



December 18, 2024

Dear Fellow Stockholders,

Fiscal 2024 was an exceptional year for KYN. In fact, the Company's Net Asset Return resulted in the best annual performance in KYN's twenty-year history!<sup>1</sup>

Looking forward, we are excited about the Company's next twenty years – KYN remains a very efficient vehicle for investors to gain exposure to energy infrastructure, a subsector that we believe is well positioned to generate attractive returns for years to come. Further, KYN's emphasis on making cash distributions to stockholders and its positive structural attributes are key points of differentiation relative to other energy infrastructure-focused investment alternatives. As investors in the market-leading energy infrastructure closed-end fund, KYN's stockholders will continue to benefit from the Company's size and scale, trading liquidity and "best in class" access to the capital markets.

Some of KYN's key accomplishments during fiscal 2024 include:

- » Generated a Net Asset Return of 57%;<sup>1</sup>
- » Generated a Market Return of 75%;<sup>2</sup>
- » Increased its distribution by 14%;<sup>3</sup>
- » Increased the frequency of its distribution payments to monthly (from quarterly); and
- » Successfully integrated KMF and realized operating synergies.<sup>4</sup>

Fiscal 2024 was an inflection point in investors' recognition of the stockholder-friendly actions implemented over the last few years by the midstream sector. It has been very rewarding to see midstream companies' stock prices respond to this change in market perception. KYN's performance during fiscal 2024 is particularly gratifying given our team's multi-year efforts to ensure the Company's corporate structure, investment objective, portfolio positioning, and balance sheet were aligned to enable KYN to take advantage of the favorable market setup.

It has been an exceptional four-year recovery from the challenges presented during fiscal 2020. Our Net Asset Return was 214% over this period (33% on an annualized basis) and we increased distributions to stockholders by 60%.<sup>1,5</sup> Notwithstanding these strong results, we believe the energy infrastructure sector remains a compelling investment opportunity. Infrastructure assets, which serve as the backbone for the energy and power industries, play a critical role in the global economy. Put simply, these "must run" assets enable society's modern way of life. This role will become even more vital as A.I.'s involvement in our day-to-day lives increases. KYN's portfolio investments are well positioned to benefit from expected domestic natural gas and power demand growth in the coming years. Further, we believe the new U.S. presidential administration, which has made "energy dominance" one of its primary agenda items, will provide a constructive backdrop for KYN's targeted investment areas.

### **Distribution and Stock Price Performance**

We understand how important distributions are to our investors, and one of our objectives is to provide investors with an attractive distribution. Our recent switch to paying monthly distributions was a tangible step forward to differentiate the Company from other energy infrastructure focused-investment alternatives. Based on KYN's stock price as of November 30<sup>th</sup>, KYN's distribution rate was 7.0% at the end of fiscal 2024.<sup>6</sup>

In September, we announced a \$0.02 per share increase in KYN's quarterly distribution (to \$0.24 per share), which

*Note: Endnotes can be found on page 6.*

represented a 9.1% increase compared to the prior quarter's distribution.<sup>7</sup> In October, we announced that distributions would increase in frequency and be paid monthly, instead of quarterly, beginning in November 2024. This \$0.08 per share monthly distribution was equivalent to KYN's prior quarterly rate of \$0.24 per share (\$0.96 per share annualized). Our long-term goal is to steadily increase KYN's distribution over time as supported by the Company's operating results.

KYN's Market Return, which is based on stock price performance rather than changes in net asset value, was an incredible 75% during fiscal 2024!<sup>2</sup> We are extremely pleased with the narrowing of KYN's price-to-NAV discount during the year. KYN's stock price ended the year at a 9.0% discount to NAV compared to an 18.5% discount at the beginning of the year. Favorable market conditions for midstream companies created a tailwind for KYN, as did the stockholder-friendly actions we have taken over the last several years. We do not plan to rest on our laurels in 2025 – we will continue to proactively engage with investors to outline our favorable outlook for the energy infrastructure sector and highlight KYN's positive attributes.

### **Investment Mandate and Performance**

The Company's structure provides meaningful flexibility in pursuit of its investment mandate, which is to 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 and power infrastructure companies.<sup>8</sup> We believe this portfolio composition has the potential to generate superior risk-adjusted returns over the longer term and capitalize on the sector's key macro trends. Importantly, we can quickly modify subsector allocations based on market conditions and relative valuations.

