

**Kayne Anderson**

*Capital Advisors, L.P.*



# KAYNE ANDERSON CLOSED-END FUND STRATEGIC UPDATE

**JULY 2020**

[www.kaynefunds.com](http://www.kaynefunds.com)

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**KYN and KMF's investment policies are being refined to enable both funds to focus on the future of energy infrastructure. New names better reflect targeted investments.**

**KYN**

## **Kayne Anderson Energy Infrastructure Fund**

Flagship fund focused on North American energy infrastructure

**KMF**

## **Kayne Anderson NextGen Energy & Infrastructure**

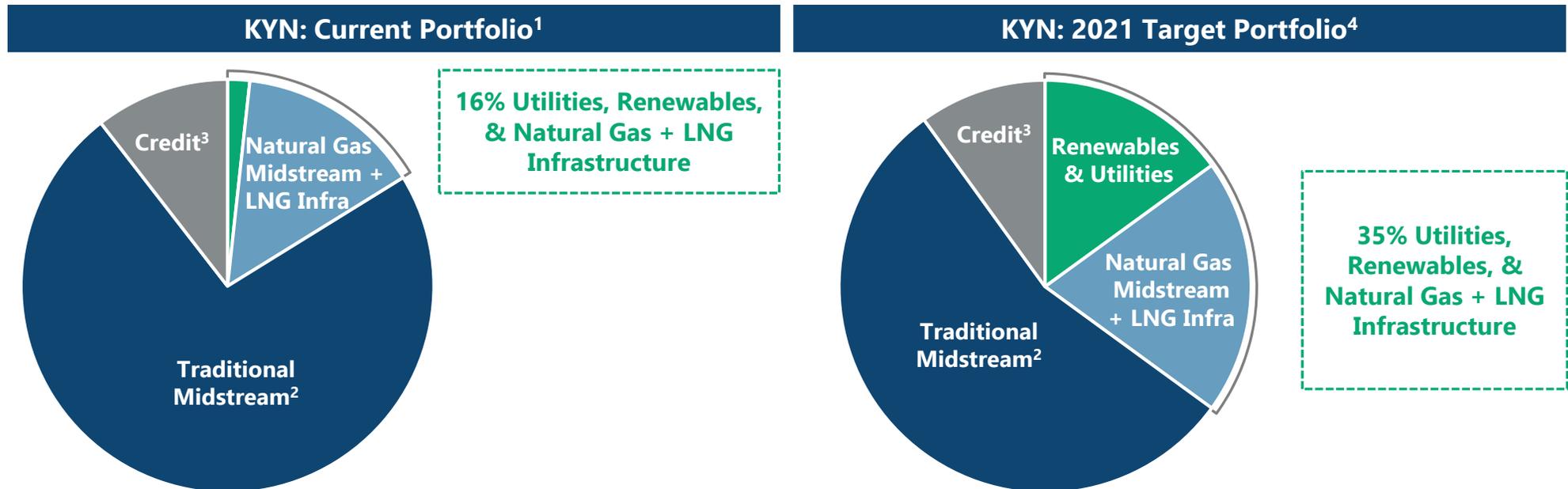
Opportunistic fund focused on the transition to renewables and lower carbon fuels

**Announced changes position both funds to capitalize on major industry trends**

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

## Positioned as Kayne’s flagship fund with a broad focus on North American energy infrastructure

- Investments focused on four sectors within energy infrastructure
  - Traditional midstream**
  - Natural gas infrastructure**
  - Utilities**
  - Renewable infrastructure**
- Initially targeting a 15% allocation to utilities and renewable infrastructure
  - Seeking shareholder approval to modify KYN’s investment objective; will enable the fund to further increase its allocation to these sectors

