

Kayne Anderson

Capital Advisors, L.P.



KAYNE ANDERSON MIDSTREAM MARKET UPDATE

JULY 2019

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- ◆ Fund Performance
- ◆ Midstream Market Update

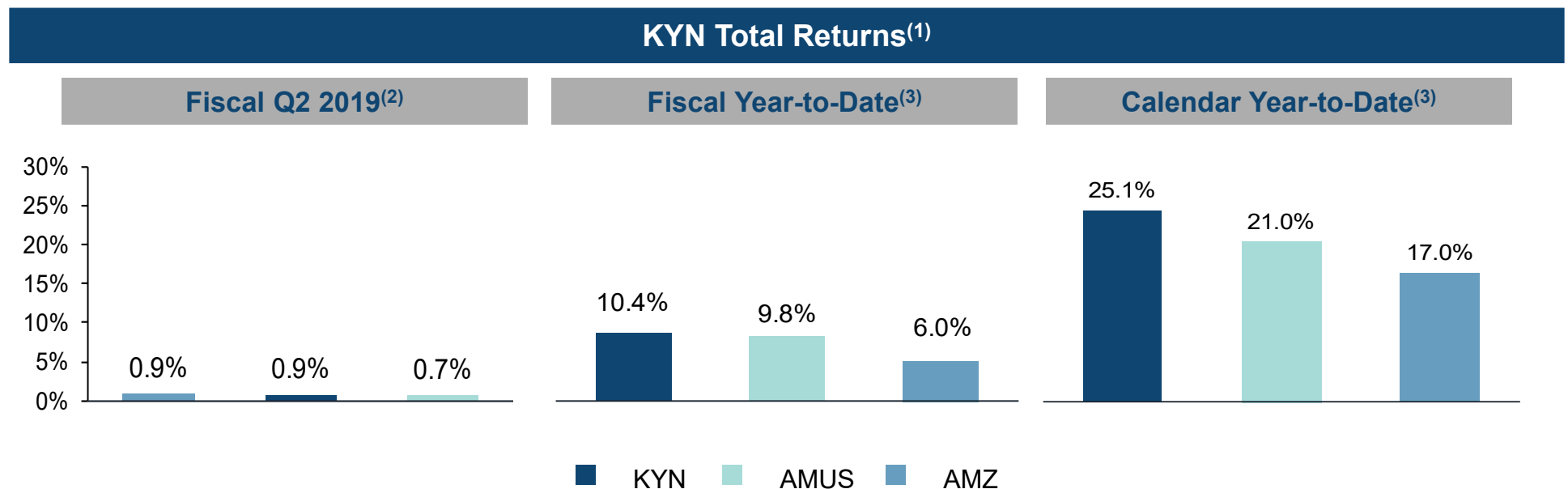
Note: A podcast accompanying this presentation can be found at
www.kaynefunds.com/insights

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KYN generated a total return of 0.9% for the second fiscal quarter of 2019

◆ Performed in line with the AMZ and outperformed the AMUS

KYN generated a total return of 10.4% for the first seven months of fiscal 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) Returns reflected are for the three months ended May 31, 2019.

(3) Fiscal year returns reflect the seven month period from December 1, 2018 - June 30, 2019; calendar year returns reflect the six month period from January 1, 2019 - June 30, 2019.

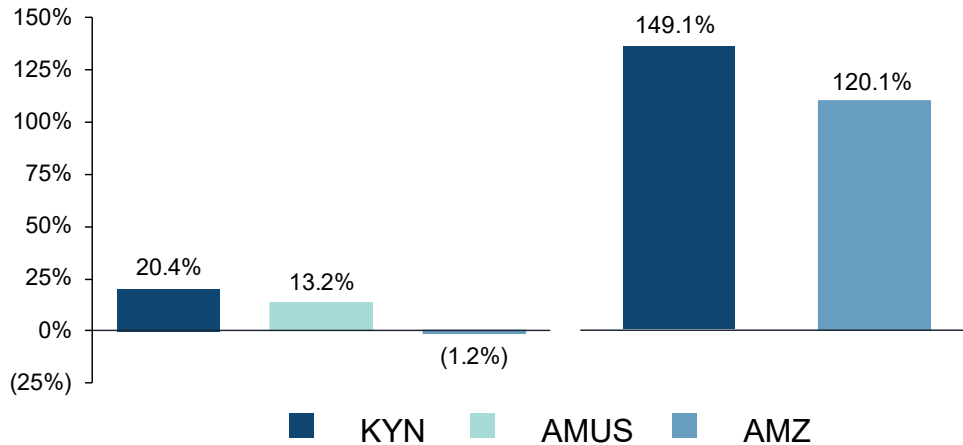
KYN has outperformed on a longer-term basis

