KAYNE ANDERSON
» ENERGY INFRASTRUCTURE

KAYNE ANDERSON ENERGY INFRASTRUCTURE FUND, INC. (KYN): FISCAL 2023 ANNUAL LETTER

December 22, 2023

Dear fellow stockholders,

We hope that you and your families are well and enjoying the holiday season.

Fiscal 2023 was a successful year for KYN, and our team is very proud of what we accomplished. KYN generated returns that exceeded its benchmark, meaningfully increased distributions to stockholders, and completed an accretive merger.[1] This success builds on very strong returns during fiscal 2021 and 2022 – KYN's Net Asset Return over the last three years is 100%. Importantly, as we will discuss in this letter, we are excited about the Company's prospects – the energy infrastructure sector remains a compelling investment opportunity.

Fiscal 2024 marks KYN's twentieth year as a publicly traded closed-end fund. I have been fortunate to be involved since the fund's early days – what a privilege it has been. As I reflect on all that has changed over this twenty-year period, it is equally important to consider what has not changed: KYN's core mission of providing a high after-tax return with an emphasis on making cash distributions to stockholders. KYN is designed to be an efficient way for investors to gain exposure to the midstream sector – this remains as true today as it was at the Company's initial public offering.

While the broader economic outlook for fiscal 2024 is uncertain, KYN is well positioned to generate attractive returns in a variety of scenarios. The fund is well capitalized, leverage is at the lower end of our targeted range, and we have a meaningful downside cushion to navigate potential stock market volatility.[2] The Company's midstream investments are generating record levels of free cash flow, have very strong balance sheets and are poised to increase the amount of capital they are returning to shareholders. Actions taken by the sector over the last several years are beginning to bear fruit – fiscal 2024 could prove to be an inflection point in investors' recognition (in the form of higher stock prices) of the progress the sector has made. KYN's portfolio is positioned to benefit as this plays out.

We appreciate the trust you have placed in us and are grateful for your support. We were fortunate to engage with a multitude of KYN's investors on a wide range of topics during fiscal year 2023. These interactions were invaluable. In addition to receiving your feedback, it gave us the opportunity to explain our rationale for KYN's merger with Kayne Anderson NextGen Energy & Infrastructure Fund ("KMF") and to articulate KYN's portfolio positioning. We look forward to similar discussions with our investors in the coming year.

Topics covered in this year's annual letter include a summary of KYN's performance during fiscal 2023, an overview of the Company's portfolio, and our outlook for the energy infrastructure sector. We hope you find this discussion informative and insightful.

KYN's key accomplishments during the year include:

- Generated a Net Asset Return of 8.7%[3];
- Increased its quarterly distribution by 10%[4];
- Maintained conservative leverage levels;
- Opportunistically reduced exposure to floating rate debt;
- Completed its merger with KMF; and
- Implemented new management fee waivers.

We believe the recent merger helps solidify the company as the market-leading energy infrastructure closed-end fund. The energy infrastructure industry's future is bright, and we have worked hard to best position KYN to capitalize on the sector's long-term tailwinds. Our investors should continue to benefit from KYN's size and scale, trading liquidity, and "best-in-class" access to the capital markets. These attributes, in our opinion, provide the Company competitive advantages relative to peer closed-end funds. KYN is a natural consolidator, and the Company is well positioned to pursue additional fund acquisitions on terms favorable for our stockholders.

KYN's Investment Mandate and Performance Benchmarking

The Company's structure provides maximum flexibility in pursuit of its investment mandate, which is to thoughtfully invest in a portfolio of North American-focused energy infrastructure companies. Most of the portfolio is comprised of investments in midstream companies. The remainder is a mix of investments in energy companies, utilities, and renewable infrastructure companies. We believe this portfolio composition will generate superior risk-adjusted returns over the longer term and best capitalize on the sector's key macro trends. Importantly, we can quickly modify subsector allocations based on market conditions and relative valuations.

