Kayne Anderson Capital Advisors

Midstream Market Update Call

February 2019

www.kaynefunds.com

Topics Covered in Today's Presentation

- Recap of 2018
- Impact of Shale Revolution
- Update on Midstream Industry
- Outlook for 2019

Note: A podcast accompanying this presentation can be found at www.kaynefunds.com/events-and-presentations.

Midstream Market: Recap of 2018

It was a very active year for the midstream industry, with most of the news flow driven by a handful of key themes:

- Strong operating environment
  - Record volumes of oil, natural gas and NGLS
- Record earnings for the sector
- Trend of simplifications accelerated during 2018
  - More than 30 transactions have occurred over the last four years
- Investors demanding energy companies focus on shareholder returns

Our outlook for the next few years is positive. Midstream companies are attractively valued and well positioned to generate strong returns.

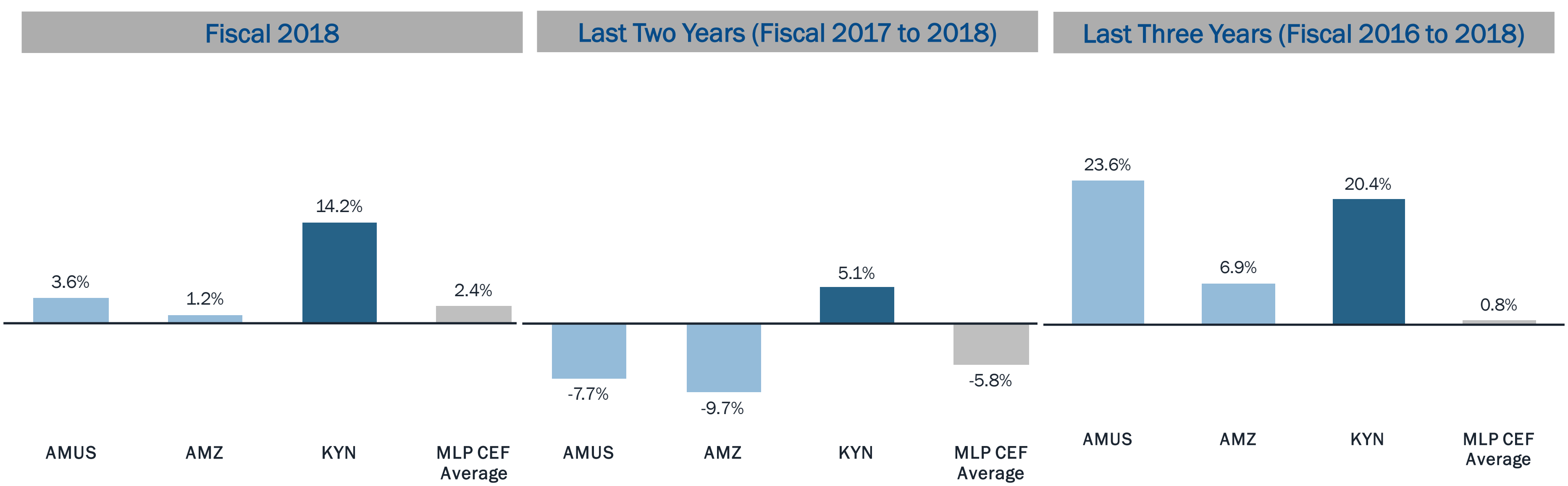
Kayne Closed-End Funds: Recap of 2018

- While fiscal 2018 had its share of challenges, we accomplished several important things during the year
  - Completed CEF mergers, delivering meaningful cost savings to investors
  - Moved to monthly distributions, providing more frequent income stream to investors
  - Performed well on a relative basis, with KYN up for the year and KMF down modestly
- KYN and KMF's net distributable income (NDI) has been negatively impacted by recent simplification transactions
  - Goal is to pay a distribution that is supported by the fund's NDI
  - Reduced distributions at both funds in December
  - Will revisit distribution on an annual basis and provide guidance for the next 12 months
- Our funds are well positioned to deal with the current environment
  - Leverage ratios near target levels, which provides a cushion against the impact of stock price declines
  - Our investment process is focused on delivering attractive returns over multi-year periods

KYN Performance

- KYN was the best performing MLP CEF for the fiscal year (total NAV return of 14.2%)
  - Peer MLP CEFs had an average total NAV return of 2.4%
  - AMZ's total return was 1.2%
- KYN is also the top performing MLP CEF over the last two and three years
  - Total return of 5.1% for the last two years
  - Total return of 20.4% for the last three years

MLP CEF Returns (Adjusted NAV)[(1)(2)]



Note: MLP CEF average is comprised of 12 closed-end funds whose structure, investment strategies and objectives, in the opinion of KAFA, most closely resemble that of KYN. Performance data quoted represents past performance; past performance does not guarantee future results.

