

Powering the AI Era: Investing in Efficiency and Impact

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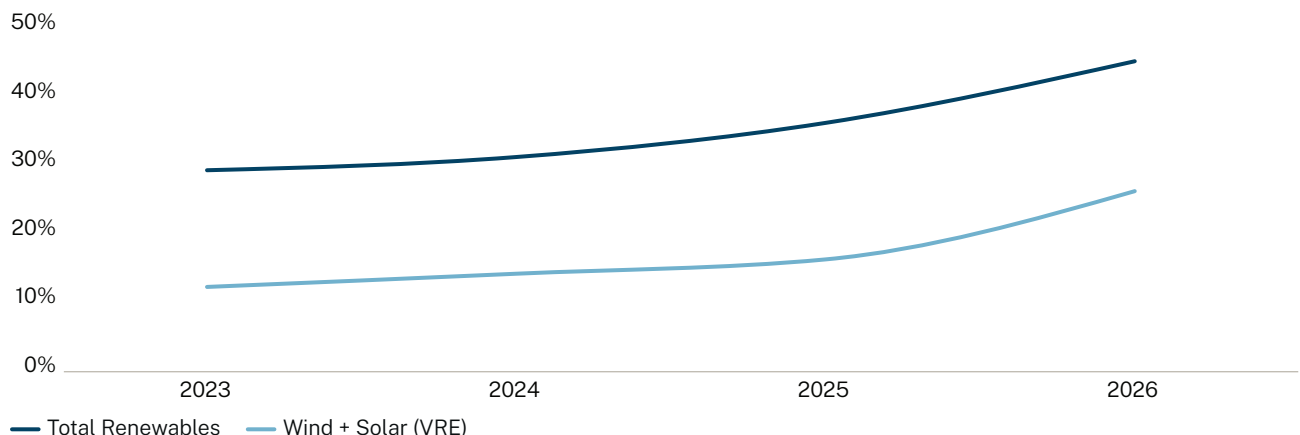
EXECUTIVE SUMMARY

- AI's next investment opportunity may lie in the businesses enabling scale, not just the technologies driving it.
- Energy transition services and circularity are benefiting from growing demand for power, infrastructure, efficiency and resource resilience.
- Private markets may be uniquely positioned to identify and scale businesses addressing these emerging bottlenecks.

Every AI breakthrough still needs somewhere to plug in. While investors often focus on algorithms, chips and software, AI's next constraint may be physical infrastructure. The rapid buildout of digital infrastructure is increasing demand for power, critical materials and environmental services, straining systems that weren't designed for this scale of consumption. For investors, some of the most attractive opportunities created by AI may lie not within the technology itself, but in the businesses helping economies absorb these physical demands.

