

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30B-2

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Filing Date: **2022-04-28** | Period of Report: **2022-02-28**  
SEC Accession No. [0001213900-22-022361](#)

([HTML Version](#) on [secdatabase.com](#))

### FILER

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**Kayne Anderson NextGen Energy & Infrastructure, Inc.**

CIK: [1500096](#) | IRS No.: **000000000** | State of Incorporation: **MD** | Fiscal Year End: **1130**  
Type: **N-30B-2** | Act: **40** | File No.: [811-22467](#) | Film No.: **22867871**

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# Kayne Anderson

*NextGen Energy & Infrastructure, Inc.*



**KMF Quarterly Report**  
February 28, 2022



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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:** This report of Kayne Anderson NextGen Energy & Infrastructure, Inc. (the “Fund”) 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 materially differ from the Fund’s historical experience and its present expectations or projections indicated in any forward-looking statement. 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 the Fund’s filings with the Securities and Exchange Commission (“SEC”). You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. The Fund undertakes no obligation to publicly update or revise any forward-looking statements made herein. There is no assurance that the Fund’s investment objectives will be attained.

All investments in securities involve risks, including the possible loss of principal. The value of an investment in the Fund could be volatile, and you could suffer losses of some or a substantial portion of the amount invested. The Fund’s concentration of investments in energy infrastructure companies subjects it to the risks of the energy sector, including the risks of declines in energy and commodity prices, decreases in energy demand, adverse weather conditions, natural or other disasters, changes in government regulation, and changes in tax laws. Leverage creates risks that may adversely affect return, including the likelihood of greater volatility of net asset value and market price of common shares and fluctuations in distribution rates, which increases a stockholder’s risk of loss.

Performance data quoted in this report 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.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**ADOPTION OF AN OPTIONAL DELIVERY METHOD FOR SHAREHOLDER REPORTS**

**Rule 30e-3 Notice**

Paper copies of Kayne Anderson NextGen Energy & Infrastructure, Inc.'s (the "Fund") annual and semi-annual shareholder reports are no longer being sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website ([www.kaynefunds.com](http://www.kaynefunds.com)), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

You may elect to receive paper copies of shareholder reports and other communications from the Fund anytime by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by calling the Fund at 1-877-657-3863. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held directly with KA Fund Advisors, LLC.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**LETTER TO STOCKHOLDERS**

April 7, 2022

Dear Fellow Stockholders:

It has been an eventful start to fiscal 2022. The global equity markets began the year grappling with concerns about inflation, rising interest rates, and the potential for a slower global recovery. Russia's invasion of Ukraine has added further uncertainty and amplified volatility in the financial markets. Energy markets, in particular, are a focal point as Western countries question their dependence on Russian energy-related commodities. The phrase "energy security" has suddenly become a hot topic among governments, business leaders, and investors as the tragedy unfolding in Ukraine highlights the inter-related nature of the global energy markets and the importance of abundant, reliable U.S. energy resources and the infrastructure that supports the transportation and export of these resources. Further, while we are big proponents of the Energy Transition, we have a pragmatic view of how long this transition will take (and how difficult it will be at times). Along those lines, we are also seeing increased recognition of our long-held view that traditional energy sources (like natural gas) are critical long-term complements to the acceleration in wind and solar energy development. While KMF's emphasis is on NextGen Companies participating in the Energy Transition, these same companies provide critical infrastructure supporting the energy security thesis.<sup>(1)</sup> In short, we believe the Fund is a unique and differentiated way to capitalize on both of these important trends.

In this letter, we discuss the energy infrastructure markets, KMF's portfolio positioning, and the Fund's strong year-to-date performance. In summary:

- KMF had an outstanding quarter generating a Net Asset Return of 12.6%, outperforming its benchmark index by 360 basis points (bps);<sup>(2)</sup>
- Over the past 12 months, KMF's Net Asset Return was 36.2%;
- We achieved these returns while maintaining conservative leverage levels with ample downside cushion given the overall equity market volatility;<sup>(3)</sup> and
- On March 30<sup>th</sup>, KMF announced an increase in its quarterly distribution to \$0.16 per share (14% increase) that will be paid on April 19<sup>th</sup>.

**Market Conditions**

The S&P 500 declined 4.0% during KMF's fiscal first quarter (ended February 28<sup>th</sup>). Volatility was very high as the market assessed accelerating inflation, rising interest rates, a COVID-19 resurgence in Asia, and the Russian invasion late in the quarter.<sup>(4)</sup> Bond yields rose during the quarter, with the 10-year U.S. Treasury bond yield up 40 bps to 1.8%. Since quarter-end, yields have continued to trend much higher, with the 10-year Treasury bond currently yielding around 2.6% as inflationary pressures mount and markets are bracing for more aggressive Federal Reserve action to rein in inflation expectations. Central banks are now faced with the difficult task of "threading the needle" to navigate out of quantitative easing and raise interest rates to quell inflation while not moving so fast as to kill the economic recovery

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Endnotes can be found on page 6.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**LETTER TO STOCKHOLDERS**

and risk causing a recession. The impact of the war in Ukraine, including the disruption of commodity markets, only makes this task more difficult. Against this backdrop, uncertainty remains heightened, and we expect continued periods of above-average volatility in equity markets.

Energy commodity prices were strong during the fiscal quarter and traded much higher after the Russian invasion. WTI crude oil prices ended the quarter at an eight-year high of \$96 per barrel (up 45% during the quarter) and traded briefly over \$125 per barrel in early March. Global crude oil inventories were already tight, with minimal spare production capacity as demand continued to rebound. The potential disruption in supplies from Russia has proved to be a tipping point, sending prices much higher and provoking the U.S. and other allies to release record quantities of oil from strategic reserves. If we can avoid a global recession, we also believe oil prices will remain strong for quite some time due to minimal spare capacity and a higher risk premium reflected in prices.

Natural gas and LNG (liquefied natural gas) have also garnered headlines, given that Russia represents roughly 40% of Europe's gas supply. U.S. natural gas prices were strong during the quarter, averaging \$4.40 per million British thermal unit (MMBtu), while prices in Europe averaged \$30 per MMBtu. European countries have announced ambitious plans to diversify away from Russian natural gas by accelerating investments in renewables and LNG import infrastructure. The need for additional LNG has highlighted the important role of U.S. supply. This year, the U.S. is expected to surpass Qatar and Australia as the world's largest exporter of LNG — a remarkable statistic considering that the first world scale LNG export facility in the U.S. was completed a mere six years ago.

The strategic importance of reliable U.S. energy supplies to Europe and Asia has never been more apparent. This has given rise to a global focus on the concept of energy security, and this theme is resonating with governments and investors alike. The importance of energy infrastructure in facilitating the transportation and delivery of U.S. oil, natural gas, LNG and natural gas liquids is an important part of this story, and we expect this to generate positive investor sentiment toward many of our portfolio companies. We also believe that the quest for energy security does not conflict with the Energy Transition. We have long held that oil, natural gas, LNG, and natural gas liquids will be part of the global mix for decades to come, complementing growing renewable energy sources and providing feedstock for plastic products that are fundamental to our modern lives.

While Ukraine and energy security have dominated the headlines since mid-February, there was intense focus earlier in the quarter on the President's Build Back Better ("BBB") proposal. Unfortunately, the failure of BBB to advance in Congress thus far during 2022 dampened investor sentiment a bit for some of our renewable infrastructure and utility holdings during the quarter. However, the long-term fundamentals for those businesses remain strong, and we believe there is broad political support for developing U.S. energy infrastructure across these sectors.

### **Portfolio and Performance**

As has been the case for the last several quarters, returns across KMF's three energy infrastructure sectors — midstream, U.S. utilities, and renewable infrastructure — were mixed during the first fiscal quarter of 2022.

- Midstream energy had another outstanding quarter, with the Alerian Midstream Energy Total Return Index (AMNAX) up 17.1%, outperforming the S&P 500 by approximately 2,100 bps.

Endnotes can be found on page 6.



**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**LETTER TO STOCKHOLDERS**

- U.S. utilities were up slightly for the quarter, with the Utilities Select Sector SPDR Fund (XLU) returning 4.1%, or approximately 800 bps better than the S&P 500.
- Renewable infrastructure returns were near breakeven, at negative 0.5%.<sup>(5)</sup>

Over the last twelve months, the AMNAX returned 43%, which is approximately 2,700 bps greater than the S&P 500's return over the same time period. U.S. utilities have returned 20% over this period, and renewable infrastructure returns are roughly flat over the last year. While renewable infrastructure has lagged the midstream and utility sectors since mid-January 2021, one must also consider the exceptional returns it generated during fiscal 2019 and 2020. The diversity among these returns is not a surprise, as returns among our three primary sectors are not expected to be highly correlated. This portfolio diversification reduces KMF's overall risk without unduly sacrificing returns. Over the long term, we believe each sector's fundamental prospects are very favorable.

At the end of our first fiscal quarter, KMF's combined investments in NextGen companies, which includes substantially all of our investments in the renewable infrastructure, U.S. utilities, and natural gas & LNG infrastructure sectors, represents roughly 59% of the total portfolio.<sup>(1)</sup> This is down slightly (roughly 200 bps) from last quarter due primarily to the outperformance of midstream companies compared to U.S. utilities and renewable infrastructure during the period. As shown below, KMF's sector allocations are skewed toward midstream (including traditional midstream and natural gas & LNG infrastructure) compared to the weightings that make up KMF's Composite Energy Infrastructure Index benchmark. As a reminder, the benchmark index is a blend of midstream, U.S. utilities, and renewable infrastructure sectors, as measured by the AMNAX, XLU, and our renewable infrastructure composite, respectively.<sup>(6)</sup>

Sector Allocations	Weightings as of 2/28/22	
	KMF	Benchmark <sup>(6)</sup>
Midstream	37%	50%
Natural Gas & LNG Infrastructure	23%	
Renewable Infrastructure	25%	35%
U.S. Utilities <sup>(7)</sup>	11%	15%
Other	4%	-
<b>Fiscal Q1 Total Returns</b>	<b>12.6%</b>	<b>9.0%</b>

KMF's NAV Return of 12.6% was 360 bps better than the 9.0% benchmark index return, primarily due to KMF's higher allocation to midstream, which outperformed the other sectors during the quarter. Notably, our holdings of natural gas & LNG infrastructure within the broader midstream category have generally increased relative to traditional midstream holdings, and we would expect this trend to continue over the longer term. KMF's strategy of focusing the majority of the Fund in NextGen infrastructure companies remains intact. The companies in our portfolio also provide significant exposure to the burgeoning energy security theme through their investments in renewable power generation, power transmission, and strategic midstream assets that link the production of oil, natural gas, and natural gas liquids to domestic customers and export markets. We believe Energy Transition and energy security are complementary trends, and KMF's exposure to infrastructure companies benefiting from both themes can provide investors with attractive long-term risk-adjusted returns.

Endnotes can be found on page 6.

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KMF's Market Return was 8.8% for the quarter, or 380 bps less than NAV Return, as KMF's share price traded at a wider discount to NAV over the quarter.<sup>(8)</sup> We are disappointed in the stock price performance relative to NAV performance. While we will continue to assess all options to narrow the stock price to NAV discount, we will continue to focus on providing attractive risk-adjusted returns while maintaining conservative balance sheet leverage and ample liquidity in the portfolio. We expect that our consistent performance, along with a substantial return of cash to shareholders through quarterly distributions, will be recognized by the market over time.

**Distribution**

Given KMF's strong performance over the last seven quarters and our outlook for the next 12 to 18 months, we announced a 14% increase in our quarterly distribution to \$0.16 per share.<sup>(9)</sup> Based on our current outlook, we believe this distribution level is sustainable and consistent with our distribution policy, which considers net distributable income as well as realized and unrealized gains from KMF's portfolio investments. While we are cognizant of the heightened risks in broader markets, we remain optimistic about the long-term outlook for energy infrastructure companies and their role in energy security and the Energy Transition over the next few years.

We encourage investors to visit our website at [kaynefunds.com](http://kaynefunds.com) for more information about the Fund, including the podcasts posted within the "Insights" page that discuss performance and key industry trends. For more details on KMF's performance, please refer to the "Quarterly Performance" section of our website at [kaynefunds.com/kmf](http://kaynefunds.com/kmf). We appreciate your investment in KMF and look forward to providing future updates.

