RECURRENT INVESTMENT ADVISORS

Monthly Investment Commentary
Nov 2025

Energy Infrastructure and Natural Resources: year-end letters, often full of forecasts, are a challenge for us – commodity forecasting is explicitly not part of our investment process. Instead, we use probabilistic frameworks to understand economic boundaries within the markets where we invest, and find areas where risk/reward is asymmetrically positive. In our final letter of the year, we revisit several market frameworks from our 2025 research to chart a course for 2026… and find ourselves at odds with current market consensus.

- **OIL:** In the face of extreme (bearish and bullish) forecasts throughout 2025, oil remained in the Shale-defined $55-85/bbl range discussed in our "Frack-tured Cartel" paper. Oil is $55/bbl today and sentiment is bearish. We see oil price risk weighted to the upside.
- **GAS:** uniformly bullish price forecasts cite AI and LNG demand, without acknowledging the demand elasticity of this growth. Demand growth craters above $4/mcf. Our 2026 forecast envisions high volume growth, with price stuck <$4.
- **MIDSTREAM:** US oil wells are becoming gassier, so midstream volume growth continues… even if oil production stagnates or declines. Rig count cuts stabilize oil price and support midstream sentiment. A capex-heavy 2025 weighed on midstream valuations, but free cash flow grows in 2026 as capex moderates.

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

November 2025 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

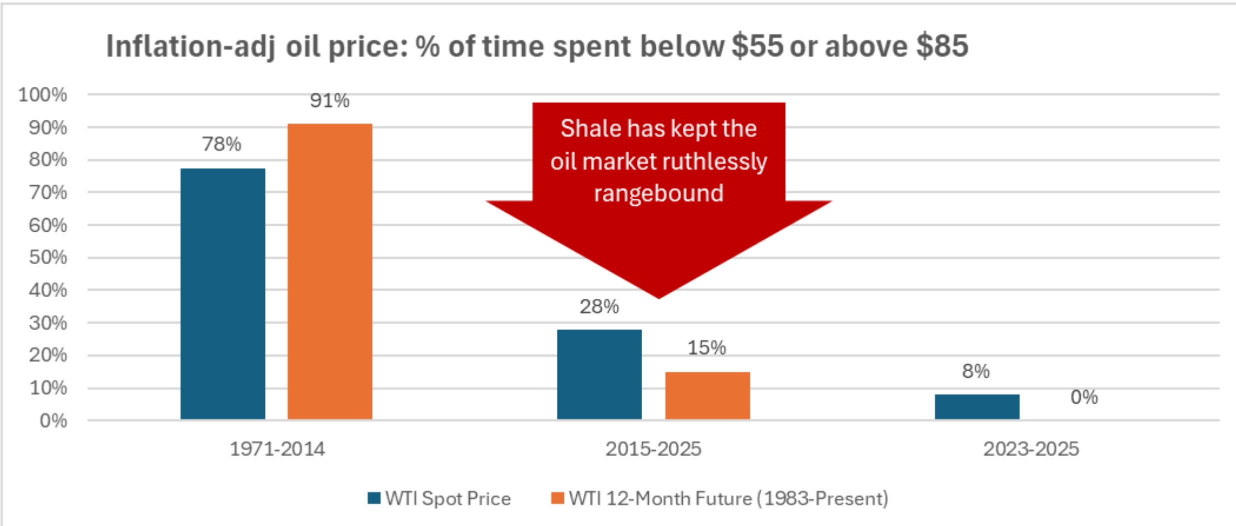
During the month of November 2025, the Recurrent MLP & Infrastructure Strategy generated net returns of +5.71%, slightly lagging the Alerian MLP Index's (AMZ) +6.22% return by 0.51%. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by +43.82% (+2.58% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +71.09% and +3.98% 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 November 2025, the Recurrent Global Natural Resources Strategy generated returns of +5.23% net of fees, outperforming the S&P Global Natural Resources Index's +3.95% return by +1.28%. The portfolio's overweight to select Canadian Integrateds and Sealed Air Corp, which benefitted from a buyout offer, contributed positively to performance.

