

all angles.

Successful investors focus on every perspective

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Powering AI: Why Energy Is Back in Focus

Key takeaways

- **The center of gravity is power:** Artificial Intelligence (AI) and other drivers of electrification have turned a traditionally flat power sector into a growth space, with incremental demand and investable growth coming increasingly from electric power rather than oil.
- **Opportunities extend beyond energy:** We own strong or improving businesses benefitting from the bottleneck; we favor “picks and shovels” to the grid, independent power producers, natural gas midstream/transport and regulated utilities, all of which may benefit over time.
- **Pay attention to time horizons and changing dynamics:** Supply/demand dynamics could change for better or worse, and technological developments could shift the landscape. Success depends on identifying companies with durable business models that can navigate bottlenecks and evolving dynamics.
- **Regional differences and bottlenecks drive dispersion:** Geopolitical factors, infrastructure investment and regional approaches to the energy transition are creating dispersion across markets, making selectivity and deep analysis essential for capturing long-term returns.

Investors are taking a fresh look at the energy sector due to shifting demand and supply dynamics. In the latest episode of the All Angles podcast, Energy Sector Team Leader and Portfolio Manager Jude Jason shares what’s driving the energy transition and where investors can find durable opportunities despite the bottlenecks.

FEATURING



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Powering AI: Why Energy Is Back in Focus**The center of gravity is power**

The energy sector is undergoing a transformation, driven by electrification trends that have been dramatically accelerated by the rise of artificial intelligence (AI). This shift is compounded by growth in electric vehicles, industrial reshoring and the electrification of manufacturing and buildings. The result is a power sector that is inflecting upwards, with demand and revenue growth outpacing historical norms.

Practical Application:

Investors could look beyond traditional energy companies and consider those positioned to benefit from electrification. We believe that oil is unlikely to disappear, but investors may distinguish where incremental demand and investable growth will be found looking forward.

Bottlenecks are creating investment opportunities in three durable lanes

The constraint is building and delivering power fast enough, with key pinch points including grid interconnection queues, long lead times for transformers and gas turbines, skilled labor shortages (electricians, welders and pipefitters) and affordability/political optics if bills rise. Near term, the market is improvising, from backup generation to creative sourcing, while longer dated solutions are built out.

Practical Application:

Broaden your investment lens to find companies able to navigate or help fix the bottleneck, including independent power producers (IPPs), “picks and shovels” to the grid such as providers of transformers, switchgear, protection and control systems and the natural gas & LNG ecosystem while the grid scales.

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Powering AI: Why Energy Is Back in Focus**Timeframes matter as dynamics evolve**

Investment success in the energy transition is highly dependent on timeframes:

- Near term (0–2 years): Companies involved with solar, batteries and gas may be winners due to a “do everything” push.
- Medium term (2–5 years): Those connected to grid modernization and energy storage could become more attractive.
- Longer term (5–10+ years): Tech-utility-government partnership models raise the potential of small modular reactors becoming a viable, cost-effective energy source but require standardization and clearer economics to be broadly investable.

Practical Application:

Adopt a long-term perspective and be patient with investments in the energy sector. Monitor cyclical dynamics and be prepared for periods where fundamentals are strong but market recognition is delayed. Active management and deep research matter as dynamics evolve.

Be aware of regional differences due to geopolitics and infrastructure

Regional dynamics are shaping the energy transition. The AI race and national security concerns are driving investment in energy infrastructure, with the United States (US) and China leading in intellectual property and power capacity, respectively. Europe faces unique challenges due to natural gas shortages and the need for aggressive infrastructure investment. These differences impact the opportunity set and risk profile for investors.

Practical Application:

Tailor investment strategies to regional realities. In the US, focus on companies benefiting from AI-driven demand and infrastructure buildout. In Europe, consider those involved in renewables, LNG supply and grid upgrades. In China, monitor power capacity expansion and technology adoption.

Conclusion

Opportunities in the energy sector are evolving rapidly, but so are the risks. We believe investors may emphasize quality and durability, align exposures with real bottleneck relief and stay disciplined on time horizons. As supply, policy and technology evolve, active security selection and thoughtful portfolio construction will be crucial as the dispersion between winners and losers is likely to grow.

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