Share of Global Electricity Generation

Historical and IEA Main-Case Forecast

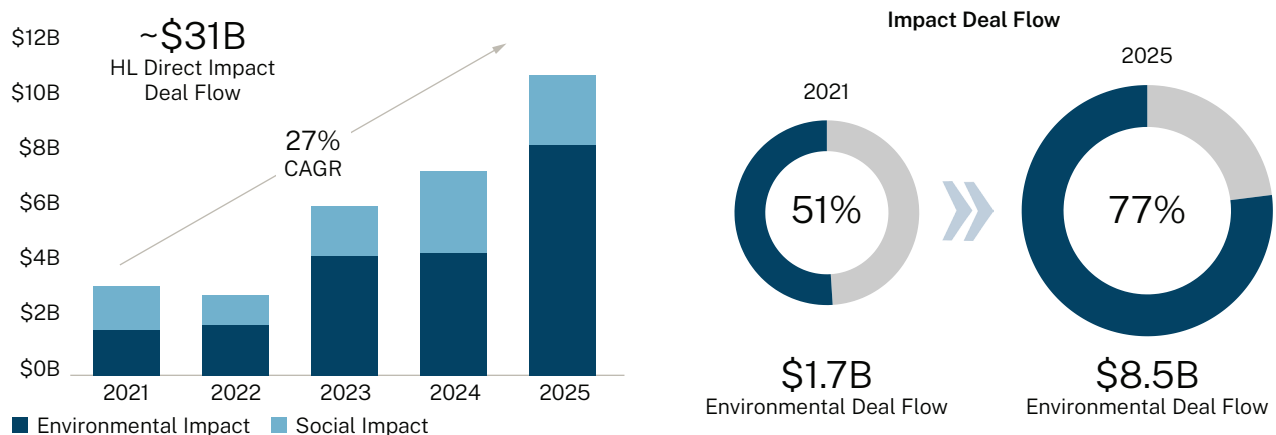


Source: IEA Renewables 2024/2025 and Electricity 2026. Total-renewables share of global electricity generation; VRE = variable renewables (wind + solar PV). Values are IEA main-case forecasts.

Hamilton Lane's impact and sustainable investing platform focuses on identifying opportunities where environmental outcomes and commercial value creation are closely aligned. Within that framework, two themes stand out today: Energy transition services and circularity. Both address growing structural challenges, benefit from durable demand drivers and offer access to business models that private markets are uniquely positioned to scale.

The growing importance of these themes is reflected in our own investment pipeline. Between 2021 and 2025, Hamilton Lane reviewed approximately \$31 billion of direct impact opportunities, with environmental opportunities increasing from 51% of impact deal flow in 2021 to 77% in 2025, growing at a 27% CAGR over that period. The trend reflects a broader market evolution. Increasingly, companies addressing energy infrastructure constraints, industrial efficiency, resource scarcity and waste management are generating both attractive growth profiles and measurable environmental outcomes. In our view, this reflects more of a cyclical shift in investor interest. As digital growth collides with real-world infrastructure constraints, value creation is increasingly accruing to businesses that enable greater efficiency, resilience and resource productivity across the broader economy.

Environmental Deal Flow Has Outpaced Broader Impact Deal Flow



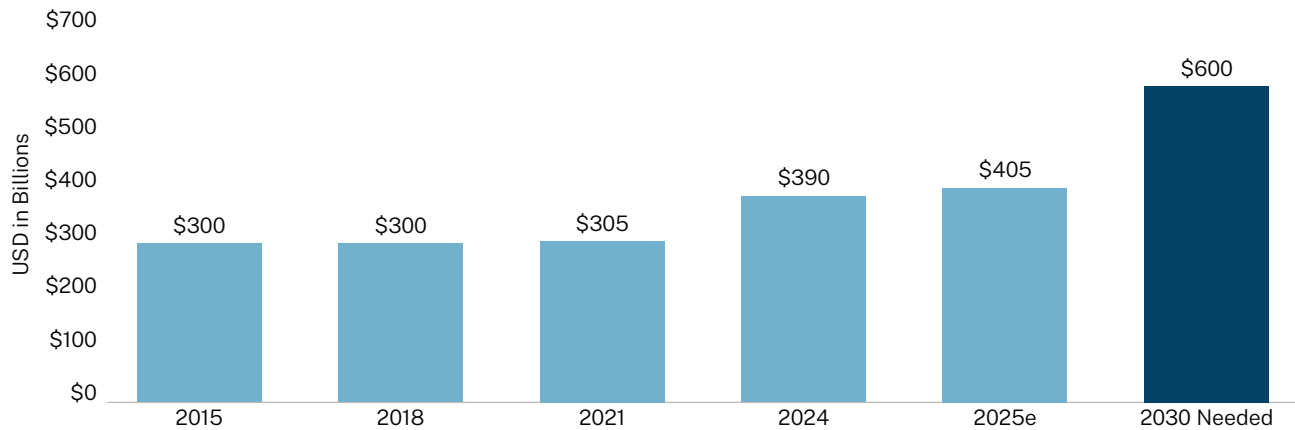
As of December 31, 2025. Includes all direct impact opportunities received from January 1, 2021, to December 31, 2025.

