

MAY 2026

Investing in the Artificial Intelligence Boom: Energy and Beyond

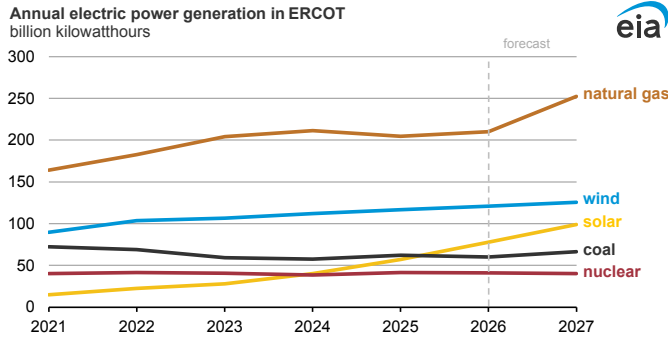
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Many investors are seeking to benefit from AI growth by holding the largest technology names, such as Nvidia, and the hyperscalers: Alphabet, Amazon, Microsoft, and Meta. The hyperscalers are incurring capital expenditures of up to \$1 trillion annually to expand their data center capacity, which is revenue for semiconductor manufacturers, data center owners and operators, electric utilities, and their natural gas suppliers. While it is unclear how the hyperscalers' capital expenditures will translate to long-term profitability, the outlook for their suppliers is clearer.

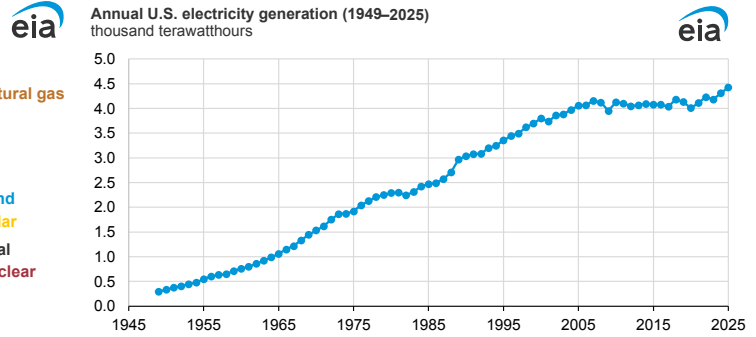
Data Center Growth Requires Substantial Commodity and Electricity Investments

The demand for commodities to support data center expansion is immense, with initial construction heavily reliant on concrete, steel, copper, silicon, and lithium. Once the data center comes online, the focus shifts to supplying the electricity that powers it. Data centers require reliable electric power to ensure continuous operation. While it is desirable to consume renewable energy, wind and solar power are intermittent and do not meet the reliability standards required by data centers. Hydroelectric and nuclear power are more reliable sources of consistent, renewable energy. To meet ever-growing demand for electricity, the focus turns to natural gas, which is more environmentally friendly than coal and more reliable than wind and solar power.

The US Energy Information Administration (EIA) reported that electricity demand grew a total of 0.8% from 2015 to 2021, accelerating to 7.8% from 2021 to 2025. Over the full period from 2015 to 2025, there was a significant change in the mix of fuels used to generate electricity. Coal, natural gas, and renewables each accounted for about one-third of generation in 2015. By 2025, coal, natural gas, and renewables accounted for 23%, 38%, and 39%, respectively. This shows that demand for coal and other petroleum products fell by 45%, while renewables grew by 37% and natural gas increased by 35% over the full time period. That is, the demand for natural gas continues to rise even as renewable energy capacity increases.¹



Source: US Energy Information Administration



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After experiencing relatively constant demand since 2005, US electricity consumption hit an inflection point in 2021.ⁱⁱ This growth coincides with the explosion of data center capacity driven by the mass adoption of large language models and artificial intelligence, starting with ChatGPT in 2022. Data centers consumed 4.4% of US electricity in 2023, with expectations of increasing to between 6.7% and 12.0% by 2028.ⁱⁱⁱ

Supporting Electricity Growth Through Midstream Natural Gas Infrastructure

Energy markets are divided into upstream, midstream, and downstream operations. Upstream operations include exploration and production, which are the processes of locating oil and gas deposits underground and drilling to extract the commodities. Midstream operations include storage and transportation, which move commodities from the oil and gas production site to refineries or power plants. Downstream operations include refining and marketing, which process crude oil into saleable products including gasoline and diesel fuel. Upstream operations can experience substantial financial volatility, driven by uncertainty about how much oil and gas can be produced and by commodity price volatility. Downstream operations also exhibit substantial volatility, as margins for refining oil into gasoline fluctuate over time.

