Kayne Anderson

March 16, 2020

ABOUT THIS CLOSED-END FUND UPDATE

Given the unprecedented volatility in broader equity markets, energy markets and midstream markets, we believe it is important to give investors an update on recent developments and the impact to Kayne Anderson MLP/Midstream Investment Company (NYSE: KYN) and Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF).

We have received several questions from investors regarding the requirements of the funds' leverage instruments, the level of the funds' current leverage and the impact on the distribution paid by each fund. Below, we attempt to answer a few of those questions.

Please do not hesitate to reach out to Kayne Anderson at (877) 657-3863 or cef@kaynecapital.com to discuss further.

WHAT CAUSED CLOSED-END FUND EQUITY VALUE DECLINES THIS WEEK?

Alongside broad market equity declines related to COVID-19 virus concerns and the resulting impact on economic activity, energy-related commodities (specifically, crude oil) were under pressure as a result of a "price war" that started last week when Russia did not agree to oil production cuts proposed by Saudi Arabia and other OPEC members. While we do not believe either Saudi Arabia or Russia can withstand long periods of low crude oil prices (currently ~$34/bbl for Brent crude oil), the market faces uncertainty regarding when the two parties will come back to the negotiating table. This is compounded by fears about the impact of the COVID-19 virus on economic activity and demand for crude oil and refined products.

In the last week, we saw extreme volatility for global markets, and even more so for the midstream energy sector. The Alerian MLP Index declined 31% for the week ended March 13th and is now down 51% year-to-date. As a result, during the past week, the market value of both KYN and KMF's portfolios has declined substantially.

HOW ARE THE COMPANIES IN THE CLOSED-END FUND PORTFOLIOS IMPACTED?

In response to lower crude oil prices, which have declined materially in recent weeks, many upstream energy companies are announcing plans to reduce capital expenditures and operating costs. As a result of these actions, domestic production levels will be lower than previously estimated. While there are still many unknowns regarding the impact to midstream energy companies from lower oil prices and weaker economic activity, we believe equity markets have overreacted to these recent developments. While we cannot predict when the extreme volatility in equity prices will subside, we believe that most midstream energy companies are well positioned to weather the storm, even in the face of lower short-term activity levels from oil and gas producers in the United States.

The core role of midstream energy companies in our portfolios – transporting oil and gas from supply centers to demand centers – remains unchanged, and we believe the longer-term case for investment remains compelling. We believe companies with healthy balance sheets, a diversified asset base and strong management teams will be best positioned, and these are the types of companies we have over-weighted in our closed-end fund portfolios.

WHAT ASSET COVERAGE MUST THE FUNDS MAINTAIN ON THEIR USE OF LEVERAGE?

Both KYN and KMF use leverage, which is the governed by the Investment Company Act of 1940 (the "1940 Act").

Under the terms of KYN and KMF leverage agreements, each fund must maintain an asset coverage ratio of 300% on senior securities representing indebtedness (total assets less liabilities other than debt of the fund divided by total debt, which we refer to as the "'40 Act Debt Test") and 225% on total leverage (total assets less liabilities other than debt and preferred stock divided by total debt and preferred stock, which we refer to as the "'40 Act Leverage Test") at the end of each month.

KYN and KMF must also meet these tests in order to declare or pay a distribution on common stock and/or preferred stock.

Kayne Anderson reports each fund's asset coverage ratios as of the end of each week on its website, www.kaynefunds.com

WHAT HAPPENS IF THE FUNDS DO NOT COMPLY WITH THESE RATIOS?

If KYN or KMF is out of compliance with the ratios discussed above at the end of a month, the fund has a 30-day "cure period" to remedy the non-compliance.

During this cure period, the fund can remedy (a) by repaying its leverage using cash on hand, cash from distributions received from portfolio investments, or cash generated from the sale of investments, and/or (b) through appreciation of its investments.

As of March 13, 2020, both KYN and KMF were in compliance with the covenants in the funds' leverage agreements.

WHAT ARE THE FUNDS' CURRENT ASSET COVERAGE RATIOS?

As of March 13, 2020, KYN's asset coverage ratio for the '40 Act Debt Test was 313% and its asset coverage ratio for the '40 Act Leverage Test was 190%. KMF's asset coverage ratio for the '40 Act Debt Test was 306% and its asset coverage ratio for the '40 Act Leverage Test was 207%.

