Kayne Anderson

NextGen Energy & Infrastructure, Inc.

KMF Quarterly Commentary & Performance Data: Q1'22

April 7, 2022

April 7, 2022

Dear Fellow Stockholders:

It has been an eventful start to fiscal 2022. The global equity markets began the year grappling with concerns about inflation, rising interest rates, and the potential for a slower global recovery. Russia's invasion of Ukraine has added further uncertainty and amplified volatility in the financial markets. Energy markets, in particular, are a focal point as Western countries question their dependence on Russian energy-related commodities. The phrase "energy security" has suddenly become a hot topic among governments, business leaders, and investors as the tragedy unfolding in Ukraine highlights the inter-related nature of the global energy markets and the importance of abundant, reliable U.S. energy resources and the infrastructure that supports the transportation and export of these resources. Further, while we are big proponents of the Energy Transition, we have a pragmatic view of how long this transition will take (and how difficult it will be at times). Along those lines, we are also seeing increased recognition of our long-held view that traditional energy sources (like natural gas) are critical long-term complements to the acceleration in wind and solar energy development. While KMF's emphasis is on NextGen Companies participating in the Energy Transition, these same companies provide critical infrastructure supporting the energy security thesis.(1) In short, we believe the fund is a unique and differentiated way to capitalize on both of these important trends.

In this letter, we discuss the energy infrastructure markets, KMF's portfolio positioning, and the Fund's strong year-to-date performance. In summary:

- KMF had an outstanding quarter generating a Net Asset Return of 12.6%, outperforming its benchmark index by 360 basis points (bps);(2)
- Over the past 12 months, KMF's Net Asset Return was 36.2%;
- We achieved these returns while maintaining conservative leverage levels with ample downside cushion given the overall equity market volatility;(3) and
- On March 30th, KMF announced an increase in its quarterly distribution to $0.16 per share (14% increase) that will be paid on April 19th.

Market Conditions

The S&P 500 declined 4.0% during KMF's fiscal first quarter (ended February 28th). Volatility was very high as the market assessed accelerating inflation, rising interest rates, a COVID-19 resurgence in Asia, and the Russian invasion late in the quarter.(4) Bond yields rose during the quarter, with the 10-year U.S. Treasury bond yield up 40 bps to 1.8%. Since quarter-end, yields have continued to trend much higher, with the 10-year Treasury bond currently yielding around 2.6% as inflationary pressures mount and markets are bracing for more aggressive Federal reserve action to rein in inflation expectations. Central banks are now faced with the difficult task of "threading the needle" to navigate out of quantitative easing and raise interest rates to quell inflation while not moving so fast as to kill the economic recovery and risk causing a recession. The impact of the war in Ukraine, including the disruption of commodity markets, only makes this task more difficult. Against this backdrop, uncertainty remains heightened, and we expect continued periods of above-average volatility in equity markets.

Energy commodity prices were strong during the fiscal quarter and traded much higher after the Russian invasion. WTI crude oil prices ended the quarter at an eight-year high of $96 per barrel (up 45% during the quarter) and traded briefly over $125 per barrel in early March. Global crude oil inventories were already tight, with minimal spare production capacity as demand continued to rebound. The potential disruption in supplies from Russia has proved to be a tipping point, sending prices much higher and provoking the U.S. and other allies to release record quantities of oil from strategic reserves. If we can avoid a global recession, we also believe oil prices will remain strong for quite some time due to minimal spare capacity and a higher risk premium reflected in prices.

---

(1) We consider NextGen companies to be energy companies and infrastructure companies that are meaningfully participating in, or benefiting from, the Energy Transition. For these purposes, we include renewable infrastructure companies, natural gas & LNG infrastructure companies, and certain utility companies.
(2) Net Asset Return is defined as the change in net asset value per share plus cash distributions paid during the period (assuming reinvestment through our dividend reinvestment plan).
(3) Downside cushion reflects the decrease in total asset value that could be sustained while maintaining compliance with 1940 Act leverage levels and KMF’s financial covenants.
(4) Performance metrics in this letter represent total returns unless specifically noted otherwise.

