RECURRENT
INVESTMENT ADVISORS

Monthly Investment Commentary
September 2026

Energy Infrastructure (EI) & Natural Resources: In 2Q 2026, WTI oil prices rose above $100/barrel, yet Permian drilling activity remained muted. Have economics ceased to function in Texas oilfields? No. Instead, an increasing share of natural gas from oil wells, combined with gas infrastructure bottlenecks, effectively prevented producers from benefitting as oil prices soared. It is a sign of things to come – Oil Shale economics are increasingly driven by natural gas market dynamics.

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

September 2026 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 September 2026, the Recurrent MLP & Infrastructure Strategy fell 7.17% net of fees, outperforming the Alerian MLP Index's (AMZ) 8.32% fall by 1.15%. Since the Strategy's July 2017 inception, Recurrent's MLP & Infrastructure Strategy has outperformed the AMZ by 3.60% net of fees on an annualized basis. Please see the performance section at the bottom for more detail, plus performance detail on the Recurrent Energy Infrastructure Strategy, which seeks to track the MLP & Infrastructure Strategy while excluding MLPs.

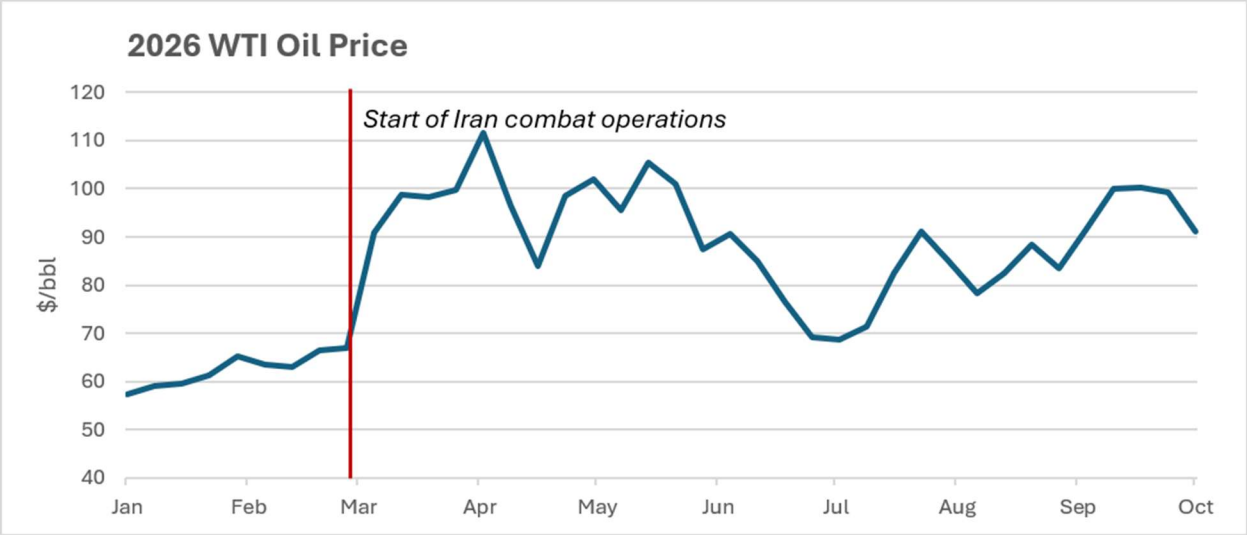
Natural Resources Performance Review

During the month of September 2026, the Recurrent Global Natural Resources Strategy fell 6.28% net of fees, underperforming the S&P Global Natural Resources Index's 4.96% fall by 1.32%. During the month, the Portfolio's stock selection in Exploration/Production and Paper sectors detracted from performance, while an overweight Refining sector position benefited performance. Since its June 2018 inception, the Strategy has outperformed its benchmark by 2.69% net of fees on an annualized basis.