KA Fund Advisors, LLC

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Endnotes can be found on page 6.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**LETTER TO STOCKHOLDERS**

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- (1) We consider NextGen companies to be energy companies and infrastructure companies that are meaningfully participating in, or benefiting from, the Energy Transition. For these purposes, we include renewable infrastructure companies, natural gas & LNG infrastructure companies, and certain utility companies.
  - (2) 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).
  - (3) Downside cushion reflects the decrease in total asset value that could be sustained while maintaining compliance with 1940 Act leverage levels and KMF's financial covenants.
  - (4) Performance metrics in this letter represent total returns unless specifically noted otherwise.
  - (5) Based on a composite total return for 38 domestic and international renewable infrastructure and utility companies (calculated on a market-cap weighted basis with individual constituents capped at a 10% weighting).
  - (6) The sub-sector allocations for KMF's Composite Energy Infrastructure Index were established by Kayne Anderson at the beginning of fiscal 2022 and are expected to change on an annual basis based on the estimated sub-sector allocations of the Fund's assets during that year. The benchmark for the midstream sector is the Alerian Midstream Energy Total Return Index (AMNAX). The benchmark for the renewable infrastructure sector is the composite total return defined in footnote (5). The benchmark for the U.S. utilities sector is the Utilities Select Sector SPDR Fund (XLU), which is an ETF linked to the Utilities Select Sector Index (IXU), a sub-set of the S&P 500.
  - (7) Includes TransAlta Corporation (TA CN). Excludes Engie (ENGI FP), which is reclassified as other, and Public Power Corp (PPC GA), which is reclassified as renewable infrastructure since it is included in the benchmark for the renewable infrastructure sector.
  - (8) Market Return is defined as the change in share price plus cash distributions paid during the period (assuming reinvestment through our dividend reinvestment plan).
  - (9) Distribution payable April 19, 2022.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**MANAGEMENT DISCUSSION**  
**(UNAUDITED)**

**Fund Overview**

Kayne Anderson NextGen Energy & Infrastructure, Inc. (the “Fund” or “KMF”) is a non-diversified, closed-end fund that commenced operations in November 2010. Our investment objective is to provide a high level of total return with an emphasis on making cash distributions to our stockholders. We seek to achieve that investment objective by investing at least 80% of our total assets in the securities of Energy Companies and Infrastructure Companies. We expect to invest the majority of our assets in securities of “NextGen” companies which we define as Energy Companies and Infrastructure Companies that are meaningfully participating in, or benefitting from, the Energy Transition. Please see the Glossary of Key Terms for a description of these investment categories and for the meaning of capitalized terms not otherwise defined herein.

As of February 28, 2022, we had total assets of \$617 million, net assets applicable to our common stockholders of \$459 million (net asset value of \$9.72 per share), and 47.2 million shares of common stock outstanding. As of February 28, 2022, we held \$607 million in equity investments and \$7 million in debt investments.

**Our Top Ten Portfolio Investments**

Listed below are our top ten portfolio investments by issuer as of February 28, 2022.

Holding	Category <sup>(1)</sup>	Amount (\$ in millions)	Percent of Long-Term Investments
1.Targa Resources Corp.	Midstream Company	\$ 41.1	6.7%
2.Enterprise Products Partners L.P. <sup>(2)</sup>	Midstream Company	37.6	6.1
3.The Williams Companies, Inc.	Natural Gas & LNG Infrastructure Company	34.4	5.6
4.Cheniere Energy, Inc.	Natural Gas & LNG Infrastructure Company	34.4	5.6
5.MPLX LP	Midstream Company	29.2	4.8
6.Energy Transfer LP	Midstream Company	26.7	4.3
7.TC Energy Corporation	Natural Gas & LNG Infrastructure Company	23.5	3.8
8.Brookfield Renewable Partners L.P. <sup>(3)</sup>	Renewable Infrastructure Company	22.3	3.6
9.DT Midstream, Inc.	Natural Gas & LNG Infrastructure Company	21.3	3.5
10. Kinder Morgan, Inc.	Natural Gas & LNG Infrastructure Company	19.9	3.2
		<b>\$290.4</b>	<b>47.2%</b>

(1) See Glossary of Key Terms for definitions.

(2) Includes ownership of common and preferred units.

(3) Includes ownership of Brookfield Renewable Partners, L.P. (“BEP”) and Brookfield Renewable Corporation (“BEPC”).

**Results of Operations — For the Three Months Ended February 28, 2022**

*Investment Income.* Investment income totaled \$3.6 million for the quarter and consisted primarily of net dividends and distributions and interest income on our investments. We received \$6.5 million of dividends and distributions, of which \$2.9 million was treated as return of capital and \$0.1 million was treated as distributions in excess of cost basis. Interest income was \$0.1 million.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**MANAGEMENT DISCUSSION**  
**(UNAUDITED)**

*Operating Expenses.* Operating expenses totaled \$3.5 million, including \$1.8 million of investment management fees, \$1.0 million of interest expense, \$0.3 million of preferred stock distributions and \$0.4 million of other operating expenses.

*Net Investment Income.* Our net investment Income totaled \$0.1 million.

*Net Realized Gains.* We had net realized gains of \$3.1 million, which includes \$0.1 million of net realized gains from option activity.

*Net Change in Unrealized Gains.* We had a net increase in unrealized gains of \$47.2 million, which includes \$0.3 million of unrealized gains on forward currency contracts.

*Net Increase in Net Assets Resulting from Operations.* As a result of the above, we had a net increase in net assets resulting from operations of \$50.4 million.

**Distributions to Common Stockholders**

On March 30, 2022, KMF declared a quarterly distribution of \$0.16 per common share for the first quarter, which was paid on April 19, 2022. Payment of future distributions is subject to Board of Directors approval, as well as meeting the covenants on our debt agreements and terms of our preferred stock.

The Board of Directors considers several items in setting our distributions to common stockholders including net distributable income ("NDI"), realized and unrealized gains and expected returns for portfolio investments. For instance, we expect earnings growth and/or excess free cash flows generated by our holdings will enhance shareholder value and, in turn, result in appreciation in our portfolio investments. Taking this into consideration when setting our distribution gives us an effective way to pass along these benefits to our stockholders.

NDI is the amount of income received by us from our portfolio investments less operating expenses, subject to certain adjustments as described below. NDI is not a financial measure under the accounting principles generally accepted in the United States of America ("GAAP"). Refer to the Reconciliation of NDI to GAAP section below for a reconciliation of this measure to our results reported under GAAP.

For the purposes of calculating NDI, income from portfolio investments includes (a) cash dividends and distributions, (b) paid-in-kind dividends received (*i.e.*, stock dividends), (c) interest income from debt securities and commitment fees from private investments in public equity ("PIPE investments") and (d) net premiums received from the sale of covered calls.

For the purposes of calculating NDI, operating expenses include (a) investment management fees paid to our investment adviser, (b) other expenses (mostly comprised of fees paid to other service providers), (c) accrual for estimated excise taxes (if any) and (d) interest expense and preferred stock distributions.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**MANAGEMENT DISCUSSION**  
**(UNAUDITED)**

**Net Distributable Income (NDI)**  
(amounts in millions, except for per share amounts)

	Three Months Ended February 28, 2022
<b>Distributions and Other Income from Investments</b>	
Dividends	\$ 6.5
Interest	0.1
Net Premiums Received from Call Options Written	0.1
Total Distributions and Other Income from Investment	6.7
<b>Expenses</b>	
Investment Management Fee	(1.8)
Other Expenses	(0.4)
Interest Expense	(1.0)
Preferred Stock Distributions	(0.3)
<b>Net Distributable Income (NDI)</b>	<b>\$ 3.2</b>
Weighted Shares Outstanding	47.2
<b>NDI per Weighted Share Outstanding</b>	<b>\$ 0.067</b>
<b>Adjusted NDI per Weighted Share Outstanding<sup>(1)</sup></b>	<b>\$ 0.076</b>

(1) Adjusted NDI includes distributions received from Atlantica Sustainable Infrastructure plc, AB Ignitis Grupe and Rattler Midstream LP attributable to the first quarter of fiscal 2022 with ex-dividend dates in March 2022, which were after our quarter end (\$0.4 million).

**Reconciliation of NDI to GAAP**

The difference between distributions and other income from investments in the NDI calculation and total investment income as reported in our Statement of Operations is reconciled as follows:

- A significant portion of the cash distributions received from our investments is characterized as return of capital. For GAAP purposes, return of capital distributions are excluded from investment income, whereas the NDI calculation includes the return of capital portion of such distributions.
- GAAP recognizes distributions received from our investments that exceed the cost basis of our securities to be realized gains and are therefore excluded from investment income, whereas the NDI calculation includes these distributions.
- NDI includes the value of paid-in-kind dividends and distributions (if any), whereas such amounts are not included as investment income for GAAP purposes, but rather are recorded as unrealized gains upon receipt.
- NDI includes commitment fees from PIPE investments (if any), whereas such amounts are generally not included in investment income for GAAP purposes, but rather are recorded as a reduction to the cost of the investment.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**MANAGEMENT DISCUSSION**  
**(UNAUDITED)**

- We may sell covered call option contracts to generate income or to reduce our ownership of certain securities that we hold. In some cases, we are able to repurchase these call option contracts at a price less than the call premium that we received, thereby generating a profit. The premium we receive from selling call options, less (i) the amount that we pay to repurchase such call option contracts and (ii) the amount by which the market price of an underlying security is above the strike price at the time a new call option is written (if any), is included in NDI. For GAAP purposes, premiums received from call option contracts sold are not included in investment income. See Note 2 — Significant Accounting Policies for a full discussion of the GAAP treatment of option contracts.

**Liquidity and Capital Resources**

At February 28, 2022, we had total leverage outstanding of \$157 million, which represented 25% of total assets. Our current policy is to utilize leverage in an amount that represents approximately 25% to 30% of our total assets. Total leverage was comprised of \$80 million of senior unsecured notes (“Notes”), \$42 million of mandatory redeemable preferred stock (“MRP Shares”) and \$35 million of borrowings outstanding under our unsecured revolving credit facility (the “Credit Facility”). At such date, we had \$0.4 million of cash. As of April 22, 2022, we had \$49 million borrowings outstanding under our Credit Facility, \$4 million borrowings outstanding under our unsecured revolving credit facility with Sumitomo Mitsui Banking Corporation (“Bank Facility”) and we had \$2 million of cash.

On February 25, 2022, we entered into a \$50 million Credit Facility. The Credit Facility matures on February 24, 2023, and replaces our \$50 million unsecured revolving credit facility that was scheduled to mature on February 25, 2022. The interest rate on borrowings under the Credit Facility may vary between the secured overnight financing rate (“SOFR”) plus 1.40% and SOFR plus 2.25%, depending on our asset coverage ratios. We pay a fee of 0.20% per annum on any unused amounts of the Credit Facility.

Our Bank Facility has a total commitment of \$20 million. The Bank Facility has a three-year term, maturing August 6, 2024. Borrowings under the Bank Facility will bear interest at a rate of 1-month LIBOR plus 1.35%. The Fund will pay a commitment fee of 0.20% per annum on any unused amounts of the Bank Facility. As of February 28, 2022, we did not have any borrowings under the Bank Facility.

On February 22, 2022, we redeemed all \$4.4 million of our Series C Notes at par (originally scheduled to mature on March 22, 2022). At February 28, 2022, we had \$80 million of Notes outstanding that mature between 2023 and 2025 and we had \$42 million of MRP Shares outstanding that are subject to mandatory redemption in 2024 and 2026.

At February 28, 2022, our asset coverage ratios under the Investment Company Act of 1940, as amended (“1940 Act”), were 535% for debt and 393% for total leverage (debt plus preferred stock). We target asset coverage ratios that give us the ability to withstand declines in the market value of the securities we hold before breaching the financial covenants in our leverage. These targets are dependent on market conditions as well as certain other factors and may vary from time to time. Currently, we are targeting asset coverage ratios that provide approximately 30% to 40% of cushion relative to our financial covenants (i.e., market values could decline by approximately this amount before our asset coverage ratios would be equal to our financial covenants).

As of February 28, 2022, our total leverage consisted 65% of fixed rate obligations and 35% of floating rate obligations. At such date, the weighted average interest/dividend rate on our total leverage was 2.89%.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**SCHEDULE OF INVESTMENTS**  
**FEBRUARY 28, 2022**  
(amounts in 000's)  
**(UNAUDITED)**

Description	No. of Shares/Units	Value
<b>Long-Term Investments — 133.9%</b>		
<b>Equity Investments<sup>(1)</sup> — 132.5%</b>		
<b>Midstream Company<sup>(2)</sup> — 48.1%</b>		
Aris Water Solutions, Inc.	333	\$ 4,865
Enbridge Inc. <sup>(3)</sup>	348	15,024
Energy Transfer LP <sup>(4)</sup>	2,632	26,685
Enterprise Products Partners L.P. <sup>(4)</sup>	755	18,425
Enterprise Products Partners L.P. — Convertible Preferred Units <sup>(4)(5)(6)(7)</sup>	18	19,157
Magellan Midstream Partners, L.P. <sup>(4)</sup>	179	8,666
MPLX LP <sup>(4)</sup>	891	29,190
ONEOK, Inc.	269	17,583
Pembina Pipeline Corporation <sup>(3)</sup>	468	15,880
Plains GP Holdings, L.P. <sup>(8)(9)</sup>	922	10,425
Plains GP Holdings, L.P. - Plains AAP, L.P. <sup>(5)(8)(9)(10)</sup>	690	7,799
Rattler Midstream LP <sup>(8)</sup>	424	5,854
Targa Resources Corp.	629	41,146
		<u>220,699</u>
<b>Natural Gas &amp; LNG Infrastructure Company<sup>(2)(11)</sup> — 31.0%</b>		
Cheniere Energy, Inc.	259	34,381
Cheniere Energy Partners, L.P. <sup>(4)</sup>	160	8,655
DT Midstream, Inc.	402	21,320
Kinder Morgan, Inc.	1,143	19,894
TC Energy Corporation <sup>(3)</sup>	438	23,540
The Williams Companies, Inc.	1,101	34,430
		<u>142,220</u>
<b>Renewable Infrastructure Company<sup>(2)(11)</sup> — 25.2%</b>		
Atlantica Sustainable Infrastructure plc <sup>(3)</sup>	479	16,155
Brookfield Renewable Partners L.P. <sup>(3)(8)</sup>	412	14,804
Brookfield Renewable Corporation — Class A <sup>(3)(8)</sup>	202	7,533
Clearway Energy, Inc. — Class A	231	7,054
Clearway Energy, Inc. — Class C	137	4,579
Corporacion Acciona Energias Renovables, S.A. <sup>(3)(12)</sup>	175	5,877
EDP Renováveis, S.A. <sup>(3)</sup>	61	1,490



