Energy Infrastructure: Within the energy industry, one of the most widely discussed topics is the exporting of natural gas. Within the next 12-18 months, the US's LNG export capacity is expected to grow by nearly 50%, attracting investor enthusiasm as a source of contracted, steady revenues and profits. However, the question is whether the expected supply growth is likely to outstrip demand, and erode industry wide profitability.

Natural Resources: For the first time ever, US natural gas supply growth is coming mainly from oil wells. This "associated gas" is a byproduct of America's aging oil fields, which get gassier with age, and it flows with little regard for price. How did the US come to produce so much "free gas"? Pre-2010, Shale was almost entirely dry gas. As Shale pushed gas price from $10/mcf to ~$3/mcf – where it has stayed for ~15 years – most US producers moved to "oil shales" like the Bakken, Eagleford and Permian. The Shale industry bifurcated: "shale oil" players grew while letting old gas fields go into decline; "shale gas" operators focused on the Marcellus and Haynesville, driving ~80% of US gas growth from 2009-2019. Since 2020, "shale oil" have driven >70% of gas growth and ~100% of gas growth in the last 2 years. To manage this growing supply of "free gas", US LNG is booming (much faster than global demand for LNG), while dry gas operators are being forced to moderate their drilling plans.

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

May 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 May 2025, the Recurrent MLP & Infrastructure Strategy generated net returns of 2.54%, outperforming the Alerian MLP Index's (AMZ) 1.71% return by 0.83%. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by 32.04% (2.17% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by 55.23% and 3.58% 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.

Investment Discussion

The massive near-term expansion in US LNG exports appears unsupported by global demand growth

In a world with increasing and diverse energy demand requirements, one of the industry's unique attributes is the ability to value energy inputs on both a geographic and/or a cost per btu basis. One of the most well-known relationships is between oil and natural gas. For many large scale industrial and utility energy consumers with dual-fuel capability, the ability to switch between oil and natural gas provides optionality to minimize costs.

Key relationships used to identify the "price equality" of global energy sources
$2-5/bbl = Cost to ship oil globally
$2.50-3/MMBtu = operating cost to liquify, transport, and gasify natural gas globally
Natural gas price ($/MMBTU x 6) = Oil price per barrel = equality on a BTU basis

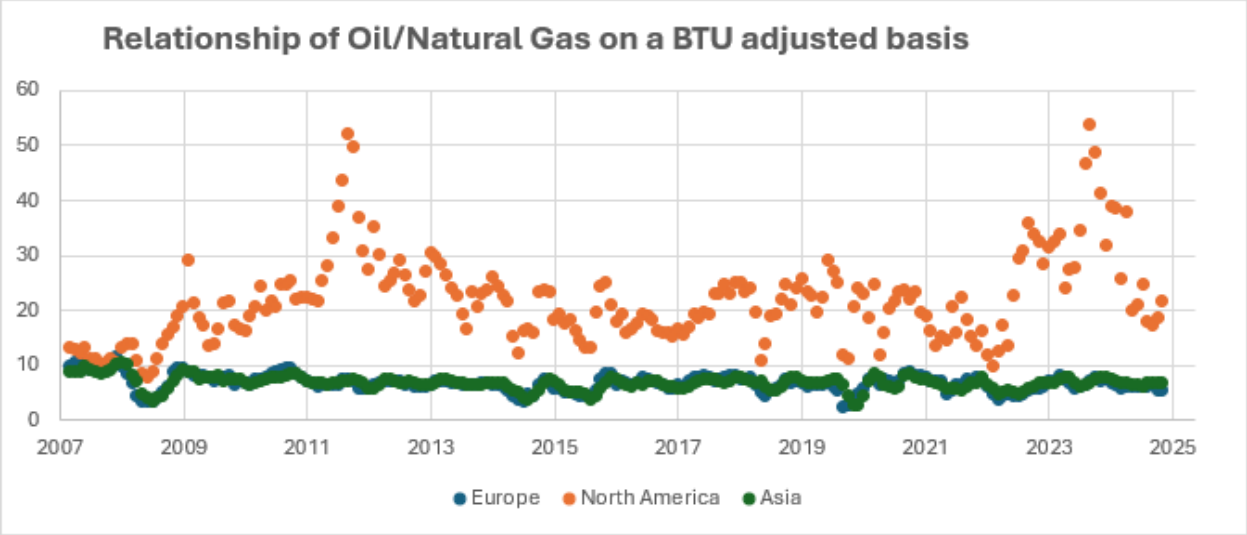
The chart below shows oil/natural gas price globally. Of the 6 benchmark prices, only one is out of line from the others – US natural gas.