Energy Infrastructure (Midstream) & Natural Resources

Investment Discussion

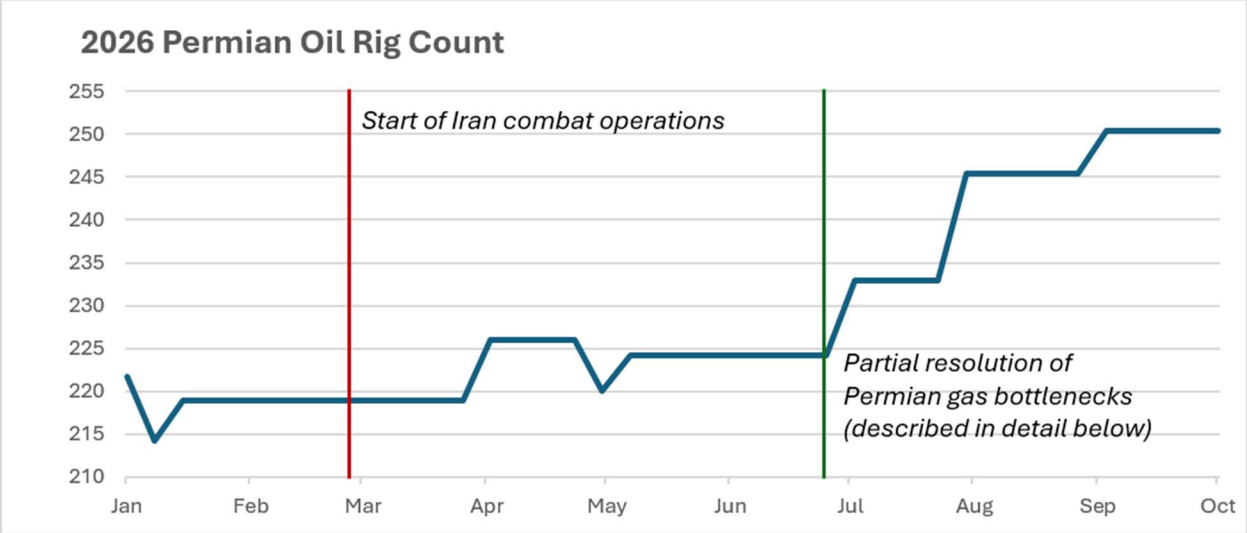
With the outset of the Middle Eastern conflict in early March, the oil price unsurprisingly rose from a range of $60-70 to >$100/barrel, as seen in the chart below.



Source: Bloomberg, Recurrent Advisors.

While the rise in oil price was not surprising, the lack of a drilling response from US Shale oil producers was. As oil prices rose in 2Q, the number of oil rigs in the Permian basin barely changed. Instead, the rig count only rose in early 3Q, months after oil prices rose.

It is widely believed that the Permian basin is the lowest cost US shale basin – so why would the rig count take so long to increase in a $100/barrel price environment?