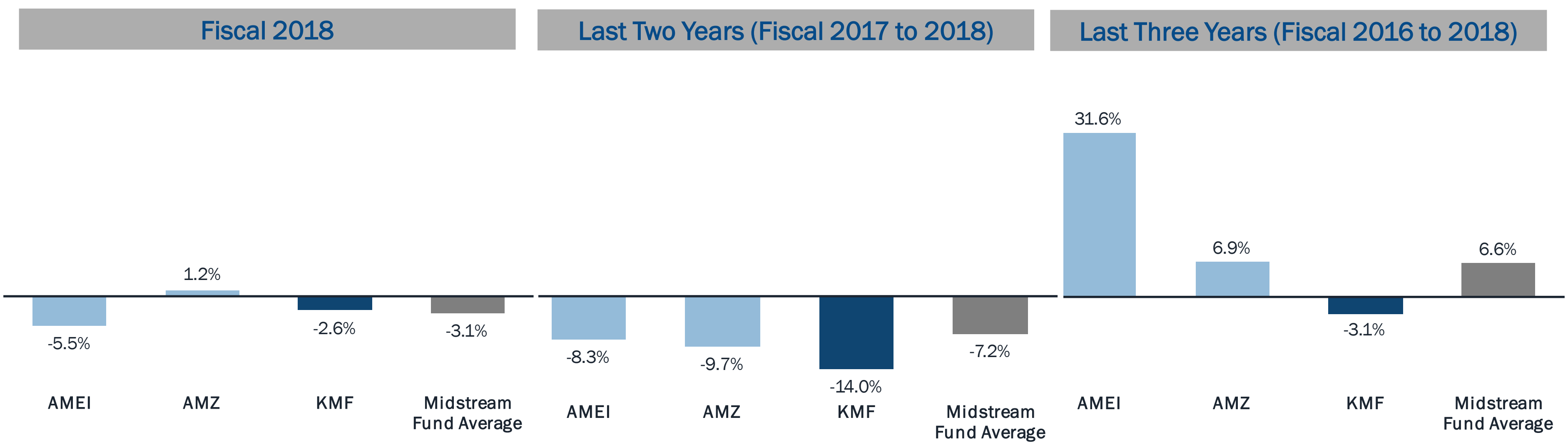
(1) Total Return reflects adjusted NAV return defined as NAV plus reinvested dividends paid during the period, divided by NAV at the beginning of the period.

(2) Returns for the Alerian US Midstream Energy Index (AMUS) and the Alerian MLP Index (AMZ) are total returns.

KMF Performance

- KMF's total NAV return was negative 2.6%
  - Outperformed peer Midstream CEFs during fiscal 2018 (average return of negative 3.1%)
- KMF's discount to NAV significantly widened over the year, ending fiscal 2018 at a discount of 12.8%
  - To the extent the discount remains greater than 10%, we will review the merits of a stock buyback program with the Board of Directors

Midstream CEF Returns (Adjusted NAV)(1)(2)