Region	Oil ($/bbl)	Natural Gas ($/mmBtu)	6 x NG price = BTU equiv
Europe	$75.20	$12.72	✓
Asia	$72.50	$13.39	✓
North America	$73.30	$3.58	✗
In Parity?	✓	✗	

Source: Prices from Bloomberg June 16, 2025, Recurrent research

US natural gas prices have long been dislocated from global prices and are assumed to re-align soon…but will they?

Comparing oil and natural gas on a geographic basis is fairly simple. On a price per BTU perspective, multiplying the natural gas price by 6 approximates the BTU content of a barrel of oil. For example, if natural gas prices were $10/MMBTU, then at a $60/barrel oil price ($10/MMBTU x 6 = $60), the equal amount of BTUs would be provided at the same cost. Given the relative ease of transportation and similar supply/demand dynamics geographically, regional oil prices remained aligned. Throughout the period, Asian and European prices reflect the price/BTU parity between oil and natural gas. However, since the onset of shale in the late 2000s and beyond, the combination of abundance of native natural gas production and transportation challenges distorted the relationship, as seen in the chart below.

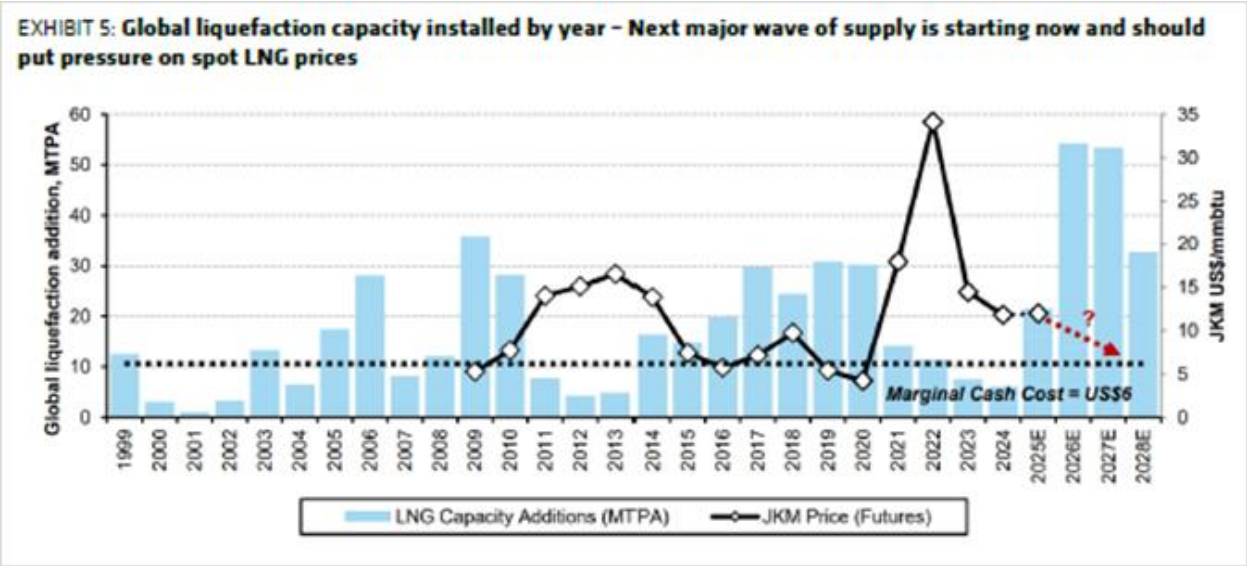


Source: Recurrent Advisors, Bloomberg.

Accelerated demand for LNG volumes means prices will unequivocally rise, right?

The combination of US natural gas demand growth due to LNG and increased power demand has many investors believing that an increase in natural gas prices would move US natural gas prices to geographic and BTU equilibrium.