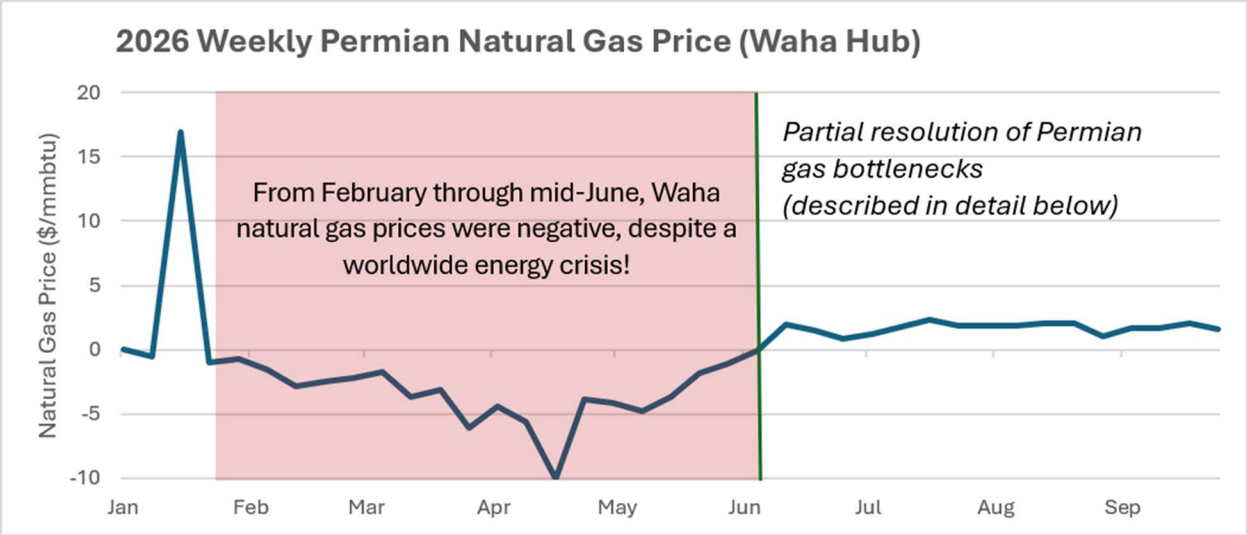


Source: Bloomberg, Recurrent Advisors.

Of course rigs can't be deployed immediately, but there was another factor which many observers naturally don't consider – natural gas prices!

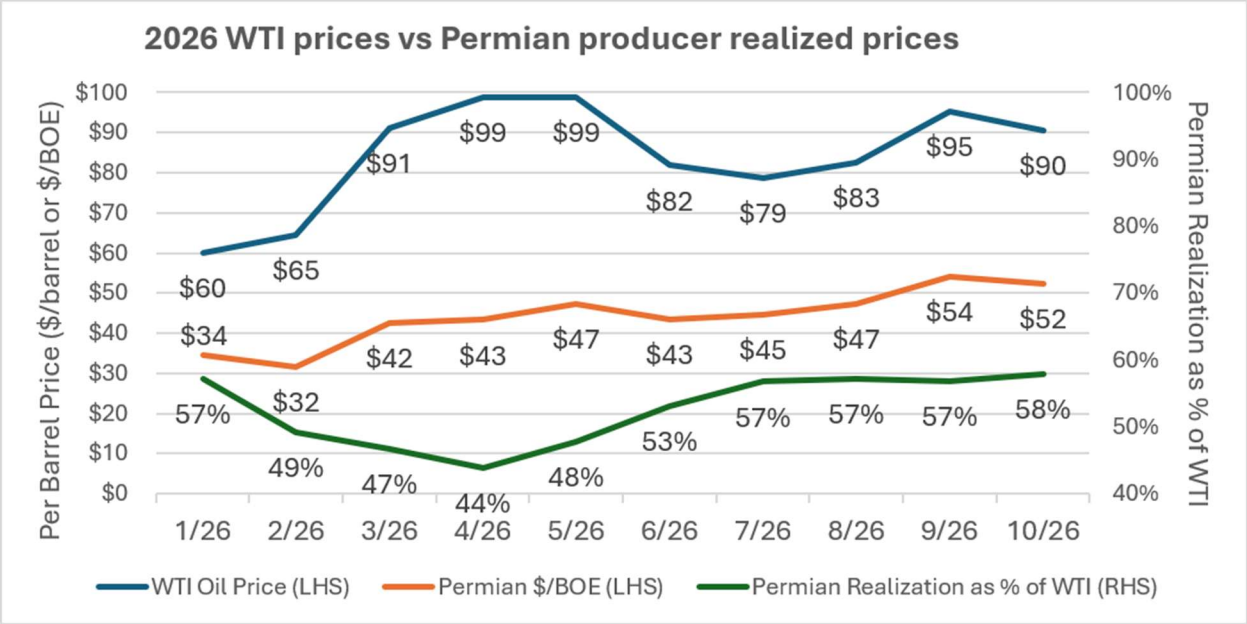
When drilling in oil-rich shale in the Permian basin, natural gas is produced as a by-product. As Shale has matured, new wells have become steadily less oily – falling from over 70% a decade ago, to roughly 45-55% oil today. Natural gas and natural gas liquids (ethane, propane, etc) comprise the remainder.