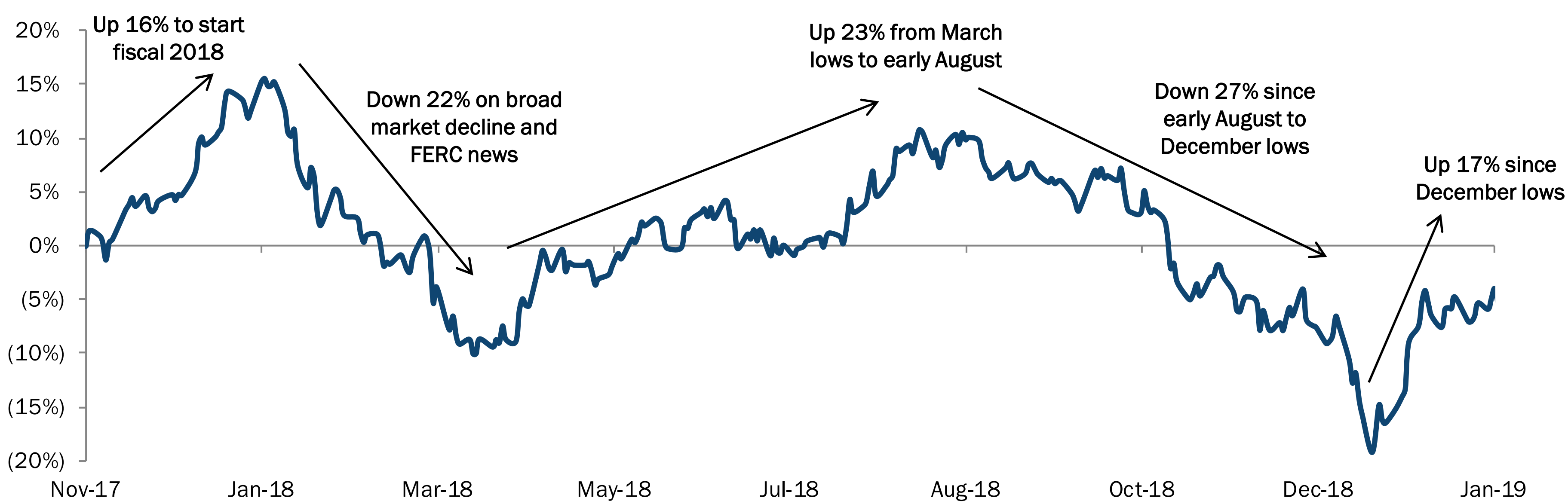


Note: Midstream CEF average is comprised of 7 closed-end funds whose structure, investment strategies and objectives, in the opinion of KAFA, most closely resemble that of KMF. Performance data quoted represents past performance; past performance does not guarantee future results.
(1) Total Return reflects adjusted NAV return defined as NAV plus reinvested dividends paid during the period, divided by NAV at the beginning of the period.
(2) Returns for the Alerian Midstream Energy Select Index (AMEI) and the Alerian MLP Index (AMZ) are total returns.

2018: Midstream Index Returns

- It has been a bit of a rollercoaster in the midstream space for the last year
  - Fiscal 2018 started off on a very good note, only to be derailed by broader market volatility and the FERC news
  - A steady recovery in the spring and summer was overshadowed in the early fall by concerns about a Colorado ballot initiative, simplification transactions and weakness in crude oil prices
  - Record results during Q3 for the sector were more than offset by lower crude prices and broader market jitters
- Things have stabilized since late December with the AMZ up 17% from its lows

AMZ – Fiscal 2018



Note: Market data as of January 31, 2019.