We benchmark the Company's performance against the Alerian Midstream Energy Index ("AMNA"). 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. For the fiscal year, KYN's Net Asset Return was 57.1%, which was approximately 400 basis points higher than the AMNA's 53.1% return.<sup>1</sup> We believe this outperformance speaks to our value-added portfolio management and the benefits of KYN's structure. We are pleased to have achieved these results while proactively managing KYN's balance sheet and utilizing a lower-than-targeted amount of leverage for most of the year.

### **Portfolio**

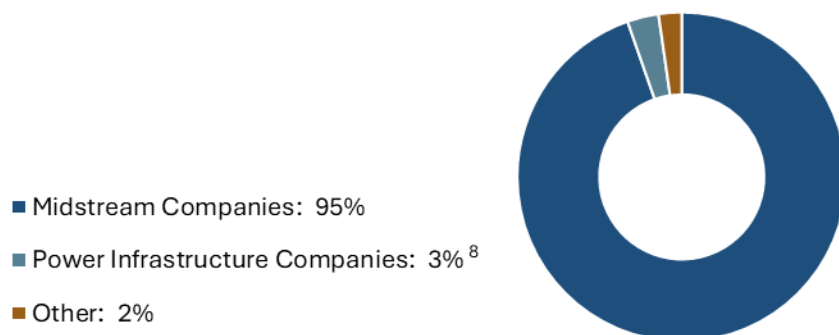
At fiscal year-end, KYN's portfolio was comprised of 31 investments in 29 companies. Approximately 95% of the portfolio was invested in common equity with the remainder invested in preferred equity and debt.

The large majority of KYN's portfolio is invested in midstream master limited partnerships ("MLPs") and midstream C-Corps. Importantly, KYN has no constraints on its ability to invest in MLPs (this flexibility results from KYN's structure as a taxable entity). Said differently, KYN can invest in the companies that are best positioned to generate attractive returns and is not forced to make investment decisions based on fund-level structural constraints. Further, the Company has a small allocation to privately held midstream companies (approximately 2% of the portfolio). We believe KYN – due to its permanent capital base – is particularly well positioned to make long-term investments in private energy infrastructure businesses and we are actively looking to increase KYN's exposure to these types of investments. KYN's flexibility is an important point of distinction relative to certain peer funds and passive investment products where structure (or investment mandate) constrains portfolio composition. Without such constraints, 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.

*Note: Endnotes can be found on page 6.*

The chart below highlights KYN’s exposure to the different energy subsectors.

### KYN's Exposure by Subsector as of November 30, 2024



#### Fiscal 2024 Market Review

Broader equity markets rallied through our fiscal year, with the S&P 500 Index closing at a record high (up 33.9%) despite ongoing concerns of higher inflation, stagnating economic growth, shifting monetary policy, uncertainty surrounding the U.S. election, and a fragile geopolitical backdrop. The midstream sector was a star performer during the year relative to the broader markets, with the AMNA returning 53.1%. At the outset of fiscal 2024, we anticipated an overall constructive backdrop for North American energy infrastructure, despite market volatility leading up to the presidential election and persistent global tensions. While we were correct in this bullish outlook for midstream, the extent of the rally this year exceeded our expectations.

Throughout the year, we became more bullish on natural gas-focused infrastructure companies as we recognized the A.I.-driven natural gas and power demand story and its impact on midstream companies and certain utilities. Midstream C-Corps were the first stocks in the midstream sector to rally as investors sought to capitalize on this theme. KYN’s midstream portfolio was well positioned for this and enjoyed strong returns. During the last few months of the year, we tactically began to rotate our midstream positioning to increase exposure to midstream MLPs (and reduce C-Corp exposure). We took this action because we believe the valuation disparity between C-Corps and MLPs has widened to unjustified levels – particularly given how well positioned certain midstream MLPs are to benefit from domestic natural gas demand growth trends. This valuation gap began to correct itself during November, and it is a trend that we expect to continue into fiscal 2025.