Energy transition services: Solving the bottlenecks of electrification

The energy transition is often viewed through the lens of renewable power generation. However, the ability to generate clean power is only one component of a much broader system challenge. As electrification accelerates and AI-driven data-center demand grows, energy infrastructure is facing increasing pressure, exposing constraints in systems that were not built for this level of demand. The businesses enabling energy systems to function more efficiently may prove just as important as the assets producing electricity.

Electrification, AI-driven power demand and aging grid infrastructure are converging to create capacity constraints across energy systems. As a result, utilities, commercial customers and energy products increasingly require solutions that improve efficiency, optimize grid performance and unlock capacity.

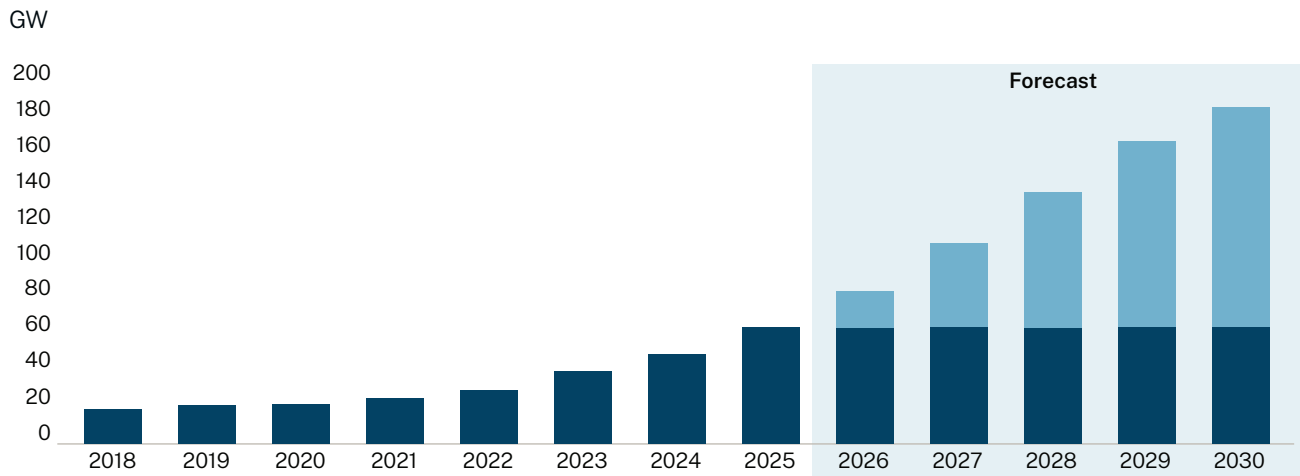
Annual Global Grid Investment



Source: IEA World Energy Investment 2025 (historical/estimated) and Electricity Grids & Secure Energy Transitions 2023 (2030 requirement, >\$600B/yr). USD billions, annual global grid investment.

While investor attention often focuses on power generation, some of the most attractive opportunities may reside in the services ecosystem supporting the energy transition. Rising power demand and grid constraints are driving demand for engineering, optimization and energy-management solutions.

