

**Kayne Anderson**

*Capital Advisors, L.P.*

# **KAYNE ANDERSON MIDSTREAM MARKET UPDATE**

January 2020

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- ◆ Fund Performance
- ◆ Evolution of Energy Industry Since 2004
- ◆ Midstream Market Update

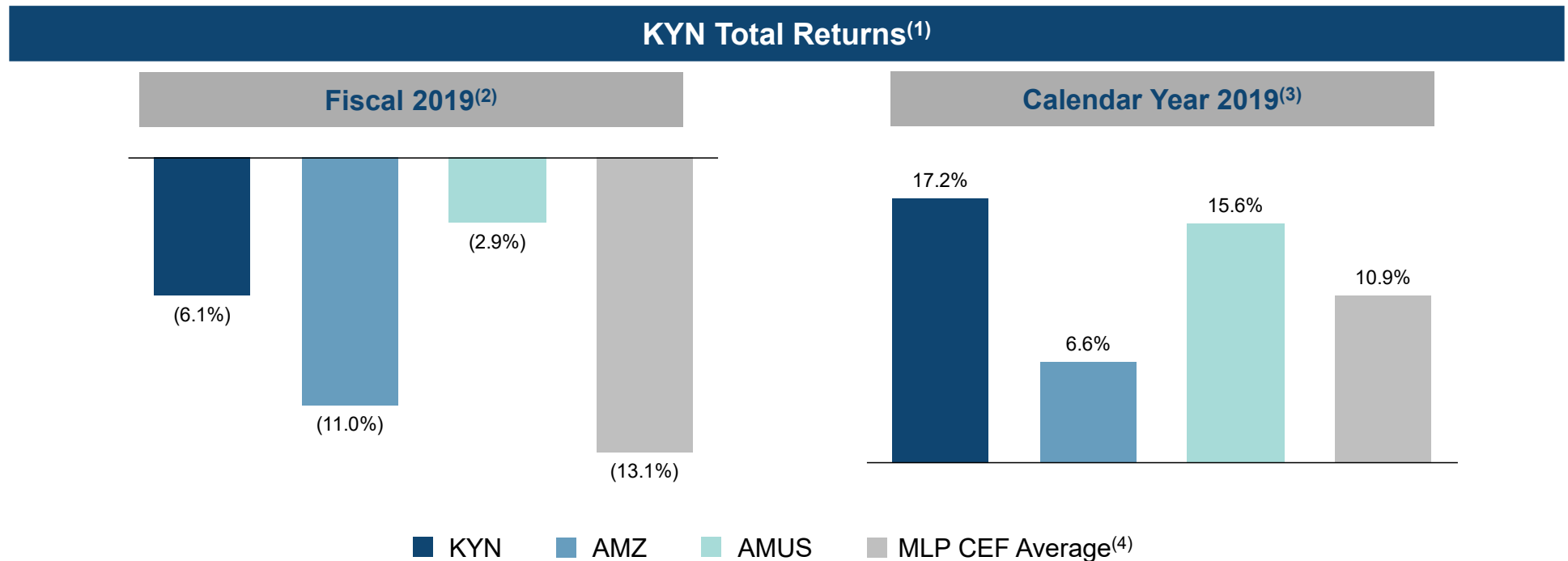
**Note: A podcast accompanying this presentation can be found at**  
**[www.kaynefunds.com/insights](http://www.kaynefunds.com/insights)**

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## KYN generated a total return of negative 6.1% for fiscal 2019

- ◆ Outperformed the AMZ for both the fiscal fourth quarter and fiscal year 2019

## KYN generated a total return of 17.2% for calendar year 2019



*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) KYN 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) Fiscal year returns reflect the twelve month period from December 1, 2018 - November 30, 2019.*

*(3) Calendar year returns reflect the twelve month period from December 31, 2018 – December 31, 2019.*

