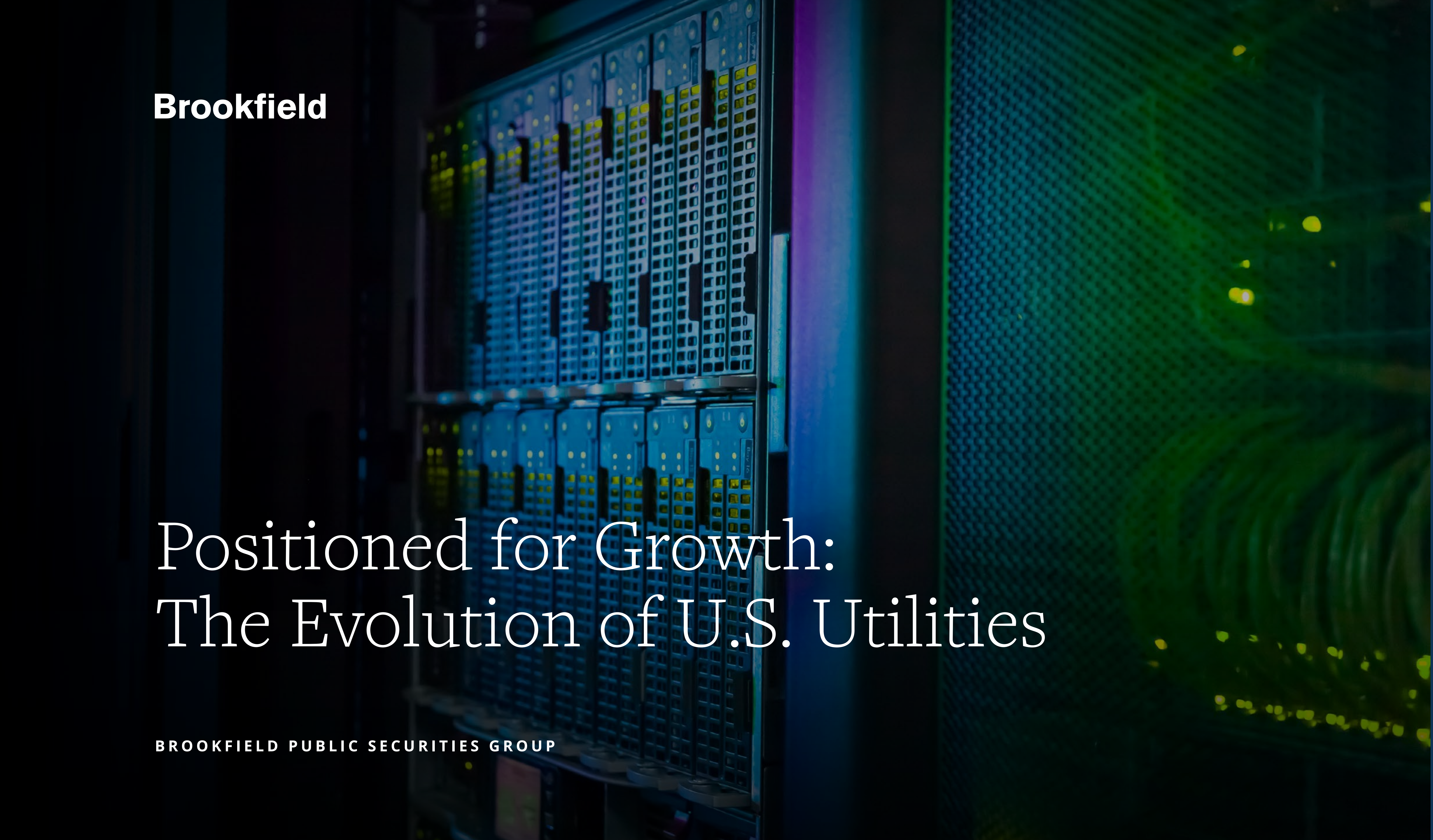


Brookfield

Positioned for Growth: The Evolution of U.S. Utilities

BROOKFIELD PUBLIC SECURITIES GROUP

Key Takeaways

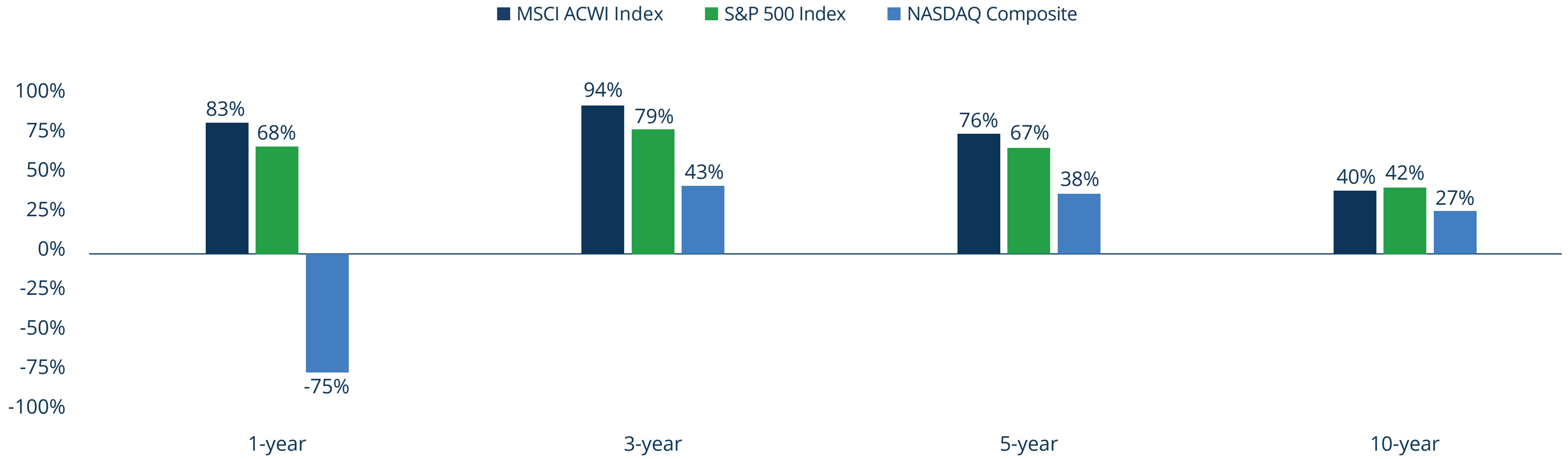
Investors have historically viewed utilities as a defensive asset class due to its regulated nature. While the sector retains its hallmark downside protection, a new narrative is emerging as structural demand from industrial growth and artificial intelligence (AI) applications boost the potential for earnings growth. Over the next decade, we believe U.S. utilities are poised to offer a compelling combination of their characteristic defensiveness and meaningful earnings upside as the long-term power demand story unfolds.

A Well-Earned Reputation for Defensiveness

The utilities sector has historically provided downside protection during periods of volatility, thanks to inflation pass-through features, steady and visible cash flows, and generally defensive traits. This profile has delivered both diversification benefits and downside protection relative to broader equities. For example, the S&P 500 Utilities Index captured just 42% of the MSCI ACWI Index's downside over the last 10 years.

U.S. Utilities Exhibit Consistent Defensiveness Over Long Term

S&P 500 Utilities Index Downside Capture vs. Select Equity Indexes



As of June 30, 2025. Source: Bloomberg, eVestment. U.S. utilities represented by the S&P 500 Utilities Index.

Historically, utilities have been viewed as slow-moving entities given the long-duration capital involved and the political nature of the business activities, which are highly regulated by independent commissions. Therefore, investors perceived utilities to be slower-growing businesses, operated by management teams strategically focused on dividend security rather than growth and operating efficiencies. Over time, utilities continued to further de-risk their businesses through strategic divestments of noncore and commodity-exposed assets. Based on our estimates, the regulated utility universe now derives more than 90% of earnings from regulated activities.