One of the regularly-cited rationales for increased US natural gas prices is the increase in contracted LNG exported volumes. As outlined in the table, the price discrepancy between US and global natural gas prices has incentivized significant capital to be invested to expand LNG export capacity. Given the wide geographic price/MMbtu difference between the US and global natural gas markets, many buyers and sellers have engaged in long term supply contracts which lock in attractive prices for both sides and amortizes total building costs.



Source: Sanford Bernstein research, June 2025

The above chart from Bernstein research is widely viewed as unambiguously positive for natural gas pricing. With significant volume at contracted prices, the assumption is that US natural gas prices will rise to meet global levels. However, the 27 Bcf/day of LNG capacity additions from 2025-2028 alone comprise **42% of total 2025E global LNG demand**. Framed differently, the 27 Bcf/day of expected **LNG export capacity growth is enough to match all European demand in 2025!** Or more than **all current Asian LNG imports!**

With US natural gas prices dislocated from both global prices and BTU parity, many investors assume US prices to normalize higher. However, few investors, have asked the question whether increased LNG export capacity will *lower* global prices, rather than increase US prices to meet non-US price levels.

Contracts on LNG capacity are rightfully seen as supporting spot market prices during the life of the contract. However, once a contract comes to an end, capacity can price at a much lower level because construction costs generally do not need to be amortized. Pricing moves from total cost to variable cost, potentially reducing the cost by $2-3/MMBTU. To the degree that the cost savings are shared between seller and buyer, the "landed" price would move lower, indicative of supply outpacing demand.

Lastly, as seen in the above chart, material LNG export demand was completed in the mid-late 2000s, with contract which likely conclude in the late 2020s. To the degree that this capacity can still be utilized, this existing capacity can operate at levels (variable LNG export facility cost = $0.50-0.70/mcf) which substantially undercut the contracted prices set by total cost economics (full LNG export cost including capital cost = $3.00-4.50/mcf).

Natural Resources

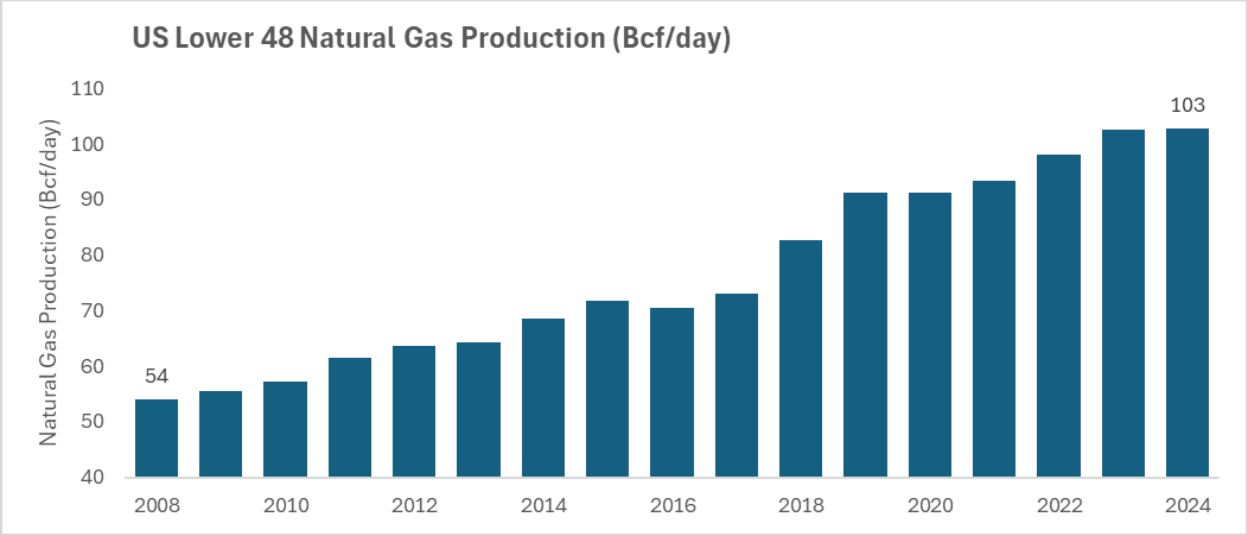
Performance Review

In the month of May 2025, the Recurrent Global Natural Resources Strategy rose 4.38% net of fees, exceeding the S&P Global Natural Resources Index's 2.91% gain. During the month, the portfolio's overweight allocation to the refining sector benefited performance, as the portfolio's refining holding rose 13.7%. Commodity chemical stocks detracted from performance, with portfolio holding Westlake Chemical falling 22.6% during the month.