Enviva Inc.	218	15,174
Innergex Renewable Energy Inc. <sup>(3)</sup>	544	7,910
NextEra Energy Partners, LP	204	15,914
Northland Power Inc. <sup>(3)</sup>	308	9,785
Orsted A/S <sup>(3)</sup>	32	4,089
Polaris Infrastructure Inc. <sup>(3)</sup>	63	771
Terna Energy S.A. <sup>(3)</sup>	309	4,481
		<u>115,616</u>

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**SCHEDULE OF INVESTMENTS**  
**FEBRUARY 28, 2022**  
(amounts in 000's)  
**(UNAUDITED)**

Description	No. of Shares/Units	Value
<b>Utility Company<sup>(2)</sup> — 23.8%</b>		
AB Ignitis Grupe <sup>(3)(11)</sup>	78	\$ 1,700
American Electric Power Company, Inc.	11	997
Algonquin Power & Utilities Corp. — Convertible Preferred Units <sup>(3)(11)(13)</sup>	93	4,290
Dominion Energy, Inc. <sup>(11)</sup>	116	9,257
Duke Energy Corporation <sup>(11)</sup>	96	9,639
EDP — Energias de Portugal, S.A. <sup>(3)(11)</sup>	1,352	6,605
Enel — S. p. A. <sup>(3)(11)</sup>	837	6,165
Engie SA <sup>(3)(11)</sup>	225	3,585
Evergy, Inc. <sup>(11)</sup>	56	3,520
Eversource Energy	80	6,528
Iberdrola, S.A. <sup>(3)(11)</sup>	249	2,823
NextEra Energy, Inc. <sup>(11)</sup>	125	9,760
Public Power Corporation S.A. <sup>(3)(11)(14)</sup>	712	6,762
RWE AG <sup>(3)(11)</sup>	51	2,376
Sempra Energy <sup>(11)</sup>	68	9,807
SSE plc <sup>(3)(11)</sup>	283	6,422
The AES Corporation <sup>(11)</sup>	157	3,323
TransAlta Corporation <sup>(3)(11)</sup>	611	6,198
Xcel Energy Inc. <sup>(11)</sup>	137	9,218
		<u>108,975</u>
<b>Other Energy Company<sup>(2)</sup> — 4.4%</b>		
Phillips 66	116	9,755
Shell plc — ADR <sup>(3)(15)</sup>	47	2,473
TotalEnergies SE — ADR <sup>(3)(15)</sup>	153	7,731
		<u>19,959</u>
<b>Total Equity Investments (Cost — \$516,893)</b>		<u>607,469</u>
	<b>Interest Rate</b>	<b>Maturity Date</b>
<b>Debt Investments — 1.4%</b>		<b>Principal Amount</b>
<b>Midstream Company<sup>(2)</sup> — 1.4%</b>		
Buckeye Partners, L.P. (Cost — \$6,188)	6.375%	1/22/78 \$ 7,831 6,539
<b>Total Long-Term Investments — 133.9% (Cost — \$523,081)</b>		<u>614,008</u>

<b>Debt</b>	(115,091)
<b>Mandatory Redeemable Preferred Stock at Liquidation Value</b>	(41,491)
<b>Other Assets in Excess of Other Liabilities</b>	1,208
<b>Net Assets Applicable to Common Stockholders</b>	<u>\$ 458,634</u>

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- (1) Unless otherwise noted, equity investments are common units/common shares.  
(2) Refer to the Glossary of Key Terms for definitions.  
(3) Foreign security.

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**SCHEDULE OF INVESTMENTS**  
**FEBRUARY 28, 2022**  
**(amounts in 000's)**  
**(UNAUDITED)**

- (4) Securities are treated as a qualified publicly-traded partnership for regulated investment company ("RIC") qualification purposes. To qualify as a RIC for tax purposes, the Fund may directly invest up to 25% of its total assets in equity and debt securities of entities treated as qualified publicly-traded partnerships. The Fund had 18.0% of its total assets invested in qualified publicly-traded partnerships at February 28, 2022. It is the Fund's intention to be treated as a RIC for tax purposes.
- (5) The Fund's ability to sell this security is subject to certain legal or contractual restrictions. As of February 28, 2022, the aggregate value of restricted securities held by the Fund was \$26,956 (4.4% of total assets), which included \$7,799 of Level 2 securities and \$19,157 of Level 3 securities. See Note 7 — Restricted Securities.
- (6) Fair valued on a recurring basis using significant unobservable inputs (Level 3). See Notes 2 and 3 in Notes to Financial Statements.
- (7) The Enterprise Products Partners, L.P. ("EPD") Series A Cumulative Convertible Preferred Units ("EPD Convertible Preferred Units") are senior to the common units in terms of liquidation preference and priority of distributions, and pay a distribution of 7.25% per annum. The EPD Convertible Preferred Units are convertible into EPD common units at any time after September 29, 2025 at the liquidation preference amount divided by 92.5% of the 5-day volume weighted average price of EPD's common units at such time.
- (8) This company is structured like an MLP, but is not treated as a qualified publicly-traded partnership for RIC qualification purposes.
- (9) The Fund believes that it is an affiliate of Plains AAP, L.P. ("PAGP-AAP") and Plains GP Holdings, L.P. ("PAGP"). See Note 5 — Agreements and Affiliations.
- (10) The Fund's ownership of PAGP-AAP is exchangeable on a one-for-one basis into either PAGP shares or Plains All American Pipeline, L.P. ("PAA") units at the Fund's option. The Fund values its PAGP-AAP investment on an "as exchanged" basis based on the higher public market value of either PAGP or PAA. As of February 28, 2022, the Fund's PAGP-AAP investment is valued at PAGP's closing price. See Note 7 — Restricted Securities.
- (11) For the purposes of the Fund's investment policies, it considers NextGen companies to be Energy Companies and Infrastructure Companies that are meaningfully participating in, or benefitting from, the Energy Transition. For these purposes we include Renewable Infrastructure Companies, Natural Gas & LNG Infrastructure Companies and certain Utility Companies.
- (12) Security is not currently paying cash distributions but is expected to pay cash distributions within the next 12 months.
- (13) The Algonquin Power & Utilities Corp. Convertible Preferred Units ("AQNU") consists of a 1/20, or 5%, undivided beneficial interest in a \$1,000 principal amount remarketable senior note of Algonquin Power & Utilities Corp. ("AQN") due June 15, 2026, and a contract to purchase AQN common shares on June 15, 2024 based on a reference price determined by the volume-weighted average AQN common share price over the preceding 20 day trading period. AQNU pays quarterly distributions at a rate of 7.75% per annum.
- (14) Security is non-income producing.
- (15) ADR — American Depositary Receipt.

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**SCHEDULE OF INVESTMENTS**  
**FEBRUARY 28, 2022**  
(amounts in 000's)  
**(UNAUDITED)**

At February 28, 2022, the Fund's geographic allocation was as follows:

Geographic Location	% of Long-Term Investments
United States	70.0%
Canada	17.2%
Europe/U.K.	12.8%

**Schedule of Outstanding Forward Currency Contracts**

Settlement Date <sup>(1)</sup>	Currency to be delivered	Value (USD)	Currency to be received	Value (USD)	Unrealized Appreciation (Depreciation) <sup>(2)</sup>
5/31/2022	34,853 EUR	\$ 39,235	39,342 USD	\$ 39,342	\$ 107
5/31/2022	29,584 CAD	23,349	23,158 USD	23,158	(191)
5/31/2022	3,986 GBP	5,347	5,294 USD	5,294	(53)
5/31/2022	24,614 DKK	3,724	3,744 USD	3,744	20
<b>Total Forward Currency Contracts</b>		<u>\$ 71,655</u>		<u>\$ 71,538</u>	<u>\$ (117)</u>

CAD – Canadian Dollar

DKK – Danish Krone

EUR – Euro

GBP – British Pound Sterling

USD – U.S. Dollar

- (1) Bannockburn Global Forex, LLC is the counterparty for all outstanding forward currency contracts held by the Fund as of February 28, 2022.
- (2) Unrealized appreciation is a receivable and unrealized depreciation is a payable.

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**FEBRUARY 28, 2022**  
(amounts in 000's, except share and per share amounts)  
**(UNAUDITED)**

**ASSETS**

Investments, at fair value:	
Non-affiliated (Cost — \$480,308)	\$ 595,784
Affiliated (Cost — \$42,773)	18,224
Cash	363
Deposits with brokers	582
Forward currency contracts	127
Interest, dividends and distributions receivable (Cost — \$1,093)	1,092
Deferred credit facility offering costs and other assets	547
<b>Total Assets</b>	<b>616,719</b>

**LIABILITIES**

Investment management fee payable	580
Accrued directors' fees	70
Forward currency contracts	244
Accrued expenses and other liabilities	1,424
Credit facility	35,000
Notes	80,091
Unamortized notes issuance costs	(189)
Mandatory redeemable preferred stock, \$25.00 liquidation value per share (1,659,657 shares issued and outstanding)	41,491
Unamortized mandatory redeemable preferred stock issuance costs	(626)
<b>Total Liabilities</b>	<b>158,085</b>
<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 458,634</b>

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF**

Common stock, \$0.001 par value (47,197,462 shares issued and outstanding, 198,340,343 shares authorized)	\$ 47
Paid-in capital	794,639
Total distributable earnings (loss)	(336,052)
<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 458,634</b>
<b>NET ASSET VALUE PER COMMON SHARE</b>	<b>\$ 9.72</b>

See accompanying notes to financial statements.



**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2022**  
(amounts in 000's)  
**(UNAUDITED)**

**INVESTMENT INCOME**

**Income**

Dividends and distributions:

Non-affiliated investments \$ 6,164

Affiliated investments 290

Total dividends and distributions (after foreign taxes withheld of \$265) 6,454

Return of capital (2,863)

Distributions in excess of cost basis (123)

Net dividends and distributions 3,468

Interest income 119

Total Investment Income 3,587

**Expenses**

Investment management fees 1,822

Professional fees 82

Directors' fees 74

Administration fees 64

Insurance 44

Reports to stockholders 35

Custodian fees 15

Other expenses 46

Total Expenses — before interest expense and preferred distributions 2,182

Interest expense including amortization of offering costs 1,001

Distributions on mandatory redeemable preferred stock including amortization of offering costs 305

Total Expenses 3,488

**Net Investment Income 99**

**REALIZED AND UNREALIZED GAINS (LOSSES)**

**Net Realized Gains (Losses)**

Investments — non-affiliated 3,089

Foreign currency transactions 1

Options 58

Net Realized Gains 3,148

**Net Change in Unrealized Gains (Losses)**

Investments — non-affiliated 44,479

Investments — affiliated 2,389

Forward currency contracts 281



Foreign currency translations	2
Net Change in Unrealized Gains	47,151
Net Realized and Unrealized Gains	50,299
<b>NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS</b>	<b>\$ 50,398</b>

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS**  
(amounts in 000's)

	For the Three Months Ended February 28, 2022 (Unaudited)	For the Fiscal Year Ended November 30, 2021
<b>OPERATIONS</b>		
Net investment income (loss) <sup>(1)</sup>	\$ 99	\$ (829)
Net realized gains	3,148	22,274
Net change in unrealized gains	47,151	83,883
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>50,398</b>	<b>105,328</b>
<b>DIVIDENDS AND DISTRIBUTIONS TO COMMON STOCKHOLDERS<sup>(1)</sup></b>		
Dividends	(6,608) <sup>(2)</sup>	(144)
Distributions — return of capital	— <sup>(2)</sup>	(21,567)
<b>Dividends and Distributions to Common Stockholders</b>	<b>(6,608)</b>	<b>(21,711)</b>
<b>Total Increase (Decrease) in Net Assets Applicable to Common Stockholders</b>	<b>43,790</b>	<b>83,617</b>
<b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>		
Beginning of period	414,844	331,227
End of period	<u>\$ 458,634</u>	<u>\$ 414,844</u>

- (1) Distributions on the Fund's mandatory redeemable preferred stock ("MRP Shares") are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 — Significant Accounting Policies.
- (2) Distributions paid to common stockholders for the three months ended February 28, 2022 are characterized as dividend income (a portion of which may be eligible to be treated as qualified dividend income) until after the end of the fiscal year when the Fund can determine its earnings and profits for the full fiscal year, which include gains and losses on the sale of securities for the remainder of the fiscal year. The final tax character may differ substantially from this preliminary information.

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2022**  
(amounts in 000's)  
**(UNAUDITED)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net increase in net assets resulting from operations	\$ 50,398
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Return of capital distributions	2,863
Distributions in excess of cost basis	123
Net realized gains (excluding foreign currency transactions)	(3,147)
Net change in unrealized gains (excluding foreign currency translations)	(46,868)
Net change in unrealized losses from forward currency contracts	(281)
Purchase of long-term investments	(15,173)
Proceeds from sale of long-term investments	20,605
Amortization of deferred debt offering costs	107
Amortization of mandatory redeemable preferred stock offering costs	39
Increase in deposits with brokers	(314)
Decrease in interest, dividends and distributions receivable	234
Decrease in other assets	44
Decrease in payable for securities purchased	(11)
Decrease in investment management fee payable	(23)
Increase in accrued directors' fees	14
Decrease in accrued expenses and other liabilities	(87)
<b>Net Cash Provided by Operating Activities</b>	<b>8,523</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Increase in borrowings under credit facility	2,000
Redemption of notes	(4,424)
Costs associated with renewal of credit facility	(277)
Cash distributions paid to common stockholders	(6,608)
<b>Net Cash Used in Financing Activities</b>	<b>(9,309)</b>
<b>NET CHANGE IN CASH</b>	<b>(786)</b>
<b>CASH — BEGINNING OF PERIOD</b>	<b>1,149</b>
<b>CASH — END OF PERIOD</b>	<b>\$ 363</b>

Supplemental disclosure of cash flow information:

During the three months ended February 28, 2022, interest paid related to debt obligations was \$999.