Historical Total Returns⁽¹⁾⁽²⁾

KYN vs Indices

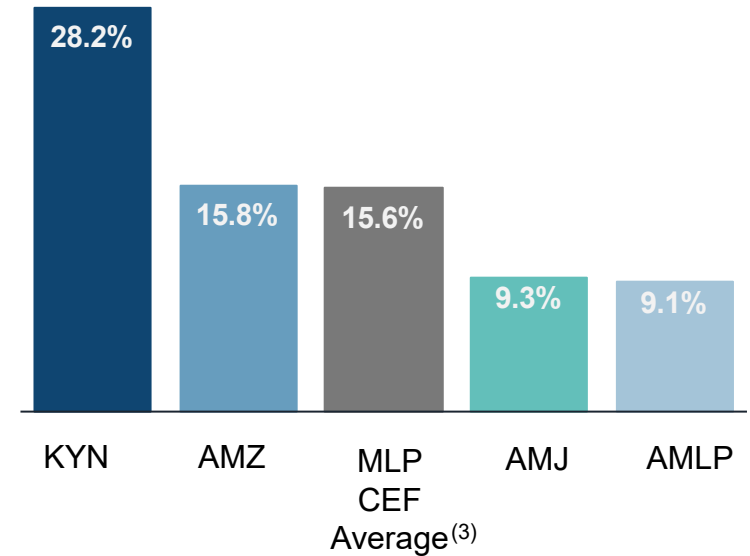
3-Year

10-Year



KYN vs Peer Products

8-Year (inception of ETF)



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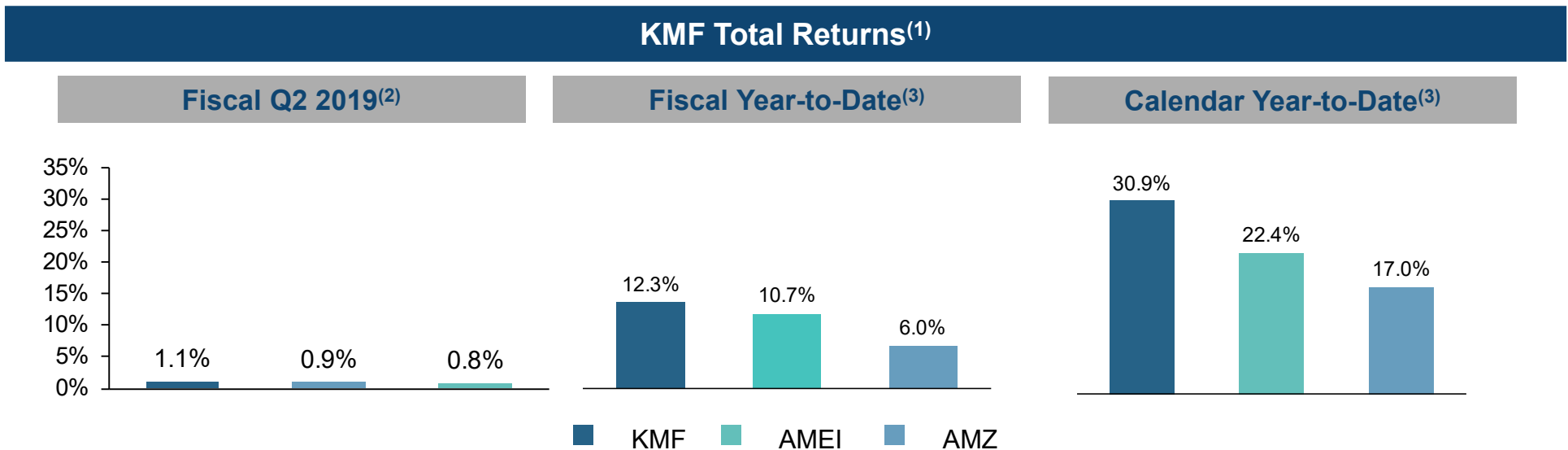
(2) Returns reflected are for the period ended June 30, 2019.

(3) MLP CEF average is comprised of KYN and 6 other closed-end funds whose structure, investment strategies and objectives, in the opinion of KAFA, most closely resemble that of KYN.