Investment Discussion

For the last 20 years, US Natural Gas Supply growth has been remarkable…

It is hardly a secret that unlocking shale oil and natural gas resources have completely changed the production profile of the United States. In just the last 20 years, onshore natural gas production has grown from 54 Bcf/day in 2008 to >100 Bcf/day, unprecedented growth by any standard.

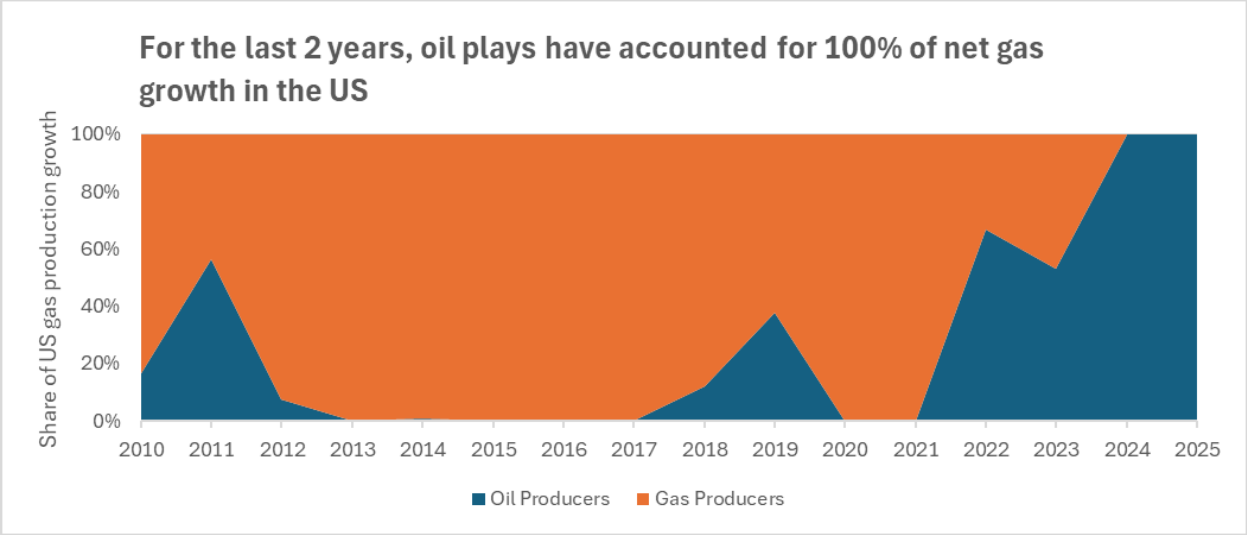


Source: Recurrent Advisors, Energy Information Administration (EIA).

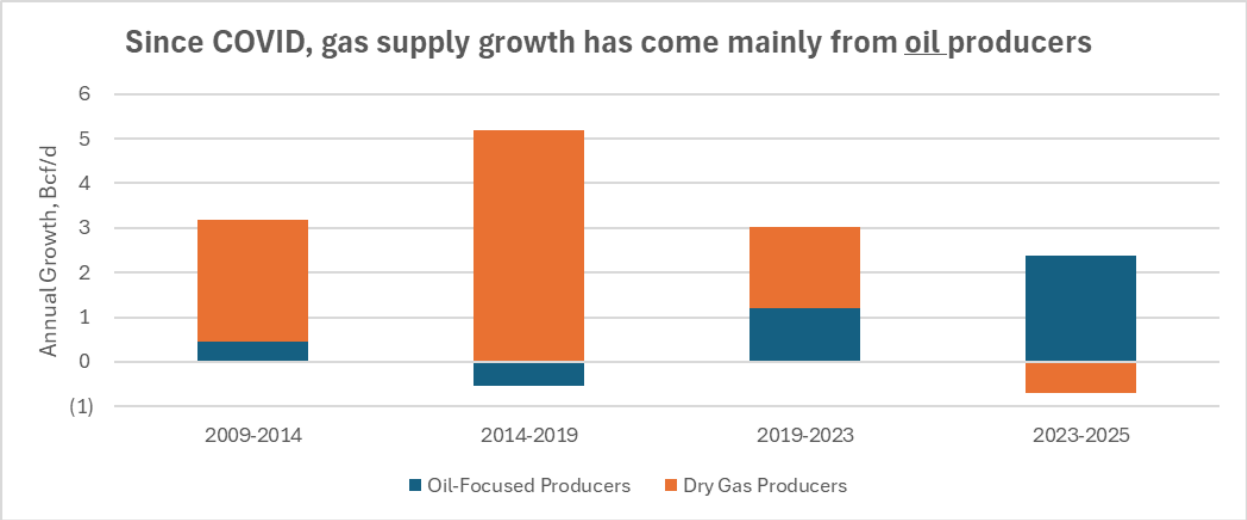
For the first time ever, the vast majority of US gas supply growth is a byproduct of oil wells

