Kayne Anderson
Capital Advisors, L.P.

KAYNE ANDERSON CLOSED-END FUND UPDATE

JUNE 2020

www.kaynefunds.com

Topics Covered in Today's Presentation

- Update on KYN and KMF's distribution announcements
- Update on KYN and KMF's balance sheets
- Market update

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

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Distribution Announcements

KYN

- KYN announced a distribution of $0.15 per share for the fiscal quarter ended May 31, 2020
  - A reduction of 58% compared to the prior distribution rate ($0.36 per share on a quarterly basis)

Ex-Date	Record Date	Payment Date	Distribution Amount
6/17/20	6/18/20	6/30/20	$0.15

KMF

- KMF announced a distribution of $0.09 per share for the fiscal quarter ended May 31, 2020
  - A reduction of 60% compared to the prior distribution rate ($0.225 per share on a quarterly basis)

Ex-Date	Record Date	Payment Date	Distribution Amount
6/17/20	6/18/20	6/30/20	$0.09

Distribution Announcements (Cont'd)

- As previously announced, both KYN and KMF plan to pay quarterly distributions in the future (as opposed to monthly)
  - June distribution is in replacement of the monthly distributions that would otherwise have been made in April, May and June 2020
  - Next distribution expected to be declared and paid in September 2020
- Management and the Board of Directors recognize that distributions are a significant part of the value proposition that KYN and KMF provide to investors but believe reductions in the distribution were the prudent decision for a number of reasons:
  - Unprecedented decline in equity prices for midstream companies: The AMZ was down 65% in the 20 trading days from mid February to mid March
  - Reduction in closed-end fund leverage in response to declines: KYN reduced leverage levels by 60% during March and April, and KMF reduced leverage levels by 54%
  - Several portfolio companies elected to reduce their distributions in response to the challenging market conditions, which reduced KYN and KMF net distributable income
- Going forward, in conjunction with declaring distributions in future quarters, the Board of Directors for KYN and KMF will continue to monitor the recovery of the energy markets and changes in the distribution policies of portfolio companies

KYN Balance Sheet Improvement

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- After completing repurchases of senior notes and preferred stock during the quarter, KYN's outstanding debt is $181 million and total leverage is $377 million
- As shown below, KYN is in compliance with all its leverage tests
  - Market improvement has added significant cushion to KYN's leverage ratios

KYN Balance Sheet

($ in millions)	2/29/20	3/31/20	5/31/20
Cash and Cash Equivalents	$12	$500	$59
Credit Facility	-	-	-
Term Loan	60	-	-
Notes	596	531	181
MRP Shares	342	342	196
Total Leverage	$998	$873	$377
Asset Coverage Ratio - Debt (300%)	381%	269%	700%
Asset Coverage Ratio - Total Leverage (225%)	250%	164%	336%
Fitch Test - Debt Coverage (1.0x)	1.20x	1.84x	3.03x
Fitch Test - Total Leverage Coverage (1.0x)	1.20x	1.19x	1.67x

KMF Balance Sheet Improvement

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- After completing repurchases of senior notes and preferred stock during the quarter, KMF's outstanding debt is $87 million and total leverage is $127 million
- As shown below, KMF is in compliance with all its leverage tests
  - Market improvement has added significant cushion to KMF's leverage ratios