As a result, the oil price rose above $100/barrel at the beginning of the Middle East conflict, but the realized price that shale E&Ps receive is much lower. As shown in the chart below, as the oil price rose starting in March 2026, the natural gas price turned increasingly ***negative*** until mid-June, detracting from the price realized by Permian shale producers.



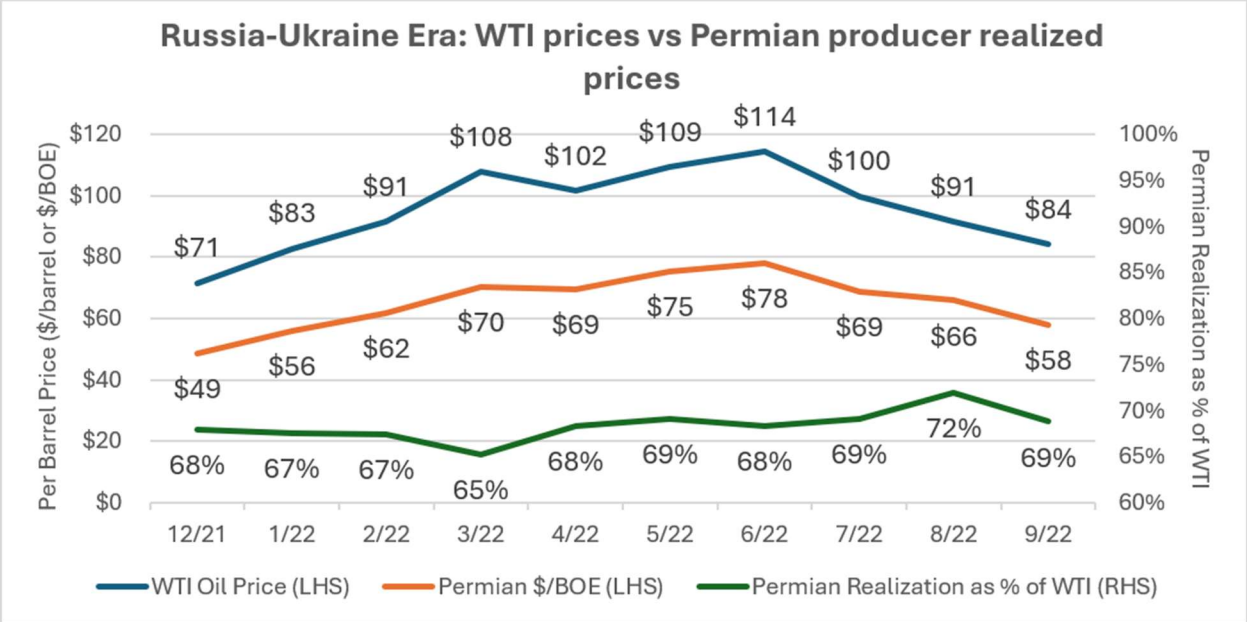
Source: Bloomberg, Recurrent Advisors.

In the early stages of the Middle Eastern conflict, the blended realized price was just 44% of the commonly referenced WTI oil price approaching $100/barrel. As shown below, WTI prices rose roughly $40/barrel after the start of the war, while actual Permian realizations rose less than $10 on a barrel-of-oil-equivalent, or BOE, basis. Accordingly, producers had limited incentive to increase production. When Energy Transfer (ET) commissioned a new major natural gas pipeline out of the region in June, Permian natural gas prices rose from negative $5/mmbtu to positive $1.70/mmbtu, spurring the 15% increase in rig count shown above.