See accompanying notes to financial statements.



**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**FINANCIAL HIGHLIGHTS**  
(amounts in 000's, except share and per share amounts)

	For the Three Months Ended February 28, 2022 (Unaudited)	For the Fiscal Year Ended November 30,		
		2021	2020	2019
<b>Per Share of Common Stock<sup>(1)</sup></b>				
Net asset value, beginning of period	\$ 8.79	\$ 7.02	\$ 11.31	\$ 12.57
Net investment income (loss) <sup>(2)</sup>	—	(0.01)	(0.15)	(0.10)
Net realized and unrealized gains (losses)	1.07	2.24	(3.66)	(0.29)
Total income (loss) from operations	1.07	2.23	(3.81)	(0.39)
Common dividends — dividend income <sup>(3)</sup>	(0.14)	—	(0.47)	—
Common distributions — long-term capital gains <sup>(3)</sup>	—	—	—	—
Common distributions — return of capital <sup>(3)</sup>	—	(0.46)	(0.01)	(0.93)
Total dividends and distributions — common	(0.14)	(0.46)	(0.48)	(0.93)
Offering expenses associated with the issuance of common stock	—	—	—	—
Effect of shares issued in reinvestment of distributions	—	—	—	—
Effect of issuance of common stock	—	—	—	—
Effect of common stock repurchased	—	—	—	0.06
Net asset value, end of period	\$ 9.72	\$ 8.79	\$ 7.02	\$ 11.31
Market value per share of common stock, end of period	\$ 7.62	\$ 7.13	\$ 5.25	\$ 9.65
Total investment return based on common stock market value <sup>(4)</sup>	8.8% <sup>(5)</sup>	45.1%	(41.0)%	(4.2)%
Total investment return based on net asset value <sup>(6)</sup>	12.6% <sup>(5)</sup>	33.7%	(32.7)%	(2.1)%
<b>Supplemental Data and Ratios<sup>(7)</sup></b>				
Net assets applicable to common stockholders, end of period	\$ 458,634	\$ 414,844	\$ 331,227	\$ 533,957
Ratio of expenses to average net assets				
Management fees <sup>(8)</sup>	1.7%	1.7%	1.9%	1.8%
Other expenses	0.3	0.4	0.4	0.3
Subtotal	2.0	2.1	2.3	2.1
Interest expense and distributions on mandatory redeemable preferred stock <sup>(2)</sup>	1.2	1.3	3.2	1.9
Management fee waiver	—	—	—	—
Excise taxes	—	—	—	—
Total expenses	3.2%	3.4%	5.5%	4.0%
Ratio of net investment income (loss) to average net assets <sup>(2)</sup>	0.1%	(0.2)%	(2.0)%	(0.8)%
Net increase (decrease) in net assets applicable to common stockholders resulting from operations to	11.6% <sup>(5)</sup>	26.8%	(50.7)%	(2.7)%

average net assets								
Portfolio turnover rate	2.6% <sup>(5)</sup>		29.7%	51.8%	30.0%			
Average net assets	\$	433,209	\$	392,637	\$	354,957	\$	604,030
Notes outstanding, end of period <sup>(9)</sup>	\$	80,091	\$	84,515	\$	84,515	\$	200,923
Credit facility outstanding, end of period <sup>(9)</sup>	\$	35,000	\$	33,000	\$	4,000	\$	—
Term loan outstanding, end of period <sup>(9)</sup>	\$	—	\$	—	\$	—	\$	—
Mandatory redeemable preferred stock, end of period <sup>(9)</sup>	\$	41,491	\$	41,491	\$	27,542	\$	75,000
Average shares of common stock outstanding	47,197,462		47,197,462		47,197,462		47,903,748	
Asset coverage of total debt <sup>(10)</sup>	534.5%		488.3%		505.3%		403.1%	
Asset coverage of total leverage (debt and preferred stock) <sup>(11)</sup>	392.9%		360.9%		385.4%		293.5%	
Average amount of borrowings per share of common stock during the period <sup>(1)</sup>	\$	2.52	\$	2.40	\$	2.67	\$	4.25

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**FINANCIAL HIGHLIGHTS**  
(amounts in 000's, except share and per share amounts)

	For the Fiscal Year Ended November 30,			
	2018	2017	2016	2015
<b>Per Share of Common Stock<sup>(1)</sup></b>				
Net asset value, beginning of period	\$ 14.15	\$ 17.41	\$ 17.56	\$ 39.51
Net investment income (loss) <sup>(2)</sup>	(0.18)	0.14	(0.07)	0.30
Net realized and unrealized gains (losses)	(0.19)	(2.10)	1.43	(18.42)
Total income (loss) from operations	(0.37)	(1.96)	1.36	(18.12)
Common dividends — dividend income <sup>(3)</sup>	(0.10)	(0.03)	(1.50)	(1.68)
Common distributions — long-term capital gains <sup>(3)</sup>	—	—	—	(2.14)
Common distributions — return of capital <sup>(3)</sup>	(1.10)	(1.27)	—	—
Total dividends and distributions — common	(1.20)	(1.30)	(1.50)	(3.82) <sup>(12)</sup>
Offering expenses associated with the issuance of common stock	(0.01) <sup>(13)</sup>	—	—	—
Effect of shares issued in reinvestment of distributions	—	—	(0.01)	(0.01)
Effect of issuance of common stock	—	—	—	—
Effect of common stock repurchased	—	—	—	—
Net asset value, end of period	\$ 12.57	\$ 14.15	\$ 17.41	\$ 17.56
Market value per share of common stock, end of period	\$ 10.96	\$ 12.88	\$ 15.33	\$ 15.46
Total investment return based on common stock market value <sup>(4)</sup>	(6.7)%	(8.7)%	12.7%	(50.2)%
Total investment return based on net asset value <sup>(6)</sup>	(2.6)%	(11.7)%	12.7%	(48.7)%
<b>Supplemental Data and Ratios<sup>(7)</sup></b>				
Net assets applicable to common stockholders, end of period	\$ 614,603	\$ 311,843	\$ 383,557	\$ 380,478
Ratio of expenses to average net assets				
Management fees <sup>(8)</sup>	1.8%	1.7%	1.8%	1.9%
Other expenses	0.4	0.4	0.5	0.2
Subtotal	2.2	2.1	2.3	2.1
Interest expense and distributions on mandatory redeemable preferred stock <sup>(2)</sup>	1.8	1.7	3.8	2.5
Management fee waiver	—	—	—	—
Excise taxes	—	—	—	0.4
Total expenses	4.0%	3.8%	6.1%	5.0%
Ratio of net investment income (loss) to average net assets <sup>(2)</sup>	(1.1)%	0.9%	(0.5)%	1.0%
Net increase (decrease) in net assets applicable to common stockholders resulting from operations to average net assets	(16.1)%	(11.9)%	10.3%	(58.3)%
Portfolio turnover rate	21.9%	25.5%	48.2%	45.3%
Average net assets	\$ 420,605	\$ 360,869	\$ 314,015	\$ 672,534

Notes outstanding, end of period <sup>(9)</sup>	\$ 200,923	\$ 91,000	\$ 91,000	\$ 185,000
Credit facility outstanding, end of period <sup>(9)</sup>	\$ 24,000	\$ —	\$ —	\$ —
Term loan outstanding, end of period <sup>(9)</sup>	\$ —	\$ —	\$ 27,000	\$ —
Mandatory redeemable preferred stock, end of period <sup>(9)</sup>	\$ 75,000	\$ 35,000	\$ 35,000	\$ 70,000
Average shares of common stock outstanding	30,639,065	22,034,170	21,975,582	21,657,943
Asset coverage of total debt <sup>(10)</sup>	406.6%	481.1%	454.7%	343.5%
Asset coverage of total leverage (debt and preferred stock) <sup>(11)</sup>	304.9%	347.5%	350.7%	249.2%
Average amount of borrowings per share of common stock during the period <sup>(1)</sup>	\$ 4.39	\$ 5.16	\$ 4.86	\$ 11.16

See accompanying notes to financial statements.



**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**FINANCIAL HIGHLIGHTS**  
(amounts in 000's, except share and per share amounts)

	For the Fiscal Year Ended November 30,		
	2014	2013	2012
<b>Per Share of Common Stock<sup>(1)</sup></b>			
Net asset value, beginning of period	\$ 35.75	\$ 29.01	\$ 25.94
Net investment income (loss) <sup>(2)</sup>	(0.01)	(0.06)	0.17
Net realized and unrealized gains (losses)	5.61	8.61	4.64
Total income (loss) from operations	5.60	8.55	4.81
Common dividends — dividend income <sup>(3)</sup>	(1.57)	(1.15)	(1.30)
Common distributions — long-term capital gains <sup>(3)</sup>	(0.34)	(0.66)	(0.41)
Common distributions — return of capital <sup>(3)</sup>	—	—	—
Total dividends and distributions — common	(1.91)	(1.81)	(1.71)
Offering expenses associated with the issuance of common stock	—	—	—
Effect of shares issued in reinvestment of distributions	(0.02)	—	(0.03)
Effect of issuance of common stock	—	—	—
Effect of common stock repurchased	0.09	—	—
Net asset value, end of period	\$ 39.51	\$ 35.75	\$ 29.01
Market value per share of common stock, end of period	\$ 35.82	\$ 32.71	\$ 28.04
Total investment return based on common stock market value <sup>(4)</sup>	15.3%	23.5%	33.3%
Total investment return based on net asset value <sup>(6)</sup>	16.4%	30.5%	19.4%
<b>Supplemental Data and Ratios<sup>(7)</sup></b>			
Net assets applicable to common stockholders, end of period	\$ 854,257	\$ 788,057	\$ 635,226
Ratio of expenses to average net assets			
Management fees <sup>(8)</sup>	1.7%	1.8%	1.7%
Other expenses	0.2	0.2	0.3
Subtotal	1.9	2.0	2.0
Interest expense and distributions on mandatory redeemable preferred stock <sup>(2)</sup>	1.7	1.8	1.8
Management fee waiver	—	—	—
Excise taxes	—	0.1	—
Total expenses	3.6%	3.9%	3.8%
Ratio of net investment income (loss) to average net assets <sup>(2)</sup>	(0.0)%	(0.2)%	0.6%
Net increase (decrease) in net assets applicable to common stockholders resulting from operations to average net assets	14.0%	25.9%	16.8%
Portfolio turnover rate	45.3%	49.1%	67.6%
Average net assets	\$ 887,585	\$ 726,248	\$ 620,902
Notes outstanding, end of period <sup>(9)</sup>	\$ 235,000	\$ 205,000	\$ 165,000
Credit facility outstanding, end of period <sup>(9)</sup>	\$ —	\$ 50,000	\$ 48,000

Term loan outstanding, end of period <sup>(9)</sup>	\$ 46,000	\$ —	\$ —
Mandatory redeemable preferred stock, end of period <sup>(9)</sup>	\$ 105,000	\$ 65,000	\$ 65,000
Average shares of common stock outstanding	21,897,671	21,969,288	21,794,596
Asset coverage of total debt <sup>(10)</sup>	441.4%	434.5%	428.7%
Asset coverage of total leverage (debt and preferred stock) <sup>(11)</sup>	321.3%	346.3%	328.5%
Average amount of borrowings per share of common stock during the period <sup>(1)</sup>	\$ 12.84	\$ 10.51	\$ 8.85

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**FINANCIAL HIGHLIGHTS**  
**(amounts in 000's, except share and per share amounts)**

- 
- (1) Based on average shares of common stock outstanding.
  - (2) Distributions on the Fund's MRP Shares are treated as an operating expense under GAAP and are included in the calculation of net investment income (loss). See Note 2 — Significant Accounting Policies.
  - (3) The actual characterization of the distributions made during the three months ended February 28, 2022, will not be determinable until after the end of the fiscal year when the Fund can determine its actual earnings and profits for the full fiscal year (which include gains and losses on the sale of securities for the remainder of the fiscal year) and may differ substantially from this preliminary information. The information presented for each of the other periods is a characterization of the total distributions paid to the common stockholders as either dividend income (a portion of which was eligible to be treated as qualified dividend income) or distributions (long-term capital gains or return of capital) and is based on the Fund's earnings and profits.
  - (4) Total investment return based on market value is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Fund's dividend reinvestment plan.
  - (5) Not annualized.
  - (6) Total investment return based on net asset value is calculated assuming a purchase of common stock at the net asset value on the first day and a sale at the net asset value on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Fund's dividend reinvestment plan.
  - (7) Unless otherwise noted, ratios are annualized.
  - (8) Ratio reflects total management fee before waiver, if any.
  - (9) Principal/liquidation value.
  - (10) Calculated pursuant to section 18(a)(1)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Notes (principal value) or any other senior securities representing indebtedness and MRP Shares (liquidation value) divided by the aggregate amount of Notes and any other senior securities representing indebtedness. Under the 1940 Act, the Fund may not declare or make any distribution on its common stock nor can it incur additional indebtedness if at the time of such declaration or incurrence its asset coverage with respect to senior securities representing indebtedness would be less than 300%.
  - (11) Calculated pursuant to section 18(a)(2)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Notes (principal value), any other senior securities representing indebtedness and MRP Shares divided by the aggregate amount of Notes, any other senior securities representing indebtedness and MRP Shares (liquidation value). Under the 1940 Act, the Fund may not declare or make any distribution on its common stock nor can it issue additional preferred stock if at the time of such declaration or issuance, its asset coverage with respect to all senior securities would be less than 200%. In addition to the limitations under the 1940 Act, the Fund, under the terms of its MRP Shares, would not be able to declare or pay any distributions on its common stock if such declaration would cause its asset coverage with respect to all senior securities to be less than 225%.
  - (12) Includes special distribution of \$1.80 per share paid in July 2015.
  - (13) Represents offering costs incurred in connection with the merger of Kayne Anderson Energy Total Return Fund, Inc. ("KYE").