KMF performed well during the second fiscal quarter of 2019 (total return of 1.1%)

- ◆ Outperformed the AMEI as well as the AMZ

KMF generated a total return of 12.3% for the first seven months of fiscal 2019



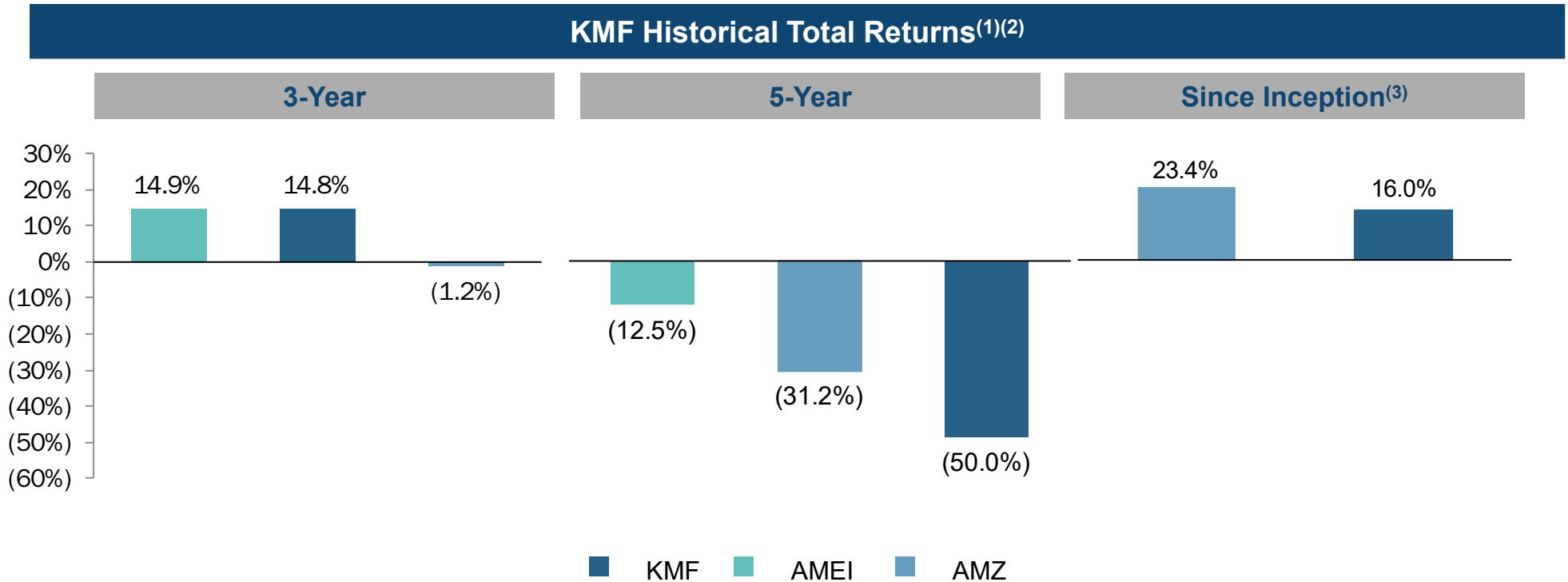
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(1) KMF total return reflects adjusted NAV return defined as NAV plus reinvested dividends paid during the period, divided by NAV at the beginning of the period.

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KMF has meaningfully outperformed the AMZ over the last three years



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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) Returns reflected are for the period ended June 30, 2019.

(3) KMF inception date: November 24, 2010. Does not include the AMEI total returns for this period because this index was not launched until April 2013.

The midstream operating environment was strong during the first quarter, leading to a large number of big “beats” and fewer “misses” than in prior quarters

- ◆ EPD, ENB, ET, PAA, MMP, DCP and PBA beat consensus estimates by 10%+

Favorable backdrop for midstream continues to create the opportunity to make new investments

- ◆ Additional midstream assets are needed to enhance connectivity to Gulf Coast and facilitate sufficient export capacity

Investors are focusing on when companies will begin to generate meaningful amounts of free cash flow

- ◆ Investors and management teams continue to debate the most efficient way to return cash to shareholders

Expect midstream industry to post solid results for the second quarter

- ◆ Areas of focus include: impact of commodity price volatility, outlook for second half of 2019 and free cash flow trends