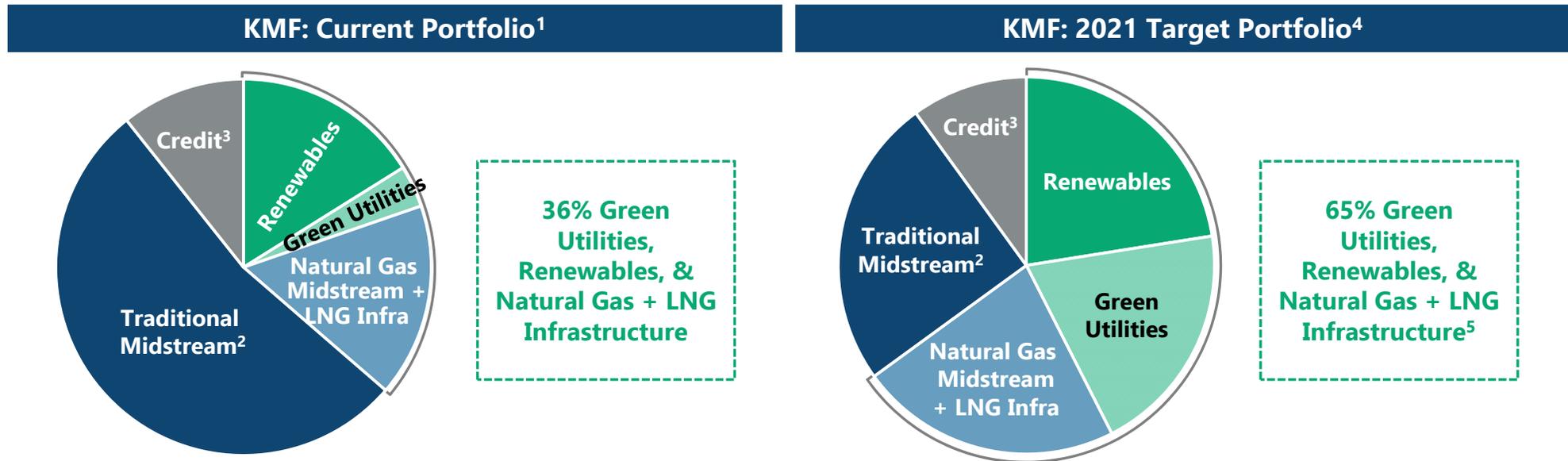


1) KYN portfolio as of May 31, 2020.  
 2) Includes diversified, liquids-oriented, and G&P midstream companies.  
 3) Includes traditional midstream and natural gas + LNG infrastructure preferred investments (9.5% of KYN’s portfolio as of May 31<sup>st</sup>).  
 4) We expect KYN’s allocation to utilities, renewables, and natural gas + LNG infrastructure to grow over time.

## Positioned as Kayne’s opportunistic infrastructure fund focused on the transition to renewables and lower carbon fuels

- Fund will capitalize on the “Energy Transition” megatrend
- Majority of the fund’s portfolio invested in companies that are meaningfully participating in, or benefitting from, the Energy Transition
- Compared to midstream-focused funds, KMF’s portfolio is more diversified with more exposure to names with higher earnings/dividend growth rates

## Compelling investment opportunity with positive ESG attributes



1) KMF portfolio as of May 31, 2020.  
 2) Includes diversified, liquids-oriented, and G&P midstream companies.  
 3) Includes traditional midstream and natural gas + LNG infrastructure preferred investments (4.2% of KMF’s portfolio as of May 31<sup>st</sup>).  
 4) We expect KMF’s allocation to utilities, renewables, and natural gas + LNG infrastructure to grow over time.  
 5) We expect KMF’s investments in these three sub-sectors to be classified as “NextGen” companies.