For most of the shale era, natural gas production growth has been largely associated with some of the well-known "plays" – starting with the Barnett Shale in north Texas nearly 20 years ago. More recently, US natural gas supply has undergone a meaningful shift which will alter pricing dynamics for years to come. US gas production, which has added a Russia-equivalent amount of supply since 2005 – has gone from being primarily driven by the exploitation of "Shale gas" fields, to being supplied as a byproduct of "Shale oil" fields. As the word "byproduct" implies, natural gas is increasingly being produced inelastically by oil producers who little about the price they receive for their gas.

The change in natural gas production growth is noteworthy. For the decade from 2010-2020, US natural gas production growth has primarily emanated from natural gas shale basins. However, in the last 2 years, the entirety of the growth has come as associated gas from oil producers, as seen in the 2 charts below.

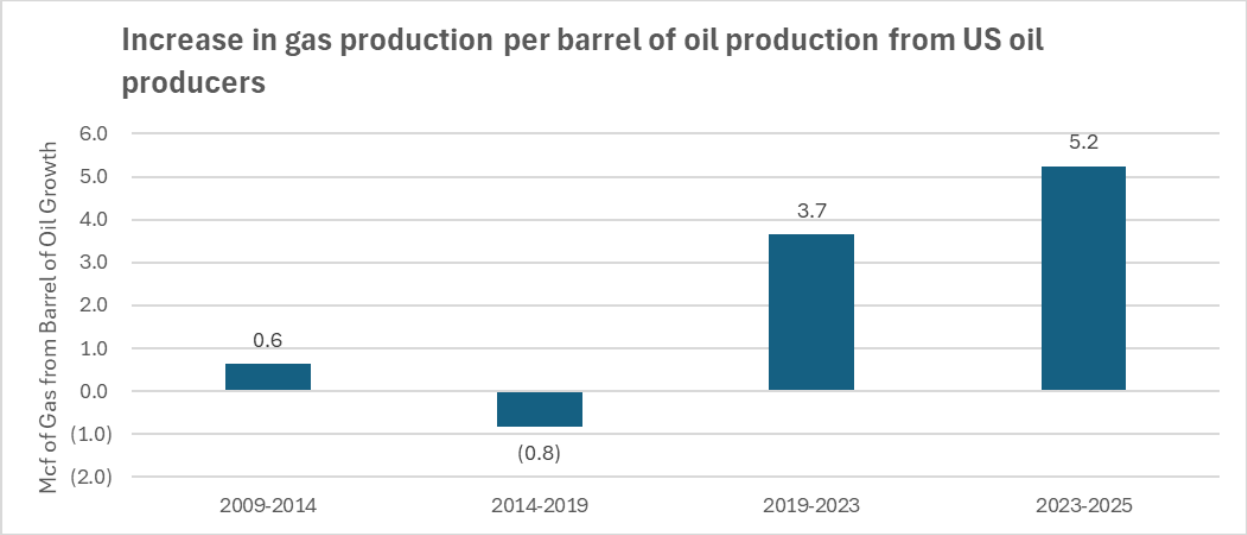


Source: Recurrent Advisors, Bloomberg, Energy Information Administration (EIA), SEC Filings.
Note: Oil producers include FANG, CLR, OXY, PR, XOM, CVX, BP, COP, APA, EOG, DVN, OVV, CHRD, MTDR, CIVI, SM, CRGY, VTLE and substantially all predecessor and acquired companies, as well as major divested assets. Gas producers include EXE, SWN, GPOR, AR, RRC, MRD, CTRA, COG, XEC, EQT, CRK, CNX, Ascent, Aethon, Rockcliff, and substantially all predecessor and acquired companies, as well as major divested assets.