M&A activity ramped up during the quarter

- ◆ The bidding war for Anadarko Petroleum (APC), which was ultimately won by Occidental (OXY), put the energy industry in the headlines
 - Transaction valued at \$57 billion (industry’s sixth largest energy deal)
- ◆ In early May, BPL announced it was being acquired by IFM Global Infrastructure in a \$10 billion deal at \$41.50/unit
 - Largest “take private” in midstream since 2007 (Kinder Morgan)
- ◆ Two widely anticipated MLP simplification transactions were announced during the quarter (ANDX and UGI)

Midstream saw its first IPO since 2017

- ◆ Rattler Midstream (“RTL”) is a pure-play, Permian midstream business sponsored by Diamondback Energy (“FANG”)
 - Rattler provides oil and gas gathering, as well as water distribution and disposal services to FANG in the Midland and Delaware Basins
 - IPO raised \$765 million (upsized 14%); RTL initially traded up 10%
- ◆ Structural attributes: no IDRs, low leverage, self-funding and no K-1

The midstream sector has outperformed the rest of the energy complex over the last 12 months

Relative Performance					
Ticker	Description	Total Return		% of High	
		Calendar YTD	LTM	52-Week	All-Time
XLE	Diversified Energy	13%	(13%)	81%	63%
XOP	Exploration & Production	3%	(36%)	60%	32%
XES	Oilfield Services	7%	(43%)	54%	18%
CRAK	Refining	3%	(11%)	76%	76%
AMZ	Alerian MLP Index	17%	3%	85%	46%
AMUS	Alerian US Midstream Energy Index	21%	5%	91%	61%
SP50	S&P 500	17%	8%	98%	99%
XLU	Utilities	14%	19%	97%	97%
RMZ	REITs	15%	7%	100%	95%

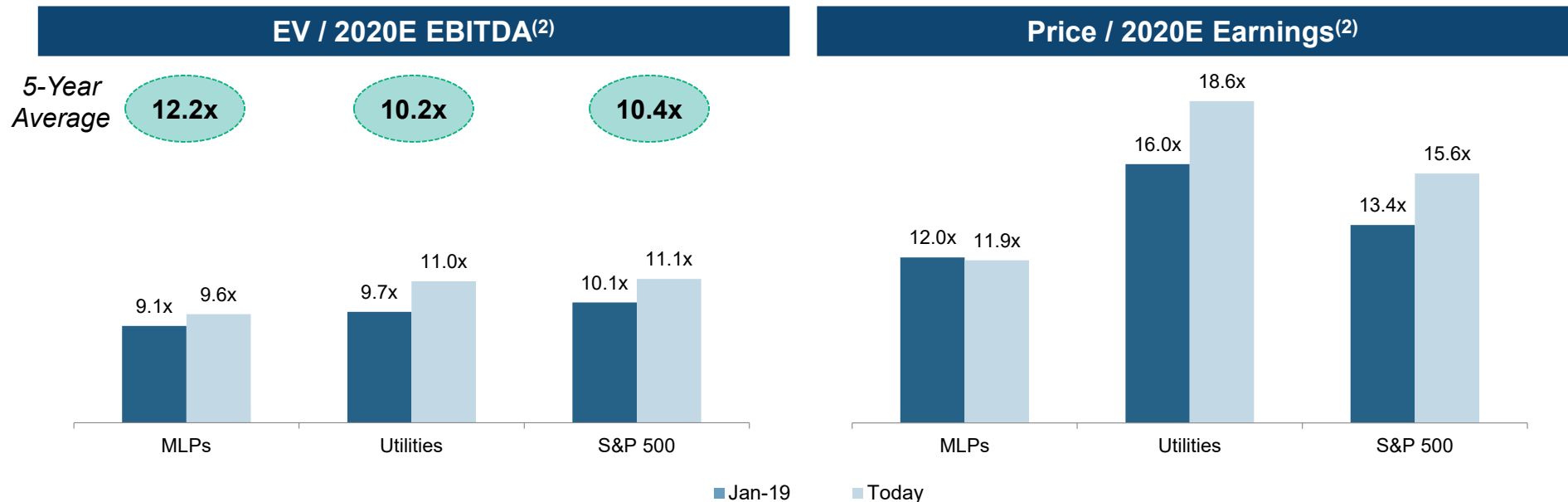
Source: FactSet as of June 30, 2019.

