KAYNE ANDERSON
» ENERGY INFRASTRUCTURE

KAYNE ANDERSON ENERGY INFRASTRUCTURE FUND, INC. (KYN): FISCAL Q1 2025 LETTER

March 28, 2025

Dear Fellow Stockholders,

We are pleased to provide an update on KYN's performance, portfolio positioning, and recent developments in the energy infrastructure markets. The favorable market trends for the Company's investments remain firmly in place – particularly those related to long-term natural gas demand growth and the unfolding power super-cycle.

KYN's fiscal Q1 performance overview:

- Net Asset Return was -1.1%;[1]
- Outperformed the Alerian Midstream Energy Index (AMNA) by 80 basis points;[2,3]
- Outperformed the broad energy sector (XLE) by 280 basis points; and[4]
- Maintained conservative leverage levels with ample downside cushion.[5]

Performance

KYN's Adjusted Net Asset Return for fiscal Q1 of -1.1% marks a modest retreat following a prolonged stretch of positive returns. Further, it follows an exceptionally strong fiscal 2024, during which KYN generated a Net Asset Return of 57.1% – the highest annual return in the Company's twenty-year history. The domestic equity markets broadly faced pressure to maintain momentum with concerns of persistent inflation and signs of a deceleration in economic activity. We are encouraged by KYN's outperformance relative to its primary benchmark, the AMNA, and the broader U.S. energy sector (as measured by the XLE). KYN's outperformance was driven by large positive contributions from MPLX, Plains All American (PAA), and Hess Midstream (HESM). We continue to be proactive in managing KYN's portfolio positioning and its leverage levels in light of heightened market volatility. We ended the quarter with leverage at ~20% of total assets and a downside cushion of ~50%.

	Equity Market Indices			Energy Indices			KYN[1]
	S&P 500	DJIA	NASDAQ	AMNA[3]	XLU[7]	XLE[4]	
Fiscal Q1[6]	-1.0%	-2.0%	-1.9%	-1.9%	-3.7%	-3.9%	-1.1%
Last Twelve Months	18.4%	14.4%	17.9%	46.0%	31.6%	9.1%	49.1%

Equity Market Conditions and Sector Trends

Following strong equity returns over the prior two years, market volatility increased in the first quarter as investor sentiment became more cautious. Persistent inflation, decelerating economic indicators, and the new U.S. administration's policy agenda – which appears to be uncertain at times – contributed to a more volatile environment. Major market indices, including the S&P 500 and NASDAQ, declined by 1.0% and 1.9%, respectively. Energy indices and utilities also traded lower, with the XLE down 3.9% and the Utilities Select Sector Index (XLU) down 3.7%. In contrast, midstream equities were relatively resilient. The AMNA declined 1.9%, and MLPs – as measured by the AMZ – were up 4.4%. This was a notable trend reversal and was the first fiscal quarter in over a year where MLPs outperformed their C-Corp counterparts.

Note: relevant footnotes can be found on page 4.

Importantly, we observed an uptick in capital spending levels across the energy infrastructure space during the quarter, with this spending increasingly focused on projects that address visible, long-term demand growth. These initiatives – ranging from natural gas pipeline expansions to dedicated power solutions for data centers – are underpinned by durable fundamentals and are often backed by long-term contracts with investment-grade counterparties. For example, Williams (WMB) announced it would build a fully contracted power solution for a major data center customer. Kinder Morgan (KMI) also announced another large project – its third in the past six months. The company has now grown its backlog of projects to greater than $8 billion, primarily focused on serving natural gas demand in the southeastern U.S. In our view, these types of demand-driven growth projects are particularly compelling, as they not only enhance cash flow visibility but also reflect a broader shift toward de-risked growth. Notwithstanding our positive bias towards these types of growth projects, we are carefully reviewing companies' project backlogs and looking for any signs of a loosening in underwriting criterion or a change in their capital allocation policies.