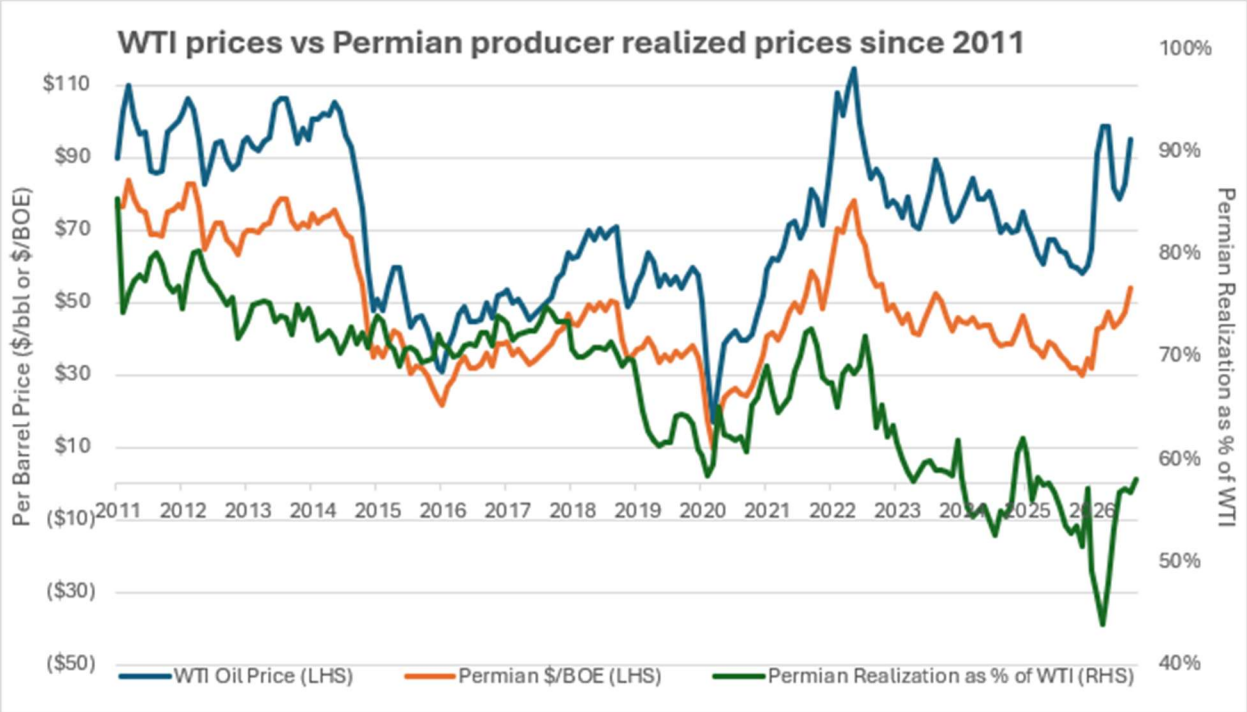
Source: Bloomberg, Recurrent Advisors.

Many investors have expected 2026 price spikes to drive a rise in rig activity, mirroring the 30% rig increase following the Russia-related oil spike in 2022. However, as seen below, Permian producers consistently earned 70% of WTI in 2022, even as oil prices spiked, thanks to higher oil percentages and more pipeline availability, which helped Waha prices surge to $5/mmbtu. Today, with gas's share of production secularly increasing, Permian realizations are unlikely to exceed 60% of WTI, even amidst a worldwide energy crisis.



Source: Bloomberg, Recurrent Advisors.

Since the beginning of oil shale roughly 20 years ago, oil's share of production has fallen, making natural gas prices an increasingly important determinant of realized prices per barrel of oil equivalent (BOE). Since the beginning of shale more than 20 years ago, the difference between WTI oil price and the Permian realized price per BOE was never greater than in 2Q 2026, due to both lower oil/gas ratios and low natural gas prices. Going forward, oil/gas ratios in all US oil shale regions will continue to fall, and natural gas prices will play a larger role in drilling economics.



Source: Bloomberg, Recurrent Advisors.

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