Within our midstream allocation, KYN can invest in both master limited partnerships and C-corporations. Said differently, KYN's structure as a taxable entity enables it to be agnostic as to the investment's corporate structure. This may seem like a subtle point, but we consider it to be very important – we invest in the companies best positioned to generate attractive returns and are not forced to make investment decisions based on structural constraints. Further, the Company has a growing allocation to privately held midstream companies. We are very excited about this piece of the portfolio and believe KYN – due to its permanent capital base – is particularly well positioned to make long-term investments in private businesses. KYN's flexibility is an important point of distinction relative to certain peer funds and passive investment products where their structure (or investment mandate) constrains their portfolios. KYN can dynamically allocate its portfolio across the full spectrum of energy infrastructure businesses in both public and private markets, which is not the case for most of the Company's peers.

We plan to benchmark the Company's performance vs. the Alerian Midstream Energy Index ("AMNA") on a go-forward basis. This index best captures KYN's target investment universe and is aligned with our goal of being the premier investment vehicle for investors to gain exposure to the midstream sector. We do include comparisons to the KYN Benchmark in this letter for the sake of consistency, but we do not plan to use that composite benchmark in future periods.

Performance

Midstream equities generated solid returns during the year, while higher interest rates and less accommodative capital markets weighed on renewables and utilities equities, driving a wide divergence in relative performance. KYN was consistently overweight midstream relative to its composite benchmark during the year, but its renewable infrastructure and utility holdings negatively impacted the Company's results. Despite this drag, KYN's Net Asset Return for fiscal 2023 was 8.7%; the Company outperformed the broader midstream sector (as measured by the AMNA) by approximately 100 basis points.

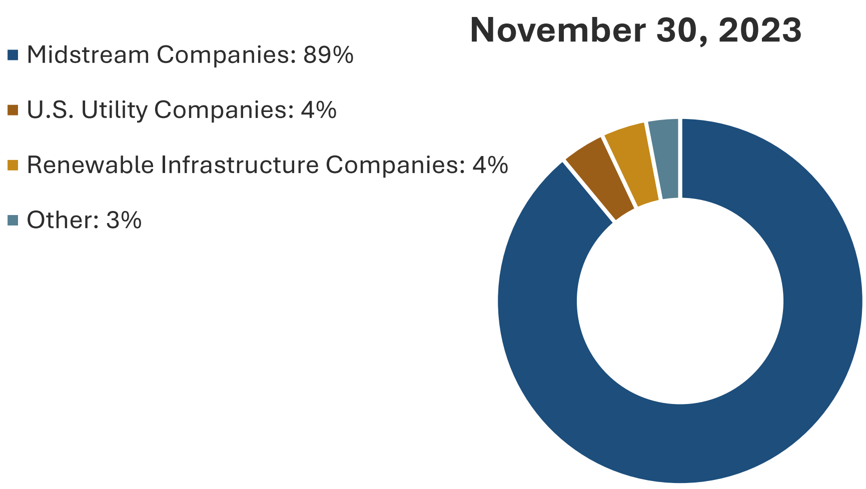
Comparison of Returns in Fiscal 2023	Returns	% of Portfolio[5]
KYN Net Asset Return[3]	8.7%	
Midstream[6,7]	7.7%	89%
Renewable Infrastructure[8]	-14.1%	4%
U.S. Utilities[9]	-9.3%	4%
KYN Benchmark[10]	2.8%	

Note: relevant footnotes can be found on page 6.

KYN's Market Return, which is based on stock price performance rather than net asset value, was 4.3% for fiscal 2023.[11] This trailed our Net Asset Return as our stock price traded at a 18.5% discount to NAV at fiscal year-end compared to a 15.0% discount at the beginning of the year. Technical factors in the later part of 2023 associated with the KMF merger likely played a role in the expansion of KYN's discount. We believe this will prove to be a transitory event. That said, we are keenly focused on the discount and continue to evaluate actions that would result in a closer relationship between KYN's stock price and its NAV. As we have communicated previously, we believe consistent performance, a substantial return of cash to stockholders (through attractive quarterly distributions), and strategic transactions that are accretive to our stockholders will be rewarded over time in the form of a narrowing discount. We recently announced a 1 cent per share increase to KYN's quarterly distribution rate (to 22 cents per share) and have increased the distribution by 10% over the last twelve months. We understand how important distributions are to our investors, and our goal is to steadily increase KYN's distribution over time as supported by the Company's operating results.

