobal.com/energy/en/news-research/latest-news/electric-power/111524-russia-temporarily-bans-exports-to-us-of-enriched-uranium-after-us-curbed-imports
[7] https://www.uranium.info/press_releases.php#pr261002

uranium prices (SWU – separate work units) climb, natural uranium prices (U3O8) will start climbing, too. This is due to the following:

Only around 0.711% of natural uranium is made up of U-235, the radioactive isotope that requires further enrichment towards 3-5% to be used as reactor fuel (85-90% to be used as nuclear weapon)[8]. When the price of enriched uranium climbs, the price of natural uranium rises as well, because operators use lower tails assays, feeding more natural uranium through the enrichment plant to extract a higher percentage of U-235 from every kilogram of natural feed. This means, as long as the West tries to source new supplies of enriched uranium for its nuclear power plants, enriched uranium prices will rise, and so will natural uranium.

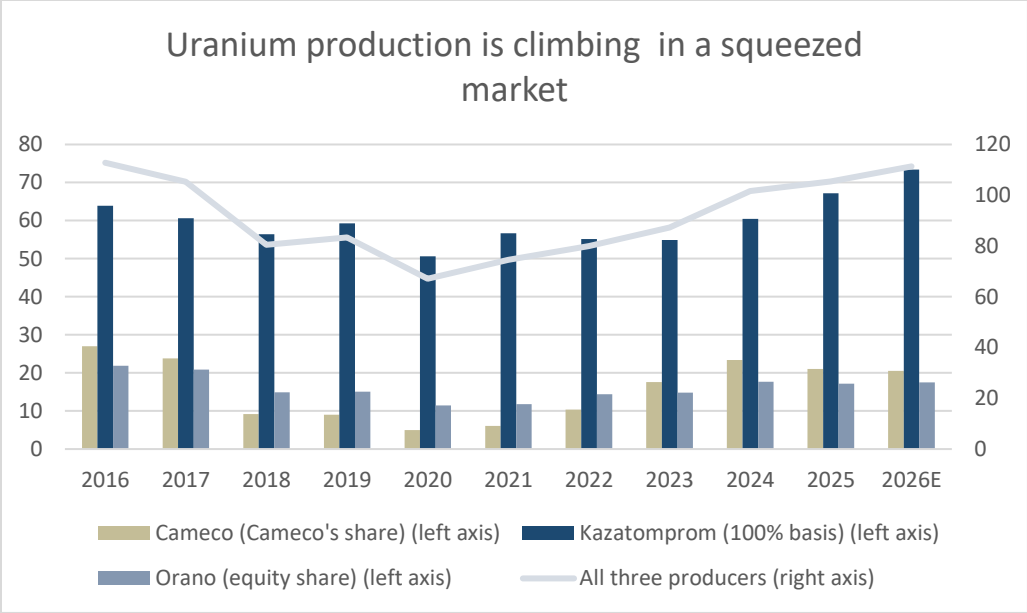
My take is that Russia will squeeze the enriched uranium market just like they did with natural gas ahead of the Ukraine conflict. Right now, you can buy uranium with a 24% discount via Yellow Cake Plc (YCA) as of 26th Oct 2026 – the steepest discount to TNAV ever recorded.

New nuclear power plant expected to come online in the years ahead

Year	GW added	% growth
2026	8GW	2.0%
2027	14GW	3.4%
2028	11GW	2.6%
2029	14GW	3.2%
2030	18GW	4.0%