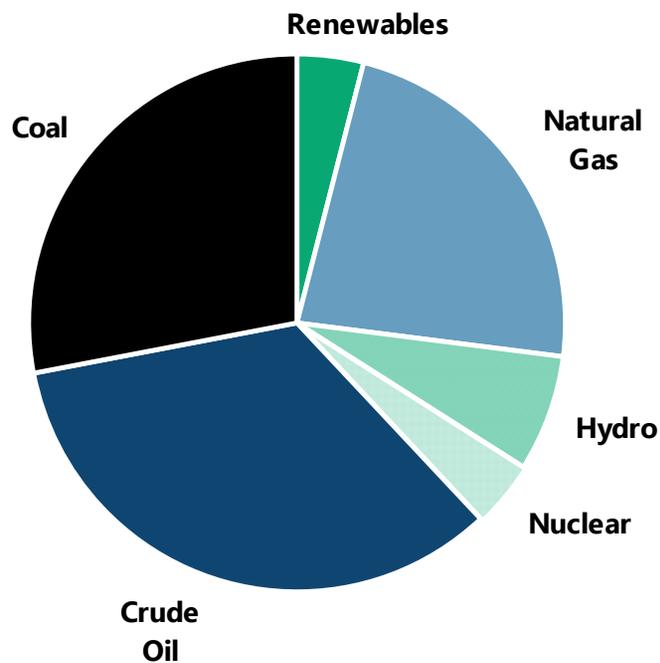
## Energy consumption expected to transition to lower carbon energy sources

- Both KYN and KMF will look to capitalize on this trend

### Global Energy Consumption

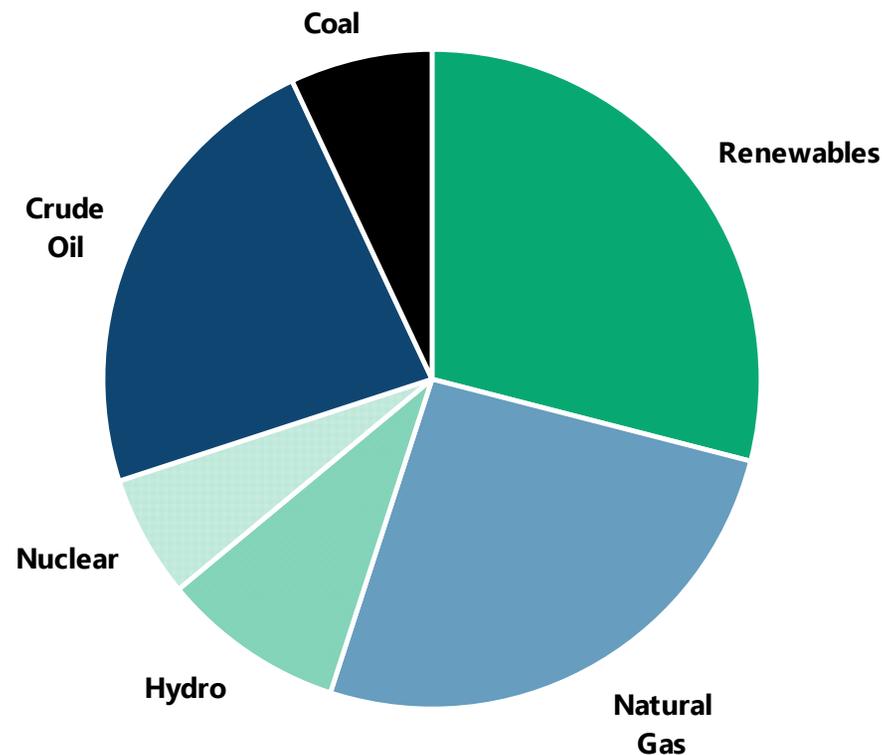
**2017**

Total = ~270 million barrels of oil equivalent / day



**2040**

Total = ~330 million barrels of oil equivalent / day



Source: BP Energy Outlook 2019 – “Rapid Transition” Scenario.