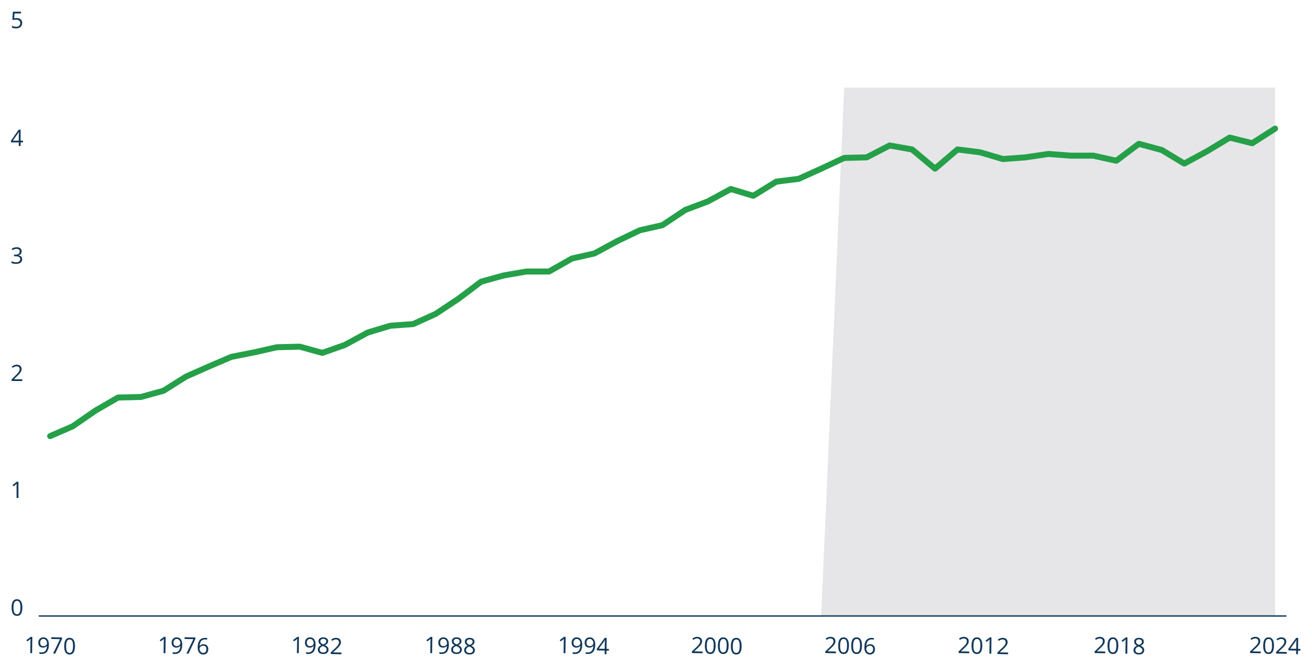
Today, utilities' regulated business model and earnings stability support continued defensive qualities and attractive downside protection. Routine infrastructure replacement needs and steady local economic expansion continue to underpin the legacy regulated asset base growth. Looking ahead, we expect the sector's defensive foundation to be complemented by emerging growth opportunities tied to rising power demand.

Utilities Today Offer an Attractive Combination of Defense Plus Growth

After nearly two decades of flat U.S. power demand, we are now witnessing early signs of a material inflection point. Industry estimates suggest demand could increase by 30% over the next 10 years, driven by three macro trends with broad bipartisan support: industrial reshoring as part of deglobalization efforts, the race for AI superiority through digitalization, and economy-wide electrification supporting decarbonization goals.

U.S. Power Demand Trends Higher After Years of Flat Growth

U.S. Net Electricity Generation (Thousand TWh)