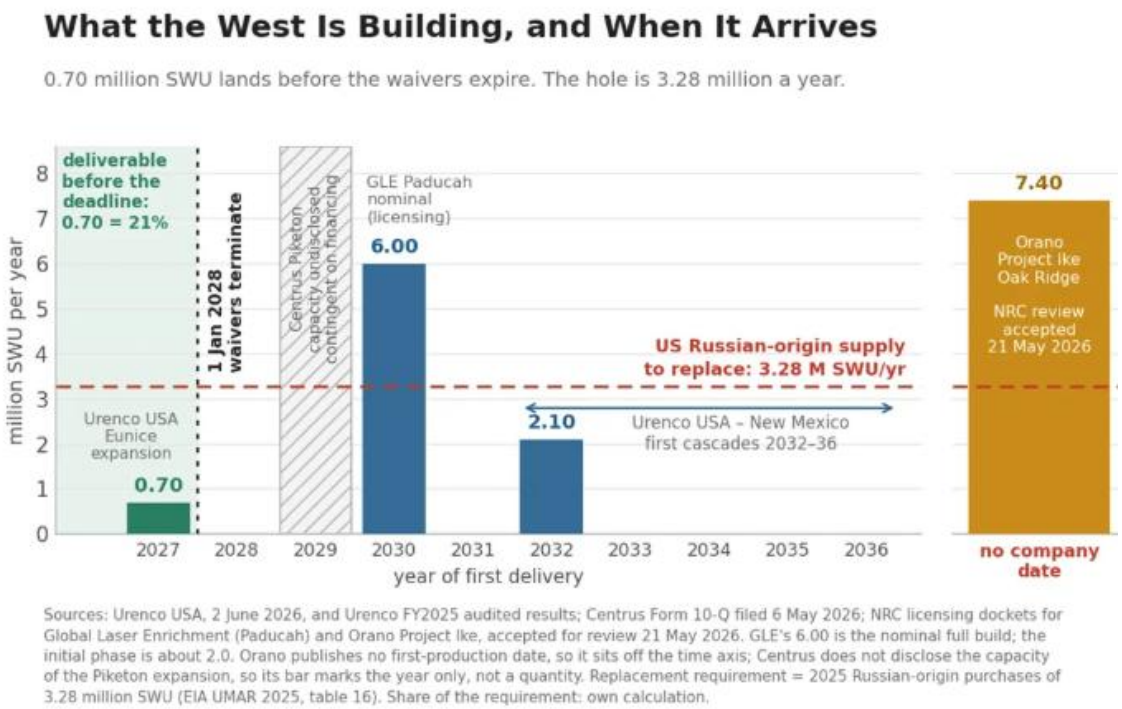
Source: https://world-nuclear.org/information-library/current-and-future-generation/plans-for-new-reactors-worldwide

[8] https://www.energy.gov/ne/articles/uranium-enrichment-explained



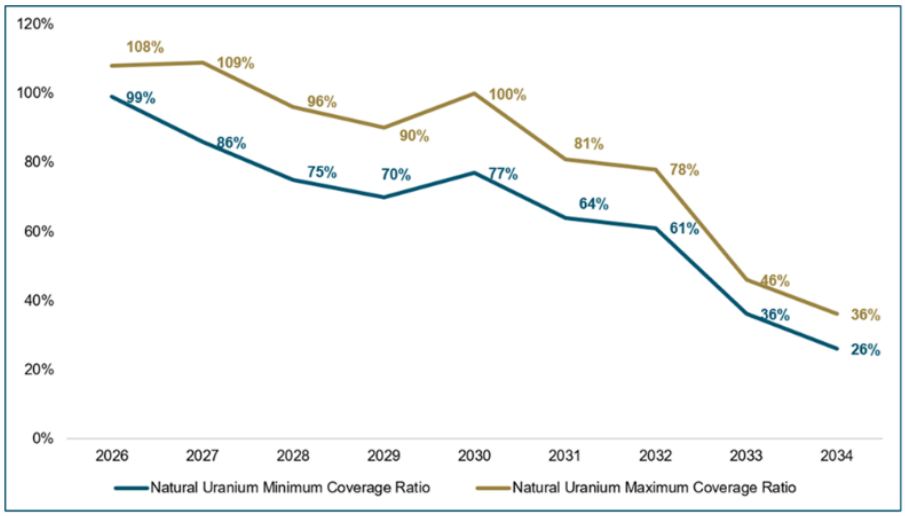
Source: https://claude.ai/share/6acfd9ac-08da-477c-890e-721d1f9b4221

