RECURRENT
INVESTMENT ADVISORS

Monthly Investment Commentary
April 2025

Energy Infrastructure and Natural Resources: since 2014, we've seen the 2015 oil crash, COVID, negative WTI prices, post-COVID inflation, the war in Ukraine, and now tariffs. What if we told you the last 10 years have actually been one of the **least** extreme periods for oil price since 1970, with inflation-adjusted oil prices remaining largely between $55 and $85? We explain how this deeply counterintuitive notion is not only true, but predicted by our 2017 "dispatch curve" white paper, which saw tighter price ranges as a key outcome of a market where Shale's elasticity defines the oil market. Our new white paper, ***The Frack-tured Cartel,*** shows how the uncoordinated Shale industry has wrested control of oil prices from OPEC, even as most oil "experts" claim that OPEC has never been more influential.

How are we so confident that the market has changed? The data clearly supports our claim: from 1971-2014, without alternative sources of rapid-response oil supply, OPEC policy could create "supercycles," keeping inflation-adjusted prices above $100 or below $50 for a majority of the 1970-2014 period. Prices remained outside of a $55-$85 range for **80% of the time**. Since 2015, despite huge disruption, prices have been outside the $55-$85/barrel range **only 30% of the time**, with a ~2 year peak-to-trough cycle time, even as OPEC has repeatedly intervened, often pro-cyclically. WTI futures, less sensitive to physical constraints and more reflective of supply-demand factors, have remained in the $55-85 range almost **90% of the time!**
Our less-extreme, Shale-centric view of the market has been proven out, and the implications for energy investors are profound. Analysts who focus on OPEC instead of supply-demand economics have been discredited.

It does not matter that OPEC is larger than Shale – it only matters that Shale is the **only** source of elastic and price-sensitive supply. The inelastic frameworks that led to predictions "oil might never recover" in 2020 are as misguided as the predictions that "$100 is the new floor price" in 2022. Both of these perspectives were premised on the mistaken belief that Shale could not and would not respond to price. Just as these inelastic views were proven wrong, today's calls for sustainably sub-$60 pricing in the face of tariffs and bearish OPEC policy will likely meet the same fate. Analysts predicting "lower for longer" based on OPEC policy assumptions are ignoring the fact that any policy lasting longer than Shale's response time is doomed to failure, as Shale will grow/shrink contrary to OPEC policy within 12-18 months.

Going forward, Shale economics will set the price range and dictate the cycle length for oil markets – meaning that investors counting on OPEC policy to sustain oil prices below $60 (or above $90) are going to be transferring value to investors who understand the new paradigm in oil markets.

Click here for our NEW white paper, *"The Frack-tured Cartel: How Shale's elastic supply broke OPEC's grip on the oil market"*
Click here for our original dispatch curve white paper, *"The Impact of Shale on US Energy Cycles"*

April 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 April 2025, the Recurrent MLP & Infrastructure Strategy generated net returns of -7.15%, outperforming the Alerian MLP Index's (AMZ) -8.84% return by +1.69%. Since the strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by +29.74% (+2.08% annualized), net of fees. On a gross basis, the Strategy has outperformed its benchmark by +52.15% and +3.49% 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

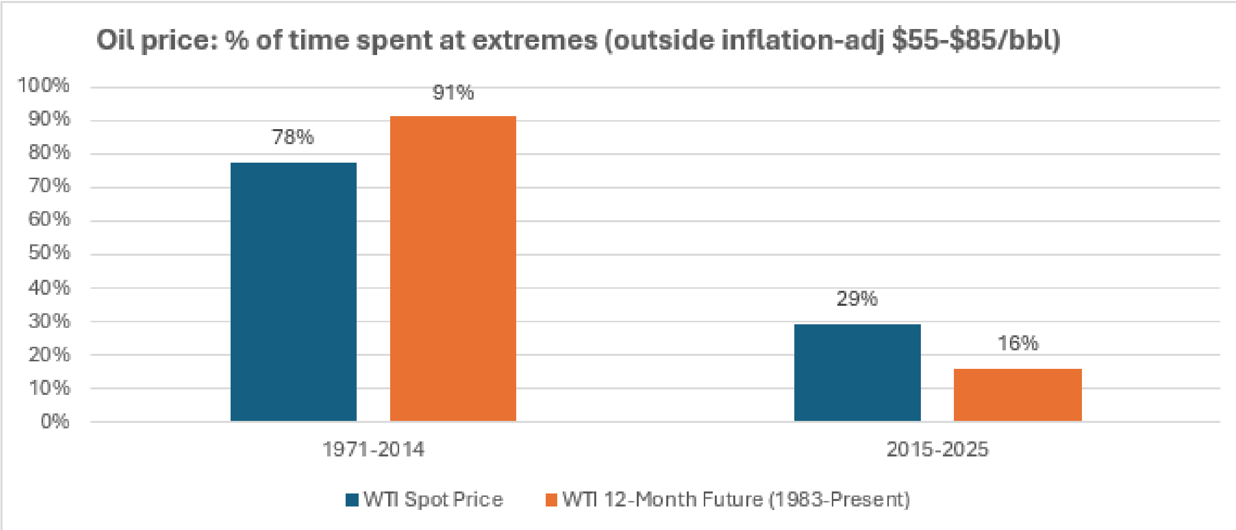
Performance Review

During the month of April 2025, the Recurrent Global Natural Resources Strategy declined -4.92% net of fees, underperforming the S&P Global Natural Resources Index's -3.06% decrease. Since the strategy's June 2018 inception, the Recurrent Global Natural Resources Strategy has outperformed its benchmark by +13.19% (1.48% annualized), net of fees.

Recurrent's new white paper illustrates how Shale has undermined OPEC and transformed the oil market

Shale economics have kept oil prices in a historically tight range, despite unprecedented geopolitical disruption. OPEC remains active, but increasingly ineffective. OPEC has lost its power for a simple reason – OPEC was designed for a market where alternative sources of oil supply took years to emerge. In a world where Shale can offer a price-based supply response within 12-18 months, OPEC policy loses efficacy beyond this 12-month window.

Prior to 2015, inflation-adjusted oil prices were at extreme levels - below $55 or above $85 - 78% of the time. In the last decade, as Shale became large enough to have a global impact, real oil prices have spent less than 30% of the time outside the $55-$85 range. If we look at 12-month WTI futures, which look past short-term physical disruption to reflect broader supply-demand dynamics, WTI futures have been outside $55-$85 for only 16% of the time since 2014.



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

However, if you had simply ignored these OPEC headlines, and invested according to a "simplistic" belief that Shale's declines support oil price near $50 and Shale increases will undermine oil price near $100, you would've done much better than the OPEC-watchers who said that 2020's OPEC spat before the acute phase of COVID would lead to a multiyear downturn, or who in 2022-23 claimed Saudi fiscal breakevens would support a $90 floor on oil price or who, more recently, said OPEC's punishment of Kazakhstan would send oil below $50 for an extended period.

Recurrent Investment Advisors LLC

Manager of the of the Recurrent MLP & Infrastructure Fund

3801 Kirby Dr, Ste 654
Houston, Texas 77098
d: 832.241.6400

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