

**Kayne Anderson**

*Capital Advisors, L.P.*

# KAYNE ANDERSON CLOSED-END FUND UPDATE

DECEMBER 2020

**Note: A podcast accompanying this presentation can be found at  
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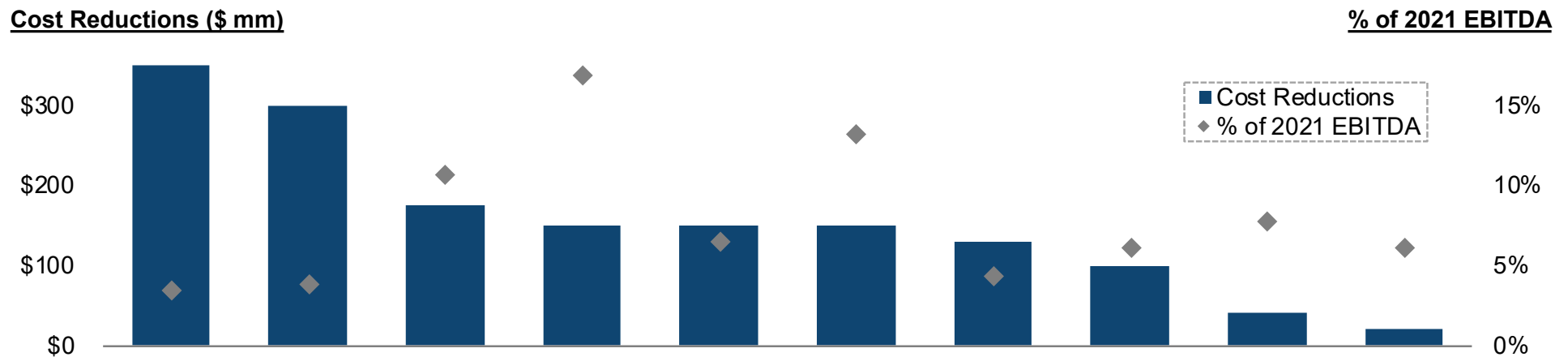
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# Midstream Earnings Trends

- ◆ Majority of companies met or exceeded 3<sup>rd</sup> quarter expectations
- ◆ Cost saving initiatives advertised as sustainable
- ◆ Sector focused on deleveraging and returning cash to shareholders
- ◆ New buyback plans announced
- ◆ Increased focus on ESG initiatives and positioning businesses for the energy transition

## 2021 Estimated Cost Reductions<sup>(1)</sup>



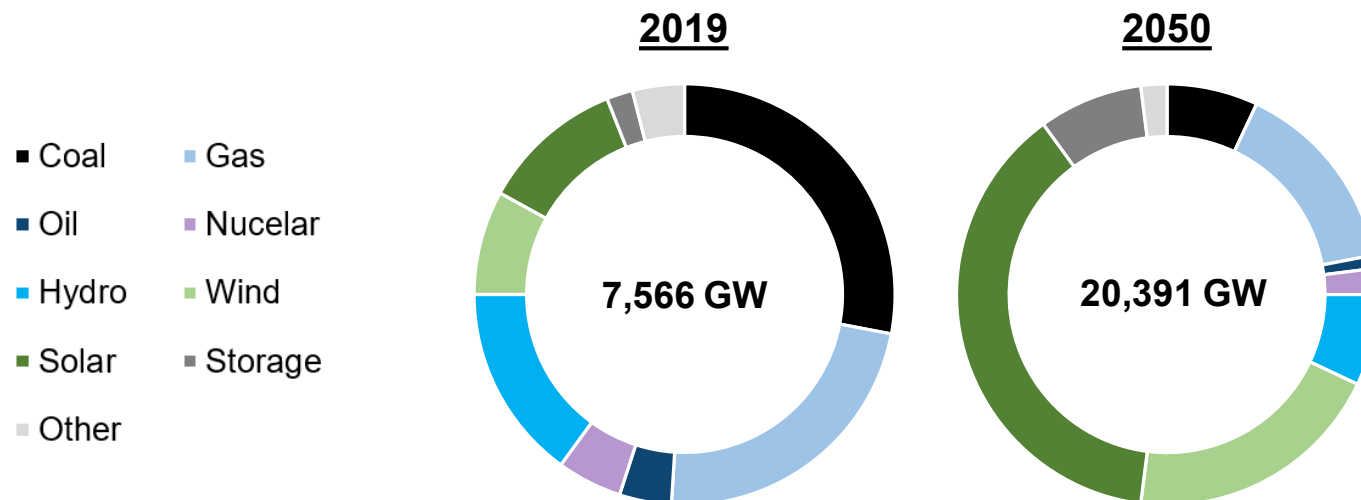
**\$1.5 billion of Sustainable Operating & G&A Cost Reductions**

Source: FactSet, Kayne Anderson research, and company disclosures. Note: KYN's top 10 midstream holdings referenced in the podcast as of 11/30/20, with securities grouped by issuer. Portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation or solicitation to buy, sell or hold any particular security. You can obtain a complete listing of holdings by viewing our quarterly or annual report for the most recently completed period.