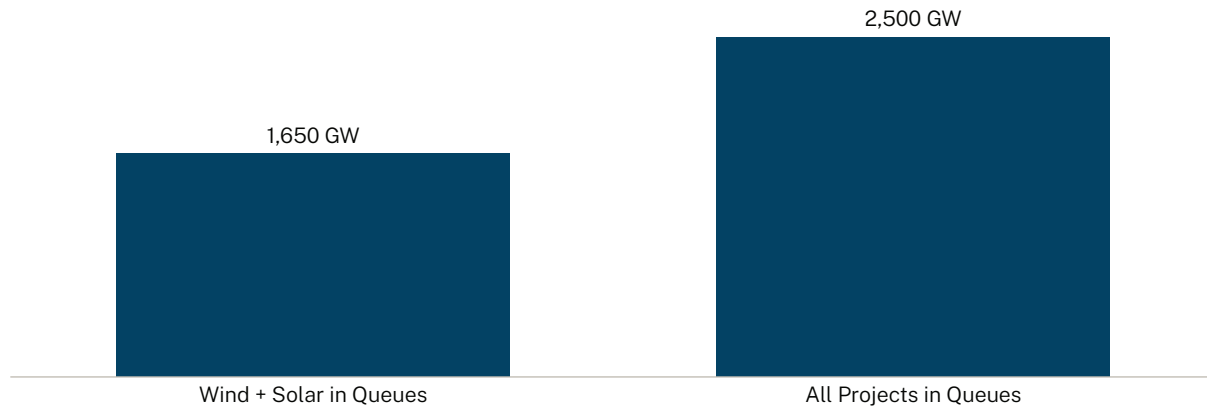
U.S. Power Demand From Data Centers Expected to More Than Double From Current Levels



Source: S&P Global Energy Horizons; latest 451 Research Data center Services & Infrastructure Market Monitor & Forecast; U.S.-focused. Data compiled April 13, 2026. Excludes enterprise-owned data centers.

Capacity Stalled in Grid-Connection Queues Worldwide

GW



Source: IEA World Energy Investment 2025 (1,650 GW wind + solar awaiting connection, 2024) and Electricity 2026 (>2,500 GW of all projects — renewables, storage, large loads such as data centres — stalled in queues).

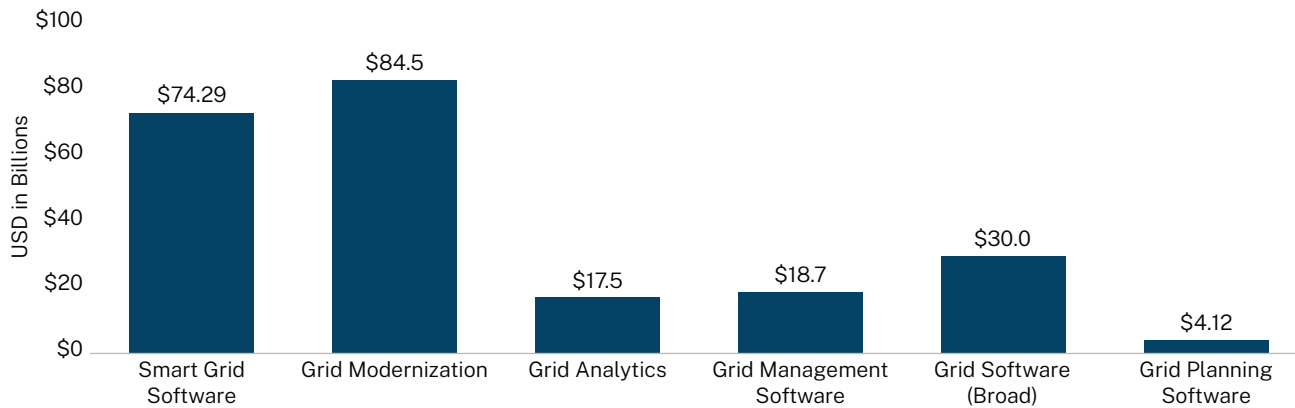
Many of these businesses benefit from characteristics that private equity investors find attractive, including recurring revenue, lower capital intensity and opportunities for operational improvement. Their value proposition is tied not to the price of power itself, but to helping customers solve increasingly complex operational and regulatory challenges.

AI raises the stakes further. As utilities, developers and large commercial customers work to accommodate growing electricity demand, spending is likely to increase across grid modernization, forecasting tools, distributed energy management and efficiency solutions. In many cases, the primary beneficiaries may be companies enabling the transition rather than those generating power.