Analysis: Using our 2025 economic frameworks to chart a course for 2026

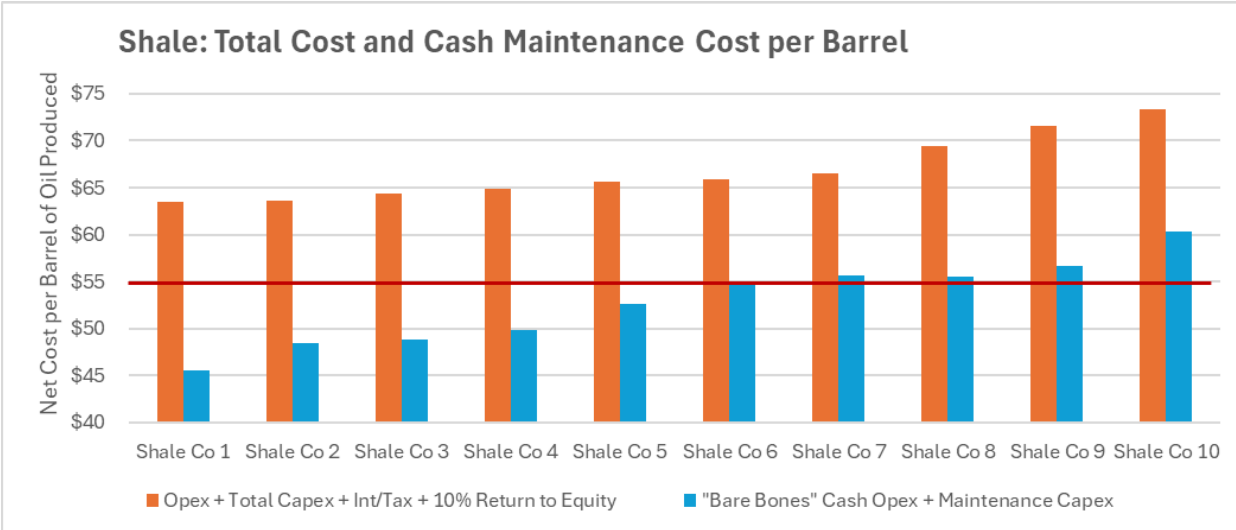
OIL – uniform bearishness as we approach the "lower bound" of Shale economics: In early 2025, our "Frack-tured Cartel" whitepaper highlighted how last decade's historic geopolitical volatility led to… surprisingly stable oil prices. Despite various shocks, oil has stayed between $55-85/bbl (inflation adj.) three-quarters of the time since 2014 and >90% of the time since 2022. Shale – only 10% of global supply – is the only resource that has the supply elasticity to add or subtract ~1mm bbls/day within ~12 mos on price signals alone. These marginal Shale economics have, and will, keep oil ruthlessly rangebound.



Source: Bureau of Labor Statistics (BLS), World Bank, Energy Information Agency (EIA), St. Louis Federal Reserve (FRED), Bloomberg, Recurrent research.