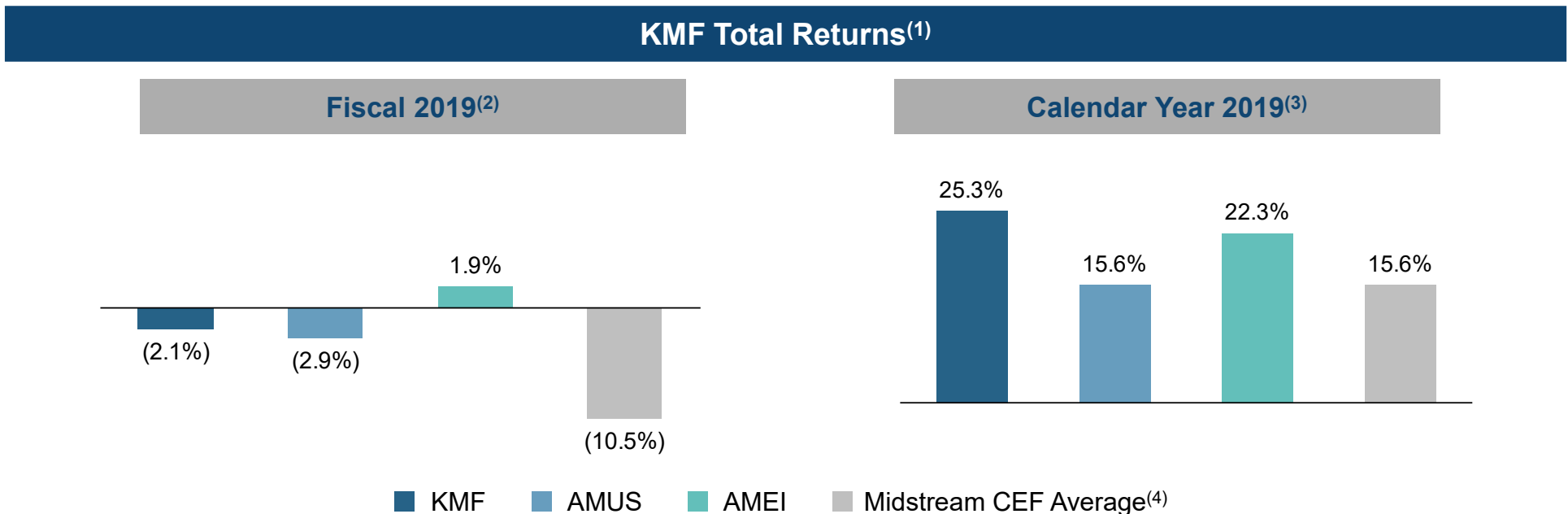
*(4) MLP CEF average consists of 10 MLP closed-end fund peers with similar investment strategies as KYN.*

## KMF generated a total return of negative 2.1% for fiscal 2019

- ◆ Outperformed the AMZ

## KMF generated a total return of 25.3% for calendar year 2019

- ◆ Outperformed the AMEI as well as the AMZ



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(1) KMF 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) Fiscal year returns reflect the twelve month period from December 1, 2018 - November 30, 2019.

(3) Calendar year returns reflect the twelve month period from December 31, 2018 – December 31, 2019.

(4) Midstream CEF average consists of 2 midstream closed-end fund peers with similar investment strategies as KMF.

### KYN Top 10 Holdings

November 30, 2014	
Ticker	% of Portfolio
KMI	13.2%
EPD	9.3%
ETP	6.2%
RGP	5.8%
MWE	5.6%
WPZ	5.5%
PAA	4.7%
DPM	4.1%
OKE	3.5%
ACMP	3.1%
<b>TOTAL</b>	<b>60.9%</b>

November 30, 2019	
Ticker	% of Portfolio
EPD	14.3%
ET	9.9%
OKE	8.6%
WMB	8.5%
MPLX	7.9%
MMP	6.6%
PAA	4.8%
TRGP	4.5%
SHLX	4.4%
WES	3.4%
<b>TOTAL</b>	<b>72.9%</b>

### Annual Performance

(based on total return) <sup>(1)</sup>	KYN Annual Performance (Fiscal Year)										
	10-Yrs	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rank vs Peers <sup>(2)</sup>	1st	1st	2nd	3rd	1st	5th	9th	1st	5th	1st	4th
Performance vs. AMZ	21%	1%	(1%)	(1%)	7%	2%	(9%)	5%	(1%)	13%	2%

