

Kayne Anderson

Capital Advisors, L.P.



KAYNE ANDERSON MIDSTREAM MARKET UPDATE

MARCH 2019

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Topics Covered in Today's Presentation

- ◆ Fiscal Q1 2019 Performance
- ◆ Recap of Q4 2018 Earnings
- ◆ Simplification Transactions

Note: A podcast accompanying this presentation can be found at www.kaynefunds.com/events-and-presentations.

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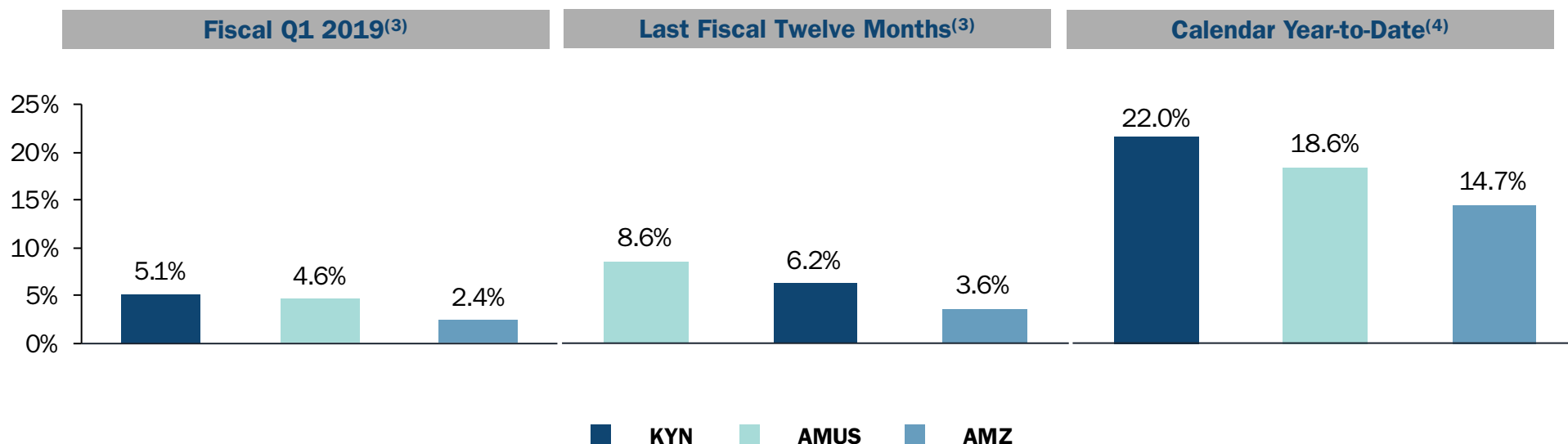
KYN Performance

KYN performed well during the first quarter of fiscal 2019 (total NAV return of 5.1%)

- Outperformed AMZ and AMUS
- Positive quarterly return despite market weakness during December
- Total return of 6.2% for the fiscal 12 month period ended February 28, 2019; outperformed the AMZ by 2.6% and lagged the AMUS by 2.4%

KYN is also a top performer calendar year-to-date, generating a total return of 22.0%

KYN Total Returns (Adjusted NAV)⁽¹⁾⁽²⁾



Note: Performance data quoted represents past performance. Past performance is not a guarantee of future results. Current performance may be lower or higher than that shown based on market fluctuations from the end of the reported period.

(1) Total Return reflects Adjusted NAV return defined as NAV plus reinvested dividends paid during the period, divided by NAV at the beginning of the period.

(2) Returns for the Alerian US Midstream Energy Index (AMUS) and the Alerian MLP Index (AMZ) are total returns.

(3) Returns are for the period ended February 28, 2019.