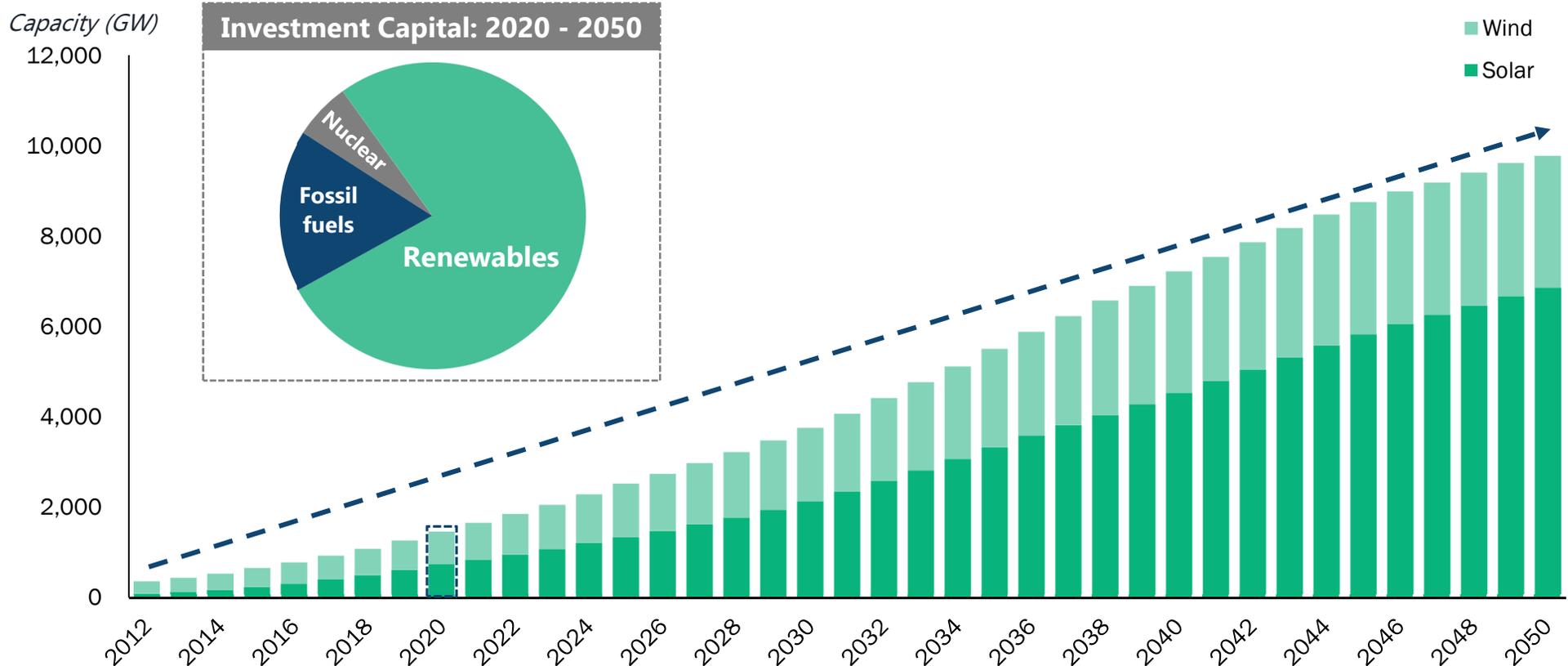
# Renewable Infrastructure: Attractive Businesses, Compelling Macro

**We believe renewable infrastructure businesses have compelling investment attributes**

- Long-lived assets with contracted/regulated cash flows

**\$10 trillion in capital to be spent over the next three decades adding new wind and solar capacity (\$300 billion annually)**

## Investment in Power Generating Capacity



Source: Bloomberg New Energy Finance.

Past performance does not guarantee future results. Many factors could cause actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by the projections shown above.