Natural gas and LNG (liquified natural gas) have also garnered headlines, given that Russia represents roughly 40% of Europe's gas supply. U.S. natural gas prices were strong during the quarter, averaging $4.40 per million British thermal unit (MMBtu), while prices in Europe averaged $30 per MMBtu. European countries have announced ambitious plans to diversify away from Russian natural gas by accelerating investments in renewables and LNG import infrastructure. The need for additional LNG has highlighted the important role of U.S. supply. This year, the U.S. is expected to surpass Qatar and Australia as the world's largest exporter of LNG – a remarkable statistic considering that the first world scale LNG export facility in the U.S. was completed a mere six years ago.

The strategic importance of reliable U.S. energy supplies to Europe and Asia has never been more apparent. This has given rise to a global focus on the concept of energy security, and this theme is resonating with governments and investors alike. The importance of energy infrastructure in facilitating the transportation and delivery of U.S. oil, natural gas, LNG and natural gas liquids is an important part of this story, and we expect this to generate positive investor sentiment toward many of our portfolio companies. We also believe that the quest for energy security does not conflict with the Energy Transition. We have long held that oil, natural gas, LNG, and natural gas liquids will be part of the global mix for decades to come, complementing growing renewable energy sources and providing feedstock for plastic products that are fundamental to our modern lives.

While Ukraine and energy security have dominated the headlines since mid-February, there was intense focus earlier in the quarter on the President's Build Back Better ("BBB") proposal. Unfortunately, the failure of BBB to advance in Congress thus far during 2022 dampened investor sentiment a bit for some of our renewable infrastructure and utility holdings during the quarter. However, the long-term fundamentals for those businesses remain strong, and we believe there is broad political support for developing U.S. energy infrastructure across these sectors.

Portfolio and Performance

As has been the case for the last several quarters, returns across KMF's three energy infrastructure sectors – midstream, U.S. utilities, and renewable infrastructure – were mixed during the first fiscal quarter of 2022.

- Midstream energy had another outstanding quarter, with the Alerian Midstream Energy Total Return Index (AMNAX) up 17.1%, outperforming the S&P 500 by approximately 2,100 bps.
- U.S. utilities were up slightly for the quarter, with the Utilities Select Sector SPDR Fund (XLU) returning 4.1%, or 800 bps better than the S&P 500.
- Renewable infrastructure returns were near breakeven, at negative 0.5%.[5]

Over the last twelve months, the AMNAX returned 43%, which is approximately 2,700 bps greater than the S&P 500's return over the same time period. U.S. utilities have returned 20% over this period, and renewable infrastructure returns are roughly flat over the last year. While renewable infrastructure has lagged the midstream and utility sectors since mid-January 2021, one must also consider the exceptional returns it generated during fiscal 2019 and 2020. The diversity among these returns is not a surprise, as returns among our three primary sectors are not expected to be highly correlated. This portfolio diversification reduces KMF's overall risk without unduly sacrificing returns. Over the long term, we believe each sector's fundamental prospects are very favorable.

At the end of our first fiscal quarter, KMF's combined investments in NextGen companies, which includes substantially all of our investments in the renewable infrastructure, U.S. utilities, and natural gas & LNG infrastructure sectors, represents roughly 59% of the total portfolio.[1] This is down slightly (roughly 200 bps) from last quarter due primarily to the outperformance of midstream companies compared to U.S. utilities and renewable infrastructure during the period. As shown below, KMF's sector allocations are skewed toward midstream (including traditional midstream and natural gas & LNG infrastructure) compared to the weightings that make up KMF's Composite Energy Infrastructure Index benchmark. As a reminder, the benchmark index

(5) Based on a composite total return for 38 domestic and international renewable infrastructure and utility companies (calculated on a market-cap weighted basis with individual constituents capped at a 10% weighting).

is a blend of midstream, U.S. utilities, and renewable infrastructure sectors, as measured by the AMNAX, XLU, and our renewable infrastructure composite, respectively.(6)