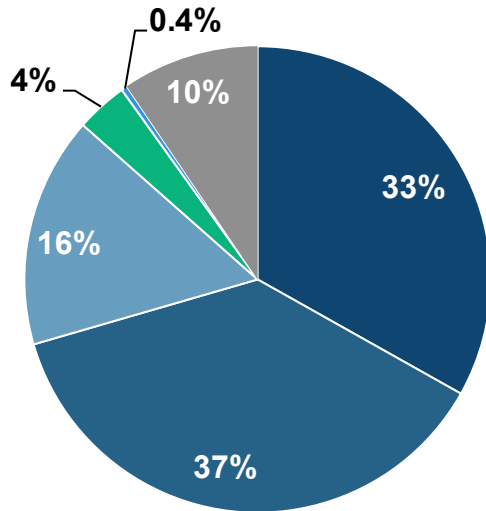
Note: Performance data quoted represents past performance. Past performance is not a guarantee of future results. Current performance may be lower or higher than that shown based on market fluctuations from the end of the reported period. Portfolio holdings are subject to change without notice. The mention of specific securities is not a recommendation or solicitation for any person 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 recent completed 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.

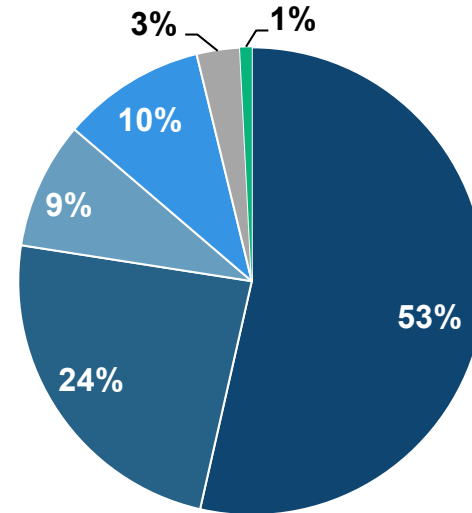
(2) Performance ranking in a given period is relative to KYN's MLP closed-end fund peers.

## KMF Sector Allocations

**November 30, 2017**



**November 30, 2019**

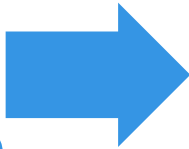


■ Midstream C-Corps 
 ■ MLP & MLP Affiliates 
 ■ Marine Transportation 
 ■ Credit 
 ■ Renewables/Utilities 
 ■ Other Energy

## Notable Renewables/Utilities Holdings

**November 30, 2017**

NEP



**November 30, 2019**

BEP    NEP    AY  
 NEE    SRE    NPI  
 AQN    INE    RNW

## KYN Guidance

*“The Company announced that it plans to maintain the monthly distribution at \$0.12 per share for the next 12 months (through the distribution to be paid in December 2020). Beyond this 12-month guidance period, management expects to recommend to the Company’s Board of Directors that it maintain the Company’s distribution at its current level for the foreseeable future. Payment of future distributions is subject to the Board of Directors approval, as well as meeting the covenants of the Company’s debt agreements and terms of its preferred stock.”*

## KMF Guidance

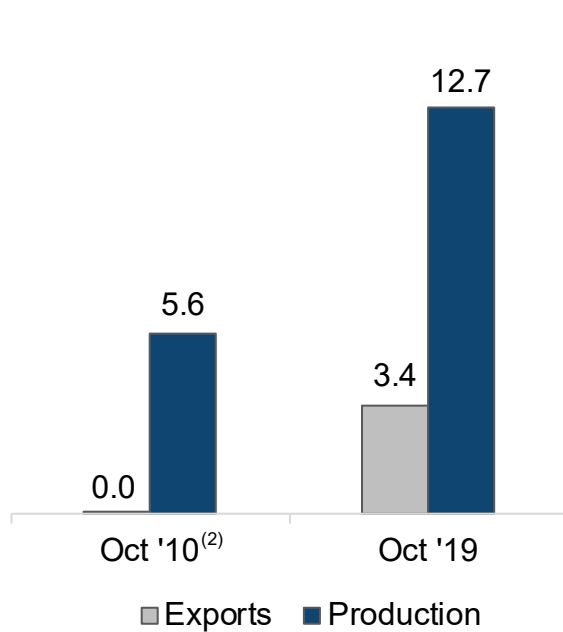
*“The Fund announced that it plans to maintain the monthly distribution at \$0.075 per share for the next 12 months (through the distribution to be paid in December 2020). Beyond this 12-month guidance period, management expects to recommend to the Fund’s Board of Directors that it maintain KMF’s distribution at its current level for the foreseeable future. Payment of future distributions is subject to the Board of Directors approval, as well as meeting the covenants of the Fund’s debt agreements and terms of its preferred stock.”*