Pacer offers three ETFs designed to benefit from the growth of data center demand.

1. The Pacer American Energy Infrastructure ETF (USAI) is a midstream energy fund that invests in natural gas infrastructure powering AI data centers. The fund seeks to track the American Energy Infrastructure Index, which includes US and Canadian companies with midstream energy operations. As of March 31, 2026, USAI’s top holdings include master limited partnerships (MLPs) and pipeline network operators, including Energy Transfer, Enbridge, Enterprise Products Partners, Williams Companies, and Cheniere Energy. Because these companies store and transport energy, their revenues are derived from the volume of energy products transported. While USAI invests in MLPs, all tax reporting is handled through Form 1099, with no K-1s to worry about.

Midstream energy companies have less exposure to oil and gas prices than the largest upstream energy companies, such as ExxonMobil and Chevron, do, as reflected in the S&P 500[®] Energy Sector Index. Pacer recently added natural gas producers to the fund, increasing its exposure to the electrification theme.

2. Pacer’s Data and Infrastructure Real Estate ETF (SRVR) seeks to track the Solactive GPR Data & Infrastructure Real Estate Index. The portfolio includes companies that build and manage data

centers (Equinix and Digital Realty Trust), cell towers (American Tower Corp), and companies that provide on-site power generation (GE Vernova and Nano Nuclear Energy).

3. Investors desiring more traditional exposure to the AI theme may choose to allocate to the Pacer Data and Digital Revolution ETF (TRFK), which seeks to track the Pacer Data Transmission and Communication Revolution Index. This fund invests in hardware and software companies whose products are essential to keeping data centers running smoothly. Industries represented include semiconductors (Nvidia, Intel, AMD), systems software (Oracle), cybersecurity (Palo Alto Networks), communications equipment (Cisco Systems, Arista Networks), and storage and hardware (Western Digital, Seagate Technology).

Conclusion

While the largest technology companies continue to invest up to \$1 trillion annually to grow data center capacity, it is unclear how those investments will impact long-term profitability. In addition to this uncertainty, these technology companies continue to grow as a portion of US equity indices, exposing investors to concentration risk. Pacer ETFs offers several ways to invest in the growth of AI and data centers that benefit from the large capital expenditures of hyperscalers. Investing in natural gas producers and infrastructure providers benefits from increased electricity consumption. Investing in companies that own, operate, and power data centers benefits from spending after the data centers are constructed. Those interested in investing in the AI boom through traditional technology firms may choose to invest in hardware, software, and equipment companies whose products are crucial to powering the digital future.

Before investing you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the [prospectus](#). A copy may be obtained by visiting www.paceretfs.com or calling 1-877-337-0500. Please read the [prospectus](#) carefully before investing.

An investment in the Funds is subject to investment risk, including the possible loss of principal. Pacer ETF shares may be bought and sold on an exchange through a brokerage account. Brokerage commissions and ETF expenses will reduce investment returns. There can be no assurance that an active trading market for ETF shares will be developed or maintained. The risks associated with this fund are detailed in the prospectus and could include factors such as associated risks of data and digital revolution companies, calculation methodology risk, concentration risk, currency exchange rate risk, emerging markets risk, equity market risk, ETF risks, foreign securities risk, geographic concentration risk, international operations risk, large-, mid- and small-capitalization investing risk, MLP risk, Natural Language Processing (NLP) Model risk, non-diversification risk, nuclear power companies risk, passive investment risk, real estate companies risk, REIT investment risk, sector risk, tax risk, tracking risk, tracking error risk, and/or other risks associated with exchange traded funds.

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i EIA.gov Electricity Data Browser

ii EIA.gov Today in Electricity

iii DOE Releases New Report Evaluating Increase in Electricity Demand from Data Centers