PORTFOLIO

KYN's portfolio is comprised of 40 investments in 34 companies. Approximately 94% of the portfolio is invested in common equity with the remainder invested in preferred equity. The pie chart below highlights KYN's exposure to the different energy subsectors. The overwhelming majority of KYN's portfolio is invested in the midstream sector, which is a balanced mix of MLPs and midstream c-corps. We are overweight large capitalization midstream companies as we are very bullish on these companies' prospects. These businesses have integrated suites of assets that are extremely well positioned to benefit from growing domestic production and increased exports. These companies are also poised to capitalize on the energy security and energy transition macro themes.



Fiscal 2023 Market Review

Broader equity markets rebounded nicely during fiscal 2023 after challenges in the prior year. There were several periods of heightened volatility, and the state of the economy, inflation considerations and the direction of interest rates were the key topics of debate. These topics will continue to influence sentiment in fiscal 2024. The year was punctuated by a material rise in interest rates (both short-term and long-term rates) and phrases such as "higher for longer." The best illustration of this point is the change in yield on 10-year U.S. Treasury bonds over the last 12 months. Yields began fiscal 2023 at 3.7% and briefly exceeded 5% in mid-October. More recently, yields have fallen below 4% as investors take stock of inflation trends and dovish commentary from the Federal Reserve.

Note: relevant footnotes can be found on page 6.

TOTAL RETURN							
	Equity Market Indices			Energy Indices			
	S&P 500	DJIA	NASDAQ	XLE[13]	AMNA[6]	KRII[8]	XLU[9]
Fiscal 2023[12]	13.8%	6.2%	25.1%	-3.7%	7.7%	-14.1%	-9.3%

In a reversal of what occurred the prior two years, midstream equities meaningfully outperformed other energy subsectors during fiscal 2023. Weakness in commodity prices and concerns about the state of the global economy were headwinds for the broader energy sector. Further, after two years of market leading returns, it is not surprising that the energy sector "took a breather" in fiscal 2023. In contrast to fiscal 2022 when "old economy" stocks (like energy) performed best, this year was all about artificial intelligence and large capitalization tech stocks.

Fiscal 2024 Outlook

We believe it is prudent to be cautious in the near term as the global economy adjusts to higher (and volatile) interest rates, Congress faces a severe political challenge in dealing with a growing federal deficit, and the U.S. is entering what is expected to be a very contentious election cycle. Further, we are closely monitoring a host of troubling geopolitical developments that threaten global cooperation and commerce. Simply put, the world is volatile, and we have tried to position KYN's portfolio and balance sheet with that in mind.

As we contemplate what is in store for our investment universe during fiscal 2024, little has changed to alter the constructive outlook on the midstream sector. We continue to believe that consistent operating results, commitment to returning capital to investors, and steadily growing dividends will prove to be a winning formula. The backdrop for our utility and renewable infrastructure has evolved over the last year, and we are optimistic about each subsector's outlook in fiscal 2024. Valuations for these companies are much more compelling today than they were twelve months ago.

For the midstream sector, volumes, not commodity prices, are the primary profit drivers. Importantly, domestic production and exports of crude oil, natural gas, and NGLs are at all-time highs. Over the last two years the sector has witnessed an amazing recovery in domestic production levels – exceeding what we (and other industry experts) predicted. Critically, midstream businesses are not over-extending themselves to support this volume growth. Balance sheets remain healthy (with historically low leverage levels), and companies are largely adhering to well-articulated return of capital strategies that, when combined with investor input, function as governors on low-return growth projects.

