KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.
Form 497
May 30, 2018
Table of Contents

Filed pursuant to Rule 497(b)
Under the Securities Act of 1933,
as amended, File No. 333-224204

Kayne Anderson Midstream/Energy Fund, Inc. (NYSE: KMF)

Kayne Anderson Energy Total Return Fund, Inc. (NYSE: KYE)

May 30, 2018

Dear Fellow Stockholder:

You are cordially invited to attend the combined 2018 Annual Meeting of Stockholders (the Annual Meeting) of Kayne Anderson Midstream/Energy Fund, Inc. (KMF) and Special Meeting of Stockholders (the Special Meeting, and, together with the Annual Meeting, the Meeting) of Kayne Anderson Energy Total Return Fund, Inc. (KYE) to be held on:

June 28, 2018

10:00 a.m. Central Time

Kayne Anderson

811 Main Street, 14th Floor

Houston, TX 77002

At the Meeting, (i) KYE stockholders will be asked to consider and approve a proposal authorizing the combination of KYE and KMF, which will be accomplished as a tax-free reorganization of KYE into KMF (the Reorganization), and (ii) KMF stockholders will be asked to consider and approve a proposal authorizing the issuance of additional shares of KMF common stock in connection with the Reorganization. In addition, KMF stockholders will also be asked to consider routine matters customarily considered at the annual meetings of KMF, namely to (i) elect seven directors of KMF and (ii) ratify PricewaterhouseCoopers LLP as KMF s independent registered public accounting firm for its fiscal year ending November 30, 2018. Finally, KMF stockholders may be asked to consider and take action on such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors of KMF and KYE each voted unanimously to approve the Reorganization, believes that it is in the best interest of stockholders and recommends you vote **FOR** the approval of the Reorganization and each other proposal for which you are entitled to vote.

Enclosed with this letter are (i) the formal notice of the Meeting, (ii) the joint proxy statement/prospectus, which gives detailed information about the Reorganization and the other proposals and why the Boards of Directors recommends that you vote to approve them, and (iii) a written proxy for you to sign and return. If you have any questions about the enclosed proxy or need any assistance in voting your shares, please call 833-795-8494.

Your vote is important. Please vote your shares via the internet or by telephone or complete, sign, and date the enclosed proxy card and return it in the enclosed envelope. You may also vote in person if you are able to attend the Meeting. However, even if you plan to attend the Meeting, we urge you to cast your vote early. That will ensure your vote is counted should your plans change.

Sincerely,

Kevin S. McCarthy

Chairman of the Board of Directors,

CEO of KMF and KYE

Table of Contents

Kayne Anderson Midstream/Energy Fund, Inc.

Kayne Anderson Energy Total Return Fund, Inc.

NOTICE OF KMF 2018 ANNUAL MEETING OF STOCKHOLDERS

NOTICE OF KYE SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders of: Kayne Anderson Midstream/Energy Fund, Inc.

Kayne Anderson Energy Total Return Fund, Inc.

NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Stockholders (the Annual Meeting) of Kayne Anderson Midstream/Energy Fund, Inc. (KMF), a Maryland corporation, and a Special Meeting of Stockholders (the Special Meeting, and, together with the Annual Meeting, the Meeting) of Kayne Anderson Energy Total Return Fund, Inc. (KYE), a Maryland corporation, will be held on June 28, 2018 at 10:00 a.m. Central Time at Kayne Anderson, 811 Main Street, 14th Floor, Houston, TX 77002 for the following purposes:

For KYE:

1. To approve the combination of KYE and KMF by means of a tax-free reorganization, pursuant to which KYE would transfer all of its assets to KMF in exchange for newly issued shares of common stock and preferred stock, which would be distributed to KYE s stockholders prior to KYE s liquidation, dissolution and termination (the Reorganization);

For KMF:

2. To approve the issuance of additional KMF common stock in connection with the Reorganization;

3. To elect two directors to serve until KMF s 2019 Annual Meeting of Stockholders, two directors to serve until KMF s 2020 Annual Meeting of Stockholders and three directors to serve until KMF s 2021 Annual Meeting of Stockholders, each until their successors are duly elected and qualified;

4. To ratify the selection of PricewaterhouseCoopers LLP as KMF s independent registered public accounting firm for the fiscal year ending November 30, 2018; and

5. To consider and take action on such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the joint proxy statement/prospectus accompanying this notice.

Stockholders of record of KMF or KYE as of the close of business on May 21, 2018 are entitled to notice of and to vote (on KMF s or KYE s matters, as applicable) at the Meeting (or any adjournment or postponement of the Meeting thereof).

The Boards of Directors unanimously recommend stockholders vote FOR each proposal.

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE AUTHORIZE A PROXY TO VOTE YOUR SHARES OF STOCK BY FOLLOWING THE INSTRUCTIONS PROVIDED ON YOUR PROXY OR VOTING INSTRUCTIONS CARD. IN ORDER TO AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION, THE BOARDS OF DIRECTORS ASKS THAT YOU VOTE PROMPTLY, NO MATTER HOW MANY SHARES YOU OWN.

By Order of the Boards of Directors,

David J. Shladovsky

Secretary

May 30, 2018

Houston, Texas

Table of Contents

JOINT PROXY STATEMENT/PROSPECTUS

Kayne Anderson Midstream/Energy Fund, Inc.

Kayne Anderson Energy Total Return Fund, Inc.

811 Main Street, 14th Floor

Houston, TX 77002

(877) 657-3863

2018 ANNUAL MEETING OF STOCKHOLDERS OF KMF

SPECIAL MEETING OF STOCKHOLDERS OF KYE

JUNE 28, 2018

This joint proxy statement/prospectus is being sent to you by the Board of Directors of Kayne Anderson Midstream/Energy Fund, Inc. (KMF), a Maryland corporation, and the Board of Directors of Kayne Anderson Energy Total Return Fund, Inc. (KYE), a Maryland corporation. The Boards of Directors are asking you to complete and return the enclosed proxy card, permitting your votes to be cast at the 2018 Annual Meeting of Stockholders of KMF (the Annual Meeting) and the Special Meeting of Stockholders of KYE (the Special Meeting, and, together with the Annual Meeting, the Meeting) to be held on:

June 28, 2018

10:00 a.m. Central Time

Kayne Anderson

811 Main Street, 14th Floor

Houston, TX 77002

Stockholders of record of KMF or KYE at the close of business on May 21, 2018 (the Record Date) are entitled to vote (on KMF s or KYE s matters, as applicable) at the Meeting. As a stockholder, for each applicable proposal, you are entitled to one vote for each share of common stock and one vote for each share of preferred stock you hold. This joint proxy statement/prospectus and the enclosed proxy are first being mailed to stockholders on or about May 31, 2018.

KA Fund Advisors, LLC (KAFA), a subsidiary of Kayne Anderson Capital Advisors, L.P. (KACALP and together with KAFA, Kayne Anderson), externally manages and advises KMF and KYE pursuant to investment management agreements with each Fund. KAFA is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. Kayne Anderson is a leading investor in both public and private energy companies. As of January 31, 2018, Kayne Anderson managed approximately $27 billion, including approximately $17 billion in the energy sector.

This joint proxy statement/prospectus sets forth the information that you should know in order to evaluate each of the following proposals. The following table presents a summary of the proposals and the classes of stockholders being solicited with respect to each proposal. In addition to the proposals typically considered at KMF s annual meetings, this joint proxy statement/prospectus relates to the proposed combination of KYE and KMF, which will be accomplished as a tax-free reorganization of KYE into KMF (the Reorganization). Specifically, KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then be terminated and dissolved in accordance with its charter and Maryland law. Please refer to the discussion of each proposal in this joint proxy statement/prospectus for information regarding votes required for the approval of each proposal.

Proposals	Who votes on the proposals?
KYE	
1. To approve the Reorganization.	The holders of common stock and preferred stock, voting together a single class.
	The holders of preferred stock, voting as a separate class.
KMF	
2. To approve the issuance of additional KMF common stock in connection with the Reorganization.	The holders of common stock and preferred stock, voting together as a single class.
3. To elect the following directors for the specified terms:	
Anne K. Costin until the 2019 Annual Meeting of Stockholders;	The holders of common stock and preferred stock, voting together as a single class.
James C. Baker until the 2019 Annual Meeting of Stockholders;	The holders of preferred stock, voting as a separate class.
William R. Cordes and Barry R. Pearl until the 2020 Annual Meeting of Stockholders;	The holders of common stock and preferred stock, voting together as a single class.
Kevin S. McCarthy and William L. Thacker until the 2021 Annual Meeting of Stockholders; and	The holders of common stock and preferred stock, voting together as a single class.
William H. Shea, Jr. until the 2021 Annual Meeting of Stockholders.	The holders of preferred stock, voting as a separate class.
4. To ratify the selection of PricewaterhouseCoopers LLP as KMF s independent registered public accounting firm for the fiscal year ending November 30, 2018.	The holders of common stock and preferred stock, voting together a single class.
5. To consider and take action on such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.	The holders of common stock and preferred stock, voting together a single class.

The Agreement and Plan of Reorganization between KMF and KYE is sometimes referred to herein as the Reorganization Agreement. KMF and KYE are sometimes referred to herein as a Fund and collectively as the Funds. KMF following the Reorganization is sometimes referred to herein as the Combined Fund.

Additional Information

This joint proxy statement/prospectus sets forth the information stockholders should know before voting on the proposals. The Reorganization constitutes an offering of common stock of KMF, and this joint proxy statement/prospectus serves as a prospectus of KMF in connection with the issuance of its common stock in the Reorganization. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated May 30, 2018, relating to this joint proxy statement/prospectus (the Statement of Additional Information) has been filed with the Securities and Exchange Commission (the SEC) and is incorporated herein by reference.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2018 MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 28, 2018: You should have received a copy of the Annual Reports for the fiscal year ended November 30, 2017 for KMF and/or KYE. If you would like another copy of either Annual Report or the Statement of Additional Information, please write us at Kayne Anderson s address or call us at (877) 657-3863. The Annual Report(s) and Statement of Additional Information will be sent to you without charge. This joint proxy statement/prospectus, the Annual Report and the Statement of Additional Information can be accessed on our website at *www.kaynefunds.com* or on the website of the SEC at *www.sec.gov*.

The Funds are subject to certain informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements, proxy materials and other information with the SEC. Materials filed with the SEC can be reviewed and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or downloaded from the SEC s web site at *www.sec.gov*. Information on the operation of the SEC s Public Reference Room may be obtained by calling the SEC at (202) 551-8090. You may also request copies of these materials, upon payment at the prescribed rates of a duplicating fee, by electronic request to the SEC s e-mail address (publicinfo@sec.gov) or by writing the Public Reference Branch, Office of Consumer Affairs and Information Services, SEC, Washington, DC, 20549-0102.

The currently outstanding shares of common stock of KMF are listed on the New York Stock Exchange (the NYSE) under the ticker symbol KMF and will continue to be so listed after completion of the Reorganization. The common stock of KMF to be issued in connection with the Reorganization will be listed on the NYSE. The currently outstanding shares of common stock of KYE are also listed on the NYSE under the ticker symbol KYE. Reports, proxy statements and other information concerning KMF and KYE may be inspected at the offices of the NYSE, 20 Broad Street, New York, NY 10005.

No person has been authorized to give any information or make any representation not contained in this joint proxy statement/prospectus and, if so given or made, such information or representation must not be relied upon as having been authorized. This joint proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

THE SEC HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS JOINT PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this joint proxy statement/prospectus is May 30, 2018.

Table of Contents

TABLE OF CONTENTS

Table of Contents

QUESTIONS AND ANSWERS

Although it is recommended that you read the complete joint proxy statement/prospectus of which this Questions and Answers section is a part, a brief overview of the issues to be voted on has been provided below for your convenience.

The anticipated positive impacts of the Reorganization are set forth below. No assurance can be given that the anticipated positive impacts of the Reorganization will be achieved. For information regarding the risks associated with an investment in KMF, see Risk Factors.

Questions Regarding the Reorganization

Q: Why is the Reorganization being recommended by the Boards of Directors?

A: The Board of Directors of each Fund has approved the Reorganization because they have determined that it is in the best interests of each Fund and its stockholders. In making this determination, the Board of Directors of each Fund considered (i) the expected benefits of the transaction for each Fund (as outlined in more detail below) and (ii) the fact that both Funds have very similar investment policies and investment strategies. The Combined Fund will pursue KMF s investment objective of obtaining a high total return with an emphasis on cash distributions by investing at least 80% of total assets in Midstream MLPs, Midstream Companies and Other Energy Companies.

Q: What are the benefits of the proposed Reorganization?

A: After careful consideration, the Board of Directors of each Fund believes that the Reorganization will benefit the stockholders of the Funds for the reasons noted below:

Cost savings through elimination of duplicative expenses and greater economies of scale

It is anticipated that the Combined Fund would have a lower expense level with estimated aggregate cost savings of approximately $1.1 million annually, the majority of which is expected to be attributable to reduced operating costs. Because the Reorganization is expected to be completed during the third quarter of fiscal 2018, and because there are expenses associated with the Reorganization, the full impact of these cost savings will not be entirely recognized this year. We expect the Combined Fund to realize the full benefit of these cost savings during fiscal 2019. The Funds incur operating expenses that are fixed (e.g., board fees, printing fees, legal and auditing services) and operating expenses that are variable (e.g., administrative and custodial services that are based on assets under management). Many of these fixed expenses are duplicative between the Funds and can be eliminated as a result of the Reorganization. There will also be an opportunity to reduce variable expenses by taking advantage of greater economies of scale. As a result of these cost savings, it is expected that the Combined Fund will enjoy lower operating costs as a percentage of total assets.

Reorganization expected to increase KMF s net distributable income

The Reorganization is expected to increase KMF s net distributable income per share, in part due to the anticipated cost savings from the transaction. In connection with the Reorganization, KMF announced its intention to pay a distribution at its current annualized rate of $1.20 per share for the 12 months ending February 28, 2019. See Risk Factors Risks Related to Our Investments and Investment Techniques Cash Flow Risk.

Larger asset base could provide greater financial flexibility

The larger asset base of the Combined Fund may provide greater financial flexibility. In particular, as a larger entity, we believe the Combined Fund should potentially have access to more attractive leverage terms (i.e., lower borrowing costs on debt and preferred stock) and a wider range of alternatives for raising capital to grow the Combined Fund.

Table of Contents

Opportunity for enhanced long-term market liquidity

The larger equity market capitalization of the Combined Fund should provide an opportunity for enhanced market liquidity over the long-term. Greater market liquidity may lead to a narrowing of bid-ask spreads and reduce price movements on a trade-to-trade basis. The table below illustrates the equity market capitalization and average daily trading volume for each Fund on a standalone basis as well as for the Combined Fund.

	KMF	KYE	Pro Forma Combined KMF
Equity capitalization ($ in millions)	$ 289	$ 353	$ 642
Average daily trading volume[(1)]	142	244	NA

As of February 28, 2018.

(1) 90-day average trading volume in thousands of shares.

Q: What distributions will KMF and KYE pay to common stockholders?

A: KMF intends to pay a distribution at its current annualized rate of $1.20 per share for the 12 months ending February 28, 2019. KMF will continue to pay distributions on a quarterly basis until the Reorganization closes and intends to begin paying distributions on a monthly basis shortly thereafter (expected to commence in September 2018). KYE intends to pay a distribution at its current annualized rate of $1.00 per share ($0.25 per quarter) until the Reorganization closes. Historically, a portion of the distributions paid to common stockholders of KMF and KYE has been classified as a return of capital, and we expect that a portion of the distributions paid to common stockholders of the Combined Fund may be classified as a return of capital, though the amount will depend on the earnings and profits of the Combined Fund in any given year. A return of capital represents a return of a stockholder s original investment and should not be confused with a dividend from earnings and profits. Payment of future distributions by either KMF or KYE is subject to the approval of such Fund s Board of Directors.

Q: Why is KMF providing guidance on the distribution it intends to pay through February 2019?

A: We believe that investors will benefit from increased visibility on KMF s expected distribution in considering the Reorganization.

Q: What impact will the recent merger announcement by Enbridge have on KMF and KYE s distribution level?