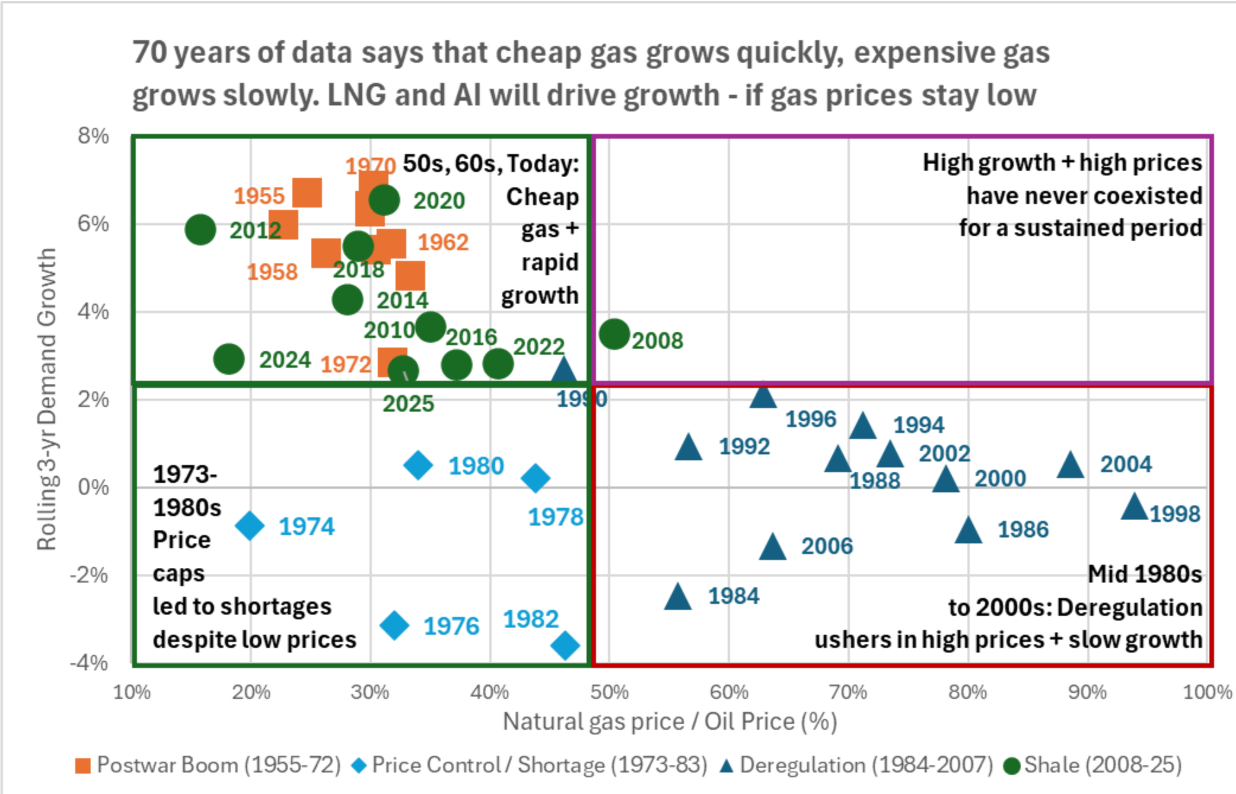
Our paper was met with skepticism. This year, trade wars (and real wars) threatened global GDP, and ceasefires in Iran and (maybe) Ukraine increased fears of oversupply. And yet, oil spent all of 2025 inside our $55-85/bbl range. Today, at the bottom of our $55-85/bbl range, bearish $40/bbl forecasts have gotten louder. However, given acute fiscal challenges for Shale producers below $55/bbl, we see meaningfully more upside than downside for oil price today, and expect any sojourn below $55/bbl to be short-lived.

As is shown below, most publicly traded Shale operators are not only failing to generate a return on capital at $55 (10% returns on equity require close to $70/bbl for most operators), but **roughly 50% of the largest and most efficient public operators are failing to cover cash operating costs and maintenance capital expenditures at $55/bbl**. If we include growth initiatives, interest expense, cash taxes, and a modest 10% return on capital, all Shale operators are deeply underwater.