Update on Commodity Markets

Natural gas prices staged a significant rally during the quarter, with the 2025 Henry Hub strip rising from $3.32 to $4.23 per MMBtu.[8] Colder weather and a ramp-up in Liquefied Natural Gas (LNG) feedgas demand from new export terminals drove the rally. While the spot market remains volatile, the forward curve suggests tightening fundamentals. Our view is that natural gas is in the early stages of a demand-driven upcycle and KYN is well positioned to capitalize via its holdings in gas-oriented infrastructure names and private investments tied to domestic production growth.

Crude oil markets were roughly flat during the quarter, but the range of outcomes for crude prices remains skewed to the downside in our opinion. Supply continues to be pressured by OPEC+ as the organization seeks to unwind curtailments while the U.S. administration seeks lower energy prices. Crude demand is stable for the time being, but demand is at risk as global tariffs may temper economic activity. Geopolitical events – particularly in the Middle East and Eastern Europe – remain a wildcard both to the upside and downside.

It is notable that midstream equities have decoupled, at least partially, from commodity price movements. Strong free cash flow profiles, growing return of capital programs, and durable demand drivers are increasingly allowing investors to underwrite midstream as an infrastructure growth story – not a trade on the direction of commodity prices. This shift makes sense to us, as commodity price swings – both to the upside and to the downside – have little impact on the midstream sector's financial results.

Portfolio Positioning

As of February 28, 2025, KYN's portfolio consisted of 27 investments, with approximately 94% allocated to midstream companies, 3% to power infrastructure, and 3% to other investments.[9] Our allocation preference continues to emphasize large-cap, investment-grade midstream companies with integrated asset footprints, which we believe offer the most attractive combination of yield, growth, and downside protection.

During the quarter, we trimmed several positions and used the proceeds to increase exposure to the natural gas value chain. In contrast to our more cautious outlook on crude oil fundamentals, we believe the natural gas value chain stands to benefit from a multi-year acceleration in U.S. natural gas demand. We believe this portfolio positioning aligns with our long-term demand outlook and supports our goal of delivering consistent, risk-adjusted shareholder returns.

Outlook: Navigating an Uncertain Environment

We enter fiscal Q2 with a constructive, yet balanced, view of the market environment for KYN's investments. After an exceptional 2024 and a modest pullback to start 2025, we believe a reset – both in terms of market sentiment and valuations – is taking place. This is not surprising and reflects a normal reaction given the evolving economic outlook. Further, these periods often create attractive entry points for long-term investors – a situation that we believe exists today. Our conviction in the midstream sector's potential to generate low-to-mid teens total returns over the next five years remains unchanged.[10] Core fundamentals – including growing domestic production volumes, expanding U.S. exports

Note: relevant footnotes can be found on page 4.

(particularly LNG and natural gas liquids), and continued demand growth for natural gas and electricity – provide a durable and visible foundation for cash flow growth across KYN's portfolio. We continue to underwrite mid-single digit annual dividend growth rates and a similar level of cash flow growth from our midstream holdings, which underpin a compelling total return profile.[10]

While capital spending has increased, we believe these investments are targeted toward high-return, strategically-aligned growth projects. Management teams remain disciplined – with an ongoing focus on return of capital, deleveraging, and measured growth. Further, companies continue to generate meaningful amounts of free cash flow. Valuations remain attractive, particularly when viewed in the context of the broader equity markets. Despite strong absolute returns over the past two years, midstream equities trade at lower multiples than other income-oriented sectors, with less volatility and stronger underlying balance sheets.

That said, we are mindful that risks and uncertainty are elevated. While the Federal Reserve has signaled that it is nearing the end of its tightening cycle, the "last mile" of inflation continues to prove stubborn. Market expectations for rate cuts have moderated, and any upside surprises in inflation could push rate normalization – a potential headwind for equity multiples and yield-oriented sectors such as midstream and utilities. The geopolitical landscape continues to evolve rapidly with potential flashpoints in multiple regions. The Trump administration has used energy as a key point of leverage in international discussions, and has made several high-profile policy moves, including the lifting of the LNG permitting pause and the implementation of broad-based tariffs. While many of the new administration's actions are supportive of domestic energy production and infrastructure investment, the scope of actions being taken and the pace at which they are being implemented creates a complex backdrop for KYN's portfolio investments.