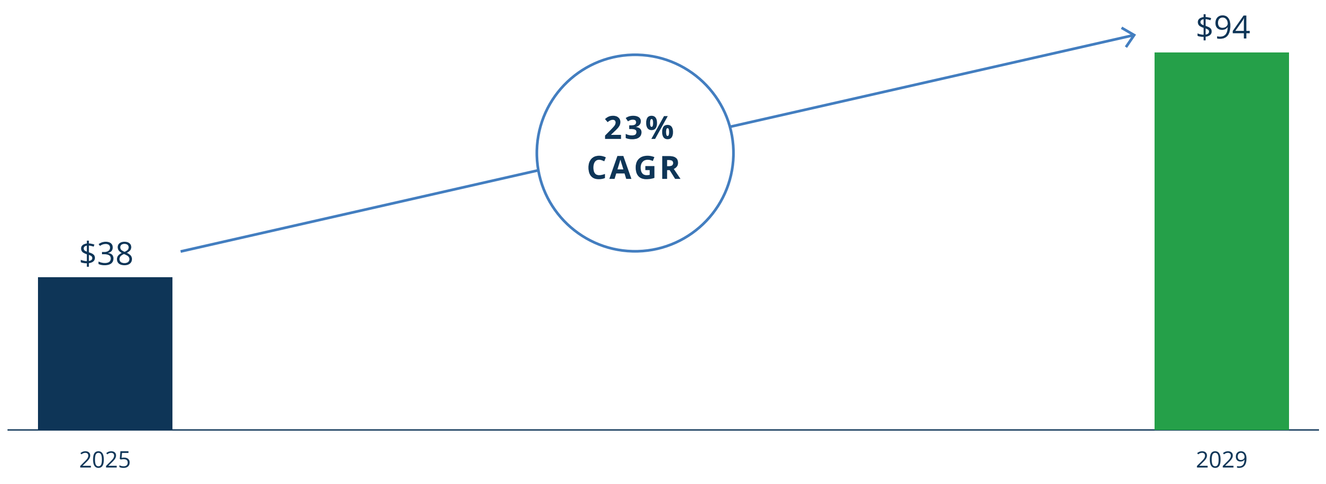


As of April 2025. Source: U.S. Energy Information Administration, April 2025 Monthly Energy Review.

The AI infrastructure build-out has captured significant attention due to its prominent hyperscaler clients and expectations for substantial total addressable market growth. Power for AI-specific uses is expected to rise between 165 and 326 terawatt-hours per year—enough to power 22% of U.S. households every year.[1] However, this represents only one component of the broader structural demand story. The growth catalysts of digitalization, decarbonization and deglobalization each present an attractive business case that has the potential to create an extended and durable growth outlook for utilities strategically positioned to attract new load. The convergence of these trends is already manifesting in utility business plans, with individual growth rate projections increasing over recent quarters to reflect the massive capital investment required to accommodate rising power demand.

AI Infrastructure Market Set to More Than Double by 2029

Expected Total Addressable Market Growth for AI Infrastructure (Billions)