Hamilton Lane's portfolio provides examples of this theme in practice. **CLEAResult**, a provider of energy-efficiency management programs, benefits from growing demand for energy-efficiency services driven by electrification, utility programs and data-center expansion. **Intersect Power** demonstrates how private capital can support the buildout of renewable-energy capacity needed by hyperscale technology companies. **H&MV** provides critical grid-connection services that help bring renewable power online across Europe. Together, these businesses illustrate how value creation can occur throughout the energy ecosystem, not solely at the point of generation. They are also all growing well ahead of initial plans, attempting to catch up to accelerating market demand.

These examples reflect a core aspect of our investment approach: As energy systems become more complex, value creation increasingly resides in the businesses helping customers manage that complexity. We believe software-enabled and service-oriented solutions that improve the productivity of existing grid assets may represent some of the most compelling opportunities in the evolving energy ecosystem.

Market Forecast for Grid Infrastructure Services, 2034



Source: Segment sizes and CAGRs from: Business Research Insights (smart grid software), Tech Sci/Research And Markets (grid modernization), Grand View Research (grid analytics), Market Intello (grid management software), Future Data Stats (grid software), The Business Research Company/Nat Law Review (grid planning software).

Circularity: Turning waste, scarcity and innovation into value

While energy infrastructure represents one of the most visible constraints created by AI-driven growth, it is not the only one. The rapid expansion of data centers, semiconductors and digital infrastructure is also increasing demand for critical materials and generating new waste streams. Businesses that help recover, reuse and optimize finite resources may therefore play an increasingly important role in supporting the next phase of technological growth.

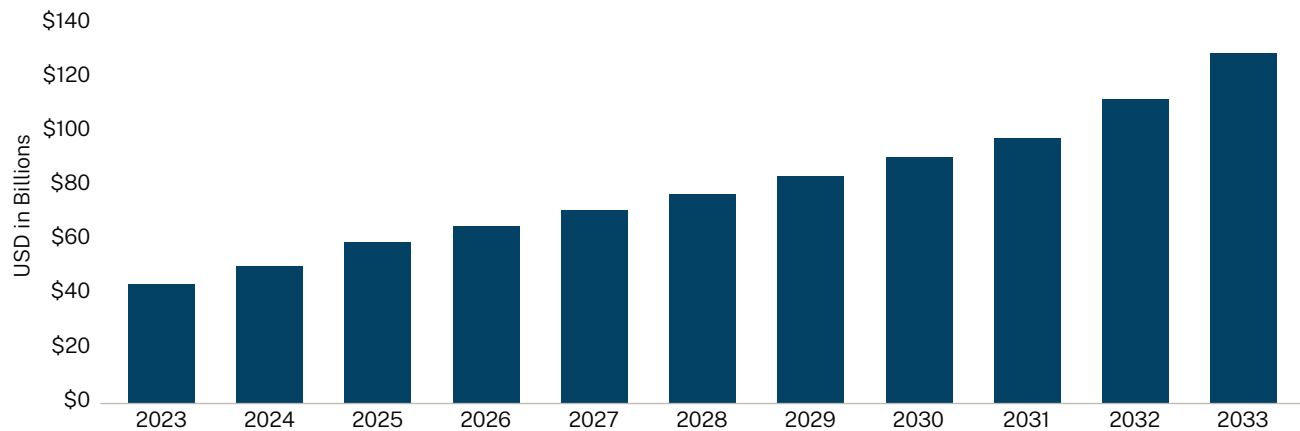
Today, the investment case for circularity is broader and increasingly relevant to the digital economy. Businesses that recover, process and reuse materials can help customers lower costs, secure critical inputs, improve operational efficiency and comply with growing environmental requirements. As a result, circular business models are becoming more deeply embedded across industrial and commercial value chains, while advances in data analytics and AI are helping drive resource optimization at scale.