While both funds' asset coverage is above the '40 Act Debt Test minimum, total leverage asset coverage is below what is required in the funds' mandatory redeemable preferred stock agreements. However, these ratios do not take into account the use of cash on each fund's balance sheet that can be used to repay leverage (see next question).

HOW DO THE FUNDS INTEND TO REMAIN IN COMPLIANCE WITH ASSET COVERAGE RATIOS?

In response to the recent record market volatility, KYN and KMF have proactively taken steps to increase cash positions and reduce leverage levels. Since February 29, 2020, KYN has reduced outstanding indebtedness by $125 million and KMF has reduced outstanding indebtedness by $44 million.

KYN and KMF have cash (including cash to be received by Tuesday of this week for securities recently sold) of $345 million and $50 million, respectively, as of March 13, 2020. These amounts are available to the funds to repay a portion of the funds' outstanding leverage, which the funds expect to do over the next 30 days.

It is the intention of KYN and KMF to comply with all applicable '40 Act leverage tests as well as the covenants on debt agreements and the terms of preferred stock. Over the course of the next month, the funds plan to prudently use cash balances to further reduce leverage levels in a way that minimizes prepayment penalties and maximizes shareholder value.

Pro forma for KYN's use of cash to reduce leverage, its pro forma asset coverage ratio for the '40 Act Debt Test would be 619% and its pro forma asset coverage ratio for the '40 Act Leverage Test would be 239%. Pro forma for KMF's use of cash to reduce leverage, its pro forma asset coverage ratio for the '40 Act Debt Test would be 393% and its pro forma asset coverage ratio for the '40 Act Leverage Test would be 233%.

WHAT IS HAPPENING WITH THE MARCH DISTRIBUTION?

As a result of recent events and the funds' current intentions to reduce leverage, the Board of Directors of each fund has made a decision to delay payment of the March distribution for both KYN and KMF, previously declared on December 18, 2019 and originally scheduled to be paid on March 31, 2020.

The March distributions, in the amounts of $0.12 per share and $0.075 per share for KYN and KMF, respectively, will be delayed by one month.

The funds' Board of Directors elected to make this change in an effort to enhance flexibility with respect to the timing and amount that it reduces leverage levels over the next month.

The resulting ex-dividend and record dates for that dividend are now April 22, 2020 and April 23, 2020, respectively, with a payment date of April 30, 2020.

While the management and Board of Directors of KYN and KMF realize that distributions are important to investors, we feel that these actions will maximize shareholder value by providing greater flexibility in managing its balance sheet in a period of record volatility and uncertainty.

WILL THE FUND CONTINUE TO PAY DISTRIBUTIONS IN THE FUTURE?

Going forward, the funds plan to revert to making distributions to shareholders on a quarterly basis, with an expectation that the first quarterly distribution will be declared and paid in June 2020. This distribution will be in replacement of the monthly distributions that otherwise would have been made in April, May and June 2020.

The Board of Directors for both KYN and KMF plans to assess distribution levels in light of recent market conditions and the impact on the operations, balance sheets and distribution levels of companies operating in the midstream energy industry.

Payment of future distributions is subject to approval by the Board of Directors as well as meeting the covenants of the funds' debt agreements and terms of its preferred stock.

KYN LISTED NYSE

KMF LISTED NYSE

The funds pay cash distributions to common stockholders at a rate that may be adjusted from time to time. The amount and frequency of distributions is not guaranteed and may vary depending on a number of factors, including changes in portfolio holdings and market conditions. This update 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. Nothing contained in this update is intended to recommend any investment policy or investment strategy or take into account the specific objectives or circumstances of any investor. Please consult with your investment, tax, or legal adviser regarding your individual circumstances prior to investing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS: This update contains "forward-looking statements" as defined under the U.S. federal securities laws. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ from the funds' historical experience and its present expectations or projections indicated in any forward-looking statements. 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 funds' filings with the SEC, available at www.sec.gov. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. The funds undertake no obligation to publicly update or revise any forward-looking statements made herein. There is no assurance that the funds' investment objectives will be attained.