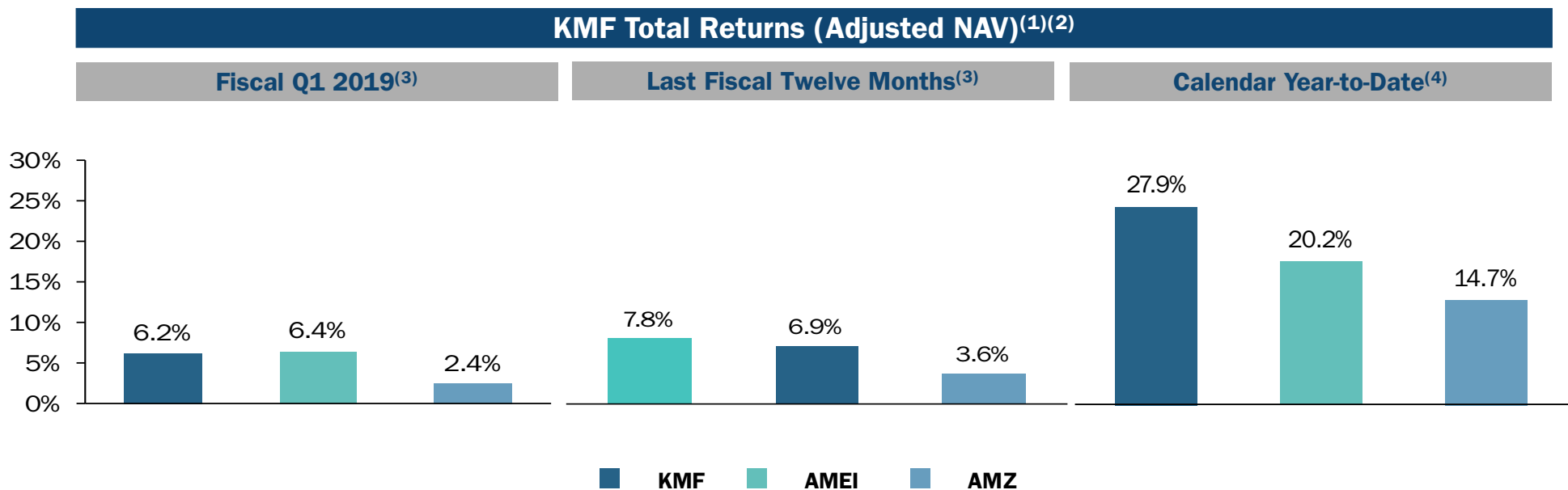
(4) Returns are for the period ended March 15, 2019.

KMF Performance

KMF performed well during the first quarter of fiscal 2019 (total NAV return of 6.2%)

- Outperformed the AMZ; lagged the AMEI by 0.2%
- Positive quarterly return despite market weakness during December
- Total return of 6.9% for the fiscal 12 month period ended February 28, 2019; 0.9% less than AMEI but 3.3% better than AMZ

KMF is also a top performer calendar year-to-date, generating a total return of 27.9%



Note: Performance data quoted represents past performance. Past performance is not a guarantee of future results. Current performance may be lower or higher than that shown based on market fluctuations from the end of the reported period.

(1) Total Return reflects Adjusted NAV return defined as NAV plus reinvested dividends paid during the period, divided by NAV at the beginning of the period.

(2) Returns for the Alerian Midstream Energy Select Index (AMEI) and the Alerian MLP Index (AMZ) are total returns.

(3) Returns are for the period ended February 28, 2019.

(4) Returns are for the period ended March 15, 2019.

Midstream Valuations

While the market has rallied from its late December lows, Midstream valuations remain compelling

KYN Portfolio Statistics ⁽¹⁾		
Metric	Statistic	
Current Yield	7.4%	
	2019	2020
EV / EBITDA	10.5x	9.9x
P / DCF	9.1x	8.4x
P / E	16.2x	14.3x
Distribution Coverage Ratio	1.5x	1.4x
Debt / EBITDA	4.2x	4.0x