The Ellen MacArthur Foundation estimates that the transition to a circular economy could generate \$4.5 trillion in economic value by 2030, with digital platforms capturing 8% to 14% of that value. Corporate investment is accelerating as companies increasingly recognize the strategic importance of resource efficiency, material recovery and supply-chain resilience. Microsoft has committed \$1 billion to circular economy initiatives through its internal carbon fee program. Apple's Material Recovery Lab has invested \$600 million since 2019 in robotic disassembly and AI material identification, with the Daisy robot processing 1.2 million iPhones annually at 98% material recovery efficiency.

If energy transition services are about enabling a new energy system, circularity is about redesigning how resources and supply chains are used, recovered and monetized. Within our firm's framework for impact investing, this opportunity sits within Sustainable Processes, encompassing waste and recycling management, efficient supply chains and resource preservation. The appeal is straightforward: Circular business models do not just reduce waste; they can lower costs, secure constrained inputs, improve customer economics and create differentiated products in very large end markets.

And the structural demand backdrop is compelling. Industry forecasts suggest the recycled plastics market could grow from roughly \$45 billion in 2023 to more than \$132 billion by 2033, while electronics recycling is expected to grow at more than twice the rate of paper recycling. More broadly, global waste is expected to reach 3.4 billion tons by 2050, more than double population growth. That combination of rising waste volumes and rising demand for recovered material creates a large and durable opportunity set for collection, processing, recycling and waste-to-value platforms.

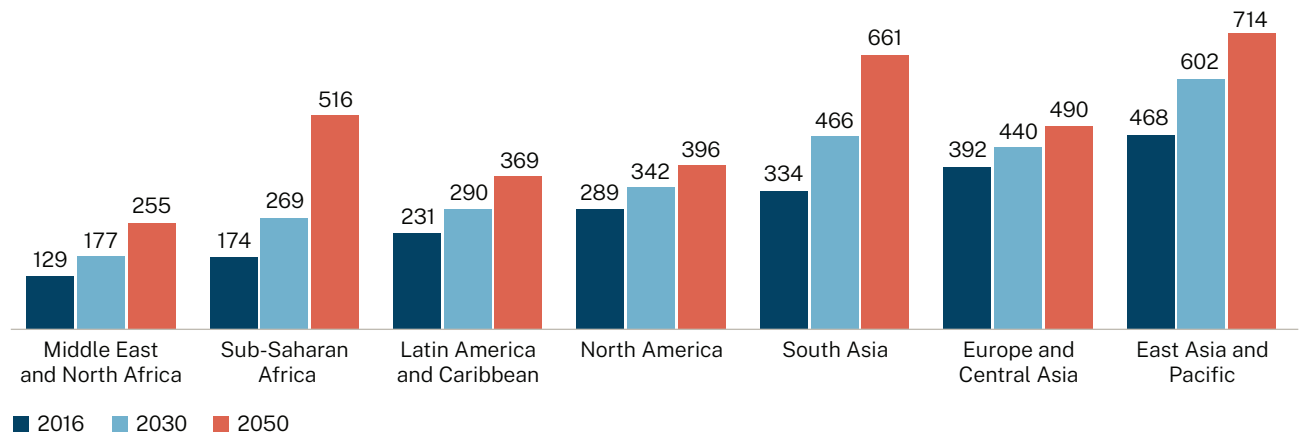
Recycled Plastics Market



Source: Grand View Research, April 2026

Projected Waste Generation by Region

Million of tons/year



Source: The World Bank, June 2023

Circularity is particularly attractive when it shows up in services and processing businesses rather than purely in commodity exposure. Hamilton Lane's portfolio company BEF is a good example. The company operates one of the largest solid food-waste treatment businesses in South Korea, benefits from high barriers to entry, and is expected to gain from the country's Biogas Promotion Act and its broader food-waste infrastructure. The thesis is not just environmental; it is commercial. Expanded biogas capabilities are expected to help absorb incremental food-waste demand, generate cost savings and create additional revenue streams.