	Weightings as of 2/28/22	
Sector Allocations	**KMF**	**Benchmark(6)**
Midstream	37%	50%
Natural Gas & LNG Infrastructure	23%	
Renewable Infrastructure	25%	35%
U.S. Utilities(7)	11%	15%
Other	4%	-
Fiscal Q1 Total Returns	**12.6%**	**9.0%**

KMF's NAV Return of 12.6% was 360 bps better than the 9.0% benchmark index return, primarily due to KMF's higher allocation to midstream, which outperformed the other sectors during the quarter. Notably, our holdings of natural gas & LNG infrastructure within the broader midstream category have generally increased relative to traditional midstream holdings, and we would expect this trend to continue over the longer term. KMF's strategy of focusing the majority of the Fund in NextGen infrastructure companies remains intact. The companies in our portfolio also provide significant exposure to the burgeoning energy security theme through their investments in renewable power generation, power transmission, and strategic midstream assets that link the production of oil, natural gas, and natural gas liquids to domestic customers and export markets. We believe Energy Transition and energy security are complementary trends, and KMF's exposure to infrastructure companies benefiting from both themes can provide investors with attractive long-term risk-adjusted returns.

KMF's Market Return was 8.8% for the quarter, or 380 bps less than NAV Return, as KMF's share price traded at a wider discount to NAV over the quarter.(8) We are disappointed in the stock price performance relative to NAV performance. While we will continue to assess all options to narrow the stock price to NAV discount, we will continue to focus on providing attractive risk-adjusted returns while maintaining conservative balance sheet leverage and ample liquidity in the portfolio. We expect that our consistent performance, along with a substantial return of cash to shareholders through quarterly distributions, will be recognized by the market over time.

Distribution

Given KMF's strong performance over the last seven quarters and our outlook for the next 12 to 18 months, we announced a 14% increase in our quarterly distribution to $0.16 per share.(9) Based on our current outlook, we believe this distribution level is sustainable and consistent with our distribution policy, which considers net distributable income as well as realized and unrealized gains from KMF's portfolio investments. While we are cognizant of the heightened risks in broader markets, we remain optimistic about the long-term outlook for energy infrastructure companies and their role in energy security and the Energy Transition over the next few years.

We encourage investors to visit our website at kaynefunds.com for more information about the Fund, including the podcasts posted within the "Insights" page that discuss performance and key industry trends. For more details on KMF's performance, please refer to the "Quarterly Performance" section of our website at kaynefunds.com/kmf. We appreciate your investment in KMF and look forward to providing future updates.

KA Fund Advisors, LLC

---

(6) The sub-sector allocations for KMF's Composite Energy Infrastructure Index were established by Kayne Anderson at the beginning of fiscal 2022 and are expected to change on an annual basis based on the estimated sub-sector allocations of the Fund's assets during that year. The benchmark for the midstream sector is the Alerian Midstream Energy Total Return Index (AMNAX). The benchmark for the renewable infrastructure sector is the composite total return defined in footnote (6). The benchmark for the U.S. utilities sector is the Utilities Select Sector SPDR Fund (XLU), which is an ETF linked to the Utilities Select Sector Index (IXU), a subset of the S&P 500.

(7) Includes TransAlta Corporation (TA CN). Excludes Engie (ENGI FP), which is reclassified as other, and Public Power Corp (PPC GA), which is reclassified as renewable infrastructure since it is included in the benchmark for the renewable infrastructure sector.

(8) Market Return is defined as the change in share price plus cash distributions paid during the period (assuming reinvestment through our dividend reinvestment plan).

(9) Distribution payable April 19, 2022.

KMF Quarterly Performance

Kayne Anderson

KMF Total Returns

KMF Total Returns	Fiscal Q1'22
Net Asset Return[(1)]	12.6%
Market Return[(2)]	8.8%
KMF Composite Energy Infrastructure Index[(3)]	9.0%

KMF Portfolio Returns[(4)]

	Fiscal Q1'22 Sector Returns	
Portfolio Returns[(5)]	KMF	Benchmark[(6)]
Midstream	18.2%	17.1%
Renewable Infrastructure	(3.0%)	(0.5%)
U.S. Utilities[(7)]	3.0%	4.1%

Note: Performance as of February 28, 2022.