See accompanying notes to financial statements.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
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**1. Organization**

Kayne Anderson NextGen Energy & Infrastructure, Inc. (the "Fund" or "KMF") is a Maryland corporation and commenced operations on November 24, 2010. The Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a non-diversified, closed-end investment management company. The Fund's investment objective is to provide a high level of return with an emphasis on making cash distributions to its stockholders. The Fund seeks to achieve that investment objective by investing at least 80% of its total assets in the securities of Energy Companies and Infrastructure Companies. The Fund expects to invest the majority of its assets in "NextGen" companies, defined as Energy Companies and Infrastructure Companies that are meaningfully participating in, or benefitting from, the Energy Transition. See Glossary of Key Terms. The Fund's shares of common stock are listed on the New York Stock Exchange, Inc. ("NYSE") under the symbol "KMF." For more information about the Fund's investment objective, policies and principal risks, see Investment Objective, Policies and Risks in the Fund's most recently filed annual report.

**2. Significant Accounting Policies**

The following is a summary of the significant accounting policies that the Fund uses to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Fund is an investment company and follows accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) Topic 946 — "Financial Services — Investment Companies."

A. *Use of Estimates* — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ materially from those estimates.

B. *Cash and Cash Equivalents* — Cash and cash equivalents include short-term, liquid investments with an original maturity of three months or less and include money market fund accounts.

C. *Calculation of Net Asset Value* — The Fund determines its net asset value on a daily basis and reports its net asset value on its website. Net asset value is computed by dividing the value of the Fund's assets (including accrued interest and distributions), less all of its liabilities (including accrued expenses, distributions payable and any indebtedness) and the liquidation value of any outstanding preferred stock, by the total number of common shares outstanding.

D. *Investment Valuation* — Readily marketable portfolio securities listed on any exchange (including a foreign exchange) other than the NASDAQ Stock Market, Inc. ("NASDAQ") are valued, except as indicated below, at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and ask prices on such day. Securities admitted to trade on the NASDAQ are valued at the NASDAQ official closing price. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities. The value of foreign securities traded outside of the Americas may be adjusted to reflect events occurring after a foreign exchange closes that may affect the value of the foreign security. In such cases, these foreign securities are valued by an independent pricing service and are categorized as a Level 2 security for purposes of the fair value hierarchy. See Note 3 — Fair Value.

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Equity securities traded in the over-the-counter market, but excluding securities admitted to trading on the NASDAQ, are valued at the closing bid prices. Debt securities that are considered bonds are valued by using the bid price provided by an independent pricing service or, if such prices are not available or in the judgment of KAFA Fund Advisors, LLC ("KAFA") such prices are stale or do not represent fair value, by an independent broker. For debt securities that are considered bank loans, the fair market value is determined by using the bid price provided by the agent or syndicate bank or principal market maker. When price quotes for securities are not available, or such prices are stale or do not represent fair value in the judgment of KAFA, fair market value will be determined using the Fund's valuation process for securities that are privately issued or otherwise restricted as to resale.

Exchange-traded options and futures contracts are valued at the last sales price at the close of trading in the market where such contracts are principally traded or, if there was no sale on the applicable exchange on such day, at the mean between the quoted bid and ask price as of the close of such exchange.

Forward currency contracts maturing in two or fewer days are valued at the spot rate. Forward currency contracts maturing in three days or more are valued at the midpoint prices using an "interpolation" methodology that incorporates foreign-exchange prices obtained from an approved pricing service for standard forward-settlement periods, such as one month, three months, six months and one year. These securities are categorized in Level 2 of the fair value hierarchy. See Note 3 — Fair Value.

The Fund may hold securities that are privately issued or otherwise restricted as to resale. For these securities, as well as any security for which (a) reliable market quotations are not available in the judgment of KAFA, or (b) the independent pricing service or independent broker does not provide prices or provides a price that in the judgment of KAFA is stale or does not represent fair value, each shall be valued in a manner that most fairly reflects fair value of the security on the valuation date. Unless otherwise determined by the Board of Directors, the following valuation process is used for such securities:

- **Investment Team Valuation.** The applicable investments are valued by senior professionals of KAFA who are responsible for the portfolio investments. The investments will be valued monthly, with new investments valued at the time such investment was made.
- **Investment Team Valuation Documentation.** Preliminary valuation conclusions will be determined by senior management of KAFA. Such valuations and supporting documentation are submitted to the Valuation Committee (a committee of the Fund's Board of Directors) and the Board of Directors on a quarterly basis.
- **Valuation Committee.** The Valuation Committee meets to consider the valuations submitted by KAFA at the end of each quarter. Between meetings of the Valuation Committee, a senior officer of KAFA is authorized to make valuation determinations. All valuation determinations of the Valuation Committee are subject to ratification by the Board of Directors at its next regular meeting.
- **Valuation Firm.** Quarterly, a third-party valuation firm engaged by the Board of Directors reviews the valuation methodologies and calculations employed for these securities, unless the aggregate fair value of such security is less than 0.1% of total assets.
- **Board of Directors Determination.** The Board of Directors meets quarterly to consider the valuations provided by KAFA and the Valuation Committee and ratify valuations for the applicable securities. The Board of Directors considers the report provided by the third-party valuation firm in reviewing and determining in good faith the fair value of the applicable portfolio securities.

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As of February 28, 2022, the Fund held 4.2% of its net assets applicable to common stockholders (3.1% of total assets) in securities that were fair valued pursuant to the procedures adopted by the Board of Directors (Level 3 securities). The aggregate fair value of these securities at February 28, 2022, was \$19,157. See Note 3 — Fair Value and Note 7 — Restricted Securities.

*E. Derivative Financial Instruments* — The Fund may utilize derivative financial instruments in its operations.

**Interest rate swap contracts.** The Fund may use hedging techniques such as interest rate swaps to mitigate potential interest rate risk on a portion of the Fund's leverage. Such interest rate swaps would principally be used to protect the Fund against higher costs on its leverage resulting from increases in interest rates. The Fund does not hedge any interest rate risk associated with portfolio holdings. Interest rate transactions the Fund may use for hedging purposes may expose it to certain risks that differ from the risks associated with its portfolio holdings. A decline in interest rates may result in a decline in the value of the swap contracts, which, everything else being held constant, would result in a decline in the net assets of the Fund. In addition, if the counterparty to an interest rate swap defaults, the Fund would not be able to use the anticipated net receipts under the interest rate swap to offset its cost of financial leverage.

Interest rate swap contracts are recorded at fair value with changes in value during the reporting period, and amounts accrued under the agreements, included as unrealized gains or losses in the Statement of Operations. Monthly cash settlements under the terms of the interest rate swap agreements or termination payments are recorded as realized gains or losses in the Statement of Operations. The Fund generally values its interest rate swap contracts based on dealer quotations, if available, or by discounting the future cash flows from the stated terms of the interest rate swap agreement by using interest rates currently available in the market. See Note 8 — Derivative Financial Instruments.

**Option contracts.** The Fund is also exposed to financial market risks including changes in the valuations of its investment portfolio. The Fund may purchase or write (sell) call options. A call option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from the writer of the option the security underlying the option at a specified exercise price at any time during the term of the option.

The Fund would realize a gain on a purchased call option if, during the option period, the value of such securities exceeded the sum of the exercise price, the premium paid and transaction costs; otherwise the Fund would realize either no gain or a loss on the purchased call option. The Fund may also purchase put option contracts. If a purchased put option is exercised, the premium paid increases the cost basis of the securities sold by the Fund.

The Fund may also write (sell) call options with the purpose of generating realized gains or reducing its ownership of certain securities. If the Fund writes a call option on a security, the Fund has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price. The Fund will only write call options on securities that the Fund holds in its portfolio (*i.e.*, covered calls).

When the Fund writes a call option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments. If the Fund repurchases a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has realized a gain or loss. The Fund, as the writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. See Note 8 — Derivative Financial Instruments.

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**Forward currency contracts.** The Fund is subject to foreign currency rate risk in the normal course of pursuing its investment objectives. The Fund utilizes forward contracts for foreign currency hedging purposes or volatility management purposes.

When entering into a forward currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. These contracts are valued at each portfolio valuation date, and unrealized appreciation or depreciation is recorded as the difference between the contractual exchange rates and the forward exchange rates as of each valuation date applied to the notional amount of each contract. A realized gain or loss is recorded at the time the forward contract expires. The value of the forward currency contracts is included in the Statements of Assets and Liabilities. Realized gains and losses and change in unrealized appreciation and depreciation are included in the Statements of Operations. For details on valuation, see Note 2 — Significant Accounting Policies — Investment Valuation.

The Fund expects to hedge a significant portion of its foreign currency rate risk but may have forward currency contracts that exceed or are less than the amount of foreign currency risk on any given date. The use of forward currency contracts does not eliminate fluctuations in the underlying prices of the Fund's investment securities. The use of forward currency contracts involves the risk that anticipated currency movements will not be accurately predicted. A forward currency contract would limit the risk of loss due to a decline in the value of a particular currency; however, it would also limit any potential gain that might result should the value of the currency increase instead of decrease. Credit risk may arise as a result of the failure of the counterparty to comply with the terms of the contract. These contracts may involve market risk in excess of the net receivable or payable reflected on the Statement of Assets and Liabilities. See Note 8 — Derivative Financial Instruments.

**F. Security Transactions** — Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are calculated using the specific identification cost basis method for GAAP purposes. For tax purposes, the Fund utilizes the average cost method to compute the adjusted tax cost basis of its PTP securities.

**G. Return of Capital Estimates** — Dividends and distributions received from the Fund's investments generally are comprised of income and return of capital. At the time such dividends and distributions are received, the Fund estimates the amount of such payments that is considered investment income and the amount that is considered a return of capital. The Fund estimates the return of capital portion of dividends and distributions received from its investments based on historical information available and on other information provided by certain investments. Return of capital estimates are adjusted to actual in the subsequent fiscal year when final tax reporting information related to the Fund's investments is received.

The return of capital portion of the distributions is a reduction to investment income that results in an equivalent reduction in the cost basis of the associated investments and increases net realized gains (losses) and net change in unrealized gains (losses). If the distributions received by the Fund exceed its cost basis (*i.e.* its cost basis has been reduced to zero), the distributions are treated as realized gains.

The Fund includes all distributions received on its Statement of Operations and reduces its investment income by (i) the estimated return of capital and (ii) the distributions in excess of cost basis, if any. Distributions received that were in excess of cost basis were treated as realized gains.

In accordance with GAAP, the return of capital cost basis reductions for the Fund's investments are limited to the total amount of the cash distributions received from such investments.



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The following table sets forth the Fund's estimated return of capital portion of the dividends and distributions received from its investments.

	For the Three Months Ended February 28, 2022
Dividends and distributions (before foreign taxes withheld of \$265 and excluding distributions in excess of cost basis)	\$ 6,597
Dividends and distributions — % return of capital	43%
Return of capital — attributable to net realized gains (losses)	—
Return of capital — attributable to net change in unrealized gains (losses)	2,863
Total return of capital	<u>\$ 2,863</u>

H. *Investment Income* — The Fund records dividends and distributions on the ex-dividend date. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. When investing in securities with paid-in-kind interest, the Fund will accrue interest income during the life of the security even though it will not be receiving cash as the interest is accrued. To the extent that interest income to be received is not expected to be realized, a reserve against income is established.

Debt securities that the Fund holds may have been purchased at a discount or premium to the par value of the security. The non-cash accretion of a discount to par value increases interest income while the non-cash amortization of a premium to par value decreases interest income. The accretion of a discount and amortization of a premium are based on the effective interest method. The amount of these non-cash adjustments can be found in the Fund's Statement of Cash Flows. The non-cash accretion of a discount increases the cost basis of the debt security, which results in an offsetting unrealized loss. The non-cash amortization of a premium decreases the cost basis of the debt security, which results in an offsetting unrealized gain. To the extent that par value is not expected to be realized, the Fund discontinues accruing the non-cash accretion of the discount to par value of the debt security.

The Fund may receive paid-in-kind and non-cash dividends and distributions in the form of additional units or shares from its investments. For paid-in-kind dividends, the additional units are not reflected in investment income during the period received, but are recorded as unrealized gains upon receipt. Non-cash distributions are reflected in investment income because the Fund has the option to receive its distribution in cash or in additional shares or units of the security. During the three months ended February 28, 2022, the Fund did not receive any paid-in-kind dividends or non-cash distributions.

I. *Distributions to Stockholders* — Distributions to common stockholders are recorded on the ex-dividend date. Distributions to holders of MRP Shares are accrued on a daily basis. As required by the Distinguishing Liabilities from Equity topic of the FASB Accounting Standards Codification (ASC 480), the Fund includes the accrued distributions on its MRP Shares as an operating expense due to the fixed term of this obligation. For tax purposes the payments made to the holders of the Fund's MRP Shares are treated as dividends or distributions.