The same logic applies to e-waste and industrial remediation. Paladin EnviroTech illustrates this opportunity in practice. The company provides collection, processing and recycling services for electronic waste at a time when the world generates roughly 62 million metric tons annually and only about 22% is formally recycled. In 2026, Paladin is on pace to grow revenue and EBITDA by more than 100% year over year, driven by rapid demand growth for these materials and mounting global supply-chain pressure. GFL Environmental Services similarly illustrates how circularity can be embedded in a scaled service platform: recurring environmental-services revenue, dense asset networks, significant permitting barriers and rising demand driven by regulation and landfill-diversion initiatives.

Circularity also benefits from a favorable private markets toolkit. Many of the best businesses in this category are local or regional platforms with fragmented competition, operational complexity and room for bolt-on acquisitions, route density improvements, capacity expansion and pricing discipline. Those are precisely the circumstances in which private equity tends to create value. They also produce business models that can be more resilient than investors sometimes assume, because they are tied to essential services, compliance requirements and customer cost reduction rather than discretionary demand.

Accessing and unlocking the opportunity

As the market quickly shifts, identifying attractive themes is becoming increasingly obvious. However, capturing value requires access to differentiated opportunities, specialized underwriting capabilities and the ability to evaluate both commercial and impact outcomes.

Energy transition services and circularity span a diverse range of industries, business models and stages of maturity. Many opportunities exist in fragmented markets characterized by operational complexity, evolving regulatory frameworks and specialized sector knowledge. These characteristics can create barriers to entry and may reward specialized sourcing and underwriting capabilities.

Our firm's approach combines broad, global market access to investment opportunities, with in-depth financial underwriting and impact evaluation, focusing on businesses where commercial success and environmental outcomes reinforce one another. This includes translating the nearly \$50 billion in annual direct equity investment opportunities into less than 1% actual investments that meet our target thresholds. That selectivity, not the size of the underlying markets alone, is what we believe drives differentiated returns. Across energy transition services, companies generate revenue by helping customers improve efficiency, reduce bottlenecks and support electrification. Within circularity, value creation is often linked to recovering materials, reducing disposal costs, improving resource productivity

or managing regulated waste streams. Revenue generation and impact outcomes are aligned and cost management is a key focus. For investors, the significance is straightforward. Many of these businesses are benefiting from structural demand growth that is largely independent of economic cycles, while also addressing increasingly critical constraints across energy, resource and industrial systems. We believe that combination may create attractive opportunities for long-term value creation.

These themes also carry portfolio construction benefits. Because exposure can be achieved across buyout, growth and adjacent strategies, investors gain access to multiple drivers of value creation rather than concentrating risk in a single technology, industry or asset category. The result is a diversified exposure to multiple long-term environmental trends, expressed through a range of business models and end markets.

Conclusion

Some of the most attractive investment opportunities are increasingly being shaped by second-order effects of technological and environmental change. AI is accelerating demand for energy, infrastructure, resource efficiency and environmental services, creating bottlenecks that require scalable solutions.

Energy transition services and circularity exemplify this shift. Both themes are rooted in identifiable market constraints, supported by durable demand drivers and populated by businesses whose products and services address essential customer needs. For private market investors, they represent opportunities to invest not simply in environmental outcomes, but in the systems and services that make those outcomes possible.

As the next phase of digital and industrial growth unfolds, we believe businesses addressing the physical constraints associated with that growth represent a significant area of opportunity. AI's economic impact will extend far beyond software and computing, increasing demand for energy infrastructure, resource efficiency and environmental services. Identifying the businesses positioned to benefit from these trends requires more than thematic conviction. It requires sourcing reach, sector expertise and underwriting rigor to recognize enabling businesses before their importance is fully reflected in market valuations.

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