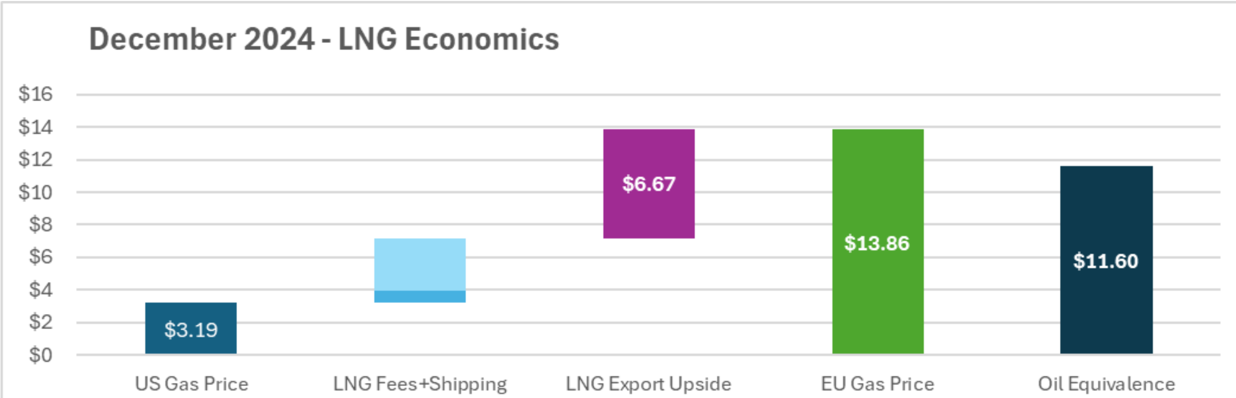
Note: Includes publicly traded E&P companies >$5bn market cap where US Shale is >70% of production: EOG, OXY, COP, DVN, FANG, MTDR, OVV, CHRD, PR.
Maintenance capex = estimated share of capex dedicated to maintaining existing production.
Source: SEC filings, Bloomberg, Recurrent research.

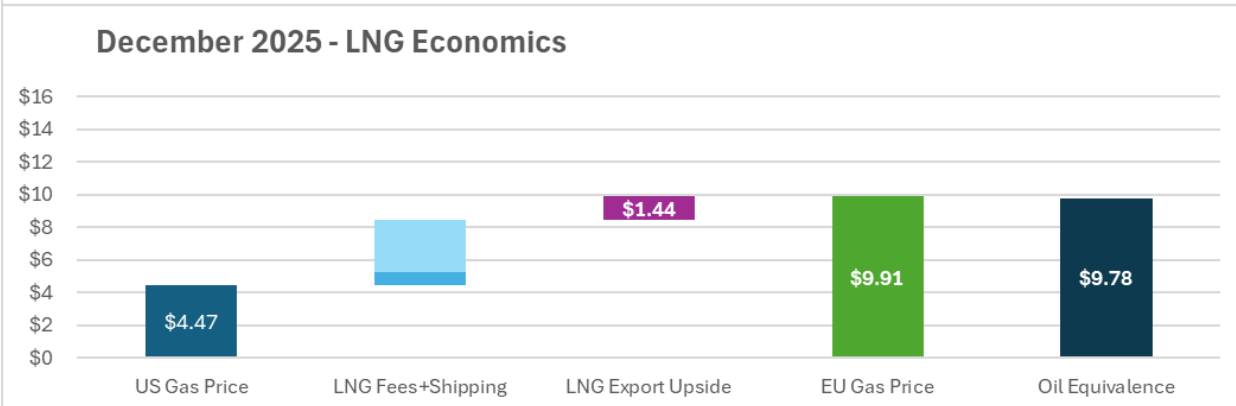
GAS – analysts mesmerized by the size of AI/LNG fail to analyze elasticity of demand: both demand and supply are surging. Expectations of AI and LNG growth have kept many analysts bullish on price. The (large) size of these opportunities is well documented (including by us!) – but few discuss the elasticity of this demand. Above $4/mcf (where gas briefly soared last month), demand destruction for gas is rapid. A year ago, we noted how US demand since the 1950s has grown only when gas is cheap. Over 70 years, all market growth has occurred when gas is at or below 40% of oil price. With oil at $55, gas must stay <$3.70/mcf to offer the advantage historically associated with rapid growth.