A: Recently, Enbridge, Inc., a Midstream Company held in KMF and KYE s portfolios, announced a proposal to acquire its subsidiary, Enbridge Energy Management, which is also held in KMF and KYE s portfolios. This transaction is subject to the companies reaching an agreement on the terms of the acquisition and will be subject to a vote of the shareholders of Enbridge Energy Management. Because Enbridge, Inc. has a lower dividend yield than Enbridge Energy Management, this simplification transaction will result in a lower distribution being paid to the owners of Enbridge Energy Management after the transaction is completed and in turn, reduce the Funds net distributable income. Simplification transactions are part of an industry trend of simplifying ownership structures and eliminating MLPs incentive distribution rights. Kayne Anderson expects this trend to continue and believes that it is likely that additional simplification transactions will be announced during the next 12 to 18 months.

Both Funds remain committed to the distribution guidance provided in conjunction with announcing the Reorganization. Notwithstanding this commitment, over the longer term, the Combined Fund s distribution will be determined by its Board of Directors based on long-term, sustainable net distributable income. It is difficult to predict the full impact of this simplification transaction on long-term, sustainable net distributable income, but this transaction, and similar transactions that may be announced in the future, could cause the Combined Fund s Board of Directors to elect to reduce the distribution during 2019 or 2020. See Risk Factors Risks Related to Our Investments and Investment Techniques Cash Flow Risk.

Table of Contents

Q: Why is KMF converting to monthly distribution payments?

A: We believe many investors will prefer more frequent distribution payments.

Q: As a KYE stockholder, what will happen to my distribution on a pro forma basis?

A: Based on an annualized distribution level of $1.20 per share for KMF and an exchange ratio as of February 28, 2018 of approximately 0.74 shares of KMF for each share of KYE, the annualized pro forma distribution for KYE common stockholders would be approximately $0.88 per share, which is approximately 12 cents less than KYE s current annualized distribution rate. KYE s current distribution rate on its common stock is higher than its net distributable income. Over time, we expect that KYE s distribution level will generally track net distributable income. Accordingly, if the Reorganization were not to occur and KYE were to remain a stand-alone entity, there can be no assurances that KYE s board of directors would elect to maintain its current distribution in light of estimates of the fund s long term, sustainable net distributable income.

Q: What impact will the Reorganization have on leverage levels?

A: The amount of leverage as a percentage of total assets following the Reorganization is not expected to significantly change from that of each Fund s standalone leverage levels. The table below illustrates the leverage of each Fund on both a standalone and pro forma basis.

($ in millions)	KMF	KYE	Pro Forma Combined KMF
Total Debt	$ 92	$ 136	$ 228
Mandatory Redeemable Preferred Stock	$ 35	$ 40	$ 75
Leverage	$ 127	$ 176	$ 303
Leverage as % of total assets	30%	33%	31%

As of February 28, 2018.

Q: How has KMF performed relative to KYE?

A: The performance table below, as of February 28, 2018, illustrates the past performance of an investment in each Fund. As shown in the table below, since KMF s inception, it has generally outperformed KYE on both a net asset value and market price basis. A Fund s past performance does not necessarily indicate how such Fund will perform in the future.

Average Annual Total Returns as of February 28, 2018

	Based on Net Asset Value(1)						Based on Market Price(2)					
	1 Year	3 Years	5 Years	10 Years	Inception(3)	KMF s Inception(4)	1 Year	3 Years	5 Years	10 Years	Inception(3)	KMF s Inception(4)
KMF	(18.1)%	(19.5)%	(7.3)%	N/A	0.4%	0.4%	(13.6)%	(18.3)%	(8.3)%	N/A	(0.6)%	(0.6)%

KYE	(18.0)%	(20.5)%	(10.4)%	(1.9)%	1.5%	(5.0)%	(17.8)%	(21.1)%	(12.1)%	(0.8)%	0.8%	(6.2)%

(1) 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 the reinvestment of distributions at actual prices pursuant to each Fund s dividend reinvestment plan.

(2) Total investment return based on market value is calculated assuming a purchase of common stock at the closing market price on the first day and a sale at the closing market price on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to each Fund s dividend reinvestment plan.

(3) KMF and KYE commenced investment operations on November 24, 2010 and June 28, 2005, respectively.

(4) Represents the applicable average annual total returns of the Funds since November 30, 2010, the first month-end following KMF s commencement of investment operations.

3

Table of Contents

Q: How will the Reorganization affect me?

A: KMF stockholders will remain stockholders of KMF. KYE stockholders will become stockholders of KMF. KYE will then cease its separate existence under Maryland law.

Q: What will happen to the shares of KMF and KYE that I currently own as a result of the Reorganization?

A: For KMF stockholders, your currently issued and outstanding shares of common and preferred stock of KMF will remain unchanged.

KYE common stockholders will be issued shares of KMF common stock in exchange for their outstanding shares of KYE common stock (see below for a description of how the exchange ratio is calculated). No fractional shares of KMF common stock will be issued in the Reorganization; instead KYE stockholders will receive cash in an amount equal to the value of the fractional shares of KMF common stock that they would otherwise have received.

KYE preferred stockholders will receive, on a one-for-one basis, newly issued KMF preferred shares having substantially identical terms as the KYE preferred shares you held immediately prior to the closing of the Reorganization.

Q: How is the exchange ratio determined?

A: The exchange ratio will be determined based on the relative NAVs per share of each Fund on the business day prior to the closing of the Reorganization. As of February 28, 2018, KMF s NAV per share was $13.42 and KYE s was $9.88. For illustrative purposes, if these were the NAVs on the day prior to closing of the Reorganization, then KYE common stockholders would be issued approximately 0.74 shares of KMF for each share of KYE.

Q: How will the net asset values utilized in calculating the exchange rate be determined?

A: The net asset value of a share of common stock of each Fund will be calculated in a manner consistent with past practice and will include the impact of each Fund s pro rata share of the costs of the Reorganization. See Proposal One: Reorganization Information About the Reorganization.

Q: Is the Reorganization expected to be a taxable event for stockholders?

A: No. The Reorganization is intended to qualify as a tax-free reorganization for federal income tax purposes. This means it is expected that stockholders will recognize no gain or loss for federal income tax purposes as a result of the Reorganization, except that gain or loss will generally be recognized by KYE common stockholders with respect to cash received in lieu of fractional shares of KMF common stock.

Q: Will I have to pay any sales load, commission or other similar fees in connection with the Reorganization?

A: No, you will not pay any sales loads or commissions in connection with the Reorganization. The Funds will bear the costs associated with the proposed Reorganization. Costs will be allocated on a pro rata basis based upon each Fund s net assets. Costs related to the Reorganization are currently estimated to be approximately $0.8 million or 0.1% of pro forma Combined Fund net assets, which equates to $0.4 million or $0.016 per share for KMF and $0.4 million or $0.012 per share for KYE as of February 28, 2018. Of the estimated Reorganization costs, $0.6 million is related to out of pocket expenses, and $0.2 million is a write-off of debt issuance cost, which is a non-cash expense. Due to the anticipated cost savings from the Reorganization, we believe the Combined Fund will more than recover the costs associated with the Reorganization over time.

Table of Contents

Q: Who do we expect to vote on the Reorganization?

A: KYE s common and preferred stockholders are being asked to vote, together as a class, on the Reorganization. KYE preferred stockholders will also vote on the Reorganization as a separate class. In addition, KMF s common and preferred stockholders are being asked to vote, together as a class, on the issuance of additional KMF common stock in connection with the Reorganization.

Q: What happens if KYE stockholders do not approve the Reorganization or KMF stockholders do not approve the issuance of additional shares of KMF common stock in connection therewith?

A: The Reorganization must be approved by KYE s common and preferred stockholders, voting together as a class, and KYE s preferred stockholders, voting as a separate class. In addition, the issuance of additional shares of KMF common stock in connection with the Reorganization must be approved by KMF s common and preferred stockholders, voting together as a class. If either class of KYE stockholders does not approve the Reorganization, or if KMF stockholders do not approve the issuance of additional KMF common stock in connection therewith, then the Reorganization will not take place.

Q: Why is the vote of KMF stockholders being solicited in connection with the Reorganization?

A: Although KMF will continue its legal existence and operations after the Reorganization, the rules of the NYSE (on which KMF s common stock is listed) require KMF s stockholders to approve the issuance of additional KMF common shares because the number of KMF common shares to be issued in the Reorganization will be, upon issuance, in excess of 20 percent of the number of shares of KMF common stock outstanding prior to the Reorganization.

Q: What is the timetable for the Reorganization?

A: The Reorganization is expected to take effect as soon as practicable once the stockholder vote and other customary conditions to closing are satisfied, which is expected to occur during the third fiscal quarter of 2018.

General Questions

Q: What other proposals are being considered at the Meeting?

A: In addition to the proposals regarding approval of the Reorganization, this joint proxy statement/prospectus contains additional proposals for KMF stockholders customarily considered at KMF s annual meetings:

- to elect two directors to serve until KMF s 2019 Annual Meeting of Stockholders, two directors to serve until KMF s 2020 Annual Meeting of Stockholders and three directors to serve until KMF s 2021 Annual Meeting of Stockholders, each until their successors are duly elected and qualified; and

- to ratify PricewaterhouseCoopers LLP as KMF s independent registered public accounting firm for the fiscal year ending November 30, 2018.

KMF stockholders may be asked to consider and take action on such other business as may properly come before the Annual Meeting or any the adjournment or postponement thereof.

Q: Will KYE stockholders get to vote to elect the directors of KMF?

A: No. It is important for stockholders of KYE to understand that, if the Reorganization is approved, it is expected that the Board of Directors will be composed of the individuals described in Proposal Three:

5

Table of Contents

Election of Directors. Stockholders of KYE will not have the opportunity to vote for any of these individuals until the first annual meeting following the closing of the Reorganization, though three of the seven nominees are existing directors of KYE. If the Reorganization is not approved by stockholders of KYE, or if the issuance of additional KMF common stock in connection with the Reorganization is not approved by stockholders of KMF, KYE expects to hold its own 2018 Annual Meeting of Stockholders later in the year. If this meeting is required, KYE s board of directors intends to nominate the same individuals as described in Proposal Three: Election of Directors.

Q: How do the Boards of Directors suggest that I vote?

A: After careful consideration, the Boards of Directors recommend that you vote FOR all proposals on the enclosed proxy card for which you are entitled to vote.

Q: How do I vote my shares?

A: Voting is quick and easy. You may vote your shares via the internet, by telephone (for internet and telephone voting, please follow the instructions on the proxy ballot), or by simply completing and signing the enclosed proxy ballot, and mailing it in the postage-paid envelope included in this package. You may also vote in person if you are able to attend the Meeting. However, even if you plan to attend the Meeting, we urge you to cast your vote early. That will ensure your vote is counted should your plans change.

Q: Whom do I contact for further information?

A: You may contact us at (877) 657-3863 for further information.

Q: Will anyone contact me?

A: You may receive a call from Broadridge Financial Solutions, Inc., our proxy solicitor, to verify that you received your proxy materials, to answer any questions you may have about the proposals and to encourage you to authorize your proxy. We recognize the inconvenience of the proxy solicitation process and would not impose it on you if we did not believe that the matters being proposed were important. Once your vote has been registered with the proxy solicitor, your name will be removed from the solicitor s follow-up contact list.

Your vote is very important. We encourage you as a stockholder to participate in the Funds governance by authorizing a proxy to vote your shares as soon as possible. If enough stockholders fail to cast their votes, the Funds may not be able to hold the Meeting or to call for a vote on each issue, and will be required to incur additional solicitation costs in order to obtain sufficient stockholder participation.

Table of Contents

SUMMARY

The following is a summary of certain information contained elsewhere in this joint proxy statement/prospectus and is qualified in its entirety by reference to the more complete information contained in this joint proxy statement/prospectus and in the Statement of Additional Information. Stockholders should read this entire joint proxy statement/prospectus carefully.

Proposal One: Reorganization

The Board of Directors of KYE, including the Directors who are not interested persons of KYE (as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended) (the Independent Directors), has unanimously approved the Reorganization Agreement, declared the Reorganization advisable and directed that the Reorganization proposal be submitted to the KYE stockholders for consideration. If the stockholders approve the Reorganization, KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then cease its separate existence under Maryland law and terminate its registration under the Investment Company Act of 1940, as amended (the 1940 Act). The aggregate NAV of KMF common stock received by KYE common stockholders in the Reorganization will equal the aggregate NAV of KYE common stock held on the business day prior to closing of the Reorganization, less the costs of the Reorganization attributable to their common shares. KMF will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objectives and policies described in this joint proxy statement/prospectus.

In connection with the Reorganization, each holder of a KYE Series C Mandatory Redeemable Preferred Share (KYE Series C MRP Shares) or a Series D Mandatory Redeemable Preferred Share (KYE Series D MRP Shares and together with the KYE Series C MRP Shares, the KYE MRP Shares) will receive in a private placement an equivalent number of newly issued KMF Series D Mandatory Redeemable Preferred Shares (KMF Series D MRP Shares) or Series E Mandatory Redeemable Preferred Shares (KMF Series E MRP Shares and together with the KMF Series D MRP Shares, the KMF MRP Shares), as applicable, each having substantially identical terms as the respective KYE MRP Shares. The aggregate liquidation preference of the KMF MRP Shares received by the holders of KYE MRP Shares in the Reorganization will equal the aggregate liquidation preference of the KYE MRP Shares held immediately prior to the closing of the Reorganization. The KMF MRP Shares to be issued in the Reorganization will have equal priority with KMF s existing outstanding preferred shares as to the payment of dividends and the distribution of assets in the event of a liquidation of KMF. In addition, the preferred shares of KMF, including the KMF MRP Shares to be issued in connection with the Reorganization, will be senior in priority to KMF common shares as to payment of dividends and the distribution of assets in the event of a liquidation of KMF.

If the Reorganization is not approved by stockholders of KYE, or if the issuance of additional KMF common stock in connection with the Reorganization is not approved by stockholders of KMF, KMF and KYE will each continue to operate as a standalone Maryland corporation advised by KAFA and will each continue its investment activities in the normal course. It is important for stockholders of KYE to understand that, if the Reorganization is approved, it is expected that the Board of Directors will be composed of the individuals described in Proposal Three: Election of Directors. Stockholders of KYE will not have the opportunity to vote for any of these individuals until the first annual meeting following the closing of the Reorganization, though three of the seven nominees are existing directors of KYE. If the Reorganization is not approved, KYE expects to hold its own 2018 Annual Meeting of Stockholders later in the year.

7

Table of Contents

Reasons for the Reorganization

The Reorganization seeks to combine two Funds with similar portfolios and investment objectives. Each Fund (i) is managed by KAFA, (ii) has similar investment objectives, (iii) seeks to achieve its objective by investing primarily in the Midstream/Energy Sector, and (iv) has similar fundamental investment policies and nonfundamental investment policies. Each Fund also qualifies as a regulated investment company (a RIC), which is not generally subject to U.S. federal income tax. The Reorganization will also permit each Fund to pursue this investment objective and strategy in a larger fund that will continue to focus on the Midstream/Energy Sector.

In unanimously approving the Reorganization, the Board of Directors of each Fund, including each Fund s Independent Directors, determined that participation in the Reorganization is in the best interests of each Fund and its stockholders and that the interests of the stockholders of each Fund will not be diluted on the basis of NAV as a result of the Reorganization. Before reaching these conclusions, the Board of Directors of each Fund engaged in a thorough review process relating to the proposed Reorganization. The Boards of Directors of each Fund, including the Independent Directors, considered the Reorganization at meetings held in 2017 and 2018 and unanimously approved the Reorganization Agreement, declared the Reorganization advisable and, at a meeting held on February 5, 2018, directed that the Reorganization be submitted to the stockholders of KYE and the issuance of additional KMF common stock in connection with the Reorganization, be submitted to the stockholders of KMF.