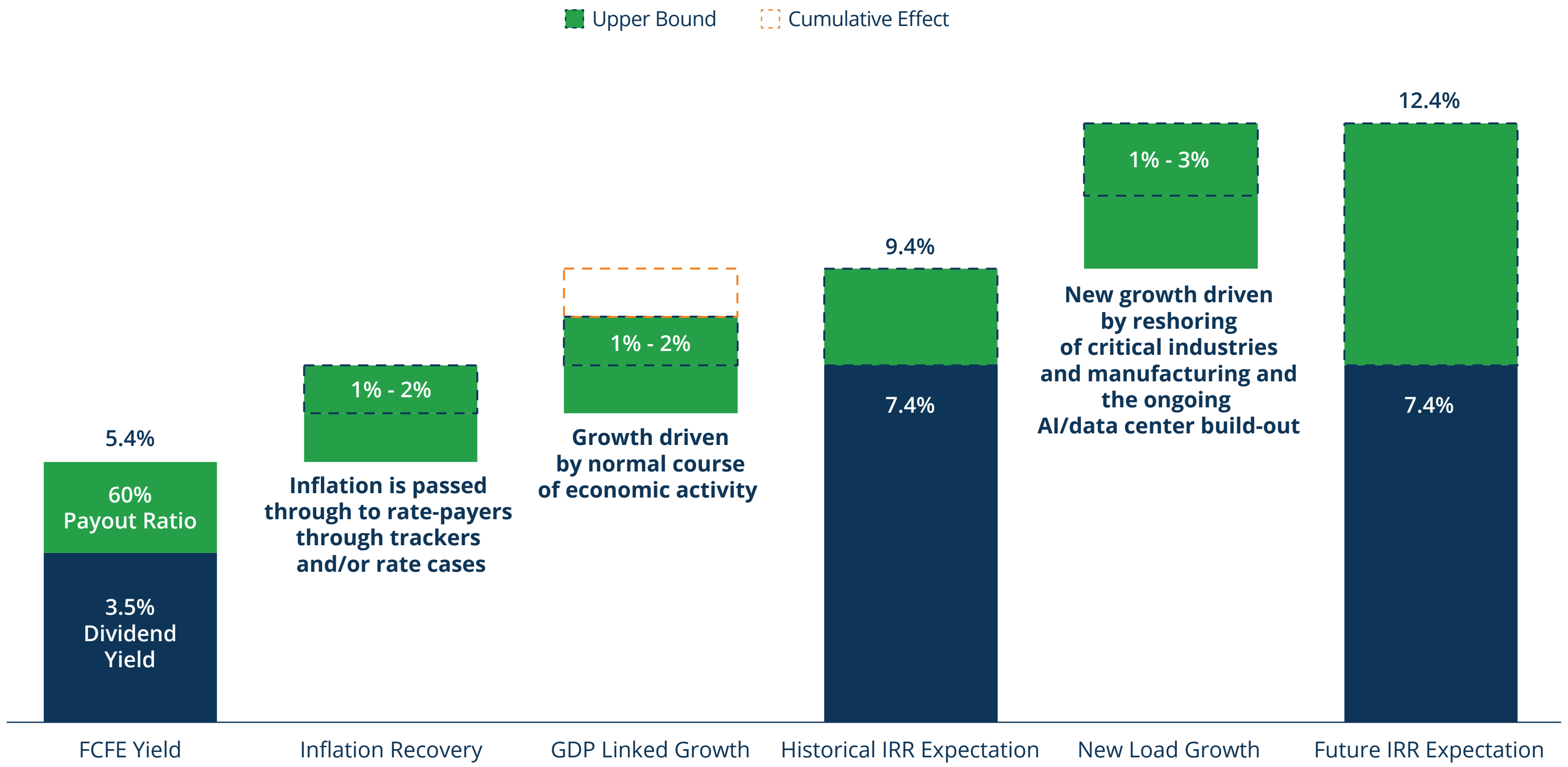


As of June 2025. Source: Equinix Analyst Day 2025, citing McKinsey & Company, 2024: AI Power: Expanding data center capacity to meet growing demand. Excludes IT hardware and hyperscalers (self-builds). There is no assurance that such events or projections will occur, and actual outcomes may be significantly different than those shown here.

Our updated return expectations reflect the evolving power demand outlook. Below, we illustrate how a typical well-capitalized utility could achieve a 12.4% internal rate of return (IRR) under the new growth paradigm, compared with the 9.4% upper bound under historical expectations. The base case scenario (shown in blue) demonstrates how traditional drivers—dividend yield, inflation recovery and normal economic growth—historically combined to deliver solid returns, while the addition of new load growth from industrial reshoring and AI-driven data center development creates greater upside potential. The enhanced return profile highlights the sector's ability to translate higher power consumption into earnings growth through expansion of regulated asset bases.

U.S. Utilities: Illustrative Drivers of Historical IRR

Typical U.S. Utility With a Good Balance Sheet/Coverage Ratio



For illustrative purposes only. Typical infrastructure company is hypothetical and does not represent any actual company. Not intended to provide current market analysis.
Source: Brookfield Public Securities Group LLC.

The Utilities Opportunity

The utilities sector's defensive characteristics remain intact as structural growth drivers simultaneously create new power demand after years of stagnation. For investors seeking defensive assets with upside potential, U.S. utilities present a compelling opportunity to capture earnings growth without sacrificing the sector's distinctive downside protection.

Disclosures

Endnote

[1] MIT Technology Review, James O'Donnell and Casey Crowhart, "We did the math on AI's energy footprint. Here's the story you haven't heard."; May 2025.

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