Utilities were also among the best performing market sectors, up 36.5% as measured by the XLU, benefiting in part from bullish A.I.-related themes mentioned above. We believe domestic power demand growth over the next 5 to 10 years will result in higher (and more durable) earnings growth for many companies in the power sector. Utilities also benefited from a “catch up trade” during 2024 – the prior year was one of the poorest in terms of relative market performance in the sector’s history. Energy companies underperformed during fiscal 2024 (up 16.8% as measured by the XLE), with commodity price weakness and a deteriorating crude oil narrative serving as headwinds for these companies.

*Note: Endnotes can be found on page 6.*

Total Returns								
	Equity Market Indices			Energy Indices				KYN <sup>1</sup>
	S&P 500	DJIA	NASDAQ	AMNA <sup>11</sup>	XLU <sup>12</sup>	KRII <sup>13</sup>	XLE <sup>14</sup>	
<b>Fiscal Q4<sup>9</sup></b>	7.2%	8.5%	8.7%	21.6%	9.4%	(4.7%)	5.5%	22.4%
<b>Fiscal 2024<sup>10</sup></b>	33.9%	27.2%	36.1%	53.1%	36.5%	3.4%	16.8%	57.1%

**Fiscal 2025 Outlook**

We are optimistic about the outlook for energy infrastructure in 2025, driven by accelerating demand trends, favorable policies and a strong regulatory backdrop for the domestic energy and power sectors. In particular, we expect continued growth in natural gas production, midstream infrastructure, and liquefied natural gas (“LNG”) exports, with a supportive environment for long-term investment in energy markets.

*Broader Markets Outlook*

While the energy infrastructure outlook remains positive, we are maintaining a balanced approach at KYN, prioritizing liquidity and moderate leverage as we navigate potential financial market challenges. We anticipate some near-term market volatility as investors evaluate policy developments and their potential impacts. We remain attentive to the possibility of higher inflation and interest rates, as well as “tail risks” tied to elevated geopolitical tensions and uncertainty surrounding proposed changes to tax, trade, immigration, and other policies under the new administration.

*Energy Commodities Outlook*

For energy commodities, we expect policy to be favorable for long-term investment decisions by the major energy companies and domestic E&P companies, as the runway for fossil fuels appears much more certain. We are cautious, however, about the short-term outlook for crude oil prices, as global oil markets appear to be oversupplied. While OPEC+ will likely try to defend prices at around \$70 per barrel we believe the risk in oil prices is skewed to the downside, barring a major disruption to supply. Meanwhile, our outlook for natural gas prices is bullish as incremental demand from data centers and industrial re-shoring should bolster prices and stimulate domestic production growth. Additionally, lifting the LNG permitting pause, an action the new administration is expected take in early 2025, should create positive momentum for new LNG liquefaction plants over the next few years. We expect domestic LNG exports to more than double from current levels over the next decade.

*Midstream Outlook*

Our outlook for the midstream sector is constructive. We believe the playbook of consistent operating results, execution of “return of capital” strategies (in the form of increasing dividends and stock buybacks), and steady cash flow growth will continue to be a winning formula. Because of these attributes, combined with a supportive regulatory backdrop and growth prospects that appear to be more durable (due to the macro themes we have discussed in this letter), we believe the midstream sector will continue to attract attention from investors. Further, there is little doubt the opportunity set has grown for the midstream sector. Execution will be key as will striking a balance between growth initiatives and shareholders’ return of capital expectations.

Notwithstanding these positive points, the magnitude of this year’s performance has “pulled forward” some of the excess returns we previously believed midstream equities could generate over a five-year investment horizon. Valuations remain attractive in our view, and we believe the sector has the potential to generate annual returns in the “low teens” area over the next five years.<sup>15</sup> We consider this return outlook to be compelling given the defensive attributes of these businesses.

*Note: Endnotes can be found on page 6.*

### *Power Infrastructure Outlook*

The economic super trend around power demand is driven by the growing need for reliable, scalable infrastructure to support the proliferation of data centers, industrial re-shoring, and the broader energy transition. As these trends accelerate in the back half of this decade, the demand for power will step up, creating tremendous requirements for investment in both traditional and renewable power infrastructure. This is a constructive backdrop for investments in the sector, particularly within businesses poised to benefit from the expanding energy needs of industrial users and consumers alike. We believe that the combination of policy support and increased demand should provide a solid foundation for long-term growth and value creation in power infrastructure.

### **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 gain 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 monthly distribution, and the tax simplicity of a single Form 1099.