The characterization of the distributions paid to holders of MRP Shares and common stock as either dividend income (eligible to be treated as qualified dividend income) or distributions (long-term capital gains or return of capital) is determined after the end of the fiscal year based on the Fund's actual earnings and profits and may differ from preliminary estimates.



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**J. Partnership Accounting Policy** — The Fund records its pro-rata share of the income (loss) to the extent of distributions it has received, allocated from the underlying partnerships and adjusts the cost basis of the underlying partnerships accordingly. These amounts are included in the Fund's Statement of Operations.

**K. Taxes** — It is the Fund's intention to continue to be treated as and to qualify each year for special tax treatment afforded a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As long as the Fund meets certain requirements that govern its sources of income, diversification of assets and timely distribution of earnings to stockholders, the Fund will not be subject to U.S. federal income tax.

The Fund must pay distributions equal to 90% of its investment company taxable income (ordinary income and short-term capital gains) to qualify as a RIC and it must distribute all of its taxable income (ordinary income, short-term capital gains and long-term capital gains) to avoid federal income taxes. The Fund will be subject to federal income tax on any undistributed portion of income. For purposes of the distribution test, the Fund may elect to treat as paid on the last day of its taxable year all or part of any distributions that are declared after the end of its taxable year if such distributions are declared on or before the due date of its tax return, including any extensions (September 15<sup>th</sup>). See Note 6 — Taxes.

All RICs are subject to a non-deductible 4% excise tax on income that is not distributed on a timely basis in accordance with the calendar year distribution requirements. To avoid the tax, the Fund must distribute during each calendar year an amount at least equal to the sum of (i) 98% of its ordinary income for the calendar year, (ii) 98.2% of its net capital gains for the one-year period ending on November 30, the last day of our taxable year, and (iii) undistributed amounts from previous years on which the Fund paid no U.S. federal income tax. A distribution will be treated as paid during the calendar year if it is paid during the calendar year or declared by the Fund in October, November or December, payable to stockholders of record on a date during such months and paid by the Fund during January of the following year. Any such distributions paid during January of the following year will be deemed to be received by stockholders on December 31 of the year the distributions are declared, rather than when the distributions are actually received.

The Fund will be liable for the excise tax on the amount by which it does not meet the distribution requirement and will accrue an excise tax liability at the time that the liability is estimable and probable.

The Fund may be subject to withholding taxes on foreign-sourced income and accrues such taxes when the related income is earned.

The Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification (ASC 740) defines the threshold for recognizing the benefits of tax-return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50% likely to be realized.

The Fund utilizes the average cost method to compute the adjusted tax cost basis of its PTP securities.

The Fund's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. Tax years subsequent to fiscal year 2017 remain open and subject to examination by federal and state tax authorities.

**L. Short Sales** — A short sale is a transaction in which the Fund sells securities it does not own (but has borrowed) in anticipation of or to hedge against a decline in the market price of the securities. To complete a short sale, the Fund may arrange through a broker to borrow the securities to be delivered to the buyer. The proceeds received by the Fund for the short sale are retained by the broker until the Fund replaces the borrowed securities. In borrowing the securities to be delivered to the buyer, the Fund becomes obligated to replace the securities borrowed at their market price at the time of replacement, whatever the price may be.

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The Fund's short sales, if any, are fully collateralized. The Fund is required to maintain assets consisting of cash or liquid securities equal in amount to the liability created by the short sale. These assets are adjusted daily to reflect changes in the value of the securities sold short. The Fund is liable for any interest, dividends or distributions paid on securities sold short.

The Fund may also sell short "against the box" (i.e., the Fund enters into a short sale as described above while holding an offsetting long position in the security which it sold short). If the Fund enters into a short sale "against the box," the Fund would segregate an equivalent amount of securities owned as collateral while the short sale is outstanding.

*M. Foreign Currency Translations* — The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis: (i) market value of investment securities, assets and liabilities at the rate of exchange as of the valuation date; and (ii) purchases and sales of investment securities, income and expenses at the relevant rates of exchange prevailing on the respective dates of such transactions.

The Fund does not isolate that portion of gains and losses on investments in equity and debt securities which is due to changes in the foreign exchange rates from that which is due to changes in market prices of equity and debt securities. Accordingly, realized and unrealized foreign currency gains and losses with respect to such securities are included in the reported net realized and unrealized gains and losses on investment transactions balances.

Net realized foreign exchange gains or losses represent gains and losses from transactions in foreign currencies and foreign currency contracts, foreign exchange gains or losses realized between the trade date and settlement date on security transactions, and the difference between the amounts of interest and dividends recorded on the Fund's books and the U.S. dollar equivalent of such amounts on the payment date.

Net unrealized foreign exchange gains or losses represent the difference between the cost of assets and liabilities (other than investments) recorded on the Fund's books from the value of the assets and liabilities (other than investments) on the valuation date.

*N. Indemnifications* — Under the Fund's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnification to other parties. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred, and may not occur. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

*O. Offering and Debt Issuance Costs* — Offering costs incurred by the Fund related to the issuance of its common stock reduce additional paid-in-capital when the stock is issued. Costs incurred by the Fund related to the issuance of its debt (revolving credit facility, bank facility or notes) or its preferred stock are capitalized and amortized over the period the debt or preferred stock is outstanding.

The Fund has classified the costs incurred to issue its notes and preferred stock as a deduction from the carrying value on the Statement of Assets and Liabilities. For the purpose of calculating the Fund's asset coverage ratios pursuant to the 1940 Act, deferred issuance costs are not deducted from the carrying value of debt or preferred stock.

### **3. Fair Value**

The Fair Value Measurement Topic of the FASB Accounting Standards Codification (ASC 820) defines fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants under current market conditions at the measurement date. As required by

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ASC 820, the Fund has performed an analysis of all assets and liabilities measured at fair value to determine the significance and character of all inputs to their fair value determination. Inputs are the assumptions, along with considerations of risk, that a market participant would use to value an asset or a liability. In general, observable inputs are based on market data that is readily available, regularly distributed and verifiable that the Fund obtains from independent, third-party sources. Unobservable inputs are developed by the Fund based on its own assumptions of how market participants would value an asset or a liability.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

- *Level 1* — Valuations based on quoted unadjusted prices for identical instruments in active markets traded on a national exchange to which the Fund has access at the date of measurement.
- *Level 2* — Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.
- *Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

The following table presents the Fund's assets and liabilities measured at fair value on a recurring basis at February 28, 2022, and the Fund presents these assets and liabilities by security type and description on its Schedule of Investments and Schedule of Outstanding Forward Currency Contracts. Note that the valuation levels below are not necessarily an indication of the risk or liquidity associated with the underlying investment.

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b><u>Assets at Fair Value</u></b>				
Equity investments	\$ 607,469	\$ 534,900	\$ 53,412 <sup>(1)</sup>	\$ 19,157
Debt investments	6,539	—	6,539	—
Forward currency contracts	127	—	127 <sup>(2)</sup>	—
Total assets at fair value	<u>\$ 614,135</u>	<u>\$ 534,900</u>	<u>\$ 60,078</u>	<u>\$ 19,157</u>
<b><u>Liabilities at Fair Value</u></b>				
Forward currency contracts	\$ 244	\$ —	\$ 244 <sup>(2)</sup>	\$ —

(1) As of February 28, 2022, this amount represents (a) the value of the Fund's foreign securities that were priced by an independent pricing service (see Note 2 — Significant Accounting Policies for the investment valuation of foreign securities) and (b) the value of the Fund's investment in Plains AAP, L.P. ("PAGP-AAP").

(2) Forward currency contracts are valued at the unrealized appreciation (depreciation) on the instrument.

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As of February 28, 2022, the Fund had Notes outstanding with aggregate principal amount of \$80,091 and 1,659,657 shares of MRP Shares outstanding with a total liquidation value of \$41,491. The Notes and MRP Shares were issued in private placements to institutional investors and are not listed on any exchange or automated quotation system. See Note 11 — Notes and Note 12 — Preferred Stock. As a result, the Fund categorizes the Notes and MRP Shares as Level 3 securities and determines the fair value of these instruments based on estimated market yields and credit spreads for comparable instruments with similar maturity, terms and structure.

The Fund records the Notes and MRP Shares on its Statement of Assets and Liabilities at principal amount or liquidation value. As of February 28, 2022, the estimated fair values of these leverage instruments are as follows.

Instrument	Principal Amount/ Liquidation Value	Fair Value
Notes	\$ 80,091	\$ 81,900
MRP Shares	\$ 41,491	\$ 40,800

The following table presents the Fund's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended February 28, 2022.

	Equity Investments
Balance — November 30, 2021	\$ 19,454
Purchases	—
Sales	—
Transfers out to Level 1 and 2	—
Realized gains (losses)	—
Change in unrealized gains (losses), net	(297)
Balance — February 28, 2022	\$ 19,157
Net change in unrealized gain (loss) of investments still held at February 28, 2022	\$ (297)

The \$297 of unrealized losses (net) relates to investments that were held during the period. The Fund includes these unrealized gains and losses on the Statement of Operations — Net Change in Unrealized Gains (Losses).

### Valuation Techniques and Unobservable Inputs

Unless otherwise determined by the Board of Directors, the Fund values its private investments in public equity ("PIPE") investments that will become publicly-tradeable (e.g., through subsequent registration or expiration of a restriction on trading) based on the market value of the publicly-traded security less a discount. This discount is initially equal to the discount negotiated at the time the Fund agrees to a purchase price. To the extent that such securities become publicly traded within a time frame that may be reasonably determined, this discount will be amortized on a straight line basis over such estimated time frame.

The Fund owns cumulative convertible preferred units of Enterprise Products Partners L.P. ("EPD"). The convertible preferred units will be convertible by the holders into common units at any time after September 29, 2025 at a conversion rate calculated as the Liquidation Preference divided by 92.5% of the 5-day volume weighted average price of EPD's common units at the time of conversion. The convertible preferred units are redeemable at any time by EPD, at Redemption Prices ranging from 100% to 110% of Liquidation Preference based on the date of redemption. The convertible preferred units are

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senior to the underlying common units in terms of liquidation preference and priority of distributions. The Fund's Board of Directors has determined that it is appropriate to value these convertible preferred units using a discounted cash flow analysis under two different scenarios and calculate a probability weighted valuation based on these scenarios. Under the first scenario, the valuation assumes that the Fund holds the security until the fifth anniversary of the original issuance date (September 30, 2025) and assigns a 95% probability to this outcome. Under the second scenario, the valuation assumes the security is redeemed by EPD upon the next step-down in Redemption Price (September 30, 2022) and assigns a 5% probability to this outcome. To determine the appropriate discount rate for this analysis, the Fund estimates the credit spread for the convertible preferred units, which is based on (a) the credit spread of EPD's unsecured notes with a focus on its notes maturing February 2026 and (b) the credit spread of publicly traded preferred securities of similar investment grade issuers in the energy industry over their publicly traded notes. The Fund's ability to sell the preferred units prior to redemption is subject to certain restrictions. As such, the Fund applies a 5% illiquidity discount to be amortized over an assumed five-year holding period to September 30, 2025. If the resulting valuation implies a price higher than the current redemption price, the valuation is limited to the current redemption price plus unpaid distributions.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Fund's investments may fluctuate from period to period. Additionally, the fair value of the Fund's investments may differ from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the Fund may ultimately realize.

The following table summarizes the significant unobservable inputs that the Fund used to value its portfolio investments categorized as Level 3 as of February 28, 2022:

**Quantitative Table for Valuation Techniques**

Assets Fair Value	Fair Value	Valuation Technique	Unobservable Inputs	Range		Average
				Low	High	
EPD Convertible	\$ 19,157	- Discounted cash flow analysis	- Discount rate	3.1%	4.2%	3.7%
Preferred Units			- Illiquidity discount	3.6%	3.6%	3.6%

**4. Risk Considerations**

The Fund's investments are concentrated in the energy sector. A downturn in one or more industries within the energy sector, material declines in energy-related commodity prices, adverse political, legislative or regulatory developments or environmental, catastrophic or other events could have a larger impact on the Fund than on an investment company that does not concentrate in the energy sector. The performance of companies in the energy sector may lag the performance of other sectors or the broader market as a whole. The Fund also invests in securities of foreign issuers, predominantly those located in Canada and Europe. The value of those investments will fluctuate with market conditions, currency exchange rates and the economic and political climates of the foreign countries in which the issuers operate or are domiciled. Additionally, to the extent that the Fund invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Fund may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence.

The Fund may hedge against currency risk resulting from investing in securities valued in non-U.S. currencies. Currency hedging transactions in which the Fund may engage include buying or selling options or futures or entering into other foreign currency transactions including forward foreign currency contracts, currency swaps or options on currency and currency futures and other derivatives transactions. The use of hedging transactions may result in losses greater than if they had not been

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used, may require selling or purchasing portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold on to a security that it might otherwise sell.

At February 28, 2022, the Fund had the following investment concentrations:

Category	Percent of Long-Term Investments
Energy Companies <sup>(1)</sup>	100.0%
Equity securities	98.9%
NextGen Companies <sup>(1)</sup>	58.5%
Debt securities	1.1%
Securities of PTPs	18.0%
Largest single issuer	6.7%
Restricted securities	4.4%

(1) Refer to the Glossary of Key Terms for the definition of Energy Companies and NextGen Companies.

For more information about the principal risks of investing in the Fund see Investment Objective, Policies and Risks in the Fund's most recently filed annual report.