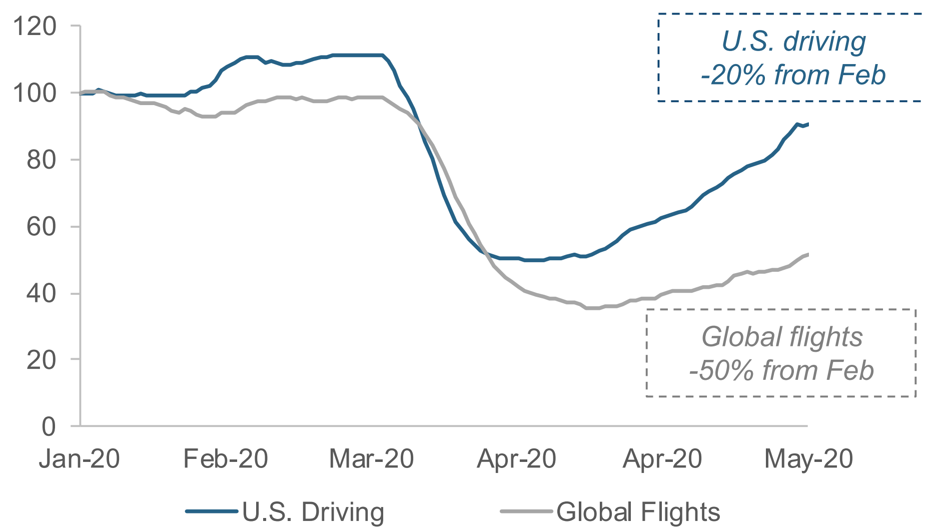
KMF Balance Sheet

($ in millions)	2/29/20	3/31/20	5/31/20
Cash and Cash Equivalents	$28	$146	$37
Credit Facility	-	-	-
Notes	201	157	87
MRP Shares	75	75	40
Total Leverage	$276	$232	$127
Asset Coverage Ratio - Debt (300%)	372%	266%	483%
Asset Coverage Ratio - Total Leverage (225%)	271%	180%	331%
Fitch Test - Debt Coverage (1.0x)	1.32x	1.86x	2.67x
Fitch Test - Total Leverage Coverage (1.0x)	1.44x	1.35x	2.07x

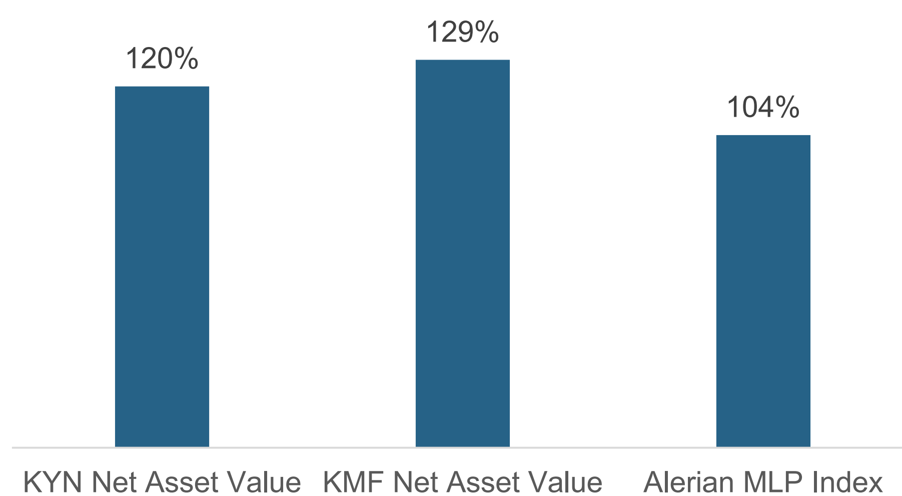
Overview of Market Conditions

- After a historically tough quarter, we are beginning to see some "green shoots" in economic activity and demand for energy-related commodities
  - Supply and demand for crude oil have begun to stabilize, and OPEC+ has taken aggressive action to reduce supplies
  - As shown below, "mobility" indicators of driving and flying activity continue to improve
  - Natural gas supply/demand balance in late 2020+ looks better as oil basin production declines
- As economic activity shows improvement, we have seen a strong rebound in equity prices for midstream companies, which are up sharply from lows set in mid March
  - As shown below, KYN and KMF net asset values have improved alongside midstream equities

Mobility Indicators (Indexed)