The potential benefits and other factors considered by the Board of Directors of each Fund with regard to the Reorganization include, but were not limited to, the following:

- Cost savings through elimination of duplicative expenses and greater economies of scale;
- Reorganization expected to increase KMF s net distributable income;
- Larger asset base could provide greater financial flexibility;
- Opportunity for enhanced long-term market liquidity;
- No gain or loss is expected to be recognized by stockholders of either Fund for U.S. federal income tax purposes as a result of the Reorganization (except with respect to any cash received in lieu of fractional KMF common shares);
- The expectation that KYE stockholders should carry over to KMF the same aggregate tax basis (reduced by any amount of tax basis allocable to a fractional share of common stock for which cash is received) if the Reorganization is treated as tax-free as intended;
- The exchange will take place at the Funds relative NAV per share;

Stockholder rights are expected to be preserved in the Combined Fund; and

KAFA is expected to continue to manage the Combined Fund.

The Board of Directors of each Fund made its determination with regard to the Reorganization on the basis of each Director s business judgment after consideration of all of the factors taken as a whole, though individual Directors may have placed different weight on various factors and assigned different degrees of materiality to various factors. See Proposal One: Reorganization Reasons for the Reorganization.

Table of Contents

Fees and Expenses for Common Stockholders of the Funds as of November 30, 2017

The following table and example contain information about the change in operating expenses expected as a result of the Reorganization. The table sets forth (i) the fees and expenses, including leverage costs, as a percentage of net assets as of November 30, 2017, for each Fund and (ii) the pro forma fees and expenses, including leverage costs, for the Combined Fund, assuming the Reorganization had taken place on November 30, 2017. The fees and expenses are presented as a percentage of net assets and not as a percentage of gross assets or managed assets. By showing expenses as a percentage of net assets, expenses are not expressed as a percentage of all of the assets in which a Fund may invest. The annual operating expenses for each Fund reflect fixed expenses for the fiscal year ended November 30, 2017 and variable expenses assuming each Fund s capital structure and asset levels as of November 30, 2017. The pro forma presentation includes the change in operating expenses expected as a result of the Reorganization, assuming the Combined Fund s capital structure and asset levels as of November 30, 2017. On a pro forma basis, it is expected that the Combined Fund s annual expenses as a percentage of total assets (as of November 30, 2017) will be reduced to 2.62%, as compared to 2.83% for KMF and 2.70% for KYE.

Stockholder Transaction Expenses	**KMF**	**KYE**	**Pro Forma Combined KMF[(1)]**
Maximum Sales Load (as a percentage of the offering price) imposed on purchases of common stock[(2)(3)]	None	None	None
Dividend Reinvestment Plan Fees	None	None	None
Annual Expenses (as a percentage of net assets attributable to common stock as of November 30, 2017)			
Management Fees[(4)]	1.75%	1.82%	1.78%
Other Operating Expenses[(5)]	0.43	0.35	0.27
Subtotal	2.18	2.17	2.05
Interest Payments (including issuance costs) on Borrowed Funds[(6)]	1.33	1.37	1.27
Dividend Payments (including issuance costs) on Preferred Stock[(6)]	0.48	0.41	0.45
Total Annual Expenses[(7)]	3.99%	3.95%	3.77%

(1) The pro forma annual operating expenses are projections for a 12-month period and do not include expenses to be borne by the Funds in connection with the Reorganization.

(2) Each Fund will bear expenses incurred in connection with the Reorganization (whether or not the Reorganization is consummated), including but not limited to, costs related to the preparation and distribution of materials distributed to each Fund s Board of Directors, expenses incurred in connection with the preparation of the Reorganization Agreement and the registration statement on Form N-14, SEC filing fees and legal and accounting fees in connection with the Reorganization, stock exchange fees, transfer agency fees and any similar expenses incurred in connection with the Reorganization. Expenses are allocated on a pro rata basis based upon net assets. Costs related to the Reorganization are currently estimated to be approximately $0.8 million or 0.12% of pro forma Combined Fund net assets, which equates to $0.4 million or $0.016 per share for KMF and

$0.4 million or $0.012 per share for KYE as of February 28, 2018. Of the Reorganization costs, $0.6 million is related to out of pocket expenses, and $0.2 million is a write-off of debt issuance cost, which is a non-cash expense.

(3) No sales load will be charged in connection with the issuance of KMF s shares of common stock as part of the Reorganization. Shares of common stock are not available for purchase from KMF but shares of KMF may be purchased on the NYSE through a broker-dealer subject to individually negotiated commission rates.

(4) Management fees for the pro forma Combined Fund are projections for a 12-month period, assuming each Fund s capital structure and asset levels as of November 30, 2017.

Table of Contents

(5) Other Operating Expenses for each Fund reflect actual expenses for the fiscal year ended November 30, 2017. Other Operating Expenses for the pro forma Combined Fund are projections for a 12-month period, assuming each Fund s capital structure and asset levels as of November 30, 2017.

(6) Interest and dividend payments (including issuance costs) reflect projections for a 12-month period assuming each Fund s and the Combined Fund s capital structure as of November 30, 2017.

(7) The table presents certain annual expenses stated as a percentage of net assets attributable to common shares. This results in a higher percentage than the percentage attributable to annual expenses stated as a percentage of total assets.

Example:

The following example is intended to help you compare the costs of investing in KMF after the Reorganization with the costs of investing in KMF and KYE without the Reorganization. An investor would pay the following expenses on a $1,000 investment, assuming (1) the total annual expenses for each Fund (as a percentage of net assets attributable to shares of common stock) set forth in the table above, (2) all common stock distributions are reinvested at net asset value and (3) an annual rate of return of 5% on portfolio securities.

	1 Year	3 Years	5 Years	10 Years
KMF	$ 40	$ 123	$ 211	$ 454
KYE	$ 39	$ 122	$ 210	$ 453
Pro Forma Combined KMF(1)	$ 38	$ 117	$ 201	$ 434

(1) These figures assume that the Reorganization had taken place on November 30, 2017. These figures reflect the anticipated reduction in other operating expenses due to elimination of certain duplicative expenses as a result of the Reorganization.

Comparison of the Funds

KMF and KYE are both Maryland corporations registered as non-diversified, closed-end management investment companies under the 1940 Act. Each Fund (i) is managed by KAFA, (ii) has similar investment objectives, (iii) seeks to achieve its objective by investing primarily in the Midstream/Energy Sector, and (iv) has similar fundamental investment policies and non-fundamental investment policies. Each Fund also qualifies as a RIC, which is not generally subject to U.S. federal income tax. As noted elsewhere, KMF and KYE s fundamental and non-fundamental investment policies are similar. The primary difference in the investment objectives of the Funds is that KMF emphasizes cash distributions, while KYE emphasizes current income. In addition, KMF has a non-fundamental investment policy to invest at least 80% of its total assets in the Midstream/Energy Sector. Moreover, KMF is required to invest at least 50% of its total assets in securities of Midstream MLPs and Midstream Companies. In contrast, KYE s policies are broader, only requiring at least 80% of total assets to be invested in Energy Companies.

See Proposal One: Reorganization Comparison of the Funds for a more detailed comparison of the Funds. After the Reorganization, the investment strategies and significant operating policies will be those of KMF.

Further Information Regarding the Reorganization

The parties believe that the Reorganization will be characterized for federal income tax purposes as a tax-free reorganization under Section 368(a) of the Code. If the Reorganization so qualifies, in general, stockholders of KYE will recognize no gain or loss upon the receipt of KMF s stock in connection with the Reorganization. Additionally, if the Reorganization so qualifies, KYE will recognize no gain or loss as a result of the transfer of all of its assets and liabilities to KMF and neither KMF nor its stockholders will recognize any gain or loss in connection with the Reorganization. If the Reorganization so qualifies, the aggregate tax basis of

Table of Contents

KMF common shares received by stockholders of KYE should be the same as the aggregate tax basis of the common shares of KYE surrendered in exchange therefor (reduced by any amount of tax basis allocable to a fractional share of common stock for which cash is received).

Stockholder approval of the Reorganization by KYE requires the affirmative vote of (i) the holders of a majority of the issued and outstanding KYE common and preferred stock (voting as a class) and (ii) the holders of a majority of the outstanding voting securities, as such term is defined under the 1940 Act. Under the 1940 Act, a majority of the outstanding voting securities means the vote, at the annual or a special meeting of the security holders of such company duly called, the lesser of (A) of 67 percent or more of the voting securities present at such meeting, if the holders of more than 50 percent of the outstanding voting securities of such company are present or represented by proxy; or (B) of more than 50 percent of the outstanding voting securities of such company. For purposes of this proposal, each share of KYE common stock and each share of KYE preferred stock is entitled to one vote.

An additional effect of approval of the Reorganization by KYE s stockholders, and completion of the Reorganization, will be that KYE s stockholders will become stockholders of KMF, which has a different Board of Directors. Certain of KYE s Directors would join KYE s Board of Directors if approved under Proposal Three: Election of Directors described below. Additional information about KMF s current Board of Directors is provided elsewhere in this combined proxy statement/prospectus.

Subject to the requisite approval of the stockholders of KYE with regard to the Reorganization, and stockholders of KMF with regard to the issuance of additional KMF common stock in connection with the Reorganization, it is expected that the closing date of the Reorganization will be during the third fiscal quarter of 2018, but it may be at a different time as described herein.

The Board of Directors of KYE unanimously recommends KYE stockholders vote FOR the Reorganization.

Proposal Two: Issuance of Additional KMF Common Stock

The Board of Directors of KMF, including the Independent Directors, has unanimously approved the Reorganization Agreement, including the issuance of additional shares of KMF common stock in connection therewith, declared the Reorganization advisable and directed that the issuance of additional KMF common stock be submitted to the KMF stockholders.

The rules of the NYSE require the stockholders of KMF to approve the issuance of additional KMF common shares in connection with the Reorganization. In connection with the proposed Reorganization described under Proposal One: Reorganization, KMF will issue additional KMF common stock and list such shares of common stock on the NYSE. The Reorganization will result in no reduction of the NAV of the KMF common shares, immediately following the Reorganization, other than to reflect the costs of the Reorganization. No gain or loss is expected to be recognized by KMF or its stockholders in connection with the Reorganization. The Board of Directors of KMF, based upon its evaluation of all relevant information, anticipates that the Reorganization will benefit stockholders of KMF. The Funds have very similar investment strategies and objectives and the Reorganization will permit each Fund to continue to pursue them in a larger fund. Additionally, the Reorganization is expected to result in several benefits for stockholders in the Combined Fund, including (i) cost savings through the elimination of duplicative expenses and greater economies of scale, (ii) expected accretion to net distributable income, (iii) greater financial flexibility through a larger asset base and (iv) the opportunity for enhanced long-term market liquidity.

Stockholder approval of the issuance of additional KMF common shares in connection with the Reorganization requires the affirmative vote of the holders of a majority of votes cast by the holders of the issued

11

Table of Contents

and outstanding KMF common and preferred stock (voting as a class). For purposes of this proposal, each share of common stock and each share of preferred stock is entitled to one vote.

Subject to the requisite approval of the stockholders of KMF of the issuance of additional KMF common shares in connection with the Reorganization, and the requisite approval by the stockholders of KYE with regard to the Reorganization, it is expected that the Closing Date will be during the third fiscal quarter or as soon as practicable thereafter. For additional information about the Reorganization, including a comparison of KMF and KYE, the reasons for the Reorganization and the U.S. Federal income tax consequences of the Reorganization, see Proposal One: Reorganization.

The Board of Directors of KMF unanimously recommends KMF stockholders vote FOR the issuance of additional KMF common stock in connection with the Reorganization.

Proposal Three: Election of Directors

The KMF Board of Directors unanimously nominated the following directors for the specified terms and until their successors have been duly elected and qualified:

Anne K. Costin and James C. Baker until the 2019 Annual Meeting of Stockholders;

William R. Cordes and Barry R. Pearl until the 2020 Annual Meeting of Stockholders; and

Kevin S. McCarthy, William H. Shea, Jr. and William L. Thacker until the 2021 Annual Meeting of Stockholders.

Ms. Costin and Mr. Shea are currently directors of KYE, and Mr. Baker is currently President of KYE and KMF, and each has been nominated to the Board of Directors of KMF to serve whether or not the Reorganization is approved. Messrs. Cordes, Pearl and McCarthy are currently directors of KMF and are moving from one Class to another. Mr. Thacker is currently a director of KMF, and his existing term as a KMF director is expiring at the Annual Meeting. Mr. Richey is an existing director of KMF who is not up for election at the Meeting. Following the completion of the Reorganization, the KMF board (as modified) will govern the Combined Fund.

Each director has consented to be named in this joint proxy statement/prospectus and has agreed to serve if elected. KMF has no reason to believe that any of the nominees will be unavailable to serve. The persons named on the accompanying proxy card intend to vote at the Meeting (unless otherwise directed) FOR the election of the nominees. If any of the nominees is unable to serve because of an event not now anticipated, the persons named as proxies may vote for another person designated by KMF s Board of Directors.

The elections of Ms. Costin and Messrs. Cordes, Pearl, McCarthy and Thacker under this proposal require the affirmative vote of the holders of a majority of KMF s common stock and preferred stock outstanding as of the Record Date, voting together as a single class. The elections of Messrs. Shea and Baker under this prosposal requires the affirmative vote of a majority of KMF s preferred stock outstanding as of the Record Date, voting as a separate class. For purposes of this proposal, each share of KMF common stock and each share of KMF preferred stock is entitled to one vote. Stockholders do not have cumulative voting rights.

12

Table of Contents

Including the directors nominated for election at the Meeting, KMF will have eight directors as follows:

Class	Term*	Directors	Common Stockholders	Preferred Stockholders
I	Until 2020	William R. Cordes	X	X
		Barry R. Pearl	X	X
II	Until 2021	Kevin S. McCarthy	X	X
		William H. Shea, Jr.		X
		William L. Thacker	X	X
III	Until 2019	Anne K. Costin	X	X
		Albert L. Richey	X	X
		James C. Baker		X

* Each director serves a three-year term until the Annual Meeting of Stockholders for the designated year and until his or her successor has been duly elected and qualified.

The Board of Directors of KMF unanimously recommends KMF stockholders vote FOR the election of each nominee.

Proposal Four: Ratification of Selection of Independent Registered Public Accounting Firm

The Audit Committee and the Board of Directors of KMF, including all of KMF s Independent Directors, have selected PricewaterhouseCoopers LLP as the independent registered public accounting firm for KMF for the year ending November 30, 2018 and are submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification.

The ratification of PricewaterhouseCoopers LLP requires the vote of a majority of the votes cast by the holders of KMF s common stock and preferred stock outstanding as of the Record Date, voting together as a single class. For purposes of this proposal, each share of KMF common stock and each share of KMF preferred stock is entitled to one vote.

The Board of Directors of KMF unanimously recommends KMF stockholders vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for KMF.

Table of Contents

RISK FACTORS

If the Reorganization is approved and consummated, holders of KYE s common stock will receive shares of KMF s common stock in exchange. That would represent an investment in KMF s common stock. KYE s stockholders should understand that, like an investment in KYE s common stock, investing in KMF s common stock involves risk, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The following discussion summarizes some of the risks that a holder of KYE s common stock should carefully consider before deciding whether to approve the Reorganization. In light of the fact that the Funds have very similar investment policies and investment strategies (as well as substantially overlapping portfolios), the risks described below should not be materially different than those applicable to an investment in KYE. Holders of KYE common stock should pay special attention to Risks Related to Our Investments and Investment Techniques Midstream/Energy Sector Risk, as KMF s non-fundamental investment policy is more narrowly focused on such investments than KYE s broader potential scope. You should carefully consider the following risks before voting on the Reorganization.

This section relates to KMF and the risk factors for KMF s common stockholders (other parts of this document relate to both KMF and KYE). Accordingly, references to we us our or the Fund in this section are references to KMF.

Risks Related to Our Investments and Investment Techniques

Investment and Market Risk

An investment in our common stock is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in our common stock represents an indirect investment in securities owned by us, some of which will be traded on a national securities exchange or in the over-the-counter markets. An investment in our common stock is not intended to constitute a complete investment program and should not be viewed as such. The value of these publicly traded securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of the securities in which we invest may affect the value of our common stock. Your common stock at any point in time may be worth less than your original investment, even after taking into account the reinvestment of our distributions. We are primarily a long-term investment vehicle and should not be used for short-term trading.