## 5. Agreements and Affiliations

**A. Administration Agreement** — On February 1, 2022, the Fund entered into an amended administration and accounting agreement with Ultimus Fund Solutions, LLC ("Ultimus"). Pursuant to the agreement, Ultimus will continue to provide certain administrative and accounting services for the Fund. The agreement has an initial term of three years and automatic one-year renewals unless earlier terminated by either party as provided under the terms of the agreement.

**B. Investment Management Agreement** — The Fund has entered into an investment management agreement with KA Fund Advisors, LLC ("KAFA") under which KAFA, subject to the overall supervision of the Fund's Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Fund. For providing these services, KAFA receives an investment management fee from the Fund.

The investment management agreement has a current term through April 30, 2023 and may be renewed annually thereafter upon approval of the Fund's Board of Directors (including a majority of the Fund's directors who are not "interested persons" of the Fund, as such term is defined in the 1940 Act). For the three months ended February 28, 2022, the Fund paid management fees at an annual rate of 1.25% of the average monthly total assets of the Fund.

For purposes of calculating the management fee, the "average total assets" for each monthly period are determined by averaging the total assets at the last business day of that month with the total assets at the last business day of the prior month. The total assets of the Fund shall be equal to its average monthly gross asset value (which includes assets attributable to the Fund's use of debt and preferred stock), minus the sum of the Fund's accrued and unpaid dividends and distributions on any outstanding common stock and accrued and unpaid dividends and distributions on any outstanding preferred stock and accrued liabilities (other than liabilities associated with borrowing or leverage by the Fund). Liabilities associated with borrowing or leverage include the principal amount of any debt issued by the Fund, the liquidation preference of any outstanding preferred stock, and other liabilities from other forms of borrowing or leverage such as short positions and put or call options held or written by the Fund.



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*C. Portfolio Companies* — From time to time, the Fund may “control” or may be an “affiliate” of one or more of its portfolio companies, as each of these terms is defined in the 1940 Act. In general, under the 1940 Act, the Fund would be presumed to “control” a portfolio company if the Fund and its affiliates owned 25% or more of its outstanding voting securities and would be an “affiliate” of a portfolio company if the Fund and its affiliates owned 5% or more of its outstanding voting securities. The 1940 Act contains prohibitions and restrictions relating to transactions between investment companies and their affiliates (including the Fund’s investment adviser), principal underwriters and affiliates of those affiliates or underwriters.

The Fund believes that there are several factors that determine whether or not a security should be considered a “voting security” in complex structures such as limited partnerships of the kind in which the Fund invests. The Fund also notes that the Securities and Exchange Commission (the “SEC”) staff has issued guidance on the circumstances under which it would consider a limited partnership interest to constitute a voting security. Under most partnership agreements, the management of the partnership is vested in the general partner, and the limited partners, individually or collectively, have no rights to manage or influence management of the partnership through such activities as participating in the selection of the managers or the board of the limited partnership or the general partner. As a result, the Fund believes that many of the limited partnership interests in which it invests should not be considered voting securities. However, it is possible that the SEC staff may consider the limited partner interests the Fund holds in certain limited partnerships to be voting securities. If such a determination were made, the Fund may be regarded as a person affiliated with and controlling the issuer(s) of those securities for purposes of Section 17 of the 1940 Act.

In making such a determination as to whether to treat any class of limited partnership interests the Fund holds as a voting security, the Fund considers, among other factors, whether or not the holders of such limited partnership interests have the right to elect the board of directors of the limited partnership or the general partner. If the holders of such limited partnership interests do not have the right to elect the board of directors, the Fund generally has not treated such security as a voting security. In other circumstances, based on the facts and circumstances of those partnership agreements, including the right to elect the directors of the general partner, the Fund has treated those securities as voting securities. If the Fund does not consider the security to be a voting security, it will not consider such partnership to be an “affiliate” unless the Fund and its affiliates own more than 25% of the outstanding securities of such partnership. Additionally, certain partnership agreements give common unitholders the right to elect the partnership’s board of directors, but limit the amount of voting securities any limited partner can hold to no more than 4.9% of the partnership’s outstanding voting securities (*i.e.*, any amounts held in excess of such limit by a limited partner do not have voting rights). In such instances, the Fund does not consider itself to be an affiliate if it owns more than 5% of such partnership’s common units.

There is no assurance that the SEC staff will not consider that other limited partnership securities that the Fund owns and does not treat as voting securities are, in fact, voting securities for the purposes of Section 17 of the 1940 Act. If such determination were made, the Fund will be required to abide by the restrictions on “control” or “affiliate” transactions as proscribed in the 1940 Act. The Fund or any portfolio company that it controls, and its affiliates, may from time to time engage in certain of such joint transactions, purchases, sales and loans in reliance upon and in compliance with the conditions of certain exemptive rules promulgated by the SEC. The Fund cannot make assurances, however, that it would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if the Fund were allowed to engage in such a transaction, that the terms would be more or as favorable to the Fund or any company that it controls as those that could be obtained in an arm’s length transaction. As a result of these prohibitions, restrictions may be imposed on the size of positions that may be taken for the Fund or on the type of investments that it could make.

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*Plains AAP, L.P., and Plains GP Holdings, L.P.* — Kayne Anderson Capital Advisors, L.P. ("KACALP") is the managing member of KAFA. Members of senior management of KACALP and KAFA and various affiliated funds managed by KACALP own Plains GP Holdings L.P. ("PAGP") shares, Plains All American Pipeline, L.P. ("PAA") units and interests in Plains AAP, L.P. ("PAGP-AAP"). The Fund believes that it is an affiliate of PAA, PAGP and PAGP-AAP under the 1940 Act by virtue of the Fund's and other affiliated Kayne Anderson funds' ownership interest in PAGP and PAGP-AAP.

The following table summarizes the Fund's investments in affiliates as of and for the three months ended February 28, 2022:

Investment <sup>(1)</sup>	No. of Shares/Units <sup>(2)</sup> (in 000's)	Value	Dividends/ Distributions Received	Net Realized Gains (Losses)	Net Change in Unrealized Gains (Losses)
Plains GP Holdings, L.P.	922	\$ 10,425	\$ 166	\$ —	\$ 1,373
Plains GP Holdings, L.P.— Plains AAP, L.P.	690	7,799	124	—	1,016
Total		<u>\$ 18,224</u>	<u>\$ 290</u>	<u>\$ —</u>	<u>\$ 2,389</u>

(1) See Schedule of Investments for investment classifications.

(2) During the three months ended February 28, 2022, there were no purchases or sales of any affiliates.

## 6. Taxes

It is the Fund's intention to continue to be treated as and to qualify as a RIC under Subchapter M of the Code and distribute all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements. See Note 2 — Significant Accounting Policies.

Income and capital gain distributions made by RICs often differ from GAAP basis net investment income (loss) and net realized gains (losses). For the Fund, the principal reason for these differences is the return of capital treatment of dividends and distributions from PTPs and certain other of its investments. Net investment income and net realized gains for GAAP purposes may differ from taxable income for federal income tax purposes.

As of February 28, 2022, the principal temporary differences between income for GAAP purposes and taxable income were (a) realized losses that were recognized for GAAP purposes, but disallowed for tax purposes due to wash sale rules; (b) disallowed partnership losses related to the Fund's PTP investments; and (c) other basis adjustments in the Fund's PTPs and other investments.

Under the Regulated Investment Company Modernization Act of 2010, any net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses.

On August 6, 2018, KMF completed its merger with KYE. The merger qualified as a tax-free reorganization under Section 368(a) of the Internal Revenue Code. At the time of the merger, \$130,791 of capital loss carryforwards were subject to limitations under Section 382 of the Internal Revenue Code ("Section 382"). Regulations under Section 382 limit the amount of capital gains that can be offset by the Fund's capital loss carryforward to \$8,533, annually, until all of the Fund's loss carryforwards are fully utilized. As of November 30, 2021, the Fund had approximately \$64,000 of capital loss carryforwards subject to limitations under Section 382.



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For the fiscal year ended November 30, 2021, the tax character of the total \$21,711 distributions paid to common stockholders was \$144 of dividend income and \$21,567 of return of capital. The tax character of the total \$948 distributions paid to holders of MRP shares was dividend income.

For purposes of determining the tax character of the dividends/distributions to investors, the amounts in excess of the Fund's earnings and profits for federal income tax purposes are treated as a return of capital. Earnings and profits differ from taxable income due principally to adjustments related to the Fund's investments in PTPs.

At February 28, 2022, the cost basis of investments for federal income tax purposes was \$535,097. At February 28, 2022, gross unrealized appreciation and depreciation of investments and options, if any, for federal income tax purposes were as follows:

Gross unrealized appreciation of investments (including options, if any)	\$ 133,838
Gross unrealized depreciation of investments (including options, if any)	(54,928)
Net unrealized appreciation of investments before forward currency contracts and foreign currency related translations	78,910
Unrealized depreciation on forward currency contracts and foreign currency related translations	(121)
Net unrealized appreciation of investments	<u>\$ 78,789</u>

## 7. Restricted Securities

From time to time, the Fund's ability to sell certain of its investments is subject to certain legal or contractual restrictions. For instance, private investments that are not registered under the Securities Act of 1933, as amended (the "Securities Act"), cannot be offered for public sale in a non-exempt transaction without first being registered. In other cases, certain of the Fund's investments have restrictions such as lock-up agreements that preclude the Fund from offering these securities for public sale.

At February 28, 2022, the Fund held the following restricted investments:

Investment	Acquisition Date	Type of Restriction	Number of Units, Principal (\$) (in 000s)	Cost Basis (GAAP)	Fair Value	Fair Value Per Unit	Percent of Net Assets	Percent of Total Assets
<b>Level 2 Investments</b>								
<u>Equity Investments</u>								
Plains GP Holdings, L.P. – Plains AAP, L.P. <sup>(1)</sup>	(2)	(3)	690	\$ 740	\$ 7,799	\$ 11.31	1.7%	1.3%
<b>Level 3 Investments<sup>(4)</sup></b>								
<u>Equity Investments</u>								
Enterprise Products Partners L.P.								
Convertible Preferred Units	9/30/20	(5)	18	\$ 17,524	\$ 19,157	\$ 1,086.16	4.2%	3.1%
Total of all restricted investments				<u>\$ 18,264</u>	<u>\$ 26,956</u>		<u>5.9%</u>	<u>4.4%</u>

- (1) The Fund values its investment in Plains AAP, L.P. ("PAGP-AAP") on an "as exchanged" basis based on the higher public market value of either Plains GP Holdings, L.P. ("PAGP") or Plains All American Pipeline, L.P. ("PAA"). As of February 28, 2022, the Fund's PAGP-AAP investment is valued at PAGP's closing price. See Note 3 — Fair Value.
- (2) Security was acquired at various dates in current and/or prior fiscal years.
- (3) The Fund's investment in PAGP-AAP is exchangeable on a one-for-one basis into either PAGP shares or PAA units at the Fund's option. Upon exchange, the PAGP shares or PAA units will be freely tradable.



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- (4) Securities are valued using inputs reflecting the Fund's own assumptions as more fully described in Note 2 — Significant Accounting Policies and Note 3 — Fair Value.
- (5) Unregistered or restricted security of a publicly-traded company.

**8. Derivative Financial Instruments**

As required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification (ASC 815), the following are the derivative instruments and hedging activities of the Fund. See Note 2 — Significant Accounting Policies.

**Option Contracts** — Based on the notional amount, the Fund has written a monthly average of \$3,072 of call options during the three months ended February 28, 2022.

**Interest Rate Swap Contracts** — As of February 28, 2022, the Fund did not have any interest rate swap contracts outstanding.

**Forward Currency Contracts** — During the three months ended February 28, 2022, the Fund had average ending monthly forward currency contract values to buy and sell of \$71,539 and \$71,897, respectively.

The following table sets forth the fair value of the Fund's derivative instruments on the Statement of Assets and Liabilities:

Derivatives Not Accounted for as Hedging Instruments	Statement of Assets and Liabilities Location	Fair Value as of February 28, 2022
Forward currency contracts	Forward currency contracts	\$ 127
Forward currency contracts	Forward currency contracts	(244)

The following table sets forth the effect of the Fund's derivative instruments on the Statement of Operations:

Derivatives Not Accounted for as Hedging Instruments	Location of Gains/(Losses) on Derivatives Recognized in Income	For the Three Months Ended February 28, 2022	
		Net Realized Gains/(Losses) on Derivatives Recognized in Income	Change in Unrealized Gains/(Losses) on Derivatives Recognized in Income
Forward currency contracts	Forward currency contracts	\$ —	\$ 281
Call options written	Options	58	—
		<u>\$ 58</u>	<u>\$ 281</u>

**9. Investment Transactions**

For the three months ended February 28, 2022, the Fund purchased and sold securities in the amounts of \$15,173 and \$20,605 (excluding short-term investments and forward currency contracts).

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**10. Credit Facilities**

As of February 28, 2022, the Fund had a \$50,000 unsecured revolving credit facility (the "Credit Facility") that matures on February 24, 2023. The interest rate on outstanding borrowings under the Credit Facility may vary between the secured overnight financing rate ("SOFR") plus 1.40% and SOFR plus 2.25%, depending on the Fund's asset coverage ratios. The Fund pays a fee of 0.20% per annum on any unused amounts of the Credit Facility.

For the three months ended February 28, 2022, the average amount outstanding under the Credit Facility was \$34,755 with a weighted average rate of 1.44%. As of February 28, 2022, the Fund had \$35,000 outstanding under the Credit Facility at an interest rate of 1.55%.

