KAYNE ANDERSON
» ENERGY INFRASTRUCTURE

KAYNE ANDERSON ENERGY INFRASTRUCTURE FUND, INC. (KYN): FISCAL Q3 2026 LETTER

September 4, 2026

Dear Fellow Stockholders,

Fiscal Q3 2026 was a strong quarter for KYN. The Company's Net Asset Return was 10.3% for the quarter and 30.2% for the first nine months of the fiscal year.[1,2,3] KYN has been well positioned this year to capitalize on some of the most important trends in the broader market, including energy security and the power supercycle. As discussed in this quarterly update, we continue to have confidence in both the outlook for North American energy infrastructure and KYN's potential to generate low-to-mid teens annual returns over the next five years.[4]

This quarter was a continuation of many of the themes outlined in our recent shareholder letters. Geopolitical instability remains a defining feature of the global energy markets, as evidenced by the Iran conflict and the Russo-Ukrainian war. Against this backdrop, the strategic importance of North American energy infrastructure is clear – these assets play an essential role in connecting reliable sources of supply with global demand centers.

Let's take a minute to reflect on what has transpired over the last few years: Five years ago, the midstream sector emerged from a period of significant disruption. KYN's portfolio investments have since strengthened balance sheets, improved capital discipline and generated substantial free cash flow. Further, these companies' growth outlooks have steadily improved. KYN's investment team capitalized on these positive developments, with the Company generating a Net Asset Return of 194% over this five-year time period.[5] We are pleased with this performance and excited for the next five years – the Company's portfolio, balance sheet and management team are well positioned to capitalize on the market opportunity.

Performance & Positioning

Midstream equities performed well during the quarter, with the AMNA up 8.1%.[6] Notably, KYN outperformed the AMNA by approximately 230 basis points. Within midstream, MLPs generally outperformed their C-Corp counterparts, and liquids-focused companies generally outperformed natural gas-focused peers. Midstream underperformed broader energy (as measured by the XLE) during the quarter.[7] This was to be expected, as the latter's greater direct commodity price exposure allowed it to benefit more significantly from rising commodity prices.

Utilities had a more challenging quarter, with the XLU down 4.3%.[8] Higher interest rates were a headwind, with 10-year and 30-year U.S. Treasury bond yields both up approximately 25 bps during the quarter. The fundamental backdrop, however, remains strong as utilities continue to capitalize on growing domestic power needs.

We continued to increase KYN's allocation to liquids-focused midstream companies, and the Company's current portfolio mix provides investors with balanced exposure to liquids- and natural gas-focused midstream companies. As of August 31, 2026, KYN's portfolio was invested in 97% midstream, 2% in power infrastructure and 1% in other investments. KYN's downside cushion remains in line with our target range of 55% to 60%.[9] Flexibility remains a priority, and we plan to continue to manage the Company with more conservative leverage levels.

	Equity Market Indices[11]			Energy Indices[11]			KYN[1]
	S&P 500	DJIA	NASDAQ	AMNA[6]	XLU[8]	XLE[7]	
Fiscal Q3[2]	1.7%	4.6%	(2.1%)	8.1%	(4.3%)	14.4%	10.3%
Fiscal YTD[3]	13.2%	12.8%	13.4%	30.1%	(4.9%)	44.6%	30.2%
Last Twelve Months[10]	20.4%	18.6%	23.6%	30.7%	2.9%	45.9%	32.5%

Note: Footnotes can be found on page 4.

Energy Infrastructure Update

Year-to-date financial results for the midstream sector have been very impressive. Companies have increased EBITDA guidance by approximately 5% since the beginning of the year and consistently exceeded quarterly estimates. For liquids-focused names, companies with integrated systems continue to benefit from heightened volatility, strong U.S. exports and wide price differentials. Meanwhile, natural gas-focused companies continue to make commercial progress on their project backlogs. We expect the sector to further advance growth projects in the coming quarters.

There were a handful of new projects announced during the quarter, including the Solitude Pipeline, Western Gateway, Delta Access and the Nederland export expansion. These are high-quality growth projects with attractive return profiles supported by idiosyncratic growth drivers: growing natural gas production from the Permian Basin, U.S. liquefied natural gas (LNG) and natural gas liquids (NGL) exports and a tight refined products market in the western part of the country.

Consolidation remains a dominant theme within energy infrastructure, predominantly through the acquisition of privately held midstream companies by their publicly traded peers. Recent examples include Williams' (WMB) acquisition of Momentum Midstream, Enbridge's (ENB) acquisition of Salt Creek Midstream's crude oil gathering assets and ONEOK's (OKE) acquisition of Brazos Midstream's gas gathering and processing assets. In our view, these transactions are positive and enhance the value of KYN's investments in these publicly traded companies. We expect these types of transactions to continue in the near term.

Given the sector's history, we remain focused on the pace and quantity of capital expenditures as both organic growth projects and M&A activity accelerate. Aggregate annual capital spending on growth projects by the midstream sector is approaching $65 billion, but today's strong balance sheets and cash flows provide a durable funding base. To date, we have not seen evidence of discipline fading, but our experience makes us naturally more cautious when growth ambitions accelerate.