Midstream/Energy Sector Risk

Our concentration in the Midstream/Energy Sector may present more risk than if we were broadly diversified over multiple sectors of the economy. A downturn in one or more industries within the Midstream/Energy Sector, material declines in energy-related commodity prices (such as those experienced over the last few years), adverse political, legislative or regulatory developments or other events could have a larger impact on us than on an investment company that does not concentrate in the Midstream/Energy Sector. The performance of companies in the Midstream/Energy Sector may lag the performance of other sectors or the broader market as a whole in particular, during a downturn in the Midstream/Energy Sector like what was experienced over the last few years. In addition, there are several specific risks associated with investments in the Midstream/Energy Sector, including the following:

Supply and Demand Risk

Energy Companies could be adversely affected by reductions in the supply of or demand for energy commodities and could also be adversely affected by increases in supply of energy commodities if there is not a corresponding increase in demand for such commodities. The adverse impact of these events could lead to a reduction in the distributions paid by Midstream Companies and Other Energy Companies to their equity holders or substantial reduction (or elimination) in the growth rate of distributions paid to equity holders, either of which

Table of Contents

could lead to a decline in (i) the equity values of the affected Midstream Companies or Other Energy Companies and/or (ii) our net distributable income. The volume of production of energy commodities and the volume of energy commodities available for transportation, mining, storage, processing or distribution could be affected by a variety of factors, including depletion of resources, depressed commodity prices, access to capital for Energy Companies engaged in exploration and production, catastrophic events, labor relations, increased environmental or other governmental regulation, equipment malfunctions and maintenance difficulties, volumes of imports or exports, international politics, policies of OPEC, and increased competition from alternative energy sources. Alternatively, a decline in demand for energy commodities could result from factors such as adverse economic conditions; increased taxation; increased environmental or other governmental regulation; increased fuel economy; increased energy conservation or use of alternative energy sources; legislation intended to promote the use of alternative energy sources; or increased commodity prices.

Commodity Pricing Risk

The operations and financial performance of Energy Companies may be directly affected by energy commodity prices, especially those Energy Companies that own the underlying energy commodity or receive payments for services that are based on commodity prices. Such impact may be a result of changes in the price for such commodity or a result of changes in the price of one energy commodity relative to the price of another energy commodity (for example, the price of natural gas relative to the price of natural gas liquids). Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic and international production, policies implemented by OPEC, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices, which may lead to a reduction in production or supply, may also negatively impact the performance of companies that are solely involved in the transportation, processing, storage, distribution or marketing of commodities. For example, crude oil and natural gas liquids prices declined by over 65% from July 2014 to February 2016. Prices have since increased but remain well below July 2014 levels. These severe price declines have negatively impacted the capital expenditure budgets of Energy Companies engaged in exploration and production over the last few years. This reduction in activity levels resulted in a decline in domestic crude oil production, which impacted the operating results and financial performance of Midstream MLPs and Midstream Companies focused on gathering, transporting, marketing and terminalling crude oil. Volatility of commodity prices may also make it more difficult for Energy Companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices and there is uncertainty regarding these companies ability to maintain or grow cash distributions to their equity holders. In addition to the volatility of commodity prices, extremely high commodity prices may drive further energy conservation efforts, which may adversely affect the performance of Energy Companies.

Regulatory Risk

Energy Companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including (i) how facilities are constructed, maintained and operated, (ii) how services are provided, (iii) environmental and safety controls, and, in some cases (iv) the prices they may charge for the products and services they provide. Such regulation can change rapidly or over time in both scope and intensity. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them. As a result, state or local governments and agencies may have the ability to significantly delay or stop activities such as hydraulic fracturing, disposal of wastewater or the construction of pipeline infrastructure by enacting laws or regulations or making it difficult or impossible to obtain permits. Violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of Energy Companies. Additionally, government authorities, such as the Federal Energy Regulatory Commission, or FERC, and state authorities

Table of Contents

regulate the rates charged on many types of Midstream Assets. Those authorities can change the regulations and, as a result, materially reduce the rates charged for these Midstream Assets, which may adversely affect the financial performance of Energy Companies.

In the last few years, several pipeline projects have experienced significant delays related to difficulties in obtaining the necessary permits to proceed with construction (or some phase of construction). These delays have raised concerns about the ability of Energy Companies to place such projects in service and their ability to get the necessary financing to complete such projects. Furthermore, it has become much more common for opponents of energy infrastructure development to utilize the courts, media campaigns and political activism to attempt to stop, or delay as much as possible, these projects. Significant delays could result in a material increase in the cost of developing these projects and could result in the Energy Companies developing such projects failing to generate the expected return on investment or, if the project does not go forward, realizing a financial loss, either of which would adversely affect the results of operations and financial performance of the affected Energy Companies.

Changes to laws and increased regulations or enforcement policies as a result of pipeline spills (both onshore and offshore) or spills attributable to railroad accidents may also adversely affect the financial performance of Energy Companies. Additionally, changes to laws and increased regulation or restrictions to the use of hydraulic fracturing, the disposal of wastewater associated with hydraulic fracturing and production or the emission of greenhouse gases may adversely impact the ability of Energy Companies to economically develop oil and natural gas resources and, in turn, reduce production of such commodities and adversely impact the financial performance of Energy Companies.

The operation of Energy Assets, including gathering systems, pipelines, processing plants, fractionators, rail transloading facilities, refineries and other facilities, is subject to stringent and complex federal, state and local environmental laws and regulations. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations. Certain environmental statutes, including RCRA, CERCLA, the federal Oil Pollution Act and analogous state laws and regulations, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed of or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment.

Federal, state and local governments may enact laws, and federal, state and local agencies (such as the Environmental Protection Agency) may promulgate rules or regulations, that prohibit or significantly regulate the operation of Energy Assets. For instance, increased regulatory scrutiny of hydraulic fracturing, which is used by Energy Companies to develop oil and natural gas reserves, could result in additional laws and regulations governing hydraulic fracturing or, potentially, prohibiting the action. Increased regulatory scrutiny of the disposal of wastewater, which is a byproduct of hydraulic fracturing and production from unconventional reservoirs and must be disposed, could result in additional laws or regulations governing such disposal activities. For example, research exists linking the disposal of wastewater to increased earthquake activity in oil and natural gas producing regions, and legislation and regulations have been proposed in states like Oklahoma and Colorado to limit or prohibit further underground wastewater disposal. While we are not able to predict the likelihood of additional laws or regulations or their impact, it is possible that additional restrictions on hydraulic fracturing, wastewater disposal or any other activity necessary for the production of oil, natural gas or natural gas liquids could result in a reduction in production of those commodities. The use of hydraulic fracturing is critical to the recovery of economic amounts of oil, natural gas and natural gas liquids from unconventional reserves, and the associated wastewater must be disposed. Energy Companies have spent (and continue to spend) significant amounts of capital building Midstream Assets to facilitate the development of unconventional reserves. As a result, restrictions on hydraulic fracturing or wastewater disposal could have an adverse impact on the financial performance of Energy Companies.

In response to scientific studies suggesting that emissions of certain gases, commonly referred to as greenhouse gases, including gases associated with oil and gas production such as carbon dioxide, methane and nitrous oxide among others, may be contributing to a warming of the earth s atmosphere and other adverse environmental effects, various governmental authorities have considered or taken actions to reduce emissions of greenhouse gases. For example, the EPA has taken action to regulate greenhouse gas emissions. In addition, certain states (individually or in regional cooperation), have taken or proposed measures to reduce emissions of greenhouse gases. Also, the U.S. Congress and certain state legislatures have proposed legislative measures for imposing restrictions or requiring emissions fees for greenhouse gases. The adoption and implementation of any federal, state or local regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from Energy Companies could result in significant costs to reduce emissions of greenhouse gases associated with their operations or could adversely affect the supply of or demand for crude oil, natural gas, natural gas liquids or other hydrocarbon products, which in turn could reduce production of those commodities. As a result, any such legislation or regulation could have a material adverse impact on the financial performance of Energy Companies.

There is an inherent risk that Energy Companies may incur material environmental costs and liabilities due to the nature of their businesses and the substances they handle. For example, an accidental release from a pipeline could subject the owner of such pipeline to substantial liabilities for environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase the compliance costs of Energy Companies. Similarly, the implementation of more stringent environmental requirements could significantly increase the cost for any remediation that may become necessary. Energy Companies may not be able to recover these costs from insurance or recover these costs in the rates they charge customers.

Natural gas transmission pipeline systems, crude oil transportation pipeline systems and certain of storage facilities and related assets owned by Energy Companies are subject to regulation by the FERC. The regulators have authority to regulate natural gas pipeline transmission and crude oil pipeline transportation services, including; the rates charged for the services, terms and conditions of service, certification and construction of new facilities, the extension or abandonment of services and facilities, the maintenance of accounts and records, the acquisition and disposition of facilities, the initiation and discontinuation of services, and various other matters. Action by the FERC could adversely affect the ability of Midstream Companies to establish or charge rates that would cover future increase in their costs, such as additional costs related to environmental matters including any climate change regulation, or even to continue to collect rates that cover current costs, including a reasonable return. For example, effective January 2018, the 2017 Tax Cuts and Jobs Act changed several provisions of the federal tax code, including a reduction in the maximum corporate tax rate. Following the 2017 Tax Cuts and Jobs Act being signed into law, filings have been made at FERC requesting that FERC require natural gas and liquids pipelines to lower their transportation rates to account for lower taxes. Following the effective date of the law, FERC orders granting certificates to construct proposed natural gas pipeline facilities have directed pipelines proposing new rates for service on those facilities to re-file such rates so that the rates reflect the reduction in the corporate tax rate, and FERC has issued data requests in pending certificate proceedings for proposed natural gas pipeline facilities requesting pipelines to explain the impacts of the reduction in the corporate tax rate on the rate proposals in those proceedings and to provide re-calculated initial rates for service on the proposed pipeline facilities. Furthermore, on March 15, 2018, the FERC took a number of actions that could materially adversely impact Midstream MLPs and Midstream Companies. First, the FERC reversed a long-standing policy that allowed MLPs to include an income tax allowance when calculating the transportation rates for cost-of-service pipelines owned by such MLPs. Second, the FERC issued a notice of proposed rulemaking to create a process to determine whether cost-of-service natural gas pipelines subject to FERC jurisdiction are overearning in light of either the lower corporate tax rate or the FERC s policy change related to an MLP s ability to recover an income tax allowance. Third, with respect to cost-of-service oil and refined products pipelines, the FERC announced that it will account for the lower corporate tax rate and the

Table of Contents

FERC s policy change related to an MLP s ability to recover an income tax allowance in 2020 when setting the next cost inflation index level, which index level sets the maximum allowable rate increases for oil and refined products pipelines and is set by FERC every five years. Finally, the FERC issued a notice of inquiry requesting comments as to how FERC should address accumulated deferred income tax balances on the regulatory books of pipelines regulated by FERC as well as comments on any other effects of the 2017 Tax Cuts and Jobs Act. Many experts believe it is likely that the proposed rule concerning natural gas pipelines will be adopted as-is or in a form very close to what the FERC has proposed. As a result, many natural gas pipelines could be required to lower their transportation rates, either through the FERC process or because shippers may challenge their rates. In addition, oil and refined products pipelines may be forced to reduce rates in 2020 or may not be able to increase rates as previously expected. Finally, the notice of inquiry could result in additional adverse outcomes for pipeline owners, including potentially compensating shippers for the reduction in accumulated deferred income taxes resulting from either the lower corporate tax rate or the FERC s policy change related to an MLP s ability to recover an income tax allowance, which compensation could take the form of material cash payments. The Midstream MLPs and Midstream Companies that own the affected natural gas, oil or refined products pipelines could experience a material reduction in revenues and cash flows, which may in turn materially adversely affect their financial condition and results of operations. FERC may enact other regulations or issue further requests to pipelines which may lead to lower rates. Any such change could have an adverse impact on the financial condition, results of operations or cash flows of Midstream MLPs and Midstream Companies.

Depletion Risk

Energy reserves naturally deplete as they are produced over time, and to maintain or grow their revenues, companies engaged in the production of natural gas, natural gas liquids, crude oil and other energy commodities need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions, or through long-term contracts to acquire reserves. The financial performance of these Energy Companies may be adversely affected if they are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline. If these Energy Companies fail to add reserves by acquiring or developing them, reserves and production will decline over time as they are produced. If an Energy Company is not able to raise capital on favorable terms, it may not be able to add to or maintain its reserves or production levels. If an Energy Company, as a result of a material decline in commodity prices, has less operating cash flow to reinvest to develop or acquire reserves, it may not be able to add or maintain its reserves or production levels. During the most recent industry downturn, many Energy Companies significantly reduced capital expenditures to develop their acreage/undeveloped reserves. This reduction in activity levels resulted in declines in domestic production levels. Many Energy Companies were forced to monetize reserves or acreage to manage the balance sheets and maintain adequate liquidity levels. Some Energy Companies were forced to file for bankruptcy in an effort to restructure their balance sheets. These actions have had a negative impact on the operating results and financial performance for Midstream MLPs and Midstream Companies engaged in the transportation, storage, distribution and processing of production from such Energy Companies.

Reserve Risks

Energy Companies engaged in the production of natural gas, natural gas liquids and crude oil estimate the quantities of their reserves. If reserve estimates prove to be inaccurate, these companies reserves may be overstated, and no commercially productive amounts of such energy commodities may be discovered. Furthermore, drilling or other exploration activities, may be curtailed, delayed, or cancelled as a result of low commodity prices, unexpected conditions or miscalculations, title problems, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental requirements and cost of, or shortages or delays in the availability of, drilling rigs and other exploration equipment. In addition, there are many operational risks and hazards associated with the development of the underlying properties, including natural disasters, blowouts, explosions, fires, leakage of such energy commodities, mechanical failures, cratering, and pollution.

Table of Contents

Catastrophic Event Risk

Energy Companies operating in the Midstream/Energy Sector are subject to many dangers inherent in the production, exploration, management, transportation, processing and distribution of natural gas, natural gas liquids, crude oil, refined petroleum products and other hydrocarbons. These dangers include leaks, fires, explosions, train wrecks, damage to facilities and equipment resulting from natural disasters, inadvertent damage to facilities and equipment (such as those suffered by BP s Deepwater Horizon drilling platform in the Macondo oil spill or spills by various onshore oil pipelines) and terrorist acts. The U.S. government has issued warnings that Energy Assets, specifically domestic energy infrastructure (e.g. pipelines), may be targeted in future terrorist attacks. These dangers give rise to risks of substantial losses as a result of loss or destruction of reserves; damage to or destruction of property, facilities and equipment; pollution and environmental damage; and personal injury or loss of life. Any occurrence of such catastrophic events could bring about a limitation, suspension or discontinuation of the operations of certain assets owned by such Energy Company. Energy Companies operating in the Midstream/Energy Sector may not be fully insured against all risks inherent in their business operations and, therefore, accidents and catastrophic events could adversely affect such companies financial condition and ability to pay distributions to unitholders or shareholders. We expect that increased governmental regulation to mitigate such catastrophic risk, such as the recent oil spills referred to above, could increase insurance premiums and other operating costs for Energy Companies.

Acquisition Risk

The abilities of Energy Companies to grow and to increase cash distributions to unitholders can be highly dependent on their ability to make acquisitions that result in an increase in cash flows. In the event that Energy Companies are unable to make such accretive acquisitions because they are unable to identify attractive acquisition candidates and negotiate acceptable purchase contracts, because they are unable to raise financing for such acquisitions on economically acceptable terms, or because they are outbid by competitors, their future growth and ability to raise distributions will be limited (or in certain circumstances, their ability to maintain distributions). Furthermore, even if Energy Companies do consummate acquisitions that they believe will be accretive, the acquisitions may instead result in a decrease in cash flow. Any acquisition involves risks, including, among other things: mistaken assumptions about volumes, revenues and costs, including synergies; the assumption of unknown liabilities; limitations on rights to indemnity from the seller; the diversion of management s attention from other business concerns; unforeseen difficulties operating in new product or geographic areas; and customer or key employee losses at the acquired businesses.