Performance From March 18, 2020 - May 29, 2020

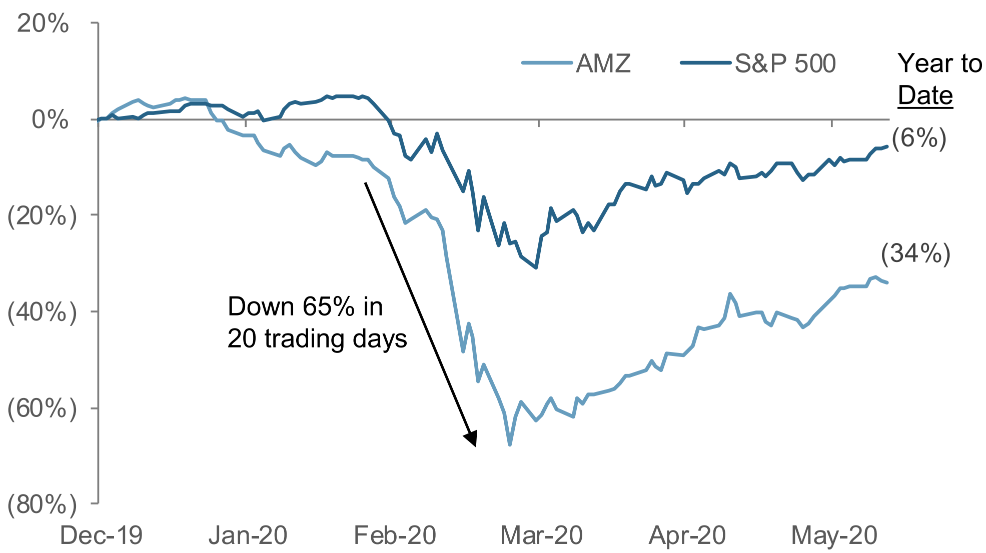


Source: Apple Mobility Data, Flightradar24 and FactSet Data and Analytics.

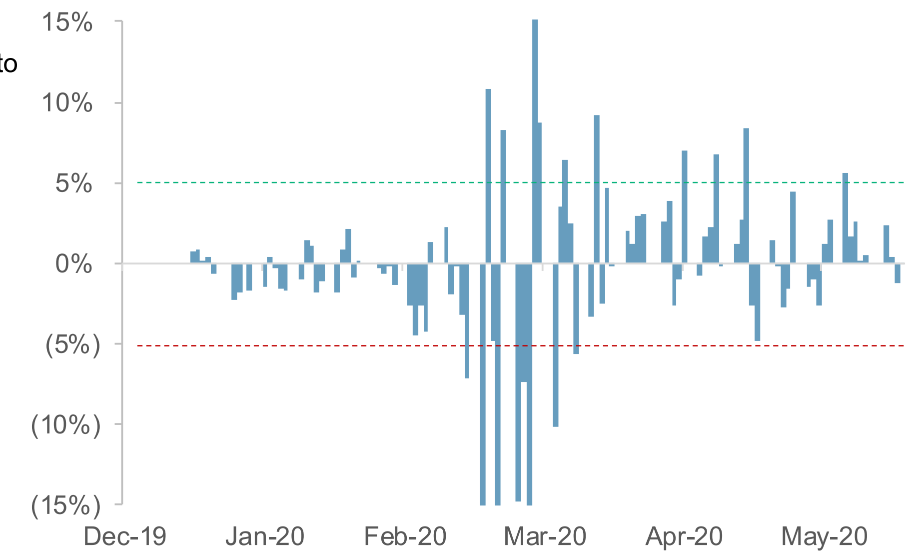
After a Deep Trough, Midstream has Rallied

- Midstream equity has rebounded quickly since March, meaningfully outperforming broader market
  - March 2020 (down 47%) was the worst month in AMZ history and April was the best (+52%)
  - MLPs have doubled off of their lows and some names are up over 200%
- Midstream credit has been particularly strong after selling off over 30 pts in early March and is now just 10 pts below recent highs(1)
- Sector has remained volatile, but nothing like the +/-10% moves we experienced in March

Midstream vs. Broader Market (YTD Performance)



AMZ Daily Price Moves



Source: FactSet Data and Analytics as of May 29, 2020.
(1) Based on ICE BofA HY Midstream Index.