An emerging trend has been the increasing use of alternative financing structures by midstream companies to facilitate growth. During the quarter, Enbridge (ENB), Williams (WMB) and ONEOK (OKE) announced minority investments from financial sponsors. These transactions were structured as equity investments and contain many "issuer-friendly" terms (e.g., low cost of capital, minimal governance rights and flexible repayment provisions). We are pleased to see private capital providers focus on the energy infrastructure sector and understand the strategic rationale for companies to consider this source of capital. However, we are cognizant of the potential risks associated with these types of financial arrangements and are watching these developments closely.

Market Commentary

The Iran conflict continues to drive the energy market narrative, and our view remains consistent: we see a difficult path to resolution and an extended timeline to normalization. Commodity prices were volatile during the quarter, continuing a trend we have seen for most of 2026. Crude oil and international natural gas prices declined following the signing of the Memorandum of Understanding (MOU) and renewed optimism for a definitive peace deal. That optimism proved to be short-lived, and commodities rallied as the agreement unraveled in July. Crude oil prices ended the quarter in the mid-to-high $80 per barrel range, up from lows in late June of around $70 per barrel.

The conflict has broadened beyond the immediate Persian Gulf region over the past few months. The Houthis have targeted Saudi commercial vessels in the Red Sea and infrastructure assets at the Port of Yanbu. Saudi Arabia has utilized this export route to bypass the Strait of Hormuz, and it has been an important offset for lost Middle East supply. That outlet has now turned into a secondary chokepoint as transits out of the Red Sea have been periodically attacked. Nonetheless, the energy sector has proven to be very resourceful in finding ways to get crude oil to market, a trend we expect to continue.

Several "buffers" in the global energy market have helped temper a more severe commodity price response, with strategic reserve releases and lower-than-expected Chinese crude imports absorbing some of the supply disruption. However, those offsets are temporary and are unlikely to fully offset sustained supply-side losses. The U.S. Strategic Petroleum Reserve (SPR) has already been drawn down below 300 million barrels, a level last seen in the early 1980s, raising questions around how much domestic inventories can decline before operational constraints become an issue. We expect

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SPR releases to slow over the next few months. At the same time, Chinese crude oil imports appear to have bottomed. China's activity in the crude oil market will be an important driver going forward, although its activity levels remain difficult to assess with certainty given limited transparency.

The impact on refined products markets has been considerably more acute. Refining crack spreads have increased sharply, with the Gulf Coast 3-2-1 proxy rising above $60 per barrel and diesel prices recently trading as high as $200 per barrel. Unlike crude oil markets, where inventories and demand shifting can act as buffers, product markets have fewer options to offset supply loss. Those pressures were intensified during the quarter as Ukraine increasingly targeted Russian refiners, and roughly 3-4 million b/d of Russian capacity is offline as a result of those attacks. Russia has been an important global supplier of refined products, and due to the damage to its energy infrastructure, it is now a net importer. This is a meaningful shift in global product balances, even if it is a temporary phenomenon. At the same time, reduced Chinese crude oil imports have driven a meaningful reduction in Chinese refined products exports, further tightening global supply.

More recently, there have been several energy deals announced in Venezuela – the most noteworthy being an agreement between Venezuela, a private company and the U.S. government involving a 100-year concession for 17 oil fields. While the headlines are eye-popping (65 billion barrels of proven reserves), much is uncertain at this time, and we believe it will take a considerable amount of time and capital for this to translate into incremental oil production that is exported to the global market.

For natural gas-focused infrastructure, the call on domestic gas continues to accelerate. The combination of growing power loads and LNG exports creates a very positive backdrop for KYN's portfolio investments. The midstream sector has done an excellent job capitalizing on this opportunity thus far and we expect that to continue.

Looking forward to the midterm elections in November, we expect high energy prices to receive plenty of attention from both politicians and voters. Inflation is top of mind, and addressing higher costs for U.S. consumers will likely be a primary policy issue throughout those campaigns. As a reminder, the North American energy infrastructure sector remains very well positioned to navigate a higher-than-expected inflationary backdrop – these companies own and operate hard assets with firm contracts and inflation escalators.

Why Invest in KYN?

With its flexible investment mandate, permanent capital base, and expertise in providing capital solutions to public and private companies, we believe KYN is an attractive way to gain exposure to the North American energy infrastructure sector. The Company provides this exposure in an easy-to-own structure with daily liquidity, an attractive monthly distribution, and the tax simplicity of a single Form 1099.

We appreciate the trust you have placed in us and are grateful for your support. We remain confident in KYN's positioning for the remainder of 2026 and beyond. We value the opportunity to connect with our fellow stockholders and encourage you to reach out with questions, comments, or feedback.

Sincerely,

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

[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 the Company's dividend reinvestment plan).

[2]Fiscal Q3 (June 1, 2026 – August 31, 2026).

[3]Fiscal year-to-date (December 1, 2025 – August 31, 2026).

[4]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 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 set forth herein should not be viewed as an indicator of likely performance or investor returns. While subject to numerous assumptions, the primary considerations incorporated into these target returns are estimated dividend yields from portfolio holdings 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% for KYN's portfolio investments. After incorporating the impacts of fees, expenses and leverage, Kayne Anderson views KYN as having the potential to generate 10% to 15% 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.

[5]Last five years (September 1, 2021 – August 31, 2026).

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

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

[8]The selected 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.

[9]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.

[10]Last twelve months (September 1, 2025 – August 31, 2026).

[11]Unless otherwise noted, all returns presented in this letter are total return calculations assuming the reinvestment of dividends.

All investments involve risk, including possible loss of principal. An investment in the fund could suffer loss. Past performance is not a guarantee of future results.

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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