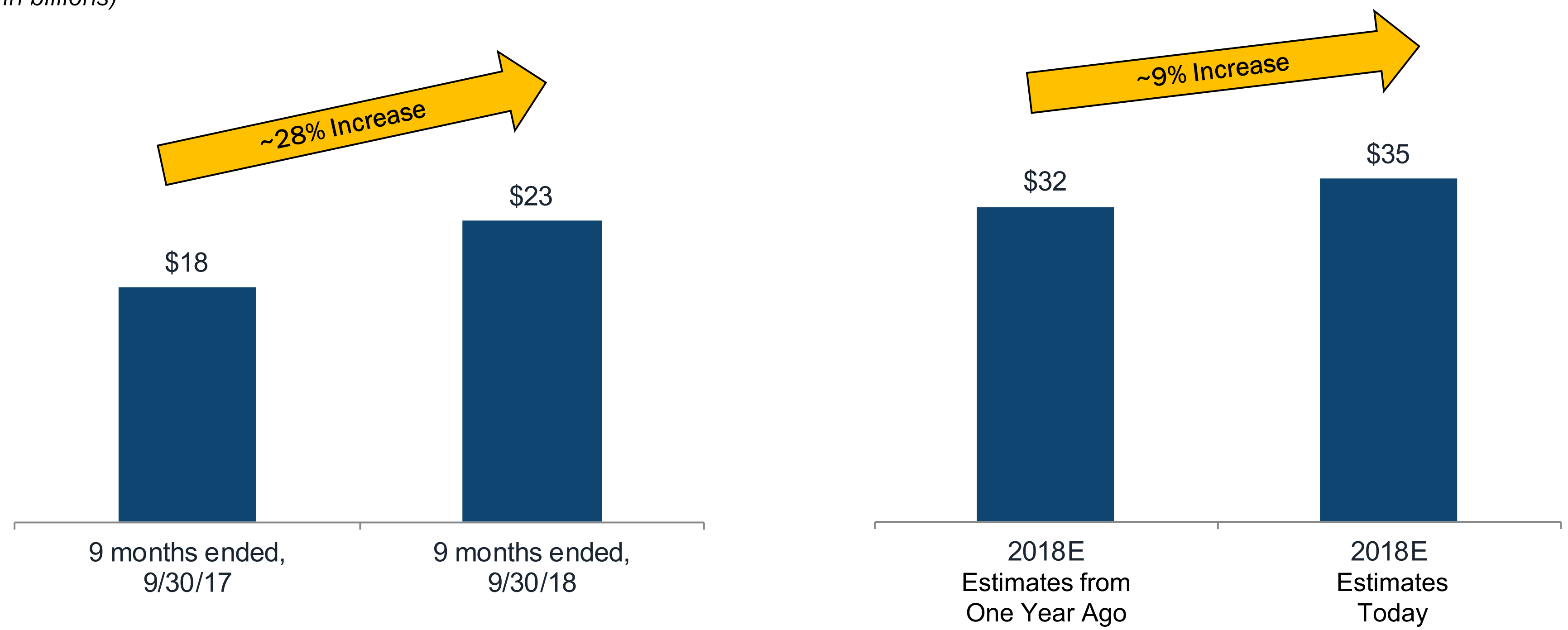
2018: Midstream Financial Results

- The year is shaping up to be a record year for the midstream sector
  - Year-to-date results for KYN's top 10 positions are nearly 30% better than 2017

KYN Top Ten EBITDA

2018 vs 2017 (Q1 – Q3)	2018 Estimates

($ in billions)

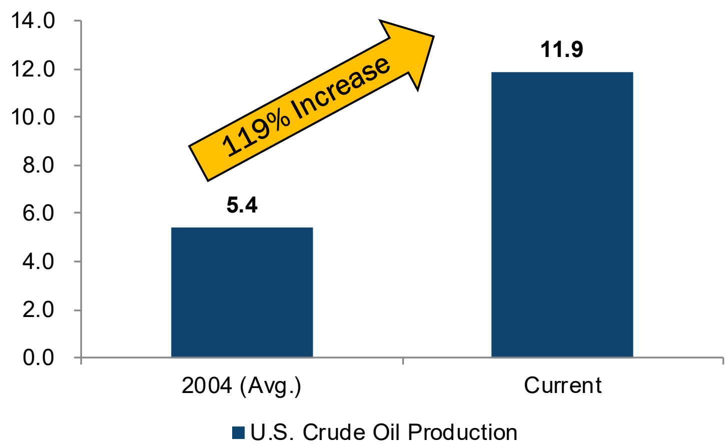


(1) Based on KYN's top ten holdings. Estimates are FactSet consensus as of February 4, 2019 unless otherwise indicated.

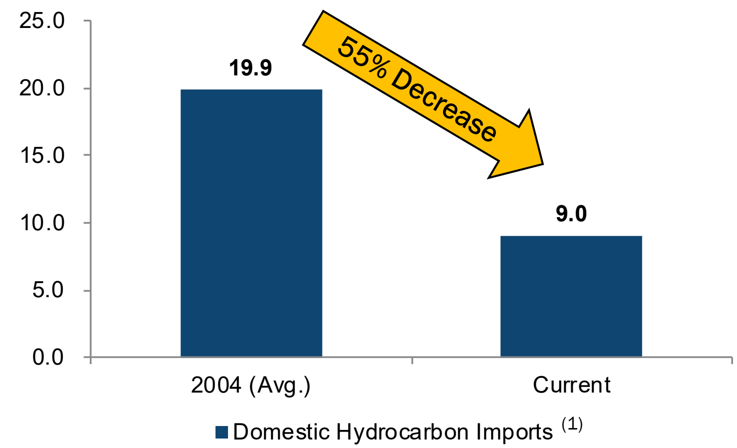
Impact of the Shale Revolution

- KYN went public in late 2004 – when the Shale Revolution was very much in its infancy
- The best way to illustrate how much things have changed since 2004 is domestic production levels
  - Crude oil production has grown by more than 100% and America is the largest oil producer in the world
  - Stats for domestic natural gas and NGL production are equally as impressive
- The Midstream industry has been instrumental in enabling this production growth
- Along the way, the U.S. has switched from being reliant on imports to an increasingly important exporter of energy-related commodities