Midstream Performance

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- Despite the strong rally, core names[1] are still down 43% on average from their 52-week highs
- Dividend yields for certain names remain very high; four of KYN's top 10 positions have double-digit yields
  - To the extent market conditions remain weak, management teams and boards of directors will continue to weigh the merits of dividend payouts vs balance sheet metrics

Midstream Performance

	Price Performance			% of 52 week		Distr.
Ticker	3/18/20	YTD	LTM	Low	High	Yield
EPD	56%	(32%)	(32%)	86%	(38%)	9.3%
ET	79%	(36%)	(41%)	118%	(47%)	15.0%
WMB	121%	(14%)	(23%)	143%	(30%)	7.8%
MPLX	127%	(25%)	(38%)	176%	(42%)	14.5%
MMP	55%	(28%)	(26%)	106%	(33%)	9.1%
PAA	195%	(47%)	(57%)	223%	(62%)	7.4%
TRGP	278%	(56%)	(53%)	389%	(59%)	2.2%
SHLX	80%	(33%)	(36%)	137%	(41%)	13.6%
PSXP	82%	(28%)	(7%)	135%	(31%)	7.8%
OKE	139%	(52%)	(42%)	202%	(53%)	10.2%
Average	121%	(35%)	(35%)	171%	(43%)	9.7%
AMZ	104%	(34%)	(41%)	131%	(44%)	10.8%
AMNA	77%	(29%)	(29%)	88%	(34%)	8.3%

Source: FactSet Data and Analytics as of May 29, 2020.
(1) As measured by KYN's top 10 positions.

Midstream Earnings Season

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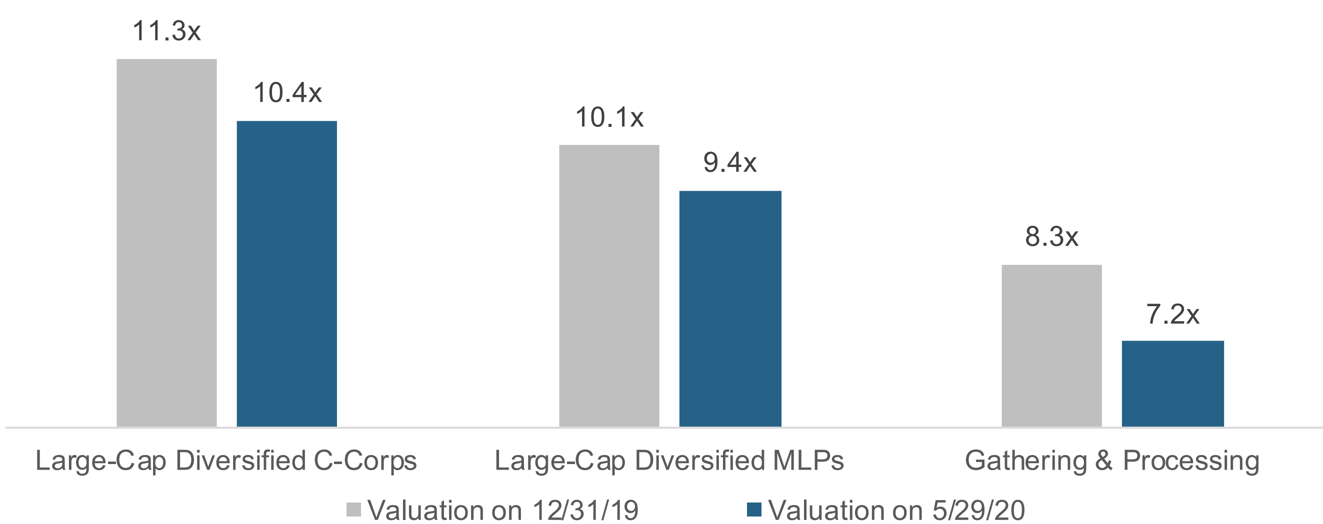
During Q1 earnings, we saw a continuation of guidance revisions, dividend cuts and strategic updates as management teams positioned for a downturn