(1) 2021 cost reductions and EBITDA estimates for CEQP, DCP, ENLC, EPD, ET, NBLX, OKE, PAA, TRGP, and WES.

- ◆ The sector has had a very strong year, despite the COVID-19 pandemic
- ◆ Massive investment expected – multi-decade growth outlook
- ◆ Governments and private corporations provide tailwinds for investment and growth
- ◆ Management remains focused on capacity additions and project backlogs

## Global Installed Capacity Mix: 2019 vs. 2050<sup>(1)</sup>

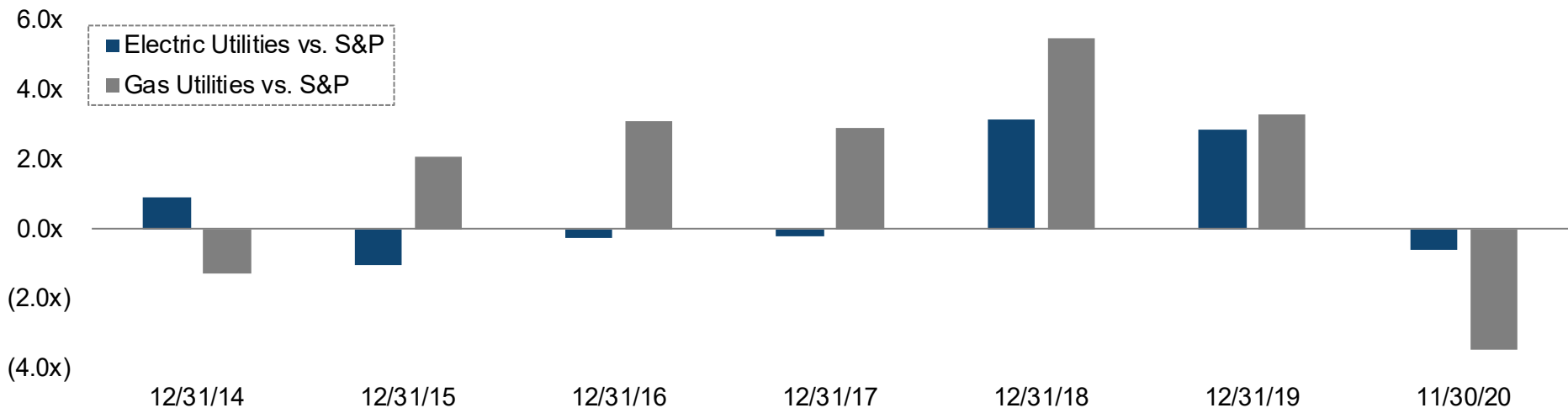


**Installed Wind & Solar Capacity Will Grow By 8x Over the Next 30 Years**

(1) Bloomberg New Energy Finance 2020 Economic Transition scenario.

- ◆ Very few COVID-related impacts to earnings
- ◆ Energy transition will allow for outsized EPS growth
- ◆ Sector continues to trade at a discount to the S&P 500, although valuations are bifurcated
- ◆ Investors calling for greater exposure to traditional regulated earnings

**P/E Ratios: Utilities vs. S&P 500<sup>(1)</sup>**



## Utilities Attractively Valued When Compared to the S&P 500

Source: Bloomberg. Note: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 11.2 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 4.6 trillion of this total. The index includes 500 leading companies and covers approximately 80% of available market capitalization. It is not possible to invest directly in an index. The mention of specific securities is not a recommendation or solicitation to buy, sell or hold any particular security.

(1) Represents price / one year forward EPS. Gas utility multiples based on market cap weighted average of ATO, NI, CPK, and SWX. Electric utility multiples based on market cap weighted average of AEP, AES, D, DUK, EIX, ES, ETR, EVRG, EXC, FE, NEE, PEG, PPL, and XEL.

## Midstream:

- ◆ Global crude demand continues to improve
- ◆ NGL and LPG demand will remain robust
- ◆ Significant free cash flow generation

## Renewable Infrastructure:

- ◆ Very strong macro tailwinds
  - Significant growth and investment expected
- ◆ Sector is fragmented – material valuation disparities exist

## Utilities:

- ◆ Sector is attractively valued
- ◆ Energy transition positions utilities for outsized rate base growth

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## **KAYNE ANDERSON: LEADING THE WAY IN ALTERNATIVE NICHE INVESTING SINCE 1984**

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