Conclusion

We believe our flexible mandate and active management approach are key advantages in this environment. Further, we believe the long-term orientation and permanent nature of KYN's capital will allow the Company to navigate this uncertain environment and allow us to invest with conviction.

We appreciate your investment in KYN and your trust and confidence in our strategy. As always, we encourage you to visit www.kaynefunds.com for additional insights and commentary.

Sincerely,

James C. Baker, Jr.
Chairman of the Board
President and Chief Executive Officer

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[1]Net Asset Return is defined as the change in net asset value per share plus cash distributions paid during the period (assuming reinvestment through our dividend reinvestment plan).

[2]Relative performance commentary based on the difference between the Company's Net Asset Return and the total return of the Alerian Midstream Energy Index (AMNA).

[3]The benchmark for the midstream sector is the Alerian Midstream Energy Index (AMNA).

[4]The benchmark for the broad U.S. energy sector is the Energy Select Sector SPDR Fund (XLE), which is an exchange-traded fund ("ETF") linked to the Energy Select Sector Index (IXE), a subset of the S&P 500.

[5]Downside cushion reflects the decrease in total asset value that could be sustained while maintaining compliance with leverage levels under the Investment Company Act of 1940, as amended, and KYN's financial covenants.

[6]Fiscal Q1 2025 (12/1/24 – 2/28/25).

[7]The benchmark for the U.S. utility sector is the Utilities Select Sector SPDR Fund (XLU), which is an ETF linked to the Utilities Select Sector Index (IXU), a subset of the S&P 500.

[8]Prices per MMBtu reflect the average of strip pricing from January 2025 to December 2025 and April 2025 to December 2025, respectively.

[9]Weightings based on KYN's portfolio as of February 28, 2025.

[10]Actual events and conditions may differ materially from the assumptions used to establish this return estimate ("target returns"). Target returns are neither a guarantee nor a prediction or projection of future performance and there can be no assurance that the target returns will be achieved. Target returns for individual investments may be either greater or less than the target return. A broad range of risks could cause KYN to fail to meet its investment objectives and/or these target returns. The target returns for midstream equities set forth herein should not be viewed as an indicator of likely performance returns to investors. While subject to numerous assumptions, the primary considerations incorporated into these target returns are estimated dividend yields of 4% to 6%, estimated annual growth in dividends and cash flows of 5% to 7%, and estimated annual "excess" free cash flow of 0% to 3%. After incorporating the impacts of fees, expenses and leverage, Kayne Anderson views KYN as having the potential to generate similar annual returns on a net basis for investors. There is no guarantee that the facts on which such assumptions are based will materialize as anticipated.

All investments involve risk, including possible loss of principal. An investment in the fund could suffer loss.

Kayne Anderson Energy Infrastructure Fund, Inc. (NYSE: KYN) is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended, whose common stock is traded on the NYSE. The Company's investment objective is to provide a high after-tax total return with an emphasis on making cash distributions to stockholders. KYN intends to achieve this objective by investing at least 80% of its total assets in securities of Energy Infrastructure Companies. See Glossary of Key Terms in the Company's most recent quarterly report for a description of these investment categories and the meaning of capitalized terms.

This communication contains statements reflecting assumptions, expectations, projections, intentions, or beliefs about future events. These and other statements not relating strictly to historical or current facts constitute forward-looking statements as defined under the U.S. federal securities laws. Forward-looking statements involve a variety of risks and uncertainties. These risks include, but are not limited to, changes in economic and political conditions; regulatory and legal changes; energy industry risk; leverage risk; valuation risk; interest rate risk; tax risk; and other risks discussed in detail in the Company's filings with the Securities and Exchange Commission ("SEC"), available at www.kaynefunds.com or www.sec.gov. Actual events could differ materially from these statements or from our present expectations or projections. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Kayne Anderson undertakes no obligation to publicly update or revise any forward-looking statements made herein. There is no assurance that the Company's investment objectives will be attained.

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