

Kayne Anderson

Capital Advisors, L.P.

TAX ATTRIBUTES OF KYN AND KMF

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- Update on KMF's Stock Repurchase Program
- Overview of KYN and KMF's Tax Attributes
- Tax Character of Each Fund's Distributions

Note: A podcast accompanying this presentation can be found at www.kaynefunds.com/insights

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On March 28th, we announced that KMF's Board of Directors approved a \$20 million stock buyback

- Under the program, we have the discretion to authorize our agents to make purchases in the open market when the shares are trading at a discount of at least 8% to our net asset value
- We believe the purchase of shares at a substantial discount to NAV represents an attractive investment opportunity for KMF
- These stock repurchases have been immediately accretive on a NAV per share basis
- Through April 30th, we have purchased over \$9 million of our common stock – buying the shares back at an average discount of approximately 12.1% to net asset value

Tax Attributes of Our Closed-End Funds

	Kayne Anderson MLP/Midstream Investment Company (NYSE: KYN)	Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF)
Tax Structure	Taxable Corporation	Regulated Investment Company (RIC)
MLP Portfolio Limitations	None	No more than 25% of Total Assets
Potential Tax Character of Dividend	<ul style="list-style-type: none"> • Qualified Dividend Income • Return of Capital 	<ul style="list-style-type: none"> • Ordinary Income • Qualified Dividend Income • Return of Capital • Capital Gains
Simplified Tax Reporting	Form 1099	Form 1099

Tax Character of KYN's Distributions

As a taxable corporation, KYN's distributions are generally treated as either Qualified Dividend Income or Return of Capital

KYN Distribution Example	Example A		Example B	
KYN distributions paid to stockholders	\$100		\$100	
Dividend income from the portfolio (non-MLPs) ⁽¹⁾	\$20		\$20	
Plus: Net gains from sales of portfolio securities	200		120	
Plus: Allocated K-1 income (losses) from MLPs in the portfolio ⁽¹⁾	(50)		(50)	
Less: Deductible expenses of the fund	(80)		(80)	
Current year earnings and profits	\$90		\$10	
Qualified dividend income	\$90	90%	\$10	10%
Return of capital	\$10	10%	\$90	90%
Total distributions	\$100	100%	\$100	100%

In any given year, the amount of realized gains on securities sold is generally the key driver determining the tax character of KYN's distributions

- For the 2018 fiscal year, KYN had a significant amount of realized gains as a result of the completion of several simplification transactions
 - One of the most significant was the roll-up of WPZ into WMB
 - As a result, 100% of KYN's 2018 distribution was classified as qualified dividend income

⁽¹⁾ Distributions from MLPs are generally not taxable, however, KYN's share of the MLPs income or loss for the year must be included in the calculation of taxable income.

Tax Character of KMF's Distributions

As a RIC, distributions paid by KMF can be categorized as Ordinary Income, Qualified Dividend Income, Capital Gains or Return of Capital

- To the extent KMF has earnings and profits, that portion of the distribution will be taxable; any distributions in excess of earnings and profits are return of capital
- For the portion of the distribution that is taxable, the tax character is determined based on the underlying character of the income generated by KMF
 - If KMF generates long term gains, these gains are passed along to investors as long term gains
 - If KMF's portfolio generates ordinary income, ordinary income will be passed along to investors and taxed at ordinary tax rates
 - To the extent ordinary income is generated from qualified sources, KMF will pass along qualified dividend income

KMF Distribution Example	Example C		Example D	
KMF distributions paid to stockholders	\$100		\$100	
Dividend and interest income from the portfolio (non-MLPs) ⁽¹⁾	\$60		\$60	
Less: Deductible expenses of the fund	(40)		(40)	
Plus: Ordinary gain recapture from sales of MLPs ⁽²⁾	10		10	
Subtotal: Ordinary income	\$30		\$30	
Plus: Long term capital gains	-		50	
Current year earnings and profits	\$30		\$80	
Ordinary income – non qualified ⁽³⁾	\$15	15%	\$15	15%
Qualified dividend income ⁽³⁾	15	15%	15	15%
Long term capital gains	-	-	50	50%
Return of capital	70	70%	20	20%
Total distributions	\$100	100%	\$100	100%

For 2018, KMF's distributions were characterized as 91% return of capital and 9% ordinary dividends (all of which was qualified dividend income)

(1) Distributions from MLPs are generally not taxable, however, KMF's share of the MLPs income or loss (subject to passive activity rules) for the year must be included in the calculation of taxable income.

(2) Ordinary recapture results from the sale of MLP units and is taxable at ordinary income tax rates. Ordinary recapture is the gain resulting from cost basis reductions due to depreciation. For more detail on this topic, we recommend investors review www.mlpassociation.org/mlp-101/basic-tax-principles/.

(3) For purposes of this example, 50% of ordinary income is assumed to be qualified dividend income and 50% is assumed to be ordinary income. Actual determination based on the underlying source of income generated by portfolio.

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- *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. The Fund's investment objective is to provide a high level of total return with an emphasis on making cash distributions to its stockholders 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. The Fund 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.*
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