

Kayne Anderson

Capital Advisors, L.P.

KAYNE ANDERSON CLOSED-END FUND UPDATE

SEPTEMBER 2020

**Note: A podcast accompanying this presentation can be found at
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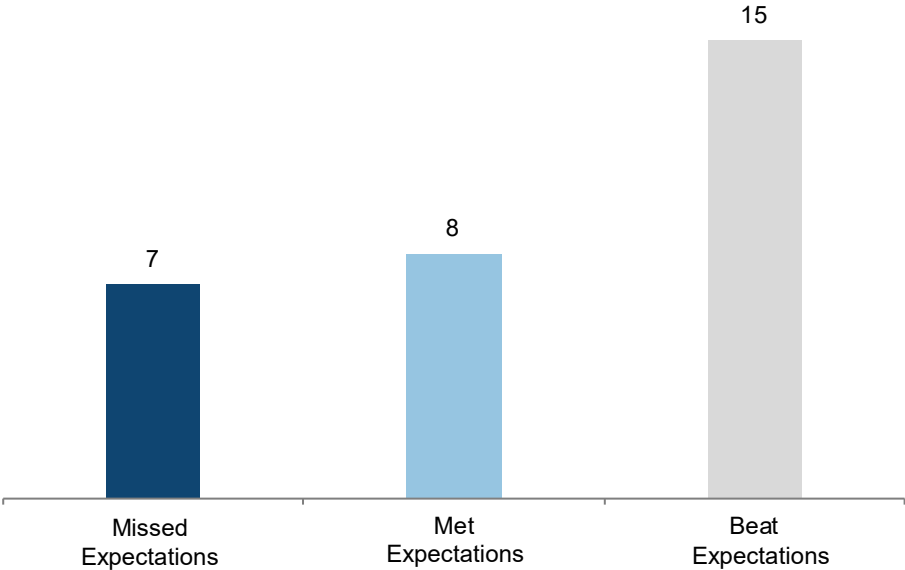
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Q2 earnings for most of the sector met or exceeded expectations

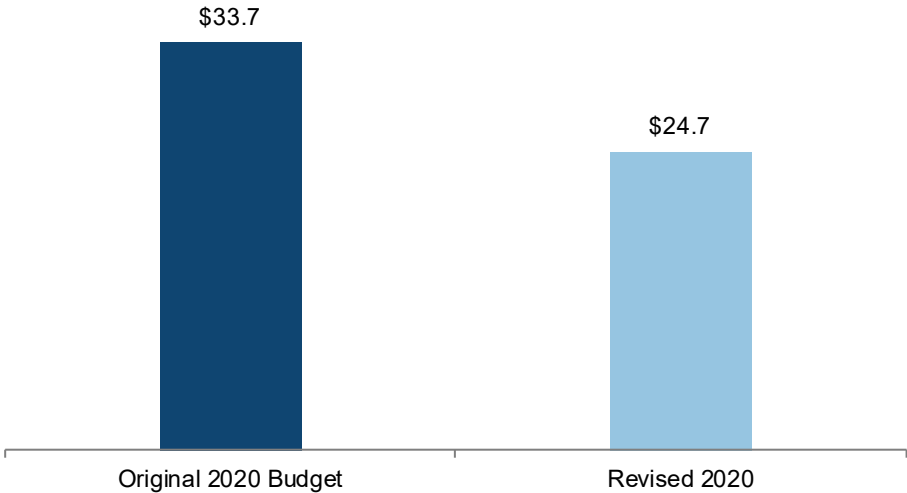
- ◆ Companies remain cautious about the next 18 months
- ◆ Primary focus on shoring up balance sheets
- ◆ Substantial reductions in operating costs and capital spending
- ◆ Continued regulatory and permitting challenges for pipeline projects

Midstream Earnings & Capex Reductions

Midstream Q2'20 Earnings Results (# of companies)



Midstream 2020 Capex Guidance (\$ bn)