Source: Recurrent research, Bloomberg, US DOE and Berkeley Labs, Energy Information Administration (EIA)

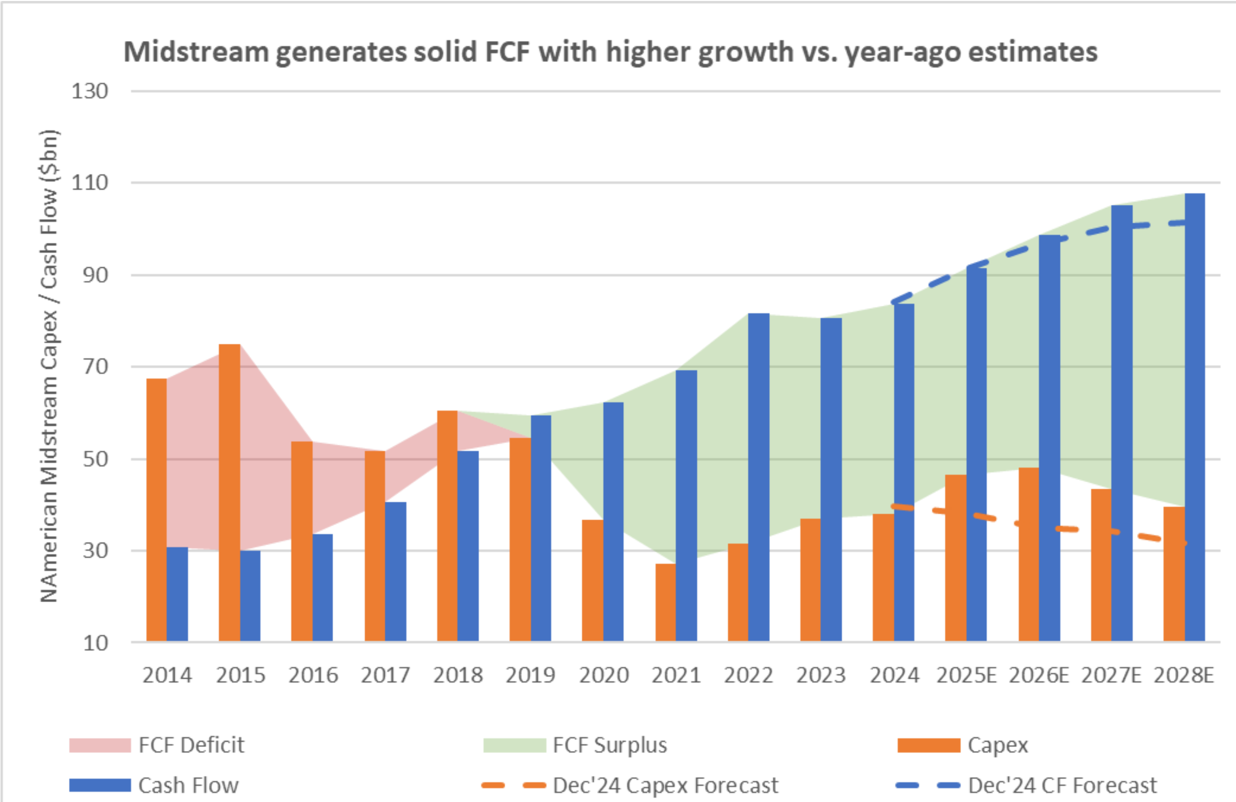
Many investors hope US LNG exports will allow US gas to escape the elasticities of the US market. But global LNG demand has its own constraints and elasticities. One challenge is the relatively small size of the global LNG market which must absorb US export capacity. US LNG capacity expanded by a record amount in 2025, and the impact could be seen in global gas markets. A year ago, the EU gas market provided a ~$7/mcf uplift to US producers, even after LNG/shipping fees. This December, margins sit ~$1/mcf, as the surge in US exports has pushed the winter price of EU gas below oil value and driven the tightest LNG margins since COVID. With US LNG exports expected to continue their surge in the next ~5 years, US LNG will need to incentivize demand (via lower prices) to continue expanding into the global LNG market.





Source: Recurrent research, EIA, Bloomberg.