# U.S. Production & Export Trends

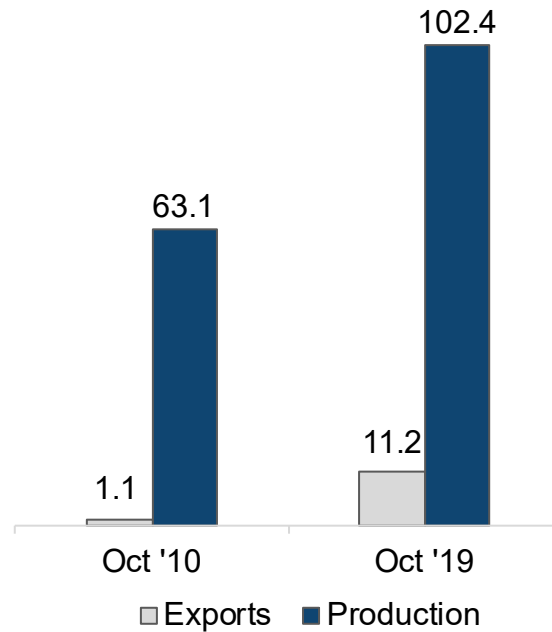
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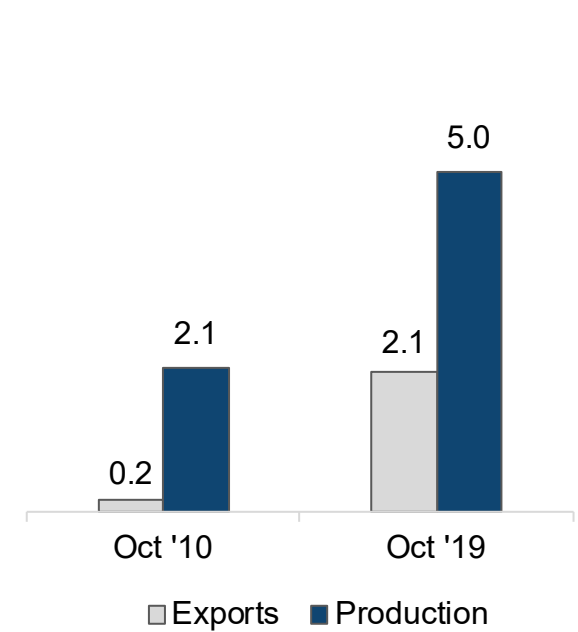
## Crude Oil (MMBbl/d)



## Natural Gas (Bcf/d)<sup>(1)</sup>



## NGLs (MMBbl/d)



Source: EIA data through October 31, 2019.