Affiliated Party Risk

Certain Energy Companies (particularly certain MLPs) are dependent on their parents or sponsors for a majority of their revenues. Any failure by such company s parents or sponsors to satisfy their payments or obligations would impact such company s revenues and cash flows and ability to make interest payments and distributions.

Contract Rejection/Renegotiation Risk

Midstream MLPs and Midstream Companies are also subject to the credit risk of their customers. For example, many Energy Companies that explore for and produce oil, natural gas and natural gas liquids filed for bankruptcy in the last few years as a result of the downturn in commodity prices. During the bankruptcy process, the debtor Energy Company may be able to reject a contract that it has with a Midstream MLP or Midstream Company that provides services for the debtor, which services could include gathering, processing, transporting, fractionating or storing the debtor Energy Company s production. If a contract is successfully rejected during bankruptcy, the affected Midstream MLP or Midstream Company will have an unsecured claim for damages but will likely only recover a portion of its claim for damages and may not recover anything at all. A Midstream MLP, Midstream Company or Other Energy Company that provides services to a company that is in financial distress could experience a material adverse impact to its financial performance and results of operations.

Table of Contents

Master Limited Partnership Risks

In addition to the risks summarized herein, an investment in MLP units involves certain risks, which differ from an investment in the securities of a corporation. Limited partners of MLPs, unlike investors in the securities of a corporation, have limited voting rights on matters affecting the partnership and generally have no rights to elect the directors of the general partner. In addition, conflicts of interest exist between limited partners and the general partner, including those arising from incentive distribution payments, and the general partner does not generally have any duty to the limited partners beyond a good faith standard. For example, over the last few years there have been several simplification transactions in which the incentive distribution rights were eliminated by either (i) a purchase of the outstanding MLP units by the general partner or (ii) by the purchase of the incentive distribution rights by the MLP. These simplification transactions present a conflict of interest between the general partner and the MLP and may be structured in a way that is unfavorable to the MLP. There are also certain tax risks associated with an investment in MLP units.

Sector Specific Risks

Energy Companies are also subject to risks that are specific to the sector in which they operate.

Midstream

Midstream MLPs and Midstream Companies are subject to supply and demand fluctuations in the markets they serve, which may be impacted by a wide range of factors including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events, and economic conditions, among others. These supply and demand fluctuations could impact the aggregate volumes that are handled by Midstream Companies in North America or could impact supply flow patterns within North America, which could disproportionately impact certain Midstream Assets in one geographic area relative to other geographic areas. Further, Midstream MLPs and Midstream Companies are exposed to the natural declines in the production of the oil and gas fields they serve. Gathering and processing assets are most directly impacted by production declines, as volumes will decline if new wells are not drilled and connected to a system, but all Midstream Assets could potentially be negatively impacted by production declines. For example, as a result of a substantial increase in new Midstream Assets built over the last five years, several domestic shale basins have excess capacity to take supply to end-user markets. This excess capacity can lead to increased competition between Midstream MLPs and Midstream Companies and lower rates for services provided, which would have a negative impact on the operating results and financial performance for these companies. Further, many newly constructed Midstream Assets are underpinned by contracts that contain minimum volume commitments for a period of years (typically five to ten years). If volumes are below the level of the minimum volume commitment at the time such commitments expire and/or the rates are above prevailing market rates, the Midstream MLP or Midstream Company that owns the impacted Midstream Assets will experience a negative impact to its operating results and financial performance. In addition, some gathering and processing contracts subject the owner of such assets to direct commodity price risk.

Marine Transportation

Energy Companies with marine transportation assets are exposed to many of the same risks as Other Energy Companies. In addition, the highly cyclical nature of the marine transportation industry may lead to volatile changes in charter rates and vessel values, which may adversely affect the revenues, profitability and cash flows of such companies in our portfolio. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for certain energy commodities. Changes in demand for transportation of commodities over longer distances and supply of vessels to carry those commodities may materially affect revenues, profitability and cash flows. The value of marine transportation vessels may fluctuate and could adversely affect the value of marine transportation company securities in our portfolio. Declining marine transportation values could affect the ability of marine transportation companies to raise cash by limiting their ability to refinance their vessels, thereby adversely impacting such company s liquidity. Marine transportation company vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes, boycotts and government requisitioning of vessels. These sorts of events could interfere with marine transportation shipping lanes and result in market disruptions and a significant reduction in cash flow for the marine transportation companies in our portfolio.

Exploration and Production

Energy Companies that own oil and gas reserves are particularly vulnerable to declines in the demand for and prices of crude oil and natural gas. The accuracy of any reserve estimate is a function of the quality of available data, the accuracy of assumptions regarding future commodity prices and future exploration and development costs and engineering and geological interpretations and judgments. Any significant variance from the assumptions used could result in the actual quantity of reserves and future net cash flow being materially different from those estimated in reserve reports. Substantial downward adjustments in reserve estimates could have a material adverse effect on the value of such reserves and the financial condition of such company. In addition, due to natural declines in reserves and production, energy companies must economically find or acquire and develop additional reserves in order to maintain and grow their production levels and cash flow. Certain Energy Companies that own oil and gas reserves cannot acquire additional resources. Consequently, production and cash flow for these companies will decline over time as these reserves are produced.

Refining

Energy Companies that operate refining assets are subject to many of the same risks as Other Energy Companies that operate Midstream Assets. In addition, the fluctuations in commodity prices and the price relationship between certain commodities (for instance, the price of crude oil and the price of gasoline) will impact the financial results of Energy Companies that operate refining assets.

Coal

Energy Companies with coal assets are subject to supply and demand fluctuations in the markets they serve, which will be impacted by a wide range of domestic and foreign factors including fluctuating commodity prices, the level of their customers coal stockpiles, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, declines in production, mining accidents or catastrophic events, health claims and economic conditions, among others. In light of increased state and federal regulation, it has been increasingly difficult to obtain and maintain the permits necessary to mine coal. Further, such permits, if obtained, have increasingly contained more stringent, and more difficult and costly to comply with, provisions relating to environmental protection.

Utilities/Yieldcos

In addition to the risks of investing in other Energy Companies, investments in those Energy Companies, also known as Utilities, that provide electric power generation (including renewable energy), transmission and distribution, are subject to additional specific risks, including dependence on a specified fuel source, the transportation of fuel, changes in electricity and fuel usage, availability of competitively priced alternative energy sources, changes in generation efficiency, changes in tax law impacting renewable energy investment and lack of sufficient capital to maintain facilities. In addition, Utilities are highly regulated at the state and federal level and, for many Utilities, the rates that they can charge their customers are limited and may be changed by state utility commissions or by the FERC. There are also Energy Companies, which are sometimes referred to as Yieldcos, which are formed to own renewable and/or conventional power assets with long-term contracts. Yieldcos face many of the same risks as MLPs when it comes to maintaining and growing their distributions, and they also face risks specific to Utilities. Utilities and Yieldcos, like other Energy Companies that are purchased for their distributions, are sensitive to interest rates, and tend to decline in value when rates increase.

Dependence on Limited Number of Customers and Suppliers

Midstream MLPs and Midstream Companies in which we may invest depend upon a limited number of customers for a majority of their revenue. Similarly, certain Midstream MLPs and Midstream Companies in which we may invest depend upon a limited number of suppliers of goods or services to continue their operations. The most recent downturn in the energy industry put significant pressure on a number of these customers and suppliers. The loss of any such customers or suppliers, including through bankruptcy, could materially adversely affect such Midstream MLPs and Midstream Companies results of operation and cash flow, and their ability to make distributions to equity holders could therefore be materially adversely affected.

Capital Markets Risk

Financial markets are volatile, and Energy Companies may not be able to obtain new debt or equity financing on attractive terms or at all. For example, the downturn in commodity prices over the last few years negatively impacted the ability of Energy Companies to raise capital, and equity capital in particular, at attractive levels, and these challenges remain even though crude oil and natural gas liquids prices have increased significantly since the lows of February 2016. Downgrades of the debt of Energy Companies by rating agencies during times of distress could exacerbate this challenge. In addition, downgrades of the credit ratings of Energy Companies by ratings agencies may increase the cost of borrowing under the terms of an Energy Company s credit facility, and a downgrade from investment grade to below investment may cause an Energy Company to be required to post collateral (or additional collateral) by its contractual counterparties, which could reduce the amount of liquidity available to such Energy Company and increase its need for additional funding sources. If funding is not available when needed, or is available only on unfavorable terms, Energy Companies may have to reduce their distributions (and many have done so over the last few years) to manage their funding needs and may not be able to meet their obligations, which may include multi-year capital expenditure commitments, as they come due. Moreover, without adequate funding, many Energy Companies will be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations.

Political Instability Risk

The Energy Companies in which we may invest are subject to disruption as a result of terrorist activities, war, and other geopolitical events, including the upheaval in the Middle East or other energy producing regions. The U.S. government has issued warnings that Energy Assets, specifically those related to pipeline and other energy infrastructure, production facilities and transmission and distribution facilities, may be targeted in future terrorist attacks. Internal unrest, acts of violence or strained relations between a government and energy companies or other governments may affect the operations and profitability of Energy Companies, particularly marine transportation companies, in which we invest. Political instability in other parts of the world may also cause volatility and disruptions in the market for the securities of Energy Companies, even those that operate solely in North America. For example, President Trump has recently announced the imposition of tariffs of 25% on steel imports and 10% on aluminum imports into the United States pursuant to authority granted under Section 232 of the Trade Expansion Act of 1962. These tariffs may be subject to exemptions, but which countries may be exempt (and to what extent) is currently unknown. The steel tariffs could increase the cost of construction of pipelines, processing plants and other Midstream Assets for Midstream MLPs and Midstream Companies, which could have a material adverse effect on their financial performance and results of operations. Further steel tariffs could increase the cost of drilling and completing new wells for Energy Companies, which could have a material adverse effect on returns, the pace of developing acreage and the financial performance and operating results for such companies. Furthermore, countries outside of the United States have announced their

22

intention to retaliate should they not be exempt from these tariffs. There are many ways in which such retaliation could negatively impact Energy Companies, including, for example, any retaliatory policies that negatively impact the supply of or demand for commodities or that make it more difficult or costly to export commodities.

Weather Risks

Weather conditions and the seasonality of weather patterns play a role in the cash flows of certain Energy Companies. Midstream MLPs in the propane industry, for example, rely on the winter heating season to generate almost all of their cash flow. In an unusually warm winter season, propane Midstream MLPs experience decreased demand for their product. Although most Energy Companies can reasonably predict seasonal weather demand based on normal weather patterns, extreme weather conditions, such as the hurricanes that severely damaged cities along the U.S. Gulf Coast in the last 15 years, demonstrate that no amount of preparation can protect an Energy Company from the unpredictability of the weather. The damage done by extreme weather also may serve to increase insurance premiums for Energy Assets owned by Energy Companies, could significantly increase the volatility in the supply of energy-related commodities and could adversely affect such companies financial condition and ability to pay distributions to shareholders.

Cash Flow Risk

A substantial portion of the cash flow received by us is derived from our investment in equity securities of MLPs and Midstream Companies. The amount of cash that an MLP or Midstream Company has available to service its debt obligations and pay distributions to its equity holders depends upon the amount of cash flow generated from the company s operations. Cash flow from operations will vary from quarter to quarter and is largely dependent on factors affecting the company s operations and factors affecting the energy industry in general. Large declines in commodity prices (such as those experienced from mid-2014 to early 2016) can result in material declines in cash flow from operations. In addition to the risk factors described herein, other factors which may reduce the amount of cash an Energy Company has available to pay its debt and equity holders include increased operating costs, maintenance capital expenditures, acquisition costs, expansion or construction costs and borrowing costs (including increased borrowing costs as a result of additional collateral requirements as a result of ratings downgrades by credit agencies). Further, covenants in debt instruments issued by Energy Companies in which we intend to invest may restrict distributions to equity holders or, in certain circumstances, may not allow distributions to be made to equity holders. In addition, access to the capital markets (or lack thereof) to finance growth initiatives can impact the amount of cash an MLP, Midstream Company or Other Energy Company elects to distribute to its equity holders. Finally, the acquisition of an Energy Company by an acquiror with a lower yield could result in lower distributions to the equity holders of the acquired Energy Company. These kind of transactions have become more prevalent in recent years. To the extent Energy Companies that we own reduce their distributions to equity holders, this will result in reduced levels of net distributable income and can cause us to reduce our distributions. For example, the Fund has reduced its distribution three times since December 2015 for a cumulative reduction of 41%, partly in response to lower distributions from the Energy Companies that we own, and partly as a result of sales of securities to manage our leverage levels. See Risks Related to Our Business and Structure Use of Leverage. Currently, our net distributable income is below our annualized distribution of $1.20 per share. Over time, we expect that our distribution level will generally track net distributable income. Accordingly, if our net distributable income does not increase (or is not projected to increase) to a level that supports our distribution, the Board of Directors may reduce the distribution again.

Concentration Risk

Our investments are concentrated in the Midstream/Energy Sector. The focus of our portfolio on specific industries within the Midstream/Energy may present more risks than if our portfolio were broadly diversified over numerous sectors of the economy. A downturn in one or more industries within the Midstream/Energy Sector would have a larger impact on us than on an investment company that does not concentrate in the Midstream/Energy Sector. The performance of securities in the Midstream/Energy Sector may lag the

Table of Contents

performance of other industries or the broader market as a whole. To the extent that we invest a relatively high percentage of our assets in the obligations of a limited number of issuers, we may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence.

Interest Rate Risk

Valuations of securities in which we invest are based on numerous factors, including sector and business fundamentals, management expertise, and expectations of future operating results. Most of the securities in which we invest pay quarterly dividends/distributions to investors and are viewed by investors as yield-based investments. As a result, yields for these securities are also susceptible, in the short-term, to fluctuations in interest rates and the equity prices of such securities may decline when interest rates rise. Because we invest in these equity securities, our net asset value and the asset coverage ratios on our senior securities may decline if interest rates rise.

Non-Diversification Risk

We are a non-diversified, closed-end investment company under the 1940 Act. Although we may invest a relatively high percentage of our assets in a limited number of issuers, in order to qualify as a RIC for federal income tax purposes, we must diversify our holdings so that, at the end of each quarter of each taxable year (i) at least 50% of the value of our total assets is represented by cash and cash items, U.S. Government securities, the securities of other RICs and other securities, with such other securities limited for purposes of such calculation, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of our total assets is invested in the securities of any one issuer (other than U.S. Government securities or the securities of other RICs), the securities (other than the securities of other RICs) of any two or more issuers that we control and that are determined to be engaged in the same business or similar or related trades or businesses, or the securities of one or more qualified publicly traded partnerships. As of February 28, 2018, we held investments in approximately 45 issuers.

Inflation / Deflation Risk

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of our common stock and distributions that we pay declines. In addition, during any periods of rising inflation, the dividend rates or borrowing costs associated with our use of leverage would likely increase. Deflation risk is the risk that prices throughout the economy decline over time the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer defaults more likely, which may result in a decline in the value of our portfolio.

Risk of Conflicting Transactions by the Investment Adviser

Kayne Anderson manages portfolios of other investment companies and client accounts that invest in similar or the same securities as the Fund. It is possible that Kayne Anderson would effect a purchase of a security for us when another investment company or client account is selling that same security, or vice versa. Kayne Anderson will use reasonable efforts to avoid adverse impacts on the Fund s transactions as a result of those other transactions, but there can be no assurances that adverse impacts will be avoided.

Table of Contents

Tax Risks

Tax Risks of Investing in Equity Securities of MLPs

Our ability to meet our investment objective will depend, in part, on the level of taxable income and distributions and dividends we receive from the MLP securities in which we invest, a factor over which we have no control. The benefit we derive from our investment in MLPs is largely dependent on the MLPs being treated as partnerships and not as corporations for federal income tax purposes. As a partnership, an MLP has no tax liability at the entity level. If, as a result of a change in current law or a change in an MLP s business, an MLP were treated as a corporation for federal income tax purposes, such MLP would be obligated to pay federal income tax on its income at the corporate tax rate. If an MLP were classified as a corporation for federal income tax purposes, the amount of cash available for distribution by the MLP would likely be reduced and distributions received by us would also be reduced, which would reduce our net distributable income. During the last three years, roll-up transactions, in which a sponsor acquires the outstanding units of its subsidiary MLP, have become more common, and when the sponsor is a corporation, these transactions have been taxable and resulted in the MLP unitholders becoming shareholders in a corporation. If assets historically owned by MLPs continue to migrate into corporations, by way of roll-up transactions or other merger or acquisition transactions, our net distributable income would likely be reduced. Additionally, treatment of an MLP as a corporation for federal income tax purposes, or a transfer in ownership of MLP assets to corporations, would likely result in a reduction in the after-tax return to you.

