KAYNE ANDERSON
» ENERGY INFRASTRUCTURE

KAYNE ANDERSON ENERGY INFRASTRUCTURE FUND, INC. (KYN): FISCAL Q2 2025 LETTER

June 20, 2025

Dear Fellow Stockholders,

We are pleased to provide an update on KYN's performance and portfolio positioning, along with our perspective on recent developments in the energy and power infrastructure markets. It was an eventful quarter, and our near-term outlook is evolving in real time. Notwithstanding these events: (i) our bullish longer-term outlook for KYN's investments remains in place and (ii) we believe the Company is well positioned to navigate this dynamic market backdrop.

KYN's fiscal Q2 performance overview:

- Net Asset Return was -3.7%;[1]
- Underperformed the Alerian Midstream Energy Index (AMNA) by 180 basis points;[2,3]
- Outperformed the broad energy sector (XLE) by 590 basis points; and[4]
- Maintained conservative leverage levels with ample downside cushion.[5]

Performance and Positioning

As of May 31, 2025, approximately 94% of KYN's portfolio was allocated to midstream companies, 3% to power infrastructure, and 3% to other investments. At quarter end, our top ten holdings represented approximately 76% of total investments.

There was no shortage of "market moving" news during fiscal Q2. On April 2nd, the Trump administration announced a package of large tariffs on global trading partners ("Liberation Day"), which then quickly developed into what is best described as a "trade war" with China. On that same day, OPEC+ announced plans to accelerate the unwind of its voluntary production cuts – increasing crude oil supply estimates alongside potential downward revisions to estimated demand growth. Put simply, crude oil prices (and in turn, the energy sector) were facing headwinds on both sides of the supply/demand equation. Further, the assertive posture, rapid escalation and day-to-day fluctuations in stated trade policies by the U.S. administration has created meaningful uncertainty about the outlook for the global economy.

Importantly, we have proactively taken steps over the last few quarters to better insulate KYN from heightened volatility. These steps include maintaining conservative leverage levels with a significant downside cushion – in fact, we further reduced leverage during the quarter and increased KYN's downside cushion to approximately 60% – and within the portfolio, we increased KYN's exposure to larger and more diversified businesses and companies with natural gas-exposed value chains. We believe these actions were well-timed and in our stockholders' best interests.

We plan to continue to manage KYN with a defensive mindset but will remain proactive and poised to take advantage of opportunities as they arise. While we are frustrated with any quarter in which the Company delivers negative returns, KYN's decline was relatively modest given the market's heightened volatility during the quarter.

We also believe it is important to consider this quarter's performance in the context of how the Company (and the sector) has performed over the last twelve months. We highlight the following statistics about KYN's performance since May 2024:

- Net Asset Return was 29.2%; and[1]
- KYN was the best performing actively managed fund focused on the midstream sector (out of a universe of 33 funds).[6]

Note: relevant footnotes can be found on page 5.

	Equity Market Indices			Energy Indices			KYN[1]
	S&P 500	DJIA	NASDAQ	AMNA[3]	XLU[7]	XLE[4]	
Fiscal Q2[8]	(0.4%)	(3.1%)	1.6%	(1.9%)	4.2%	(9.6%)	(3.7%)
Fiscal YTD[9]	(1.3%)	(5.1%)	(0.2%)	(3.8%)	0.4%	(13.1%)	(4.7%)
Last Twelve Months	13.5%	11.2%	15.0%	31.3%	16.2%	(9.5%)	29.2%

Two Competing Variables: Shifting Trade Policy and OPEC+ Supply

Evolving U.S. Trade Dynamics and Global Oil Demand Impact

On April 2nd, the Trump administration announced a large package of tariffs on global trading partners, attempting to combat "unfair trading practices" and revitalize domestic manufacturing activity. The administration's actions were far more aggressive than expected, and financial markets declined rapidly in response to this news. While this announcement was widely viewed as a "starting point" in broader negotiations, this posture increases the stakes in these discussions. It also increases the potential for serious economic fallout if negotiations are unsuccessful. It is too early to draw firm conclusions, but these events are likely to drive some degree of weaker global economic growth along with creating upward pressure on inflation. The energy sector was neither clearly advantaged nor disadvantaged by these developments. The potential for downward revisions to economic growth would result in downward revisions to global oil demand growth – one of the reasons we are weighted toward natural gas. However, the direct impact from tariffs is limited, as the sector is not heavily reliant on imports or global supply chains.

If the administration's strategy proves successful, the re-shoring of domestic manufacturing activity would be positive for domestic energy businesses. This megatrend is not just the result of tariff policy and should persist regardless of how this episode evolves, but there is potential for this re-shoring shift to accelerate relative to prior expectations. Re-shoring is one of multiple tailwinds for U.S. natural gas value chains, along with A.I. and liquefied natural gas (LNG) development.

OPEC+ Actions, Oil Price Stability and Geopolitical Events

On the same day as "Liberation Day," OPEC+ announced plans to accelerate monthly supply increases (i.e., produce more oil). This is being done to unwind supply curtailments that were put in place during 2023. This represents an important shift in OPEC+ policy – the group appears to be less willing to support oil prices in the short term. Undoubtedly, many factors contributed to this revised mindset. Crude oil prices promptly declined by ~$10 per barrel, trading as low as the high $50s in the days following the announcement.

Recent actions taken by OPEC+ reinforce the concept of a strategic shift in the group's near-term priorities. OPEC+ has announced production increases for June and July, bringing the total rollback to 960,000 barrels per day, or nearly 44% of the original voluntary cuts. Several key members have voiced support for the phasing out approach, with commentary increasingly that the organization is focused on pressuring non-compliant members as well as countering supply growth from non-OPEC sources (including U.S. shale) over the past several years. While we expect OPEC+ to be a rational economic party and continue to play a buffering role in the crude oil markets over the long term, the group appears less willing to play that role today.