Domestic Crude Oil Production *(million b/d)*



Domestic Imports *(million boe/d)*

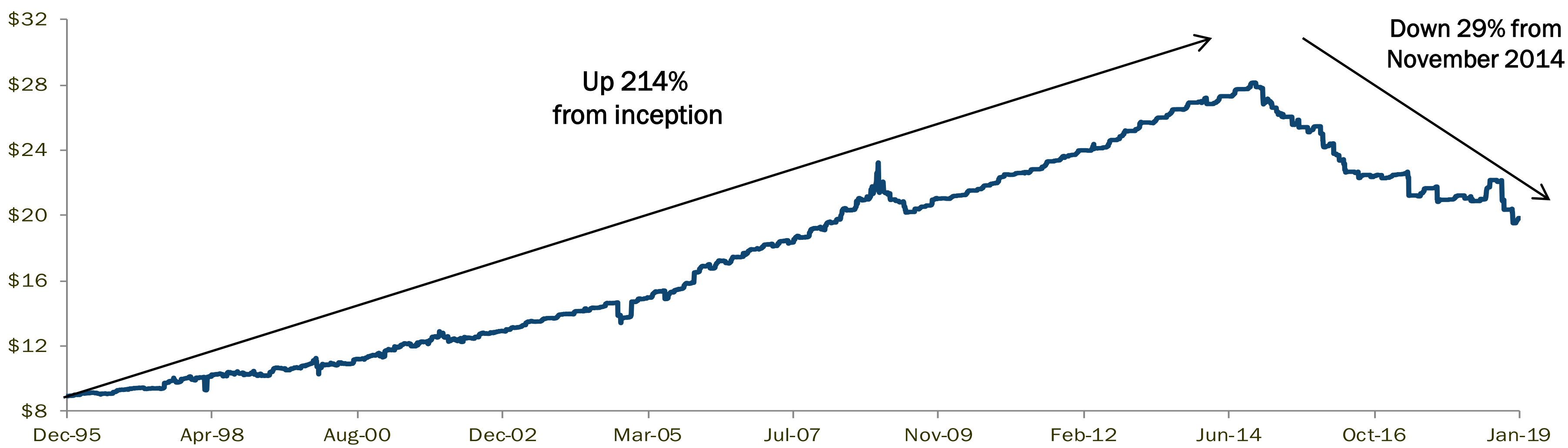


Source: EIA data as of January 31, 2019.
(1) Includes crude oil, natural gas, refined products and natural gas liquids.

Impact of Simplification Transactions

- Simplification transactions between MLPs and Midstream Companies is the most impactful industry trend over last few years
  - Over 30 MLPs have pursued simplification transactions since 2014
- Sector positive: eliminated incentive distribution rights (“IDRs”) for vast majority of MLPs and created better GP/LP economic alignment
- Sector negative: most transactions were accomplished by the lower-yielding entity purchasing the higher-yielding entity, resulting in “back-door” distribution cuts for the unitholders of the acquired MLP
- Today’s companies are much healthier with stronger balance sheets and higher distribution coverage ratios

AMZ Annualized Dividend (Inception to Today)(1)



(1) Market data as of January 31, 2019.

What's Next for the Energy Industry?

- Domestic production has skyrocketed over the last fifteen years, but often that hasn't translated into attractive returns for energy investors
  - Investors are demanding that things change
- The energy industry is being asked to focus on capital efficiency and return on capital metrics
  - Shift away from "growth at all cost" mindset
- Investor's push to improve shareholder returns (often at the expense of growth rates) should also:
  - Make activity levels more sustainable
  - Help stabilize commodity prices
  - Dampen the industry's "boom and bust" cycles
- Midstream companies are responding to investors demands
  - Simplification transactions have eliminated IDRs and resulted in better alignment of interests
  - Higher coverage ratios and lower leverage ratios enable companies to self finance growth projects
- Tremendous progress has been made thus far, but more work remains
  - Improved governance and capital discipline will continue to be two key areas of focus

2019 Outlook

Our outlook for the midstream industry over the next few years is very positive

- Companies are attractively valued
  - Do not think current valuations reflect recent operational/financial results
- Continued domestic production growth should lead to further improvement in financial results during 2019
  - Expect E&P companies will moderate spending levels this year, but still forecast production growth
  - Believe crude prices in the mid $50 per barrel area is a "sweet spot" for the industry (production growth is not too slow, not too fast)
- Sector's transformation is largely complete – all the material simplification transactions have already been announced
- Companies are well positioned to deal with lower commodity prices – leverage levels are lower and coverage ratios are higher

Midstream Valuations

KYN Portfolio Statistics[1]

Metric	Statistic	Comments
EV/EBITDA	11.5x	Roughly in-line with utilities and S&P 500
Current Yield	7.1%	Yield spreads to the 10-yr US Treasury bond are much higher than historical averages
Distribution Coverage Ratio	1.4x	Coverage ratios are much higher than 2013-2014 timeframe (1.0-1.1x area)
Debt/EBITDA	4.1x	Over 50% of KYN's portfolio investments are investment grade rated entities

(1) Portfolio statistics as of January 31, 2019; statistics based on weighted average.

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