- Most midstream companies reduced their 2020 capital expenditure budgets and certain companies cut their dividends
  - 29 midstream companies have cut their dividend this year, with an average 67% reduction
  - Virtually all midstream companies instituted cost-cutting initiatives
- There are two recurring themes from Q1 earnings season, which companies have made a point to comment on and "advertise" for investors on conference calls and in their slide decks
  1. There are <u>many</u> unknowns surrounding COVID-19 impact
  2. A strong balance sheet is an absolute priority

Valuations Have Continued to Decline…

- Over the last six months, midstream valuations have continued to shrink
- While earnings expectations have been reduced since the downturn began, the change in valuation multiple has outweighed the impact on profitability expectations
- The spread in valuations between diversified companies and gathering & processing names has continued to bifurcate
  - There is now a higher premium on contractual protections – the current environment highlights the purpose of take-or-pay contracts and fixed-fees versus direct commodity exposure

Midstream Valuations (EV / 2021 EBITDA)



Source: FactSet Data and Analytics and Kayne Research as of May 29, 2020.

...But Meanwhile, the Cash Flow Value Proposition has Become Quite Compelling

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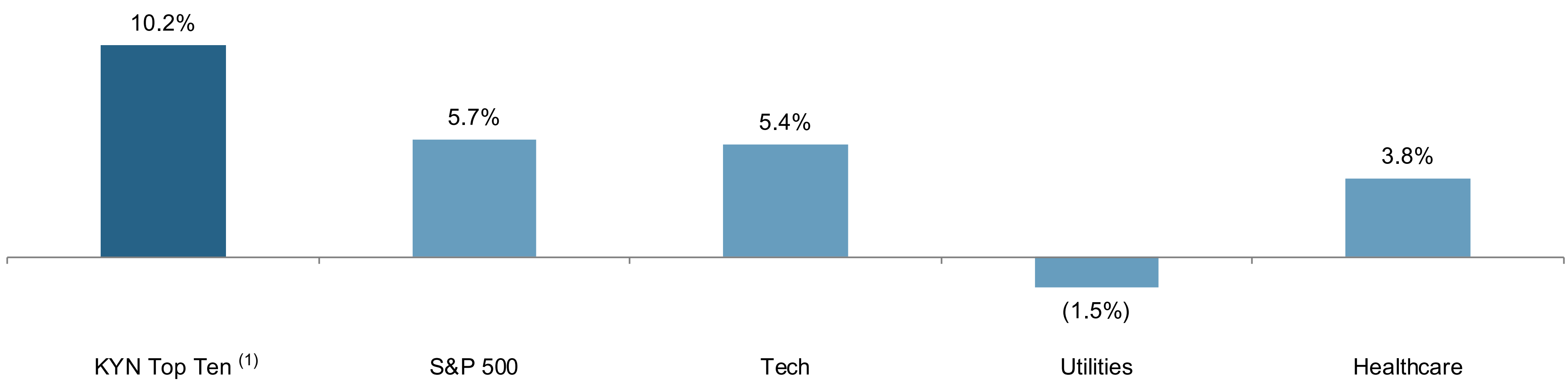
- Compared to other sectors, midstream looks very attractive on a free cash flow basis
  - Our funds' core midstream holdings(1) below offer materially higher free cash flow than some competing equity investments
- Much of the growth in free cash flow comes from slower spending as companies maintain their focus on capital discipline

Free Cash Flow Yield Comparison (2021E)



Source: FactSet Data and Analytics and Kayne Research as of May 29, 2020.
Note: Tech, Utilities and Healthcare based on VGT, XLU and IYH ETFs. Free cash flow is defined CFFO less total capex.
(1) As measured by KYN's top 10 positions.

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