## **SUPPORTIVE GOVERNMENT POLICIES & TARGETS**

Continued trend of ambitious targets for de-carbonization and renewable energy procurement create a long-term visible pipeline of “mandated growth”



## **CORPORATE MANDATES**

Large global corporations increasingly establishing goals of sourcing 100% of power from renewables



## **TECHNOLOGICAL ADVANCEMENTS & COST DECLINES**

Wind & solar continue to improve their cost position. Investments in smart grids, battery storage and other technologies help enhance the viability of renewables



## **ENVIRONMENTAL IMPACT**

Investments made in renewable and other lower carbon fuels have a significant, measurable impact on reducing power sector CO<sub>2</sub> emissions over time



## **ESG & IMPACT INVESTING**

Responsibly-managed infrastructure companies focused on the energy transition benefit from significant secular growth in ESG / Impact investing and fund flows

## Investor in renewable infrastructure companies since 2013

## Launched a dedicated private fund to invest in listed renewable infrastructure equities in 2017

- Supported by a team of renewable energy specialists in public equity, private equity, and credit

## Launched renewables-focused private equity fund in 2019

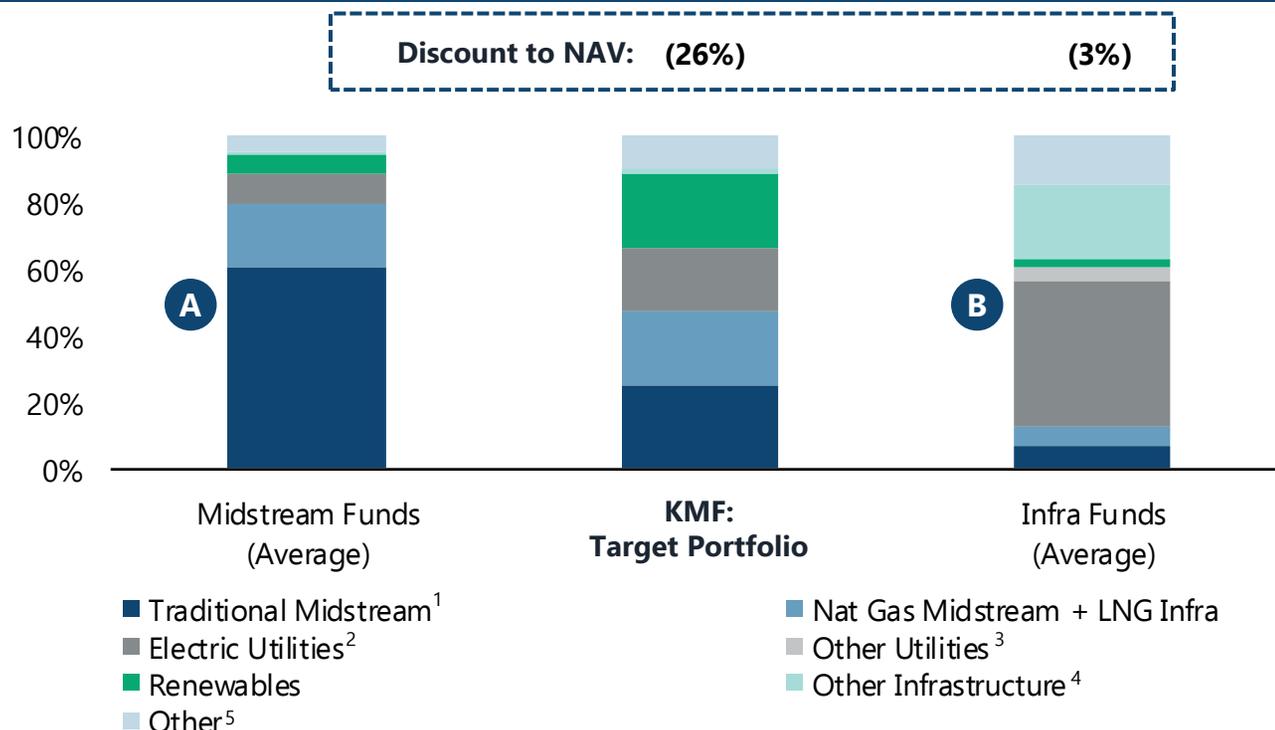
- Private equity fund focused on capitalizing on a robust pipeline of private renewable infrastructure investment opportunities
- Strategy leverages Kayne's strength in structuring transactions in a niche market that is experiencing transformational changes and the firm's 20+ year history of investing in energy infrastructure assets

**Kayne Anderson has over \$900 million invested in renewable infrastructure<sup>1</sup>**

1) Includes capital committed for projects under construction.