Enriched uranium production addition timeline



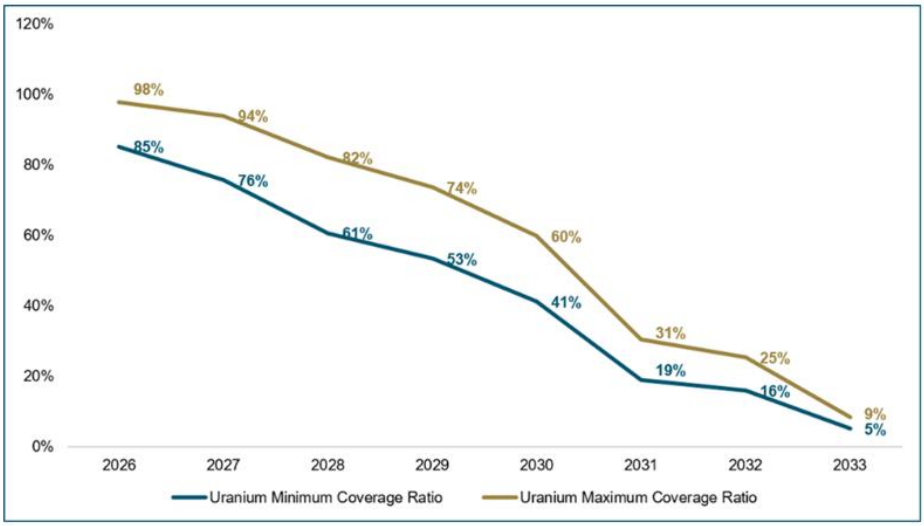
Source: https://nunoamadomendes.substack.com/p/the-part-you-could-buy

Figure 3. EU Coverage Ratio for Natural Uranium (2026-2034)



Source: https://sprottetfs.com/insights/on-the-cusp-of-a-new-contracting-cycle/

Figure 4. U.S. Coverage Ratio for Uranium (2026-2033)



Source: https://sprottetfs.com/insights/on-the-cusp-of-a-new-contracting-cycle/

The data center build out continues

As long as Meta, Amazon, Microsoft, Alphabet, etc. continue to raise equity to build out their data centers, high-end storage, HBM and high voltage power will remain in hot demand. My recent visits to Shenzhen confirmed this, but there was also caution: There are a few rich families in India, China and the surrounding areas that often buy memory and GPU chips in bulk and then years later dump them into the market. At the same time, ordinary consumer electronics, old storage, general MCU and low-end flash memory prices have started to decline. Historically, price declines in low end memory chips have front-ran high-end memory chip prices by around 1-3 quarters[9]. Whilst data centers made up around 63% of revenue for Micron Technology in Q4 FY26[10], the remaining revenue of ordinary consumer goods could therefore be at risk of facing declining revenues and margins from now on. However, **Micron Technology is trading at very attractive multiples with continuously growing forward guidance, which makes this an attractive trading opportunity whenever the valuation drops below $900bn-$1trn for now. As with many other investments in this Trump market, I'd make such trading decisions based on the technicals, in this case the technicals for the magnificent seven.**

Performance[11]

This quarter's performance was mostly driven by a 24-hour position in S4 Capital during the interim results earnings season (+30%) and a position in Okeanis Eco Tankers held for around one week (+20%). Whilst the position in Okeanis Eco Tankers could have returned 40%, I have reallocated that capital to gain around 10% with Serica Energy and Harbour Energy. This has led to less volatile and high risk-adjusted returns with a year-to-date Sharpe ratio of around 1.57, which would be much higher if only Q3 was considered.