The 2017 Tax Cuts and Jobs Act did not eliminate the treatment of MLPs as pass through entities, but it did impose certain limitations on the deductibility of interest expense that could result in less deduction being passed through to us as the owner of an MLP. Furthermore, we cannot predict the likelihood that future legislation will result in MLPs no longer being treated as partnerships for tax purposes or result in a material increase in the amount of taxable income that we are allocated from the MLP securities in which we invest.

Tax Law Change Risk

Changes in tax laws or regulations, or interpretations thereof in the future, could adversely affect us or the Energy Companies in which we invest. Any such changes could negatively impact the holders of our securities. Legislation could also negatively impact the amount and tax characterization of distributions received by our common stockholders.

Risks Associated With an Investment in Non-U.S. Companies

Non-U.S. Securities Risk

Investing in non-U.S. securities involves certain risks not involved in domestic investments, including, but not limited to: fluctuations in currency exchange rates; future foreign economic, financial, political and social developments; different legal systems; the possible imposition of exchange controls or other foreign governmental laws or restrictions; lower trading volume; greater price volatility and illiquidity; different trading and settlement practices; less governmental supervision; high and volatile rates of inflation; fluctuating interest rates; less publicly available information; confiscatory taxation; and different accounting, auditing and financial recordkeeping standards and requirements.

Non-U.S. Currency Risk

Because we invest in securities denominated or quoted in non-U.S. currencies, changes in the non-U.S. currency/United States dollar exchange rate may affect the value of our securities and the unrealized gain or loss of investments.

Table of Contents

Equity Securities Risk

The vast majority of our assets is invested in equity securities of MLPs and Midstream Companies. Such securities are subject to general movements in the stock market and a significant drop in the stock market may depress the price of securities to which we have exposure. Equity securities prices fluctuate for several reasons, including changes in the financial condition of a particular issuer, investors perceptions of Energy Companies, investors perceptions of the Midstream/Energy Sector, the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, Energy Company equity securities held by the Fund may decline in price if the issuer fails to make anticipated distributions or dividend payments (or reduces the amount of such payments) because, among other reasons, the issuer experiences a decline in its financial condition. In general, the equity securities of MLPs that are publicly traded partnerships tend to be less liquid than the equity securities of corporations, which means that we could have difficulty selling such securities at the time and price we would like.

Small Capitalization Risk

Certain of the Energy Companies in which we invest may have comparatively smaller capitalizations than other companies whose securities are included in major benchmarked indices. Investing in the securities of smaller Energy Companies presents some unique investment risks. These Energy Companies may have limited product lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger Energy Companies and may be more vulnerable to adverse general market or economic developments. Stocks of smaller Energy Companies may be less liquid than those of larger Energy Companies and may experience greater price fluctuations than larger Energy Companies. In addition, small-cap securities may not be widely followed by the investment community, which may result in reduced demand. This means that we could have greater difficulty selling such securities at the time and price that we would like.

Debt Securities Risks

Debt securities in which we invest are subject to many of the risks described elsewhere in this section. In addition, they are subject to credit risk and other risks, depending on the quality and other terms of the debt security.

Credit Risk

An issuer of a debt security may be unable to make interest payments and repay principal. We could lose money if the issuer of a debt obligation is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade in the credit rating of a security by rating agencies may further decrease its value. Additionally, we may purchase a debt security that has payment-in-kind interest, which represents contractual interest added to the principal balance and due at the maturity date of the debt security in which we invest. It is possible that by effectively increasing the principal balance payable or deferring cash payment of such interest until maturity, the use of payment-in-kind features will increase the risk that such amounts will become uncollectible when due and payable.

Below Investment Grade and Unrated Debt Securities Risk

Below investment grade debt securities (commonly referred to as junk bonds or high yield bonds) are rated Ba1 or less by Moody s, BB+ or less by Fitch or Standard & Poor s, or comparably rated by another rating agency. Below investment grade and unrated debt securities generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following: greater yield and price volatility; greater credit risk and risk of default; potentially greater sensitivity to general economic or industry conditions; potential lack of attractive resale opportunities (illiquidity); and additional expenses to seek recovery from issuers who default.

Table of Contents

In addition, the prices of these below investment grade and other unrated debt securities in which we may invest are more sensitive to negative developments, such as a decline in the issuer s revenues or profitability or a general economic downturn, than are the prices of higher grade securities. Below investment grade and unrated debt securities tend to be less liquid than investment grade securities, and the market for below investment grade and unrated debt securities could contract further under adverse market or economic conditions. In such a scenario, it may be more difficult for us to sell these securities in a timely manner or for as high a price as could be realized if such securities were more widely traded. The market value of below investment grade and unrated debt securities may be more volatile than the market value of investment grade securities and generally tends to reflect the market s perception of the creditworthiness of the issuer and short-term market developments to a greater extent than investment grade securities, which primarily reflect fluctuations in general levels of interest rates. In the event of a default by a below investment grade or unrated debt security held in our portfolio in the payment of principal or interest, we may incur additional expense to the extent we are required to seek recovery of such principal or interest. For a further description of below investment grade and unrated debt securities and the risks associated therewith, see Proposal One: Reorganization Investment Objective and Policies of KMF .

Prepayment Risk

Certain debt instruments, particularly below investment grade securities, may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument s stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher yielding debt instruments with lower yielding debt instruments. An issuer may also elect to refinance its debt instruments with lower yielding debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may be forced to reinvest in lower yielding securities.

Interest Rate Risk for Debt and Equity Securities

Debt securities, and equity securities that pay dividends and distributions, have the potential to decline in value, sometimes dramatically, when interest rates rise or are expected to rise. In general, the values or prices of debt securities vary inversely with interest rates. The change in a debt security s price depends on several factors, including its maturity. Generally, debt securities with longer maturities are subject to greater price volatility from changes in interest rates. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms).

Risks Associated with Investing in Initial Public Offerings (IPOs)

Securities purchased in IPOs are often subject to the general risks associated with investments in companies with small market capitalizations and, at times, are magnified. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in an IPO may be highly volatile. At any particular time, or from time to time, we may not be able to invest in IPOs, or to invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be available to us. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Our investment performance during periods when we are unable to invest significantly or at all in IPOs may be lower than during periods when we are able to do so. IPO securities may be volatile, and we cannot predict whether investments in IPOs will be successful. As we grow in size, the positive effect of IPO investments on the Fund may decrease.

Risks Associated with a Private Investment in a Public Entity (PIPE) Transaction

PIPE investors purchase securities directly from a publicly traded company in a private placement transaction, typically at a discount to the market price of the company s common stock. Because the sale of the securities is not registered under the Securities Act of 1933, as amended (the Securities Act), the securities are restricted and cannot be immediately resold by the investors into the public markets. Until we can sell such securities into the public markets, our holdings will be less liquid, and any sales will need to be made pursuant to an exemption under the Securities Act. We may purchase equity securities in a PIPE transaction that are structured as common equity that pay distributions in kind for a period of time (the PIK period) or as convertible preferred equity (that may also pay distributions in kind). The issuers of these securities may not be able to pay us distributions in cash after the PIK period. Further, at the time a convertible preferred equity investment becomes convertible into common equity, the common equity may be worth less than the conversion price, which would make it uneconomic to convert into common equity and, as a result, significantly reduce the liquidity of the investment.

Privately Held Company Risk

Investing in privately held companies involves risk. For example, privately held companies are not subject to SEC reporting requirements, are not required to maintain their accounting records in accordance with generally accepted accounting principles, and are not required to maintain effective internal controls over financial reporting. As a result, we may not have timely or accurate information about the business, financial condition and results of operations of the privately held companies in which we invest. In addition, the securities of privately held companies are generally illiquid, and entail the risks described under Liquidity Risk.

Liquidity Risk

Securities with limited trading volumes may display volatile or erratic price movements. Kayne Anderson is one of the largest investors in MLPs and Midstream Companies. Thus, it may be more difficult for us to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. Larger purchases or sales of these securities by us in a short period of time may cause abnormal movements in the market price of these securities. As a result, these securities may be difficult to dispose of at a fair price at the times when we believe it is desirable to do so. These securities are also more difficult to value, and Kayne Anderson s judgment as to value will often be given greater weight than market quotations, if any exist. Investment of our capital in securities that are less actively traded or over time experience decreased trading volume may restrict our ability to take advantage of other market opportunities.

We also invest in unregistered or otherwise restricted securities. The term restricted securities refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. Unregistered securities are securities that cannot be sold publicly in the United States without registration under the Securities Act, unless an exemption from such registration is available. Restricted securities may be more difficult to value, and we may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, we, where we have contractual rights to do so, may have to cause such security to be registered. A considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that we could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquiror of the securities. We would, in either case, bear the risks of any downward price fluctuation during that period. The difficulties and delays associated with selling restricted securities could result in our inability to realize a favorable price upon disposition of such securities, and at times might make disposition of such securities impossible.

Our investments in restricted securities may include investments in private companies. Such securities are not registered under the Securities Act until the company becomes a public company. Accordingly, in addition to the risks described above, our ability to dispose of such securities on favorable terms would be limited until the portfolio company becomes a public company.

Portfolio Turnover Risk

We anticipate that our annual portfolio turnover rate will range between 20% and 50%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in KAFA s execution of investment decisions. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses, including taxes related to realized gains, that are borne by us. It could also result in an acceleration of realized gains on portfolio securities held by us. See Proposal One: Reorganization Investment Objective and Policies of KMF Investment Practices Portfolio Turnover.

Derivatives Risk

We may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, equity, fixed income, interest rate and currency indices, and other financial instruments, enter into total return swaps and various interest rate transactions such as swaps. We also may purchase derivative investments that combine features of these instruments. The use of derivatives has risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative investments. Furthermore, the ability to successfully use these techniques depends on our ability to predict pertinent market movements, which cannot be assured. Thus, the use of derivatives may result in losses greater than if they had not been used, may require us to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation we can realize on an investment or may cause us to hold a security that we might otherwise sell. Additionally, amounts paid by us as premiums and cash or other assets held in margin accounts with respect to derivative transactions are not otherwise available to us for investment purposes.

During the fiscal year ended November 30, 2017, we wrote covered call options. The fair value of these derivative instruments, measured on a weekly basis, was less than 1% of our total assets during fiscal 2017. In prior years, we have written covered call options and entered into interest rate swaps. We expect to continue to utilize derivative instruments in a manner similar to our activity during fiscal 2017. We will not allow the fair value of our derivative instruments to exceed 25% of total assets.

We have written covered calls in the past and may do so in the future. As the writer of a covered call option, during the option s life we give up the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but we retain the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. There can be no assurance that a liquid market will exist when we seek to close out an option position. If trading were suspended in an option purchased by us, we would not be able to close out the option. If we were unable to close out a covered call option that we had written on a security, we would not be able to sell the underlying security unless the option expired without exercise.

Depending on whether we would be entitled to receive net payments from the counterparty on an interest rate swap, which in turn would depend on the general state of short-term interest rates at that point in time, a default by a counterparty could negatively impact the performance of our common stock. In addition, at the time an interest rate transaction reaches its scheduled termination date, there is a risk that we would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of our common stock. If we fail to maintain any required asset coverage ratios in connection with any use by us of our debt securities, revolving credit facility and other borrowings (collectively, our Borrowings) and our preferred stock (together with our Borrowings, Leverage Instruments), we may be required to redeem or prepay some or all of the Leverage Instruments. Such redemption or prepayment would likely result in our seeking to terminate early all or a portion of any swap or cap transactions. Early termination of a swap could result in a termination payment by or to us.

29

We segregate liquid assets against or otherwise cover our future obligations under such swap transactions, in order to provide that our future commitments for which we have not segregated liquid assets against or otherwise covered, together with any outstanding Borrowings, do not exceed 33 1/3% of our total assets less liabilities (other than the amount of our Borrowings). In addition, such transactions and other use of Leverage Instruments by us are subject to the asset coverage requirements of the 1940 Act, which generally restrict us from engaging in such transactions unless the value of our total assets less liabilities (other than the amount of our Borrowings) is at least 300% of the principal amount of our Borrowings and the value of our total assets less liabilities (other than the amount of our Leverage Instruments) are at least 200% of the principal amount of our Leverage Instruments.

Short Sales Risk

Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Our obligation to replace a borrowed security is secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other liquid securities similar to those borrowed. We also are required to segregate similar collateral to the extent, if any, necessary so that the value of both collateral amounts in the aggregate is at all times equal to at least 100% of the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which we borrowed the security regarding payment over of any payments received by us on such security, we may not receive any payments (including interest) on the collateral deposited with such broker-dealer.

Risks Related to Our Business and Structure

Use of Leverage

We currently utilize Leverage Instruments and intend to continue to do so. Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments (which equates to approximately 43% of our net asset value as of February 28, 2018). Notwithstanding this policy, based on market conditions at such time, we may use Leverage Instruments in amounts greater than our policy (to the extent permitted by the 1940 Act) or less than our policy. As of February 28, 2018, our Leverage Instruments represented approximately 30% of our total assets. Leverage Instruments have seniority in liquidation and distribution rights over our common stock.

As of February 28, 2018, we had $91 million of Notes outstanding and 1,400,000 Mandatory Redeemable Preferred (MRP) Shares ($35 million aggregate liquidation preference) outstanding. As of February 28, 2018, we had $1 million of borrowings outstanding under our term loan and no borrowings outstanding under our credit facility. Our revolving credit facility matures on November 9, 2018, and our term loan matures on July 25, 2019. Our Notes and MRP Shares have maturity dates and mandatory redemption dates ranging from 2021 to 2023. If we are unable to renew or refinance our credit facility or term loan prior to maturity or if we are unable to refinance our Notes or MRP Shares as they mature, we may be forced to sell securities in our portfolio to repay debt or MRP Shares as they mature. If we are required to sell portfolio securities to repay outstanding debt or MRP Shares as they mature or to maintain asset coverage ratios, such sales may be at prices lower than what we would otherwise realize if we were not required to sell such securities at such time. Additionally, we may be unable to refinance our debt or MRP Shares or sell a sufficient amount of portfolio securities to repay debt or MRP Shares as they mature or to maintain asset coverage ratios, which could cause an event of default on our debt securities or MRP Shares.

Leverage Instruments constitute a substantial lien and burden by reason of their prior claim against our income and against our net assets in liquidation. The rights of lenders to receive payments of interest on and repayments of principal of any Borrowings are senior to the rights of holders of common stock and preferred stock, with respect to the payment of distributions or upon liquidation. We may not be permitted to declare dividends and distributions with respect to common stock or preferred stock or purchase common stock or preferred stock unless at such time, we meet certain asset coverage requirements and no event of default exists under any Borrowing. In addition, we may not be permitted to pay distributions on common stock unless all dividends on the preferred stock and/or accrued interest on Borrowings have been paid, or set aside for payment.

In an event of default under any Borrowing, the lenders have the right to cause a liquidation of collateral (*i.e.*, sell MLP units and other of our assets) and, if any such default is not cured, the lenders may be able to control the liquidation as well. If an event of default occurs or in an effort to avoid an event of default, we may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales. We may also incur prepayment penalties on Notes and MRP Shares that are redeemed prior to their stated maturity dates or mandatory redemption dates.