Our highly experienced management team is laser-focused on ways to add value. Examples include active portfolio management, optimization of KYN's balance sheet and vigilant risk management. We expect the next few years will be a "stock pickers market" in the energy infrastructure sector. This plays to our strengths and we relish the opportunity for our investment team to add differentiated value for KYN's investors. Further, our team has done a commendable job managing KYN's capitalization – from opportunistically refinancing debt and preferred stock at favorable long-term interest rates to dynamically managing leverage levels given the market backdrop. Those efforts will continue in fiscal 2025, and we believe it is an additional way we can augment investor returns.

In summary, we are confident the stage is set for a successful 2025 and beyond. We appreciate the trust you have placed in us and are grateful for your support. We value the opportunity to connect with our fellow stockholders and encourage you to reach out with any questions, comments or feedback. Your insights are important to us, and we look forward to hearing from you.

Sincerely,



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

For more information:  
[cef@kayneanderson.com](mailto:cef@kayneanderson.com) // 877.657.3863

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

*Note: Endnotes can be found on page 6.*



### Endnotes

<sup>1</sup>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).

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

<sup>3</sup>Based on KYN's \$0.08 per share monthly distribution paid November 29, 2024 (\$0.96 per share annualized) compared to the \$0.21 per share quarterly distribution paid October 10, 2023 (\$0.84 per share annualized). Payment of future distributions is subject to approval by KYN's Board of Directors.

<sup>4</sup>On November 13, 2023, KYN completed its merger with Kayne Anderson NextGen Energy & Infrastructure, Inc. ("KMF"). Pursuant to the terms of the merger agreement, KMF was merged with and into KYN, and KMF stockholders received either newly issued common stock of KYN or cash. The merger qualified as a tax-free reorganization under Section 368(a) of the Internal Revenue Code.

<sup>5</sup>Based on KYN's \$0.08 per share monthly distribution paid November 29, 2024 (\$0.96 per share annualized) compared to the \$0.15 per share quarterly distribution paid on September 30, 2020 (\$0.60 per share annualized).

<sup>6</sup>Based on KYN's \$0.08 per share monthly distribution paid on November 29, 2024 (\$0.96 per share annualized) and KYN's stock price of \$13.68 per share as of November 30, 2024.

<sup>7</sup>Based on KYN's \$0.24 per share quarterly distribution paid October 7, 2024 (\$0.96 per share annualized) compared to the \$0.22 per share quarterly distribution paid July 8, 2024 (\$0.88 per share annualized).

<sup>8</sup>Power Infrastructure Companies include utility companies and renewable infrastructure companies.

<sup>9</sup>Fiscal Q4 2024 (9/1/24 – 11/30/24).

<sup>10</sup>Fiscal 2024 (12/1/23 – 11/30/24).

<sup>11</sup>The benchmark for the midstream sector is the AMNA.

<sup>12</sup>The benchmark for the U.S. utility 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.

<sup>13</sup>The benchmark for the renewable infrastructure sector is the Kayne Anderson Renewable Infrastructure Index (KRIL), a market-cap weighted index of 35 domestic and international renewable infrastructure companies with individual constituents capped at a 5% weighting.

<sup>14</sup>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.

<sup>15</sup>Actual events and conditions may differ materially from the assumptions used to establish this return estimate ("target returns"). Target returns are neither a guarantee nor a prediction or projection of future performance and there can be no assurance that the target returns will be achieved. Target returns for individual investments may be either greater or less than the target return. A broad range of risks could cause KYN to fail to meet its investment objectives and/or these target returns. The target returns for midstream equities set forth herein should not be viewed as an indicator of likely performance returns to investors. While subject to numerous assumptions, the primary considerations incorporated into these target returns are estimated dividend yields of 4% to 6%, estimated annual growth in dividends & cash flows of 5% to 7%, and estimated annual "excess" free cash flow of 0% to 3%. After incorporating the impacts of fees, expenses and leverage, Kayne Anderson views KYN as having the potential to generate similar annual returns on a net basis for investors. There is no guarantee that the facts on which such assumptions are based will materialize as anticipated.

**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 Company's filings with the Securities and Exchange Commission ("SEC"), available at [www.kaynefunds.com](http://www.kaynefunds.com) or [www.sec.gov](http://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.*

*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.*