Midstream valuations have not kept up with the broader market through the first half of the year

- ◆ On an EV / EBITDA basis, MLP valuations have increased 0.5x since the beginning of January while broader market valuations have increased 1.0x

Midstream continues to look attractive relative to the broader market

- ◆ Utilities and REIT indices trading near all-time highs
- ◆ AMZ is yielding 7.8% (580 bps over 10-year US Treasury) and AMUS is yielding 6.5% (450 bps over US Treasury)⁽¹⁾



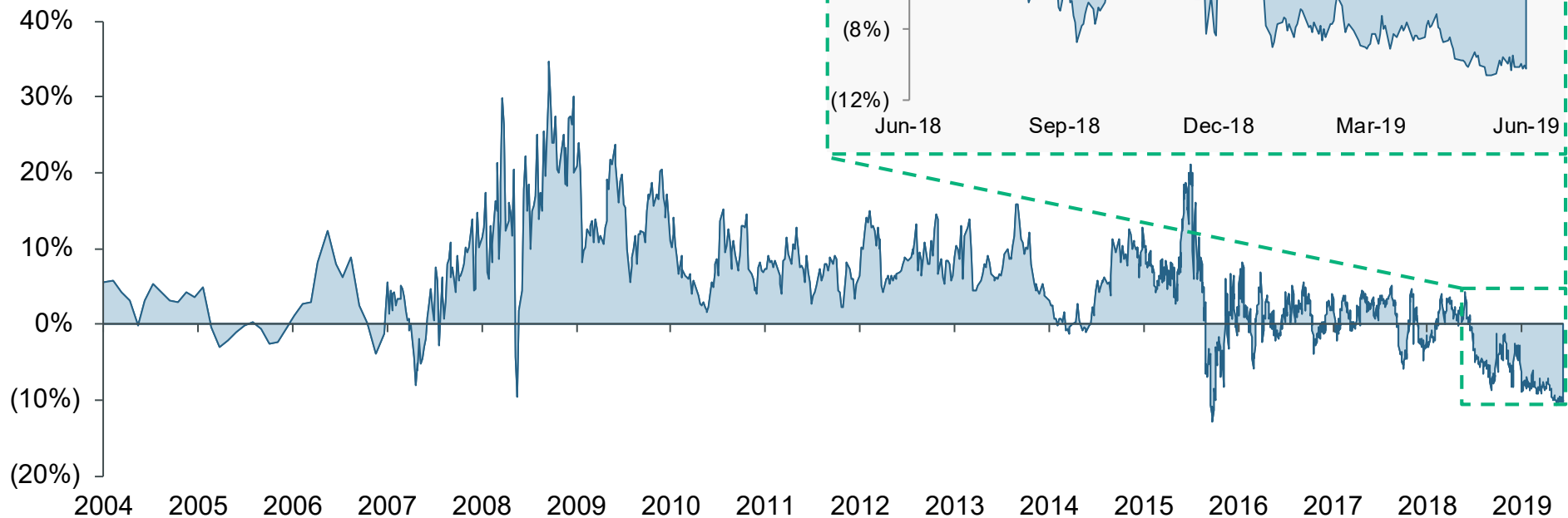
Note: Based on FactSet, Bloomberg and Wells Fargo estimates as of June 17, 2019.

(1) Per FactSet as of June 30, 2019.

Historically, KYN has traded at a premium to NAV, and only over the last 12 months has started to trade at a discount

- ◆ In recent months, KYN's discount has widened to ~10% and now sits at its widest sustained discount ever

KYN Premium / (Discount) Since Inception



Note: Data above is reflected for the period of September 28, 2004 (KYN inception date) through June 30, 2019.

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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.***
- ◆ ***KA Fund Advisors, LLC ("KAFA") is the adviser to KYN and KMF. Kayne Anderson Capital Advisors, L.P. ("KACALP") is a leading alternative investment management firm focused on niche investing in upstream oil and gas companies, energy and infrastructure, specialized real estate, growth equity and both private credit and diversified liquid credit. Together, KAFA and KACALP are referred to in this communication as "Kayne Anderson." Kayne Anderson's investment philosophy is to pursue niches, with an emphasis on cash flow, where our knowledge and sourcing advantages enable us to deliver above average, risk-adjusted investment returns. Kayne Anderson manages approximately \$30 billion in assets (as of 5/31/2019) for institutional investors, family offices, high net worth and retail clients and employs 350+ professionals in five core offices across the U.S. For additional information, please call 877.657.3863 or email cef@kaynecapital.com.***