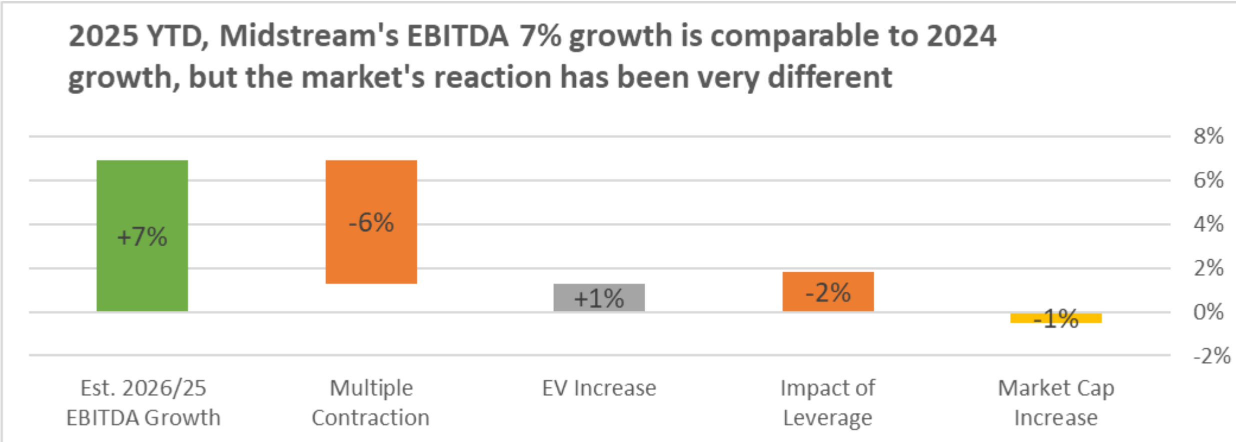
MIDSTREAM – capex increased in 2025, but FCF remains intact. Valuations have fallen, leaving midstream attractively positioned into 2026: What do commodity cross-currents mean for the midstream sector? Late 2024 and early 2025 saw a crop of new large-scale natural gas pipeline project announcements. Investors greeted these announcements with excitement in 2024 and early 2025, but excitement cooled as 2025 free cash flow was compressed by higher capex. The first new project announcements in nearly a decade caught some investors off guard, but overall free cash flow (FCF) profile of the sector remains robust. Capex announcements likely moderate in 2026, and FCF will again expand meaningfully moving into the back half of the decade.



Source: Recurrent research, SEC filings, Bloomberg.

Notes: Compares public companies as of 12/31/24 and 12/18/25, along with Bloomberg consensus estimates as of those same dates. Study contains the 28 largest publicly traded North American midstream companies by market cap, including KMI, ET, LNG, EPD, OKE, CEQP, WMB, TRGP, NS, MMP, WES, MPLX, PAA, DCP, ENLC, SUN, TRP CN, ENB CN, PPL CN, GEI CN, ALA CN, KEY CN, KNTK, HESM, DTM, ENBL, EQM/ETRN.

For midstream fundamentals, the growth outlook remains unambiguously positive: a large (and growing) share of gas production comes from oil wells, where "associated gas" is effectively a freely produced byproduct that needs to be handled by midstream operators. Concerns about rising capex and falling rig counts pressured midstream in 2025, leading to the first year of valuation compression since COVID. The result is that midstream companies now stand with lower valuations, better growth and rising cash flow into 2026.



Source: Recurrent research, SEC filings, Bloomberg.

Notes: Compares public companies as of 12/31/23 and 12/31/24 and 10/15/25, along with next twelve month Bloomberg consensus EBITDA estimates as of those same dates. Study contains the 28 largest publicly traded North American midstream companies by market cap, including KMI, ET, LNG, EPD, OKE, CEQP, WMB, TRGP, NS, MMP, WES, MPLX, PAA, DCP, ENLC, SUN, TRP CN, ENB CN, PPL CN, GEI CN, ALA CN, KEY CN, KNTK, HESM, DTM, ENBL, EQM, ETRN.

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