The combination of potentially weaker demand (from shifting tariff policy) and stronger supply (from shifting OPEC+ policy) is reason for a cautious stance on oil prices. We see potential for a supply surplus to persist over the next 18 months, which would likely place further downward pressure on crude oil prices. Investors are very aware of this setup, and sentiment around oil-focused companies was bearish for most of the second quarter.

However, that is only part of the near-term equation. Geopolitical unrest and the potential for supply disruptions remain a

Note: relevant footnotes can be found on page 5.

major variable that could alter the near-term outlook. We are closely monitoring the hostilities between Israel and Iran that began in June. While there have not yet been any supply disruptions in the Middle East, shipping interference or broader escalation of hostilities could materially tighten global oil flows. While OPEC+ should be well positioned to backfill "lost" supply, events have unfolded thus far in an unexpected manner and the potential for a meaningful escalation (and, consequently, a disruption in supply) cannot be ruled out.

An Eventful Earnings Season Against a Volatile Macroeconomic Backdrop

This was one of the more eventful earnings seasons in the last few years, but not because of earnings releases from companies in the midstream sector. Exploration and production (E&P) and oil field services companies were the focus within the energy sector as investors gauged the impact of lower crude oil prices on domestic activity levels.

Diamondback Energy (FANG) was the first large-cap E&P to report earnings results. The company reduced activity levels and shared a very direct message about the potential for a downcycle for U.S. shale. The press release caught people's attention and was shared throughout the industry. Service companies, meanwhile, also messaged a reduction in North American E&P spending. As the quarter progressed, however, sentiment improved with recognition that Diamondback may have been a touch preemptive with their distinctly negative call.

Despite slowing domestic production growth, it is important to recognize that domestic production is still growing. Even in an environment with flat U.S. crude oil production, we would still expect meaningful associated gas and natural gas liquids (NGLs) production growth. In our opinion, while volatility in the upstream sector can create headlines, the underlying volume trends for midstream – especially in natural gas and NGLs – remain on an upward path. Further, a modest slowdown in upstream activity levels is not implicitly bad for midstream companies. Lower-than-expected capital expenditures levels should increase midstream companies' free cash flow levels and, in turn, give them the ability to increase their capital return strategies. Further, it is important to realize that the sector's balance sheet strength and free cash flow generation provides this additional flexibility through a potential down cycle.

The Case for Natural Gas Continues to Strengthen

While the setup for crude oil prices may be weaker in the short-term, natural gas demand drivers remain strong. The case for industrial re-shoring, A.I. and LNG development continues to improve. We expect structurally higher natural gas prices (albeit more volatile) to incentivize continued production growth. As we discussed in prior letters, we believe midstream companies with natural gas value chains are well positioned to capture that opportunity.

Relative performance has been consistent with this view. Gas-focused midstream companies have meaningfully outperformed oil/liquids-focused companies for the fiscal year-to-date, and particularly since "Liberation Day." On average, gas-focused midstream companies returned 2% during fiscal Q2 relative to a 15% decline for oil/liquids-focused names.[10] Valuations reflect this bifurcation as well. Based on average enterprise value to 2026 EBITDA valuation multiples, gas-focused midstream companies trade at a ~3x premium to oil/liquids-focused names, or ~12x EV/EBITDA compared to ~9x EV/EBITDA, respectively.[10] The market response is not surprising, and we think this divergence in valuations could become more pronounced until the outlook for crude oil improves.

Outlook: Navigating an Uncertain Environment

As we look ahead to the second half of 2025, we remain constructive on the long-term fundamentals underpinning KYN's investments, even as policy and macroeconomic volatility complicate the path forward. While markets remain reactive to shifting headlines and policy developments, the underlying investment case for energy infrastructure continues to strengthen. The sectors in which we invest are benefiting from durable, demand-led growth that is resistant to near-term market volatility.

Our conviction in the midstream sector's ability to generate low-to-mid teens total returns over the next five years is unchanged.[11] The drivers, which include long-term volume growth in natural gas and NGLs, a surge in LNG feedgas demand, electrification and A.I.-driven load expansion, and durable, regulated rate base growth in power infrastructure,

Note: relevant footnotes can be found on page 5.

all remain intact. These structural tailwinds continue to support cash flow visibility, and we continue to expect mid-single-digit dividend and cash flow growth across KYN's portfolio.

We appreciate your investment in KYN and your trust and confidence in our strategy. We remain focused on disciplined portfolio management, capital preservation and generating attractive after-tax returns over the long run. 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

For more information:
cef@kaynecapital.com // 877.657.3863

www.kaynefunds.com

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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]Fund universe includes AMZA, CCCNX, CSHZX, EGLIX, EIPI, EIPIX, EMLP, EMO, GLEPX, GMLPX, HMSIX, IMLPX, INFIX, KYN, MDST, MLPNX, MLPOX, MLPTX, MLPZX, MLXIX, NML, NXG, PRPZX, RMLPX, SAIEX, SMLPX, SRV, TMLPX, TORIX, TYG, VLPIX, and WEEI.

[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]Fiscal Q2 2025 (3/1/25 – 5/31/25).

[9]Fiscal YTD (12/1/24 – 5/31/25).

[10]Returns and valuation multiples reflect the average of gas-focused companies including AM, DTM, KMI, LNG, TRP, and WMB, and oil/liquids-focused companies including HESM, KNTK, OKE, PAA, TRGP, and WES.

[11]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.

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