



A Strategic Allocation to Listed Infrastructure

In this article, we review:

- Why listed infrastructure deserve a permanent allocation alongside private market strategies;
- How listed energy and power infrastructure companies are aligned with the megatrends reshaping demand; and
- What makes public infrastructure strategies resilient, flexible, and actionable in dynamic markets.

Reconsidering the Allocation Divide

For many advisors and institutional allocators, infrastructure has become synonymous with private strategies. We certainly understand the desire to have exposure to “hard assets” that provide essential services and generate stable cash flows. Infrastructure plays an important role in investors’ portfolios, and there are a number of options to get exposure to private strategies.

But often overlooked (or dismissed altogether) is the case for listed strategies when considering infrastructure allocations. Listed markets are too often set aside due to concerns about short-term volatility and concerns it does not “fit” in a real assets allocation. In our opinion, “stock price volatility” is too often conflated with the fundamental stability of these businesses and – because of this observed volatility – these businesses do not have the same “hard asset” character of their private peers. We respectfully disagree with this conclusion.

Today, listed infrastructure strategies offer a compelling complement (*not* a compromise) to private allocations. As energy and power demand surges and capital flows toward new infrastructure buildout, public companies are already operating and expanding the assets that will define the next generation of economic growth: pipelines, power generation, transmission systems, and export facilities. These are the very same suites of assets private capital seeks to build (or acquire), but in listed form. Importantly, these public businesses are already in place, operating at scale, and generating cash flows today.

Listed infrastructure reflects the same hard assets and essential services as its private counterparts and it is time asset allocations reflected this fact.

A Dual Engine of Demand: Power and Energy Security

Much of this reexamination between public and private allocations is driven by profound shifts in the energy and power landscape. Across energy and power sectors, we are witnessing the convergence of two structural megatrends that highlight the value of energy and power infrastructure.

The Power Supercycle

The electrification of everything, from AI workloads to manufacturing reshoring to electrification, is straining the power grid. U.S. electricity demand is projected to surge through much of the next decade, with data centers alone accounting for a sizable share of incremental load growth. Utilities and developers need scalable, dispatchable solutions, and

increasingly turn to natural gas generation and electric transmission infrastructure to keep pace. Listed infrastructure operators own and operate the midstream and power assets that are facilitating this transformation.

Energy Security






Global realignment, geopolitical risk, war, and supply chain fragility have shifted the conversation from lowest-cost energy to most-reliable energy. The U.S. has emerged as the world's largest LNG exporter, and infrastructure operators are signing multi-decade contracts with investment-grade counterparties across Europe and Asia. This surge in cross-border energy flows has transformed U.S. energy infrastructure into a cornerstone of global stability. And with that transformation, U.S. based energy and power infrastructure should become a strategic allocation in investor's portfolios.

The Power Supercycle and Energy Security Trends are not cyclical; they are megatrends. The trends favor infrastructure that is already built, operating, and positioned to grow. This is where publicly traded infrastructure shines.

Room for Both: Listed Infrastructure Strategies Offer Key Attributes for Allocators

When comparing public and private infrastructure strategies, the question is not "which one should I choose?" but rather "how much do I need of each?". There is room for both in investors' portfolios. Both approaches have their distinct merits and both strategies can provide investors exposure to critical assets and multi-decade mega trends.

Chart 1: Listed Infrastructure Has Attractive Allocation Characteristics

Allocation Attributes		Advantages of Public Allocation
	Liquidity and Flexibility	<i>Daily liquidity; ability to quickly rebalance as markets evolve</i>
	Deployment Speed	<i>Fully deployed upon investment</i>
	Resilience to Macroeconomic Shocks	<i>Scale and access to capital provide the ability to navigate market cycles</i>
	Policy and Regulatory Risk	<i>Diversification across assets and regulatory oversight</i>
	Capital Structure and Financing Risk	<i>Access to diverse financing options which can reduce cost of capital structure</i>

Source: Kayne Anderson.

Listed strategies offer liquidity, full deployment from day one, transparency, and flexibility to capitalize on real-time opportunities.