Source: Recurrent Advisors, Bloomberg, Energy Information Administration (EIA), SEC Filings.
Note: See above for definitions of "Oil producers" and "Gas producers".

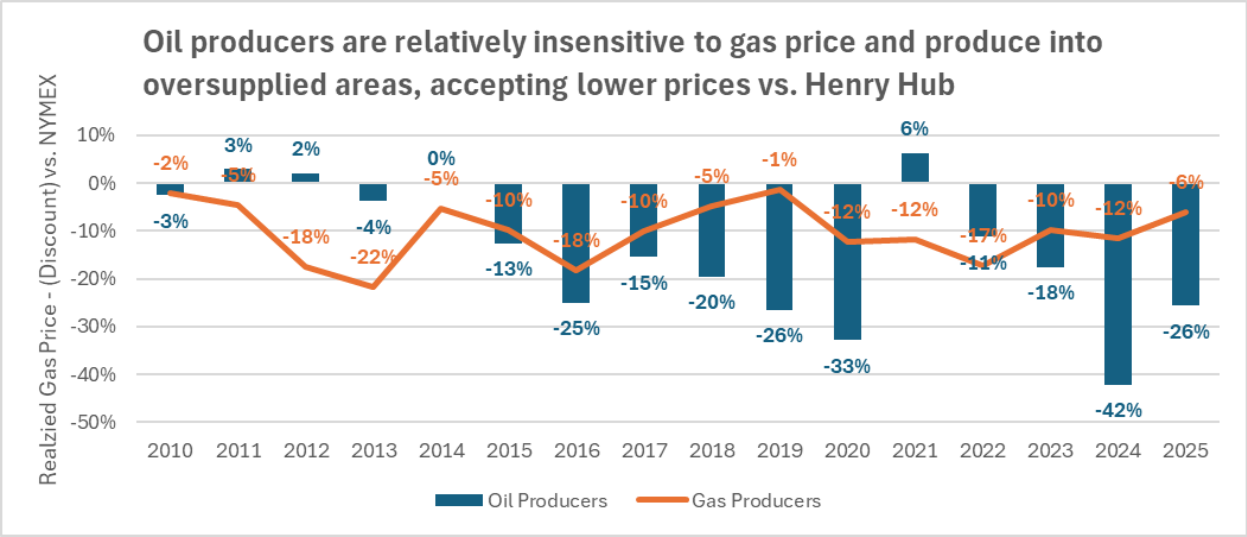
Causing the increase in natural gas production is the higher percentage of natural gas which comes from "oil" wells. In the early stages of oil shale production, associated natural gas production was relatively inconsequential on a per-barrel-of-oil-produced basis. However, in the last two years, associated natural gas production represents 5.2 Mcf of natural gas produced per barrel of oil growth! That is nearly 9x the level of the 2009-2014 average. Importantly, while US Shale oil production growth has stagnated, the associated natural gas produced continues to grow.



Source: Recurrent Advisors, Bloomberg, Energy Information Administration (EIA), SEC Filings.

The price impact of increased associated gas from oil production has been dramatic

Gas supply from Shale oil wells typically represents 30-40% of volume, but less than 10% of revenue. As a result, producers will work hard to realize top dollar for oil, while settling for any gas price to allow for uninterrupted oil production. This trend is highlighted below, as gas producers (relying exclusively on gas revenues) arrange for advantaged pipeline takeaway to preserve the value of gas sales, while oil producers are increasingly content to accept significant discounts to Henry Hub benchmark gas prices, even at a time when gas prices are historically low.



Source: Recurrent Advisors, Bloomberg, Energy Information Administration (EIA), SEC Filings.
Note: See above for definitions of "Oil producers" and "Gas producers".

Over the next few years, natural gas demand is expected to increase, primarily from data center power demand and LNG exports. Conventional economic theory would dictate that higher demand should equate to higher natural gas prices. However, the low-cost, price insensitive attributes of

natural gas supply growth from “oil” wells introduce a new dynamic to US natural gas pricing, which has the potential to keep prices lower than many investors would otherwise expect.

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