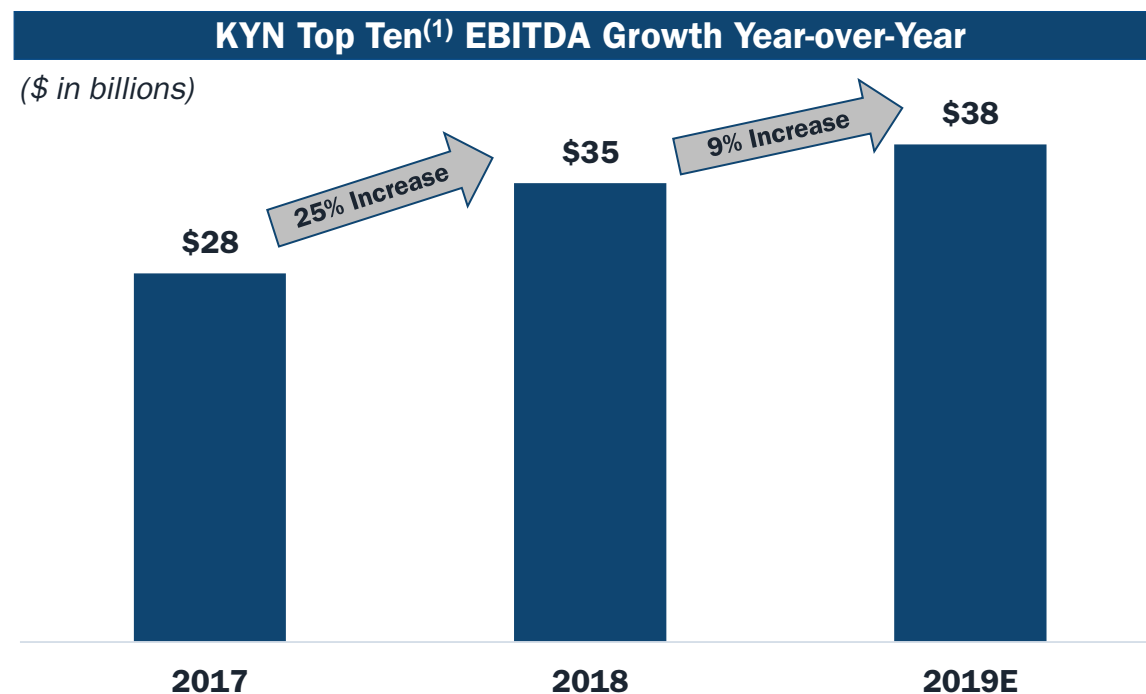
Source: Kayne Anderson Research, FactSet consensus estimates as of March 15, 2019.

(1) Metrics are based on the weighted average of KYN's portfolio as of February 28, 2019. Portfolio holdings are subject to change without notice. You can obtain a complete listing of holdings by viewing our quarterly or annual report for the most recent completed period.

Recap of Q4 2018 Earnings

Key takeaways from fourth quarter earnings season:

- 2018 was a year of record financial results for many midstream companies
- Investors will continue to push for structural simplicity, less reliance on capital markets and capital discipline
 - Capital spending plans for 2019 and 2020 are key area of focus
 - Private capital continues to play an important role in the midstream industry
- Upstream sector is responding to investor demands for capital discipline and focus on shareholder returns
 - Capex is declining more than expected during 2019, but production will continue to grow



Source: Kayne Anderson Research, FactSet consensus estimates as of March 15, 2019.

(1) Based on KYN's top 10 holdings as of February 28, 2019. Portfolio holdings are subject to change without notice. You can obtain a complete listing of holdings by viewing our quarterly or annual report for the most recent completed period.

Simplification Transactions

Simplification transactions between MLPs and Midstream Companies is the most impactful industry trend over last four years