Some Thoughts on Volatility

One of the most persistent objections to listed infrastructure is the perception that “equities are too volatile.” And it’s true: unlike private strategies, listed infrastructure is marked to market daily, and that visibility can create discomfort. But it also creates opportunity.

The Case for Why Midstream Volatility Has Moderated

Before moving forward, it’s important to recognize that certain areas of listed infrastructure (most notably midstream) have gone through multiple market drawdowns over the past two decades. Since January 2010, the Alerian Midstream Energy Index (AMNA) has exhibited annualized volatility just above 20%. A few observations on this history and what that means for investing today:

- Periods of drawdown have consistently proven to be attractive entry points for increasing midstream exposure;
- Concerns about sustained deterioration in financial or operating performance did not materialize; and
- Business models have matured in ways that, in our view, make the likelihood of similar drawdowns meaningfully lower going forward.

Taken together, these lessons highlight that volatility in midstream has often been more about stock prices than underlying fundamentals. Our nearly three decades of experience has shown that active management and disciplined portfolio construction can result in lower realized volatility relative to benchmarks.

Private Marks May Be Less Volatile But Public Businesses Are Just As Stable

Where private funds often smooth returns through infrequent, model-driven valuations, public markets offer real-time price discovery and transparency into sentiment. But critically, investors must distinguish stock price volatility from business model volatility. Listed infrastructure companies typically operate stable, essential businesses with durable cash flow characteristics, including:

- Contracted, fee-based revenues often indexed to inflation or generating regulated returns;
- Strategic asset footprints of essential infrastructure with high barriers to entry;
- Investment-grade balance sheets with meaningful liquidity; and
- Excess free cash flow generation and return-of-capital strategies.

Volatility Creates Opportunity; Value of Expertise

For disciplined, long-term investors, a key point is that stock price volatility creates opportunity, not just risk. Volatility provides an opportunity for dynamic allocators to capitalize on periods of dislocation to enhance returns over the long run by acquiring attractive assets at discounted valuations.

Finally, listed infrastructure strategies offer the ability to tailor exposures in ways private funds cannot. At Kayne, we’ve developed an extensive track record of products tailored to meet the needs of clients, tactically allocating across equity and credit instruments with the explicit goal of managing volatility and generating attractive risk adjusted returns.

Volatility is visible on a daily basis in the stock market. But fundamentals are durable. For investors who understand this distinction, public markets offer not only resilience, but opportunity.

Bringing It All Together

Allocating to listed infrastructure is not a tactical trade. It is a strategic allocation to structural change.

The listed markets offer:

- Immediate access to real assets that serve critical economic functions;
- Transparency and liquidity, which allow for real-time portfolio rebalancing;
- Defensive income characteristics, supported by long-term contracts and disciplined capital structures; and
- Exposure to businesses at the center of the Power Supercycle and Energy Security megatrends.

For allocators with significant exposure to private infrastructure, this is not a call to replace but instead it is a call to rebalance. For allocators that are underweight real assets, listed infrastructure is an ideal way to increase clients' exposure to this asset class. At Kayne Anderson, we believe listed infrastructure deserves to be a core component of any real asset strategy that seeks durability, adaptability, and upside.

Let's Have a Conversation

At Kayne Anderson, we've spent decades investing in the companies that own and operate the essential systems powering our economy. We invite you to a conversation with us regarding a structural allocation to listed energy and power infrastructure. This allocation complements your private exposure and positions your portfolios for the next decade of energy and power evolution.

About the Advisor

Kayne Anderson, founded in 1984, is a leading alternative investment management firm focused on real estate, credit, infrastructure, and energy. With a team defined by an entrepreneurial and resilient culture, Kayne Anderson's investment philosophy is to pursue cash flow-oriented niche strategies where knowledge and sourcing advantages enable us to deliver above average, risk-adjusted investment returns. Kayne manages \$38 billion in assets for institutional investors, family offices, high net worth and retail clients and employs 350 professionals.

Kayne Anderson's energy infrastructure group has almost three decades of experience managing portfolios of listed energy infrastructure securities. Currently, the group has \$5 billion in assets under management and strategies focused on midstream equity, power equity and energy infrastructure credit.

We invite you to learn more about Kayne Anderson and our public infrastructure investment strategies by visiting our website at www.kaynefunds.com.

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