[9] https://claude.ai/share/e73dea01-857e-4af4-bb7f-4c5bc5001df1
[10] https://investors.micron.com/news/press-release/2026/Micron-Technology-Inc--Reports-Record-Fiscal-Fourth-Quarter-and-Full-Year-2026-Results/
[11] all assumptions and observations are based on internal modelling and data analysis. Past performance is not a guide to future performance

Year-to-date performance (26th Oct 2026)



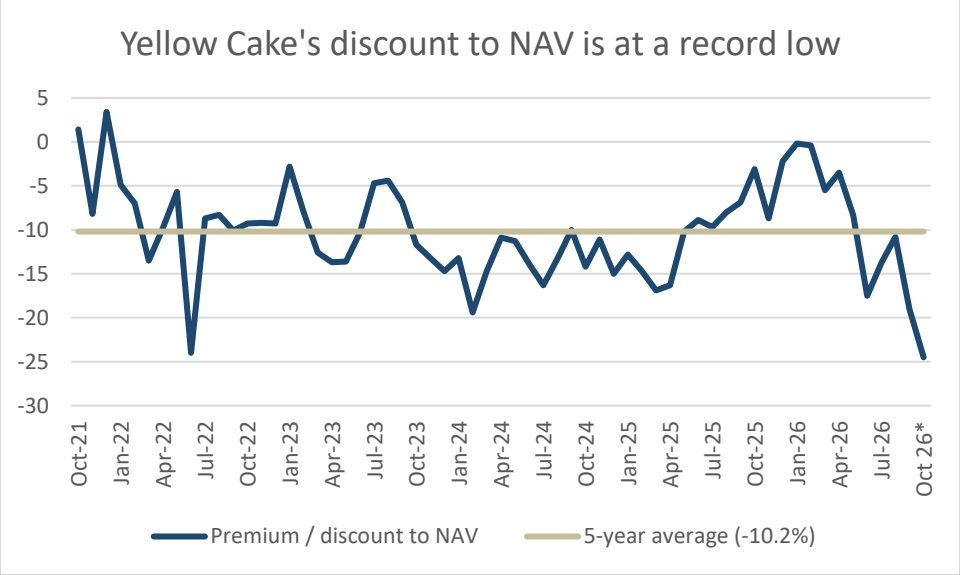
Outlook

The main drivers of this market, the Ukraine conflict, the Iran conflict and the AI build out, can all quickly change as they are by and large driven by Trump. With the Midterm Elections ahead naturally risk taking diminished, which has led to some attractive valuations. Take for example Harbour Energy (HBR), which is up more or less 15-18% over the last month, in line with the major oil and gas producers. However, over the same time period European natural gas prices climbed 50% - Harbour Energy has substantial exposure (~40%) to European gas prices. At spot prices as of 26th October, Harbour Energy trades at <2x EV/FCF. At year-to-date prices, Harbour trades at <5x EV/FCF, whilst recent hedges 1-2 years out (50% of production 1yr out, 30% 2yr out) have been placed at year-to-date prices on the forward curve. Yet, HBR's share price has initially moved 1-1 with Serica Energy despite Serica Energy's production problems, and recently HBR moves 1-1 with Crude oil prices despite the significant move in European gas prices. Then we have Yellow Cake (YCA), which is a clean natural uranium play, which trades at a record 24% discount to TNAV as of 26th October 2026. The story here is the same as with oil and gas prices: **My view is that Russia and Iran use the same 2021/22 playbook. I.e. squeeze the market to achieve their objectives. In this case, this means a deal with Russia and Iran could come to fruition by the time European natural gas storage tanks need to be refilled (April/May) onwards or there is general acknowledgement that we are in an energy crisis. I do not believe we have reached this point, yet.**

Harbour Energy's EV/FCF is at 4.2x at year-to-date oil and gas prices

Parameter	Price and cash
Current Gas Therm price	131
therm to mmcf	18.49
Current Oil price	90
Oil price assumption	65
mmcf assumption	11.00
FCF $m assumption	700
FCF at current price	2,674
EV/FCF	4.20

Source: Investing.com, Harbour Energy



Source: Yellow Cake, Investing.com, https://claude.ai/share/73ae3c0c-1e15-412b-8c4f-ed2d062c97db

Sincerely,

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