## Kayne Anderson is positioning KMF to invest in a unique mix of energy infrastructure investments

### KMF vs. Peer Funds: Exposure by Sector



### Commentary

- A** Midstream fund peer group heavily weighted towards traditional midstream. Minimal exposure to renewable infrastructure and green utilities.
- B** Infrastructure fund peer group has limited exposure to natural gas and renewables, and more exposure to traditional utilities.

**By 2021, KMF's portfolio mix will be more similar to infrastructure funds. Over time, we believe its price to NAV relationship should trend towards this peer group.**

Note: Discounts as of July 17, 2020. Midstream fund average consists of 7 midstream closed-end funds with investment strategies focused on midstream companies. Infra fund average consists of 4 closed-end funds with investment strategies focused on utilities and infrastructure.

- 1) Traditional Midstream includes diversified, liquids-oriented, and G&P midstream companies.
- 2) Electric Utilities includes pure electric utilities and companies that have both electric generation / distribution and gas distribution.
- 3) Other Utilities includes dedicated natural gas distribution and water utilities.
- 4) Other Infrastructure includes airports, toll roads, railroads, telecommunications, marine ports, and real estate.
- 5) Includes traditional midstream, natural gas + LNG infrastructure, and renewables credit and preferred investments.

**All investments involve risk, including possible loss of principal. The value of an investment in the funds could be volatile, and you could suffer losses of some or a substantial portion of the amount invested. The funds' investment objectives, risks, charges and expenses must be considered carefully before investing. For this and other important information, please refer to each fund's most recent prospectus available at [www.sec.gov](http://www.sec.gov) and [www.kaynefunds.com](http://www.kaynefunds.com). Closed-end funds, unlike open-end funds, are not continuously offered. As with any other stock, total return and market value will fluctuate so that an investment, when sold, may be worth more or less than its original cost. Shares of closed-end funds frequently trade at a market price that is below their net asset value. Performance data quoted represent past performance; past performance does not guarantee future results. Current performance of the funds may be higher or lower than the performance quoted. NAV returns reflect the deduction of management fees and expenses but do not reflect transaction fees or broker commissions.**

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

KA Fund Advisors, LLC ("KAFA") is the adviser to KYN and KMF. Kayne Anderson Capital Advisors, L.P. (collectively "Kayne Anderson"), founded in 1984, is leading alternative investment management firm focused on infrastructure, real estate, credit, and private equity. Kayne's investment philosophy is to pursue niches, with an emphasis on cash flow, where our knowledge and sourcing advantages enable us to seek to deliver above average, risk-adjusted investment returns. As responsible stewards of capital, Kayne's philosophy extends to promoting responsible investment practices and sustainable business practices to create long-term value for our investors. Kayne manages over \$30 billion in assets (as of 6/30/20) for institutional investors, family offices, high net worth and retail clients and employs over 350 professionals in five offices across the U.S. For additional information, please contact investor relations at 877.657.3863 or email [cef@kaynecapital.com](mailto:cef@kaynecapital.com).

Kayne Anderson MLP/Midstream Investment Company (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. KYN's investment objective is to obtain a high after-tax total return by investing at least 85% of its total assets in energy-related master limited partnerships and their affiliates ("MLPs"), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, "Midstream Energy Companies").

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. KMF's investment objective is to provide a high level of total return with an emphasis on cash distributions to its stockholders. KMF seeks to achieve its investment objective 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. KMF 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.