As of February 28, 2022, the Fund had a \$20,000 unsecured revolving credit facility ("Bank Facility") that matures on August 6, 2024. Borrowings under the Bank Facility will bear interest at a rate of 1-month LIBOR plus 1.35%. The Fund will pay a commitment fee of 0.20% per annum on any unused amounts of the Bank Facility. As of February 28, 2022, the Fund did not have any borrowings under the Bank Facility.

As of February 28, 2022, the Fund was in compliance with all financial and operational covenants required by the Credit Facility and Bank Facility. See Financial Highlights for the Fund's asset coverage ratios under the 1940 Act.

**11. Notes**

At February 28, 2022, the Fund had \$80,091 aggregate principal amount of Notes outstanding. During the three months ended February 28, 2022, the Fund redeemed \$4,424 of Notes.

The table below sets forth a summary of the redemptions and key terms of each series of Notes outstanding at February 28, 2022.

Series	Principal Outstanding, November 30, 2021	Principal Redeemed	Principal Outstanding, February 28, 2022	Unamortized Issuance Costs	Estimated Fair Value February 28, 2022	Fixed Interest Rate	Maturity
C	\$ 4,424	\$ (4,424)	\$ —	\$ —	\$ —	4.00%	3/22/22
D	40,000	—	40,000	77	41,000	3.34%	5/1/23
H	21,856	—	21,856	46	22,200	3.72%	8/8/23
I	18,235	—	18,235	66	18,700	3.82%	8/8/25
	<u>\$ 84,515</u>	<u>\$ (4,424)</u>	<u>\$ 80,091</u>	<u>\$ 189</u>	<u>\$ 81,900</u>		

Holders of the Series C and D Notes are entitled to receive cash interest payments semi-annually (on March 3 and September 3) at the fixed rate. Holders of the Series H and I Notes are entitled to receive cash interest payments semi-annually (on February 13 and August 13) at the fixed rate. As of February 28, 2022, the weighted average interest rate on the outstanding Notes was 3.55%.

As of February 28, 2022, each series of Notes was rated "AAA" by KBRA. In the event the credit rating on any series of Notes falls below "A-", the interest rate on such series will increase by 1% during the period of time such series is rated below "A-". The Fund is required to maintain a current rating from one rating agency with respect to each series of Notes and is prohibited from having any rating of less than investment grade ("BBB-") with respect to each series of Notes.

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The Notes were issued in private placement offerings to institutional investors and are not listed on any exchange or automated quotation system. The Notes contain various covenants related to other indebtedness, liens and limits on the Fund's overall leverage. Under the 1940 Act and the terms of the Notes, the Fund may not declare dividends or make other distributions on shares of its common stock or make purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to senior securities representing indebtedness (including the Notes) would be less than 300%.

The Notes are redeemable in certain circumstances at the option of the Fund. The Notes are also subject to a mandatory redemption to the extent needed to satisfy certain requirements if the Fund fails to meet an asset coverage ratio required by law and is not able to cure the coverage deficiency by the applicable deadline.

The Notes are unsecured obligations of the Fund and, upon liquidation, dissolution or winding up of the Fund, will rank: (1) senior to all of the Fund's outstanding preferred shares; (2) senior to all of the Fund's outstanding common shares; (3) on a parity with any unsecured creditors of the Fund and any unsecured senior securities representing indebtedness of the Fund; and (4) junior to any secured creditors of the Fund.

At February 28, 2022, the Fund was in compliance with all covenants under the Notes agreements.

## 12. Preferred Stock

At February 28, 2022, the Fund had 1,659,657 shares of MRP Shares outstanding, with a total liquidation value of \$41,491 (\$25.00 per share). The table below sets forth the key terms of each series of MRP Shares outstanding at February 28, 2022.

Series	Liquidation Value February 28, 2022	Unamortized Issuance Costs	Estimated Fair Value February 28, 2022	Rate	Mandatory Redemption Date
H	\$ 9,491	\$ 101	\$ 9,600	4.07%	12/1/24
I	20,000	307	19,800	3-month LIBOR + 175 bps	6/1/26
J	12,000	218	11,400	2.44%	9/1/26
	<u>\$ 41,491</u>	<u>\$ 626</u>	<u>\$ 40,800</u>		

Holders of the MRP Shares are entitled to receive cumulative cash dividend payments on the first business day following each quarterly period (February 28, May 31, August 31 and November 30).

As of February 28, 2022, each series of MRP Shares was rated "A+" by KBRA.

The dividend rate on the Fund's MRP Shares can increase further if the credit rating is downgraded below "A" (as determined by the lowest credit rating assigned). Further, the annual dividend rate for all series of MRP Shares will increase by 4.0% if no ratings are maintained, and the annual dividend rate will increase by 5.0% if the Fund fails to make a dividend or certain other payments.

The MRP Shares rank senior to all of the Fund's outstanding common shares and on parity with any other preferred stock. The MRP Shares are redeemable in certain circumstances at the option of the Fund and are also subject to a mandatory redemption if the Fund fails to meet a total leverage (debt and preferred stock) asset coverage ratio of 225%.

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Under the terms of the MRP Shares, the Fund may not declare dividends or make other distributions on shares of its common stock or make purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to total leverage would be less than 225%.

The holders of the MRP Shares have one vote per share and will vote together with the holders of common stock as a single class except on matters affecting only the holders of MRP Shares or the holders of common stock. The holders of the MRP Shares, voting separately as a single class, have the right to elect at least two directors of the Fund.

At February 28, 2022, the Fund was in compliance with the asset coverage requirements of its MRP Shares.

### **13. Common Stock**

At February 28, 2022, the Fund had 198,340,343 shares of common stock authorized and 47,197,462 shares outstanding. As of February 28, 2022, KAFA owned 4,000 shares of the Fund. During the three months ended February 28, 2022 and fiscal year ended November 30, 2021, there were no common stock transactions.

### **14. Subsequent Events**

On March 30, 2022, the Fund declared a quarterly distribution of \$0.16 per common share for the first quarter. The total distribution of \$7,552 was paid April 19, 2022. Of this total, pursuant to the Fund's dividend reinvestment plan, \$346 was reinvested into the Fund through open market purchases of common stock.

On April 27, 2022, the Fund announced the appointment of Caroline Winn as an Independent Director, meaning a Director who is not an "interested person" of the Fund, as that term is defined under the 1940 Act.

Caroline Winn is the chief executive officer for San Diego Gas & Electric (SDG&E), one of Sempra's (NYSE: SRE) regulated California utilities. Ms. Winn's 30-plus year career in the utility space enabled a broad set of leadership roles. She is recognized for demonstrating bold thinking, large strategic business transformation, mobilizing and driving organizations to achieve mission critical outcomes. Ms. Winn demonstrates a passion for organizational and talent development and recognizes people and relationships as drivers to achieve exceptional business success. An experienced executive and board member, her collaborative, resilient, and transparent leadership style has earned high praise from the industry, regulators, and government officials. Ms. Winn also currently serves on the board of directors of SDG&E and leads SDG&E's Women's Leadership Group. In addition, Ms. Winn is a director and member of the audit committee of the board of the Monarch School for underserved youth and serves on the director's council of the Scripps Institution of Oceanography. Ms. Winn holds a bachelor's degree in electrical engineering from California State University Sacramento and is a registered professional engineer in the State of California.

The Fund has performed an evaluation of subsequent events through the date the financial statements were issued and has determined that no additional items require recognition or disclosure.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**GLOSSARY OF KEY TERMS**  
**(UNAUDITED)**

This glossary contains definitions of certain key terms, as they are used in our investment policies and as described in this report. These definitions may not correspond to standard sector definitions.

*“Energy Assets”* means Energy Infrastructure Assets and other assets that are used in the energy sector, including assets used in exploring, developing, producing, generating, transporting, transmitting, storing, gathering, processing, fractionating, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined products, coal, electricity or water.

*“Energy Companies”* means companies that own and/or operate Energy Assets or provide energy-related services. For purposes of this definition, this includes companies that (i) derive at least 50% of their revenues or operating income from operating Energy Assets or providing services for the operation of such assets or (ii) have Energy Assets that represent the majority of their assets.

*“Energy Infrastructure Assets”* means (a) Midstream Assets, (b) Renewable Infrastructure Assets and (c) Utility Assets.

*“Energy Infrastructure Companies”* consists of (a) Midstream Companies, (b) Renewable Infrastructure Companies and (c) Utility Companies.

*“Energy Transition”* is used to describe the energy sector’s transition to a more sustainable mix of lower carbon and renewable energy sources that results in reduced emissions of carbon dioxide and other greenhouse gases over the next 20 to 30 years.

*“Infrastructure Assets”* consists of (i) Energy Infrastructure Assets, (ii) assets used to provide communications services, including cable television, satellite, microwave, radio, telephone and other communications media or (iii) assets used to provide transportation services, including toll roads, airports, railroads or marine ports or (iv) assets used to provide water services, including water treatment, storage and transportation.

*“Infrastructure Companies”* consists of (a) Energy Infrastructure Companies and (b) other companies that own and operate Infrastructure Assets. For the purposes of this definition, this includes companies that (i) derive at least 50% of their revenues or operating income from operating Infrastructure Assets or providing services for the operation of such assets or (ii) have Infrastructure Assets that represent the majority of their assets.

*“Qualified Publicly Traded Partnerships”* or “PTPs” means limited partnerships and limited liability companies that are publicly traded and are treated as partnerships for federal income tax purposes.

*“Midstream Assets”* means assets used in energy logistics, including, but not limited to, assets used in transporting, storing, gathering, processing, fractionating, distributing, or marketing of natural gas, natural gas liquids, crude oil, refined products or water produced in conjunction with such activities.

*“Midstream Companies”* means companies that own and operate Midstream Assets. Such companies may be structured as PTPs or taxed as corporations. For purposes of this definition, this includes companies that (i) derive at least 50% of their revenue or operating income from operating Midstream Assets or providing services for the operation of such assets or (ii) have Midstream Assets that represent the majority of their assets.

*“Natural Gas & LNG Infrastructure Companies”* means Midstream Companies that primarily own and/or operate Midstream Assets related to natural gas or liquefied natural gas.

*“NextGen Companies”* are Energy Companies and Infrastructure Companies that are meaningfully participating in, or benefitting from, the Energy Transition based on our Advisor’s assessment of each company’s business.

**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**GLOSSARY OF KEY TERMS**  
**(UNAUDITED)**

*“Other Energy Companies”* means Energy Companies, excluding Energy Infrastructure Companies.

*“Renewable Infrastructure Assets”* means assets used in the generation, production, distribution, transportation, transmission, storage and marketing of energy including, but not limited to, electricity or steam from renewable sources such as solar, wind, flowing water (hydroelectric power), geothermal, biomass and hydrogen.

*“Renewable Infrastructure Companies”* means companies that own and/or operate Renewable Infrastructure Assets. Such companies may be structured as PTPs or taxed as corporations. For purposes of this definition, this includes companies that (i) derive at least 50% of their revenues or operating income from operating Renewable Infrastructure Assets or providing services for the operation of such assets or (ii) have Renewable Infrastructure Assets that represent the majority of their assets.

*“Utility Assets”* means assets, other than Renewable Infrastructure Assets, that are used in the generation, production, distribution, transportation, transmission, storage and marketing of energy, including, but not limited to, electricity, natural gas and steam.

*“Utility Companies”* means companies that own and/or operate Utility Assets. For purposes of this definition, this includes companies that (i) derive at least 50% of their revenues or operating income from operating Utility Assets or providing services for the operation of such assets or (ii) have Utility Assets that represent the majority of their assets.



**KAYNE ANDERSON NEXTGEN ENERGY & INFRASTRUCTURE, INC.**  
**ADDITIONAL INFORMATION**  
**(UNAUDITED)**

**REPURCHASE DISCLOSURE**

Notice is hereby given in accordance with Section 23(c) of the 1940 Act, that the Fund may from time to time purchase shares of its common and preferred stock and its Notes in the open market or in privately negotiated transactions.

## Directors and Corporate Officers

James C. Baker, Jr.

William H. Shea, Jr.

William R. Cordes

Anne K. Costin

Barry R. Pearl

Albert L. Richey

Caroline A. Winn

Terry A. Hart

A. Colby Parker

Michael J. O'Neil

J.C. Frey

Ron M. Logan, Jr.

Adriana I. Jimenez

### Investment Adviser

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1800 Avenue of the Stars, Third Floor

Los Angeles, CA 90067

### Custodian

JPMorgan Chase Bank, N.A.

383 Madison Avenue, Fourth Floor

New York, NY 10179

Chairman of the Board of Directors,  
President and Chief Executive Officer

Lead Independent Director

Director

Director

Director

Director

Director

Chief Operating Officer and Assistant Secretary

Chief Financial Officer and Treasurer

Chief Compliance Officer and Secretary

Executive Vice President

Senior Vice President

Vice President

### Administrator

Ultimus Fund Solutions, LLC

225 Pictoria Drive, Suite 450

Cincinnati, OH 45246

### Stock Transfer Agent and Registrar

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6201 15<sup>th</sup> Avenue

Brooklyn, NY 11219

(888) 888-0317

### Independent Registered Public Accounting Firm

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Los Angeles, CA 90017

### Legal Counsel

Paul Hastings LLP

101 California Street, Forty-Eighth Floor

San Francisco, CA 94111

Please visit us on the web at [www.kaynefunds.com](http://www.kaynefunds.com) or call us toll-free at 1-877-657-3863.



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