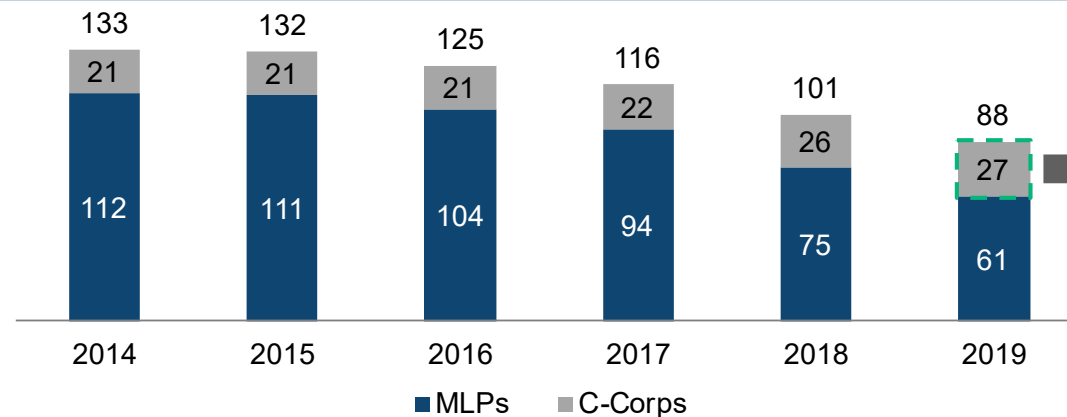
(1) Includes LNG exports and pipeline exports to Mexico only.

(2) October 2010 exports equal to 23 Mbbbl/d.



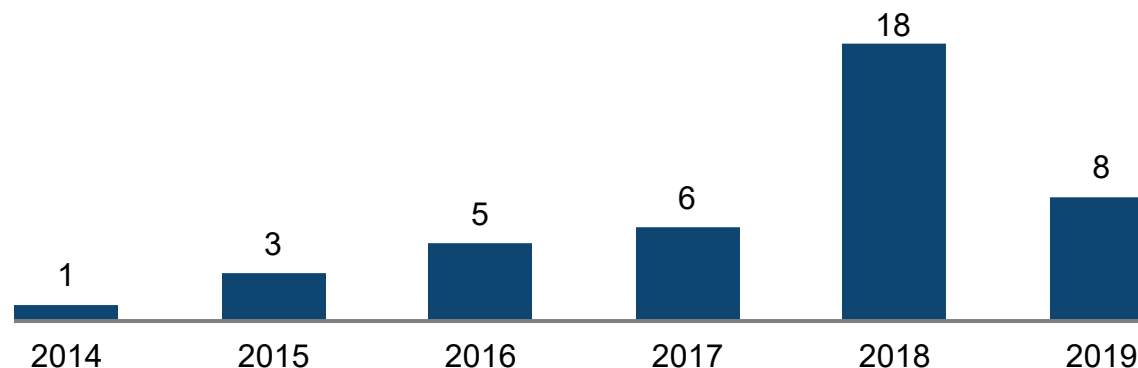
- ◆ Restructurings, simplifications, C-Corp conversions, and M&A have caused the number of midstream companies to shrink dramatically over the past five years
- ◆ Most MLPs have eliminated Incentive Distribution Rights (“IDRs”) and the midstream sector has improved leverage levels and distribution coverage ratios

**Number of Midstream MLPs and C-Corps Over Time<sup>(1)</sup>**



These 27 c-corps make-up >50% of the total midstream universe equity market cap

**Midstream Simplifications<sup>(2)</sup>**



Source: Kayne Anderson research.

(1) Includes Canadian midstream companies with US listings.

(2) Includes simplification transactions (buy-ins, mergers of partnerships under common control) and IDR restructurings.

## **Midstream enters 2020 on sound financial footing**

- ◆ Most companies are comfortably covering their distributions and are less dependent on external capital sources
- ◆ Capital discipline is an important area of investor focus

## **We're very optimistic about energy infrastructure over the next decade**

- ◆ The energy industry is listening to investors – primary focus on capital discipline and returning capital to shareholders
- ◆ Midstream industry structural transformation is largely complete
- ◆ We're in the early stages of a mega-trend in renewable energy infrastructure investment

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- ◆ *Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF) 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 Fund's investment objective is to provide a high level of total return with an emphasis on making cash distributions to its stockholders by investing at least 80% of its total assets in securities of companies in the Midstream/Energy Sector, consisting of: (a) Midstream Master Limited Partnerships ("MLPs"), (b) Midstream Companies, (c) Other MLPs and (d) Other Energy Companies. The Fund anticipates that the majority of its investments will consist of investments in Midstream MLPs and Midstream Companies. See Glossary of Key Terms in the Fund's quarterly reports for a description of these investment categories and for the meaning of capitalized terms.*
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