Fiscal 2023 was a challenging year for KYN's investments in the utility and renewable infrastructure sectors. A common question during the year centered around project returns. More specifically, would project returns keep pace with companies' higher cost of capital (due to higher interest rates). Several missteps by industry leaders heightened investors' concerns on this topic. This culminated in a dramatic industry-wide selloff during the fourth quarter of fiscal 2023 that had all the classic signs of investor capitulation. Stock prices have rebounded over the last two months as companies have done a good job of addressing investor concerns. We will continue to pick our spots within renewable infrastructure and utilities, investing in the companies with the scale and leadership to capitalize on what continues to be an attractive long-term outlook. In our opinion, well-run companies in this sector will be able to apply learnings from this recent downturn to achieve profitable long-term growth.

Why Invest in KYN?

For investors that share our conviction in the long-term trends discussed in this letter, we believe KYN – with its flexible investment mandate, permanent capital base, and expertise providing capital solutions to both public and private companies – is a very attractive means to receive diversified exposure to the North American energy infrastructure sector in an income-producing vehicle. The Company provides this exposure in an easy-to-own structure – daily liquidity via its NYSE listing, an attractive quarterly distribution, and the tax simplicity of a single Form 1099. Lastly, conservative leverage

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and active portfolio and risk management from an experienced portfolio management team set the stage for a successful 2024 and beyond.

We look forward to executing on our investment objective of achieving high after-tax total returns. Please do not hesitate to contact us with any questions or comments.

Sincerely,

James C. Baker, Jr.
Chairman of the Board
President and Chief Executive Officer

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[1]Relative performance commentary based on the difference between the Company's Net Asset Return and the total return of the Alerian Midstream Energy Index (AMNA) and KYN's Benchmark.

[2]Downside cushion reflects the decrease in total asset value that could be sustained while maintaining compliance with 1940 Act leverage levels and KYN's financial covenants.

[3]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).

[4]Based on KYN's $0.22/share distribution payable January 10, 2024 compared to $0.20/share distribution paid January 11, 2023.

[5]Weightings based on KYN's portfolio as of November 30, 2023. The remaining 3% of KYN's portfolio is invested in other energy companies.

[6]The benchmark for the midstream sector is the AMNA.

[7]Whenever we reference "midstream companies", the "midstream sector" or the "midstream industry" it includes both traditional midstream companies and natural gas & LNG infrastructure companies. Traditional midstream companies are defined as midstream companies that own and/or operate midstream assets related to crude oil, refined products, natural gas liquids or water. Natural gas & LNG infrastructure companies are defined as midstream companies that primarily own and/or operate midstream assets related to natural gas or liquefied natural gas.

[8]The benchmark for the renewable infrastructure sector is the Kayne Anderson Renewable Infrastructure Index (KRII), a market-cap weighted index of 35 domestic and international renewable infrastructure companies with individual constituents capped at a 5% weighting.

[9]The benchmark for the U.S. utility sector is the Utilities Select Sector SPDR Fund (XLU), which is an exchange-traded fund ("ETF") linked to the Utilities Select Sector Index (IXU), a subset of the S&P 500.

[10]KYN's Benchmark is a composite of energy infrastructure companies. For fiscal 2023, this composite is comprised of a 75% weighting to the midstream sector, a 12.5% weighting to the renewable infrastructure sector, and a 12.5% weighting to the U.S. utility sector. The subsector allocations for this composite were established by Kayne Anderson at the beginning of fiscal 2023 based on the estimated target subsector allocations of the Company's assets over the intermediate term. KYN's portfolio holdings and/or subsector allocations may change at any time. As discussed in the letter, we will not be publishing a composite benchmark for fiscal 2024.

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

[12]Fiscal year 2023 (12/1/22 – 11/30/23).

[13]The benchmark for the broad U.S. energy sector is the Energy Select Sector SPDR Fund (XLE), which is an exchange-traded fund ("ETF") linked to the Energy Select Sector Index (IXE), a subset of the S&P 500.

All investments involve risk, including possible loss of principal. An investment in the fund could suffer loss.

Kayne Anderson Energy Infrastructure Fund, Inc. (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. The Company's investment objective is to provide a high after-tax total return with an emphasis on making cash distributions to stockholders. KYN intends to achieve this objective by investing at least 80% of its total assets in securities of Energy Infrastructure Companies. See Glossary of Key Terms in the Company'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 Fund'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.

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Past performance is no guarantee of future results. 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.