Certain types of leverage, including the Notes and MRP Shares, subject us to certain affirmative covenants relating to asset coverage and our portfolio composition. In a declining market, we may need to sell securities in our portfolio to maintain asset coverage ratios, which would impact the distributions to us, and as a result, our cash available for distribution to common stockholders. For example, from August 31, 2014 to April 30, 2016, we reduced our total debt by $213 million and total MRP Shares by $70 million in order to maintain our asset coverage ratios. The decline in cash distributions to us resulting from securities sales to fund this reduction in leverage was one of the factors leading to the reduction in our distribution to common stockholders in January 2016 and April 2016. While we believe maintaining our asset coverage ratios and selling portfolio securities was the prudent course of action, it is unlikely that we would have elected to sell securities at the time had we not had leverage. Furthermore, because we repaid certain of our Notes and MRP Shares prior to their stated maturities or mandatory redemption dates, we incurred prepayment penalties. By continuing to utilize Notes and MRP Shares, we may again be forced to sell securities at an inopportune time in the future to maintain asset coverage ratios and may be forced to pay additional prepayment penalties on our Notes and MRP Shares. Our Notes and MRP Shares also may impose special restrictions on our use of various investment techniques or strategies or in our ability to pay distributions on common stock and preferred stock in certain instances. In addition, we are subject to certain negative covenants relating to transactions with affiliates, mergers and consolidation, among others. We are also subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which issue ratings for Leverage Instruments issued by us. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. Kayne Anderson does not believe that these covenants or guidelines will impede it from managing our portfolio in accordance with our investment objective and policies.

Interest Rate Hedging Risk

We may hedge against interest rate risk resulting from our leveraged capital structure. We do not intend to hedge interest rate risk of our portfolio holdings. Interest rate transactions that we may use for hedging purposes will expose us to certain risks that differ from the risks associated with our portfolio holdings. There are economic costs of hedging reflected in the price of interest rate swaps and similar techniques, the cost of which can be significant. In addition, our success in using hedging instruments is subject to KAFA s ability to predict correctly changes in the relationships of such hedging instruments to our leverage risk, and there can be no assurance that KAFA s judgment in this respect will be accurate. To the extent there is a decline in interest rates, the value of interest rate swaps could decline, and result in a decline in the net asset value of our common stock (and asset coverage ratios for our senior securities). In addition, if the counterparty to an interest rate swap or cap defaults, we would not be able to use the anticipated net receipts under the interest rate swap to offset our cost of financial leverage.

Table of Contents

Tax Risks

In addition to other risk considerations, an investment in our common stock will involve certain tax risks, including, but not limited to, the risks summarized below and discussed in more detail in this prospectus. The federal, state, local and foreign tax consequences of an investment in and holding of our common stock will depend on the facts of each investor s situation. Investors are encouraged to consult their own tax advisers regarding the specific tax consequences that may affect them.

We cannot assure you what percentage of the distributions paid on our common stock will be treated as qualified dividend income ordinary income, capital gains or return of capital or what the tax rates on various types of income or gain will be in future years. New legislation could negatively impact the amount and tax characterization of distributions received by our common stockholders. Under current law, qualified dividend income and capital gains received by individual stockholders is taxed at a maximum federal tax rate of 20% for individuals, provided a holding period requirement and certain other requirements are met. In addition, currently a 3.8% federal tax on net investment income (the Tax Surcharge) generally applies to dividend income and net capital gains for taxpayers whose adjusted gross income exceeds $200,000 for single filers or $250,000 for married joint filers. Prior to the December 22, 2017 enactment of the 2017 Tax Cuts and Jobs Act, certain legislative proposals called for the elimination of tax incentives widely used by oil, gas and coal companies and the imposition of new fees on certain energy producers. We cannot predict whether such proposals will resurface, and the elimination of such tax incentives and imposition of such fees could adversely affect MLPs in which we invest and the energy sector generally.

Failure to Qualify as a Regulated Investment Company

To qualify as a RIC under the Code, we must meet certain income source, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our investment company taxable income (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any) and net tax-exempt interest, if any, to our stockholders on an annual basis. Any Leverage Instruments currently outstanding or that we issue in the future would subject us to certain asset coverage ratio requirements under the 1940 Act as an investment company, and we may be subject to financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to income tax as an ordinary corporation.

To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each quarter of each taxable year. In particular, in order to meet the asset diversification requirement for a RIC, we must diversify our holdings so that, at the end of each quarter of each taxable year, (i) at least 50% of the value of our total assets is represented by cash and cash items (including receivables), U.S. Government securities, the securities of other RICs and other securities, with such other securities limited for purposes of such calculation, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of our total assets is invested in the securities (other than U.S. Government securities or the securities of other RICs) of any one issuer, the securities (other than the securities of other RICs) of any two or more issuers that we control (by owning 20% or more of their voting power) and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses, or the securities of one or more qualified publicly traded partnerships. Furthermore, we may only directly invest up to but not more than 25% of our total assets in equity or debt securities of MLPs. This limit does not apply to securities issued by MLP Affiliates, which are not treated as publicly traded partnerships for U.S. federal income tax purposes.

To qualify as a RIC, we must also meet certain income source requirements. In order to meet the income source requirement for a RIC, at least 90% of our gross income in each taxable year must be derived from dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of stock or securities or foreign currencies, or other income (including but not limited to gains from options, futures or forward contracts) derived with respect to our business of investing in such stock, securities, or currencies and net income derived from interests in qualified publicly traded partnerships. Income derived from a partnership (other than a qualified publicly traded partnership) is treated for purposes of the 90% gross income test as if the income of the partnership was earned directly by the RIC. We may invest in certain equity securities issued by non-traded limited partnerships, and income earned with respect to such partnerships may not be qualifying income for purposes of the 90% gross income test. Although we do not anticipate income from our direct investments in the equity securities of non-traded limited partnerships to exceed the limits set forth above, we cannot be certain that this will be the case. Failure to comply with the 90% gross income test may result in our having to dispose of certain investments at times we would not consider advantageous in order to prevent the loss of RIC status. Any such dispositions could be made at disadvantageous prices and may result in substantial losses.

If, in any year, we fail to qualify as a RIC for any reason, we would be taxed as an ordinary corporation and would become (or remain) subject to federal and perhaps state corporate income tax. The federal maximum income tax rate on corporations was recently lowered to 21%. The resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders. In such circumstances, we could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before requalifying as a RIC that is accorded special treatment. In such case, distributions to our common stockholders generally would be eligible (i) for treatment as qualified dividend income in the case of individual stockholders, and (ii) for the dividends-received deduction in the case of corporate stockholders, provided certain holding period requirements were satisfied.

Tax Risks of Investing in our Securities

A reduction in the return of capital portion of the distributions that we receive from our portfolio investments or an increase in our earnings and profits and portfolio turnover may reduce that portion of our distribution treated as a tax-deferred return of capital and increase that portion treated as a dividend, resulting in lower after-tax distributions and dividends to our common and preferred stockholders. See Proposal One: Reorganization Certain Federal Income Tax Matters.

Other Tax Risks

As a limited partner in the MLPs in which we invest, we will be allocated our distributive share of income, gains, losses, deductions and credits from those MLPs. Historically, a significant portion of income from such MLPs has been offset by tax deductions. The percentage of an MLP s income and gains which is offset by tax deductions, losses and credits will fluctuate over time for various reasons. A significant slowdown in acquisition activity or capital spending by MLPs held in our portfolio could result in a reduction in the depreciation deduction passed through to us, which may, in turn, result in a higher percentage of the distribution we pay to you being characterized as a dividend rather than return of capital. In addition, changes to the tax code that impact the amount of income, gain, deduction or loss that is passed through to us from the MLP securities in which we invest (for example through changes to the deductibility of interest expense or changes to how capital expenditures are depreciated) may also result in a higher percentage of the distribution we pay to you being characterized as a dividend rather than return of capital. For example, the 2017 Tax Cuts and Jobs Act imposed certain limitations on the deductibility of interest expense that could result in less deduction being passed through to us as the owner of an MLP that is impacted by such limitations. Upon the sale of an MLP security, we may generate capital gains, and if an MLP in our portfolio is acquired by another Energy Company in a transaction treated as a sale for federal income tax purposes, including in a roll-up transaction, we will not have control of the timing of when we generate for such gains.

We rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in the portfolio and to estimate the associated unrealized gains. Such estimates are made in good faith. From time to time, as new information becomes available, we may modify our estimates or assumptions.

Management Risk; Dependence on Key Personnel of Kayne Anderson

Our portfolio is subject to management risk because it is actively managed. KAFA applies investment techniques and risk analyses in making investment decisions for us, but there can be no guarantee that they will produce the desired results.

We depend upon Kayne Anderson s key personnel for our future success and upon their access to certain individuals and investments in the MLP and Midstream Energy industries. In particular, we depend on the diligence, skill and network of business contacts of our portfolio managers, who evaluate, negotiate, structure, close and monitor our investments. These individuals manage a number of investment vehicles on behalf of Kayne Anderson and, as a result, do not devote all of their time to managing us, which could negatively impact our performance. Furthermore, these individuals do not have long-term employment contracts with Kayne Anderson, although they do have equity interests and other financial incentives to remain with Kayne Anderson. For a description of Kayne Anderson, see Proposal One: Reorganization Management Investment Adviser. We also depend on the senior management of Kayne Anderson. The departure of any of our portfolio managers or the senior management of Kayne Anderson could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that KAFA will remain our investment adviser or that we will continue to have access to Kayne Anderson s industry contacts and deal flow.

Conflicts of Interest of Kayne Anderson

Conflicts of interest may arise because Kayne Anderson and its affiliates generally carry on substantial investment activities for other clients in which we will have no interest. Kayne Anderson or its affiliates may have financial incentives to favor certain of such accounts over us. Any of their proprietary accounts and other customer accounts may compete with us for specific trades. Kayne Anderson or its affiliates may buy or sell securities for us which differ from securities bought or sold for other accounts and customers, even though their investment objectives and policies may be similar to ours. Situations may occur when we could be disadvantaged because of the investment activities conducted by Kayne Anderson or its affiliates for their other accounts. Such situations may be based on, among other things, legal or internal restrictions on the combined size of positions that may be taken for us and the other accounts, thereby limiting the size of our position, or the difficulty of liquidating an investment for us and the other accounts where the market cannot absorb the sale of the combined position.

Our investment opportunities may be limited by affiliations of Kayne Anderson or its affiliates with Energy Companies. In addition, to the extent that Kayne Anderson sources and structures private investments in Energy Companies, certain employees of Kayne Anderson may become aware of actions planned by such Energy Companies, such as acquisitions, that may not be announced to the public. It is possible that we could be precluded from investing in an Energy Company about which Kayne Anderson has material non-public information; however, it is Kayne Anderson s intention to ensure that any material non-public information available to certain Kayne Anderson employees not be shared with those employees responsible for the purchase and sale of publicly traded securities.

KAFA also manages Kayne Anderson Energy Total Return Fund, Inc., a closed-end investment company listed on the NYSE under the ticker KYE, Kayne Anderson Energy Development Company, a closed-end investment company listed on the NYSE under the ticker KED and Kayne Anderson MLP Investment Company, a closed-end investment company listed on the NYSE under the ticker KYN. Contemporaneously with the Reorganization, KYN and KED are pursuing a similar combination transaction that, if approved, is expected to close at the same time as the

Reorganization.

Table of Contents

In addition to closed-end investment companies, KAFA also manages separately managed accounts which together had approximately $242 million in combined total assets as of January 31, 2018, and KACALP manages several private investment funds and separately managed accounts (collectively, Affiliated Funds). Some of the Affiliated Funds have investment objectives that are similar to or overlap with ours. In particular, certain Affiliated Funds invest in MLPs and Midstream Companies. Further, Kayne Anderson may at some time in the future, manage other investment funds with the same investment objective as ours or that otherwise create potential conflicts of interest with us. For example, Kayne Anderson formed Kayne Anderson Acquisition Corp. (KAAC) in March 2017, a special purpose acquisition company formed for the purpose of effecting a business combination with an Energy Company. KAAC may compete with the MLPs or Midstream Companies in which we invest or may enter into one or more transactions with Energy Companies that may preclude an investment by us in the same entities for regulatory or other reasons.

Investment decisions for us are made independently from those of Kayne Anderson s other clients; however, from time to time, the same investment decision may be made for more than one fund or account. When two or more clients advised by Kayne Anderson or its affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold are allocated among the clients on a good faith equitable basis by Kayne Anderson in its discretion in accordance with the clients various investment objectives and procedures adopted by Kayne Anderson and approved by our Board of Directors. In some cases, this system may adversely affect the price or size of the position we may obtain. In other cases, however, our ability to participate in volume transactions may produce better execution for us.

We and our affiliates, including Affiliated Funds, may be precluded from co-investing in private placements of securities, including in any portfolio companies that we control. Except as permitted by law, Kayne Anderson will not co-invest its other clients assets in the private transactions in which we invest. Kayne Anderson will allocate private investment opportunities among its clients, including us, based on allocation policies that take into account several suitability factors, including the size of the investment opportunity, the amount each client has available for investment and the client s investment objectives. These allocation policies may result in the allocation of investment opportunities to an Affiliated Fund rather than to us. The policies contemplate that Kayne Anderson will exercise discretion, based on several factors relevant to the determination, in allocating the entirety, or a portion, of such investment opportunities to an Affiliated Fund, in priority to other prospectively interested advisory clients, including us. In this regard, when applied to specified investment opportunities that would normally be suitable for us, the allocation policies may result in certain Affiliated Funds having greater priority than us to participate in such opportunities depending on the totality of the considerations, including, among other things, our available capital for investment, our existing holdings, applicable tax and diversification standards to which we may then be subject and the ability to efficiently liquidate a portion of our existing portfolio in a timely and prudent fashion in the time period required to fund the transaction.

The investment management fee paid to KAFA is based on the value of our assets, as periodically determined. A significant percentage of our assets may be illiquid securities acquired in private transactions for which market quotations will not be readily available. Although we have adopted valuation procedures designed to determine valuations of illiquid securities in a manner that reflects their fair value, there typically is a range of prices that may be established for each individual security. Senior management of KAFA, our Board of Directors and its Valuation Committee, and a third-party valuation firm participate in the valuation of our common stock. See Proposal One: Reorganization Market and Net Asset Value Information Net Asset Value.

Risk of Owning Securities of Affiliates

From time to time, we may control or may be an affiliate of one or more of our portfolio companies, as each of these terms is defined in the 1940 Act. In general, under the 1940 Act, we would be presumed to control a portfolio company if we and our affiliates owned 25% or more of its outstanding voting securities and would be an affiliate of a portfolio company if we and our affiliates owned 5% or more of its outstanding voting securities. The 1940 Act contains prohibitions and restrictions relating to transactions between investment

Table of Contents

companies and their affiliates (including our investment adviser), principal underwriters and affiliates of those affiliates or underwriters.

We believe 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 we invest. We also note that 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, we believe that many of the limited partnership interests in which we invest should not be considered voting securities. However, it is possible that the SEC staff may consider the limited partner interests we hold in certain limited partnerships to be voting securities. If such a determination were made, we 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 we hold as a voting security, we consider, 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, we generally have 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, we have treated those securities as voting securities and, therefore, as affiliates. If we do not consider the security to be a voting security, we will not consider such partnership to be an affiliate unless we and our affiliates own more than 25% of the outstanding securities of such partnership. Additionally, certain partnership agreements give common unitholders the right to elect its 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, we do not consider ourself to be an affiliate if we own more than 5% of such partnership s common units.

As of February 28, 2018, we considered Plains GP Holdings, L.P., Plains AAP, L.P. and Plains All American Pipeline, L.P. to be affiliates. Robert V. Sinnott is Co-Chairman of KACALP, the managing member of KAFA. Mr. Sinnott also serves as a director of PAA GP Holdings LLC, which is the general partner of Plains GP Holdings, L.P. (PAGP). Members of senior management of KACALP and KAFA and various affiliated funds managed by KACALP own PAGP shares, Plains All American Pipeline, L.P. (PAA) units and interests in Plains AAP, L.P. (PAGP-AAP). We believe that we are an affiliate of PAA, PAGP and PAGP-AAP under the 1940 Act by virtue of (i) our and other affiliated Kayne Anderson funds ownership interest in PAA, PAGP and PAGP-AAP and (ii) Mr. Sinnott s participation on the board of PAA GP Holdings LLC.

As of March 2, 2018, we believe we are an affiliate of Buckeye Partners, L.P. due to the aggregate ownership by us and our affiliates exceeding 5% of its voting securities.