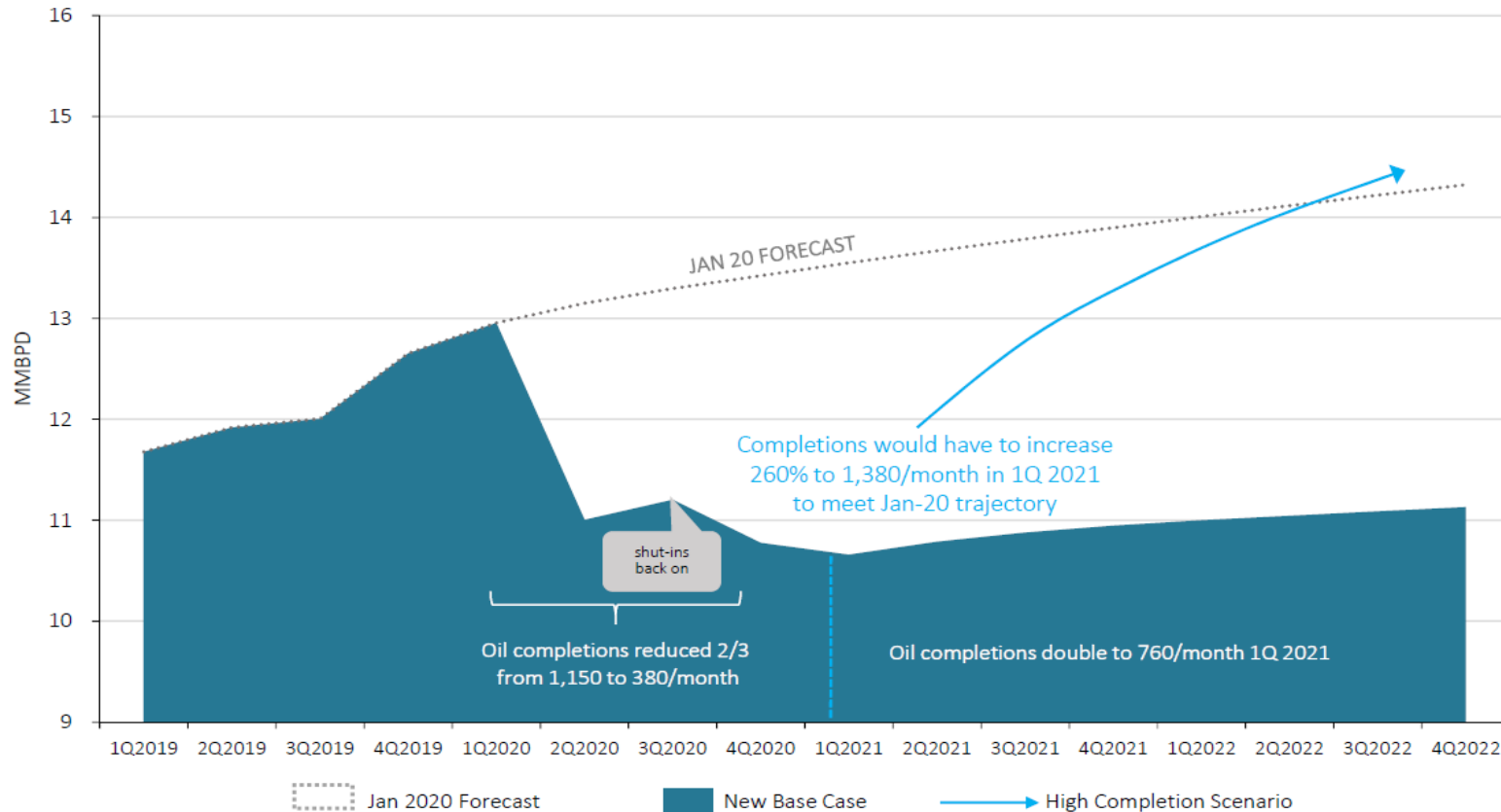
Source: TPH Research.
Companies included in dataset: AM, CEQP, CNXM, DCP, DKL, ENB, ENBL, ENLC, EPD, ET, GEL, HEP, HESM, IPL, KEY, KMI, MPLX, NBLX, NGL, NS, OKE, OMP, PAA, PBA, PSXP, RTL, SHLX, SMLP, TRGP, WES and WMB.

Capital constraints and a focus on deleveraging by E&P companies has meaningfully altered the outlook for U.S. oil production

Enterprise Products' U.S. Crude Supply Forecast

U.S. Crude and Condensate Supply Forecast

Step Change in Crude Price Impacts Production Outlook



Source: EPD Fundamentals

Source: Enterprise Products' investor deck dated 06/16/20 (<https://www.enterpriseproducts.com/investors/presentations>).

Earnings resilient despite global economic turmoil

- ◆ Project development and construction largely un-interrupted
- ◆ Costs continue to decline for new solar, wind and battery storage
- ◆ Investment capital continues to be attracted into the space

Notable Companies Pursuing Renewable Investments

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European Majors – August

- BP announces commitment to net zero carbon emissions by 2050; 10x increase in low carbon investment & 40% projected decline in hydrocarbons production by 2030
- TOTAL announced 25 GW target of renewable power generation installed by 2050
- Shell is investing \$1-2 billion annually in its New Energies (renewables) business

US Majors

- **April:** XOM announced a 12 year PPA with Orsted to power its Permian operations with energy produced from Orsted's wind farm in Texas
- **June:** Chevron announced a partnership with Algonquin Power to build 500 MW of renewable capacity
- **August:** Chevron announced an investment in nuclear fusion start-up Zap Energy
- **August:** OXY announced a deal with Rusheen Capital Management to develop and build a direct air capture plant in the Permian (CO2 capture)

North American Midstream Companies

- WMB announced \$200-\$400 million investment in solar over the next few years in conjunction with Q2 earnings
- Enbridge has invested in 1,886 MW of net wind power capacity globally since 2002

Minimal earnings revisions a testament to defensive nature of this sector

- ◆ Many utilities moving swiftly to lower carbon generation
- ◆ Valuations and stock performance bifurcated
- ◆ Dominion / Berkshire Hathaway transaction

We believe Energy Infrastructure portfolios should have exposure to each of the three subsectors:

- ◆ High Quality, Undervalued Midstream Companies
- ◆ High Growth Renewable Infrastructure Companies
- ◆ Utility Companies with growing investments in low carbon generation

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