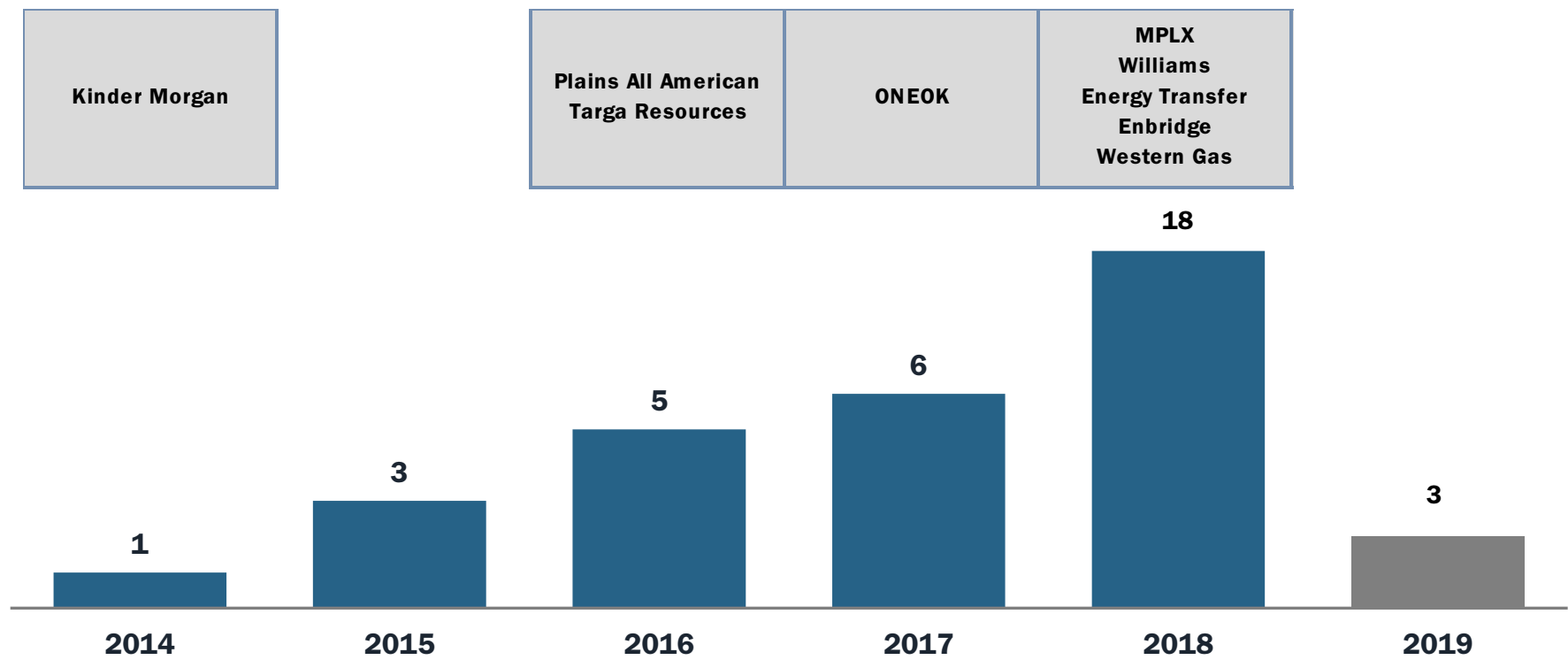
- 36 simplification transactions announced over this time period
- The first such transaction was Kinder Morgan's roll-up of its MLPs in 2014
 - Energy Transfer, Williams, ONEOK, Enbridge and Plains are other large cap midstream companies that have completed these types of transactions
- While we expect this trend to continue, we believe that the remaining transactions will have less of an impact on distributions paid to MLP investors (as measured by the impact on the Alerian MLP Index's yield)
 - Larger MLPs have already completed their simplification transactions
 - Partnerships that still need to address IDRs are predominately small/mid cap entities
 - A good example of this is the recent transaction between PBFX and PBF

Simplification Transactions – 2014 to Present

The pace of simplification transactions has accelerated over the last 24 months as companies have reacted to investor demands

- 2018 was by far the most active year
- Of the 32 midstream MLPs we follow, 18 still have IDRs

Simplification Transactions by Year⁽¹⁾



Note: Table above includes select, representative but not all inclusive, simplification transactions announced during the stated year. Notable transactions are in bold. The mention of specific securities is not a recommendation or solicitation for any person to buy, sell or hold any particular security.

(1) Simplification transactions include buy-ins, mergers of partnerships under common-control and IDR restructurings.

Simplification Transactions

Another way to illustrate the impact of these simplification transactions is to look at the changes in the Alerian MLP Index over the last four years:

Alerian MLP Index	September 2014	Today
Percentage of Index with IDRs ⁽¹⁾	62%	13%

Our portfolios have evolved meaningfully as well. Today, the vast majority of KYN and KMF's portfolios are invested in companies that do not have IDRs:

KYN's Portfolio	August 2014	Today
Percentage of Portfolio with IDRs	78%	12%

Note: Based on KYN's portfolio as of March 15, 2019 and the AMZ's constituents as of the March 11, 2019 special rebalancing.

(1) This percentage includes AMZ constituents with IDRs (based on such constituent's index weighting).

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