(1) Net Asset Return is defined as the change in net asset value per share plus cash distributions paid during the period (assuming reinvestment through our dividend reinvestment plan).

(2) Market Return is defined as the change in share price plus cash distributions paid during the period (assuming reinvestment through our dividend reinvestment plan).

(3) KMF's Composite Energy Infrastructure Index is comprised of a 50% weighting to the midstream sector, 35% weighting to the renewable infrastructure sector and 15% weighting to the utility sector. Returns for each period are total returns. The sub-sector allocations for this composite index were established by Kayne Anderson at the beginning of fiscal 2022 and are expected to change on an annual basis. Please see footnote 5 for a description of the benchmarks used for each energy infrastructure sub-sector.

(4) Portfolio returns reflect KMF's asset level returns for each sub-sector based on KMF's portfolio holdings. Asset level return is calculated as the total return (before leverage and expenses) of KMF's portfolio holdings for each sub-sector.

(5) Excludes preferred and credit investments.

(6) The benchmark for the midstream sector is the Alerian Midstream Energy Total Return Index (AMNAX). The benchmark for the renewable infrastructure sector is a composite total return for 38 domestic and international renewable infrastructure and utility companies (calculated on a market-cap weighted basis with individual constituents capped at a 10% weighting). The benchmark for the U.S. utilities sector is the Utilities Select Sector SPDR Fund (XLU), which is an ETF linked to the Utilities Select Sector Index (IXU), a sub-set of the S&P 500.

(7) Includes TransAlta Corporation (TA CN). Excludes Engie (ENGI FP), which is reclassified as other, and Public Power Corp (PPC GA), which is reclassified as renewable infrastructure since it is included in the benchmark for the renewable infrastructure sector.

DISCLAIMER & RISK CONSIDERATIONS

All investments involve risk, including possible loss of principal. An investment in the fund could suffer loss. Closed-end funds, unlike open-end funds, are not continuously offered. After the initial public offering, shares are sold on the open market through a stock exchange. 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.

Kayne Anderson NextGen Energy & Infrastructure, 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. The fund seeks to achieve its investment objective by investing at least 80% of its total assets in securities of Energy Companies and Infrastructure Companies. The fund anticipates that the majority of its investments will consist of investments in "NextGen" companies, which we define as Energy Companies and Infrastructure Companies that are meaningfully participating in, or benefiting from, the Energy Transition. See Glossary of Key Terms in the fund's most recent quarterly report for a description of these investment categories and the meaning of capitalized terms.

This communication contains statements reflecting assumptions, expectations, projections, intentions, or beliefs about future events. These and other statements not relating strictly to historical or current facts constitute forward-looking statements as defined under the U.S. federal securities laws. Forward-looking statements involve a variety of risks and uncertainties. These risks include, but are not limited to, changes in economic and political conditions; regulatory and legal changes; energy industry risk; leverage risk; valuation risk; interest rate risk; tax risk; and other risks discussed in detail in the Company's filings with the Securities and Exchange Commission ("SEC"), available at www.kaynefunds.com or www.sec.gov. Actual events could differ materially from these statements or from our present expectations or projections. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Kayne Anderson undertakes no obligation to publicly update or revise any forward-looking statements made herein. There is no assurance that the Company's investment objectives will be attained.

This commentary is provided for informational purposes only and is not intended for trading purposes. This commentary shall not constitute an offer to sell or a solicitation to buy, nor shall there be any sale of any securities in any jurisdiction in which such offer or sale is not permitted. Performance data quoted represent past performance and are for the stated time period only, 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. The Fund may also hold positions in other types of securities issued by the companies listed. Fund holdings are subject to change at any time and are not recommendations to buy or sell any security. Current and future holdings are subject to risk.

For more information:
cef@kaynecapital.com • 877.657.3863
www.kaynefunds.com