We believe that we are an affiliate of KAAC as a result of our being under common control, including as a result of the fact that Messrs. Sinnott, McCarthy and Hart serve as officers or directors of KAAC.

We must abide by the 1940 Act restrictions on transactions with affiliates and, as a result, our ability to purchase securities of Plains GP, PAA and KAAC may be more limited in certain instances than if we were not considered an affiliate of such companies.

There is no assurance that the SEC staff will not consider that other limited partnership securities that we own and do 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, we will be required to abide by the restrictions on control or affiliate transactions as proscribed in the 1940 Act. We or any portfolio company that we control, and our 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. We cannot assure you, however, that we would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if we were allowed to engage in such a transaction that the terms would be more or as favorable to us or any company that we control 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 us or on the type of investments that we could make.

Certain Affiliations

We are affiliated with KA Associates, Inc., a Financial Industry Regulatory Authority, INC. member broker-dealer. Absent an exemption from the SEC or other regulatory relief, we are generally precluded from effecting certain principal transactions with affiliated brokers, and our ability to utilize affiliated brokers for agency transactions is subject to restrictions. This could limit our ability to engage in securities transactions and take advantage of market opportunities.

Valuation Risk

Market prices may not be readily available for certain of our investments in restricted or unregistered investments in public companies or investments in private companies. The value of such investments will ordinarily be determined based on fair valuations determined by the Board of Directors or its designee pursuant to procedures adopted by the Board of Directors. Restrictions on resale or the absence of a liquid secondary market may adversely affect our ability to determine our net asset value. The sale price of securities that are not readily marketable may be lower or higher than our most recent determination of their fair value. Additionally, the value of these securities typically requires more reliance on the judgment of KAFA than that required for securities for which there is an active trading market. Due to the difficulty in valuing these securities and the absence of an active trading market for these investments, we may not be able to realize these securities true value or may have to delay their sale in order to do so.

Anti-Takeover Provisions

Our Charter, Bylaws and the Maryland General Corporation Law include provisions that could limit the ability of other entities or persons to acquire control of us, to convert us to open-end status, or to change the composition of our Board of Directors. We also have adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our Charter classifying our Board of Directors in three classes serving staggered three-year terms, and provisions authorizing our Board of Directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and allowing a majority of our entire Board of Directors to amend our Charter, without stockholder approval, to increase or decrease the number of shares of stock that we have the authority to issue. These provisions, as well as other provisions of our Charter and Bylaws, could have the effect of discouraging, delaying, deferring or preventing a transaction or a change in control that might otherwise be in the best interests of our stockholders. As a result, these provisions may deprive our common stockholders of opportunities to sell their common stock at a premium over the then current market price of our common stock. See Description of Capital Stock.

Additional Risks Related to Our Common Stock

Market Discount from Net Asset Value Risk

Our common stock has traded both at a premium and at a discount to our net asset value. From the beginning of the year until February 28, 2018, our common stock has traded at an average discount of 6.4% to net asset value per share. This discount may persist or widen, and there is no assurance that our common stock will trade at a premium again. Shares of closed-end investment companies frequently trade at a discount to their net asset value. This characteristic is a risk separate and distinct from the risk that our net asset value could decrease as a result of our investment activities and may be greater for investors expecting to sell their shares in a relatively short period following completion of this offering. Although the value of our net assets is generally considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of our common stock depends upon whether the market price of our common stock at the time of sale is above or below the investor s purchase price for our common stock. Because the market price of our common stock is affected by factors such as net asset value, distribution levels (which are dependent, in part, on expenses), supply of and demand for our common stock, stability of distributions, trading volume, general market and economic conditions, and other factors beyond our control, we cannot predict whether our common stock will trade at, below or above net asset value.

Leverage Risk to Common Stockholders

The issuance of Leverage Instruments represents the leveraging of our common stock. Leverage is a technique that could adversely affect our common stockholders. Unless the income and capital appreciation, if any, on securities acquired with the proceeds from Leverage Instruments exceed the costs of the leverage, the use of leverage could cause us to lose money. When leverage is used, the net asset value and market value of our common stock will be more volatile. There is no assurance that our use of leverage will be successful.

Our common stockholders bear the costs of leverage through higher operating expenses. Our common stockholders also bear management fees, whereas holders of notes or preferred stock do not bear management fees. Because management fees are based on our total assets, our use of leverage increases the effective management fee borne by our common stockholders. In addition, the issuance of additional senior securities by us would result in offering expenses and other costs, which would ultimately be borne by our common stockholders. Fluctuations in interest rates could increase our interest or dividend payments on Leverage Instruments and could reduce cash available for distributions on common stock. Certain Leverage Instruments are subject to covenants regarding asset coverage, portfolio composition and other matters, which may affect our ability to pay distributions to our common stockholders in certain instances. We may also be required to pledge our assets to the lenders in connection with certain other types of borrowing.

Leverage involves other risks and special considerations for common stockholders including: the likelihood of greater volatility of net asset value and market price of our common stock than a comparable portfolio without leverage; the risk of fluctuations in dividend rates or interest rates on Leverage Instruments; that the dividends or interest paid on Leverage Instruments may reduce the returns to our common stockholders or result in fluctuations in the distributions paid on our common stock; the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of our common stock than if we were not leveraged, which may result in a greater decline in the market price of our common stock; and when we use financial leverage, the investment management fee payable to Kayne Anderson may be higher than if we did not use leverage.

While we may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates or actual or anticipated changes in investment values in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that we will actually reduce leverage in the future or that any reduction, if undertaken, will benefit our common stockholders. Changes in the future direction of interest rates or changes in investment values are difficult to predict accurately. If we were to reduce leverage based on a prediction about future changes to interest rates (or future changes in investment values), and that prediction turned out to be incorrect, the reduction in leverage would likely result in a reduction in income and/or total returns to common stockholders relative to the circumstance if we had not reduced leverage. We may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and the price of our common stock if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

Finally, the 1940 Act provides certain rights and protections for preferred stockholders which may adversely affect the interests of our common stockholders. See Proposal One: Reorganization Description of Securities.

Table of Contents

PROPOSAL ONE: REORGANIZATION

The Board of Directors of KYE, including the Independent Directors, has unanimously approved the Reorganization Agreement, declared the Reorganization advisable and directed that the Reorganization proposal be submitted to the KYE stockholders for consideration. If the stockholders approve the Reorganization, KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then cease its separate existence under Maryland law and terminate its registration under the 1940 Act. The aggregate NAV of KMF common stock received by KYE common stockholders in the Reorganization will equal the aggregate NAV of KYE common stock held on the business day prior to closing of the Reorganization, less the costs of the Reorganization attributable to their common shares. KMF will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objectives and policies described in this joint proxy statement/prospectus.

In connection with the Reorganization, each holder of KYE MRP Shares will receive in a private placement an equivalent number of newly issued KMF MRP Shares having substantially identical terms as the KYE MRP Shares. The aggregate liquidation preference of the KMF MRP Shares received by the holders of KYE MRP Shares in the Reorganization will equal the aggregate liquidation preference of the KYE MRP Shares held immediately prior to the closing of the Reorganization. The KMF MRP Shares to be issued in the Reorganization will have equal priority with KMF s existing outstanding preferred shares as to the payment of dividends and the distribution of assets in the event of a liquidation of KMF. In addition, the preferred shares of KMF, including the KMF MRP Shares to be issued in connection with the Reorganization, will be senior in priority to KMF common shares as to payment of dividends and the distribution of assets in the event of a liquidation of KMF.

If the Reorganization is not approved by stockholders of KYE, or if the issuance of additional KMF common stock in connection with the Reorganization is not approved by stockholders of KMF, KMF and KYE will each continue to operate as a standalone Maryland corporation advised by KAFA and will each continue its investment activities in the normal course. It is important for stockholders of KYE to understand that, if the Reorganization is approved, it is expected that the Board of Directors will be composed of the individuals described in Proposal Three: Election of Directors. Stockholders of KYE will not have the opportunity to vote for any of these individuals until the first annual meeting following the closing of the Reorganization, though three of the seven nominees are existing directors of KYE. If the Reorganization is not approved, KYE expects to hold its own 2018 Annual Meeting of Stockholders later in the year.

Reasons for the Reorganization

The Reorganization seeks to combine two Funds with similar portfolios and investment objectives. Each Fund (i) is managed by KAFA, (ii) has similar investment objectives, (iii) seeks to achieve its objective by investing primarily in the Midstream/Energy Sector, and (iv) has similar fundamental investment policies and nonfundamental investment policies. Each Fund also qualifies as a RIC, which is not generally subject to U.S. federal income tax. The Reorganization will also permit each Fund to pursue this investment objective and strategy in a larger fund that will continue to focus on the Midstream/Energy Sector.

In unanimously approving the Reorganization, the Board of Directors of each Fund, including each Fund s Independent Directors, determined that participation in the Reorganization is in the best interests of each Fund and its stockholders and that the interests of the stockholders of each Fund will not be diluted on the basis of NAV as a result of the Reorganization. Before reaching these conclusions, the Board of Directors of each Fund engaged in a thorough review process relating to the proposed Reorganization. The Boards of Directors of each Fund, including the Independent Directors, considered the Reorganization at meetings held in 2017 and 2018 and unanimously approved the Reorganization Agreement, declared the Reorganization advisable and, at a meeting held on February 5, 2018, directed that the Reorganization be submitted to the stockholders of KYE.

Table of Contents

In making this determination, the Board of Directors of each Fund considered (i) the expected benefits of the transaction for each Fund and (ii) the fact that both Funds have very similar investment policies and investment strategies. KYE s investment objective is to obtain a high total return with an emphasis on current income. KYE seeks to achieve this objective by investing in a portfolio of companies in the Energy Sector. Its investments are focused on securitities of Energy Companies, with the majority of its investments in securities of MLPs, Midstream Companies and marine transportation companies. KMF s investment objective is to provide a high level of total return with an emphasis on cash distributions to its stockholders, which it seeks to achieve by investing at least 80% of its total assets in securities of companies in the Midstream/Energy Sector. The Combined Fund will pursue KMF s investment objective and follow KMF s investment policies.

The potential benefits and other factors considered by the Board of Directors of each Fund with regard to the Reorganization include, but were not limited to, the following:

Cost savings through elimination of duplicative expenses and greater economies of scale.
It is anticipated that the Combined Fund would have a lower expense level with estimated aggregate cost savings of approximately $1.1 million annually, the majority of which is expected to be attributable to reduced operating costs. Because the Reorganization is expected to be completed during the third quarter of fiscal 2018, and because there are expenses associated with the Reorganization, the full impact of these cost savings will not be entirely recognized this year. We expect the Combined Fund to realize the full benefit of these cost savings during fiscal 2019. The Funds incur operating expenses that are fixed (e.g., board fees, printing fees, legal and auditing services) and operating expenses that are variable (e.g., administrative and custodial services that are based on assets under management). Many of these fixed expenses are duplicative between the companies and can be eliminated as a result of the Reorganization. There will also be an opportunity to reduce variable expenses by taking advantage of greater economies of scale. As a result of these cost savings, it is expected that the Combined Fund will enjoy lower operating costs as a percentage of total assets.

Reorganization expected to increase KMF s net distributable income.
The Reorganization is expected to increase KMF s net distributable income per share, in part due to the anticipated cost savings from the transaction. In connection with the Reorganization, KMF announced its intention to pay a distribution at its current annualized rate of $1.20 per share for the 12 months ending February 28, 2019. See Risk Factors Risks Related to Our Investments and Investment Techniques Cash Flow Risk.

Larger asset base could provide greater financial flexibility.
The larger asset base of the Combined Fund may provide greater financial flexibility. In particular, as a larger entity, we believe the Combined Fund should potentially have access to more attractive leverage terms (i.e., lower borrowing costs on debt and preferred stock) and a wider range of alternatives for raising capital to grow the Combined Fund.

Opportunity for enhanced long-term market liquidity.
The larger equity market capitalization of the Combined Fund should provide an opportunity for enhanced market liquidity over the long-term. Greater market liquidity may lead to a narrowing of bid-ask spreads and reduce price

movements on a trade-to-trade basis. The table below illustrates the equity market capitalization and average daily trading volume for each Fund on a standalone basis as well as for the Combined Fund.

	KMF	KYE	Pro Forma Combined KMF
Equity capitalization ($ in millions)	$ 289	$ 353	$ 642
Average daily trading volume[1]	142	244	NA

As of February 28, 2018.

(1) 90-day average trading volume in thousands of shares.

No gain or loss is expected to be recognized by stockholders of either Fund for U.S. federal income tax purposes as a result of the Reorganization.

The Reorganization is intended to qualify as tax-free for federal income tax purposes. Stockholders of KMF and KYE are not expected to recognize any gain or loss for federal income tax purposes as a result of the Reorganization (except with respect to cash received in lieu of fractional KMF common shares). See Material U.S. Federal Income Tax Consequences of the Reorganization.

The expectation that KYE stockholders should carry over to KMF the same aggregate tax basis (reduced by any amount of tax basis allocable to a fractional share of common stock for which cash is received) if the Reorganization is treated as tax-free as intended.

Based on the intended tax treatment of the Reorganization, the aggregate tax basis of KMF common stock received by a stockholder of KYE should be the same as the aggregate tax basis of the common shares of KYE surrendered in exchange therefor (reduced by any amount of tax basis allocable to a fractional share of KMF common stock for which cash is received). See Material U.S. Federal Income Tax Consequences of the Reorganization.

The exchange will take place at the Funds relative NAV per share.

The aggregate net asset value of the KMF shares that KYE stockholders will receive in the Reorganization is expected to equal the aggregate net asset value that KYE stockholders owned immediately prior to the Reorganization (adjusted for KYE s share of costs related to the Reorganization). No fractional common shares of KMF will be issued to stockholders in connection with the Reorganization, and KYE stockholders will receive cash in lieu of such fractional shares.

Stockholder rights are expected to be preserved.

Both of the Funds involved in the Reorganization are organized as Maryland corporations. Common stockholders of each of KMF and KYE have substantially similar voting rights as well as rights with respect to the payment of dividends and distribution of assets upon liquidation of their respective Fund and have no preemptive, conversion, or exchange rights.

KAFA is expected to continue to manage the Combined Fund.

The Funds will retain consistency of management. Stockholders of the Combined Fund may benefit from the continuing experience and expertise of KAFA and its commitment to the very similar investment style and strategies to be used in managing the assets of the Combined Fund.

Considering the reasons outlined above and other reasons, the Board of Directors of each Fund unanimously concluded that consummation of the Reorganization is advisable and in the best interests of each Fund and its stockholders. The approval determination was made on the basis of each director s business judgment after consideration of all of the factors taken as a whole, though individual directors may have placed different weight on various factors and assigned different degrees of materiality to various factors.

Investment Objectives and Policies of KMF

This section relates to KMF and its Investment Objective and Policies (other parts of this document relate to both KMF and KYE). Accordingly, references to we us our or the Fund in this section are references to KMF

Our investment objective is to provide a high level of total return with an emphasis on cash distributions to our stockholders. We intend to achieve that objective by investing at least 80% of our total assets in securities of companies in the Midstream/Energy Sector. Our investment objective is considered a fundamental policy and therefore may not be changed without the approval of the holders of a majority of the outstanding voting securities, as such term is defined under the 1940 Act. When used with respect to our voting securities, a majority of the outstanding voting securities means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. There can be no assurance that we will achieve our investment objective.

Our investment objective and investment policies are substantially similar, but not identical, to those of KYE. For a comparison of the Funds, see Comparison of the Funds.

Our non-fundamental investment policies may be changed by the Board of Directors without the approval of the holders of a majority of the outstanding voting securities, provided that the holders of such voting securities receive at least 60 days prior written notice of any change. Under normal market conditions:

- We will invest at least 80% of our total assets in securities of companies in the Midstream/Energy Sector.

- We will invest in equity securities such as common units, preferred units, subordinated units, general partner interests, common stocks, preferred stocks and convertible securities in MLPs, Midstream Companies and Other Energy Companies.

- We may directly invest up to but not more than 25% (or such higher amount as permitted by any applicable tax diversification rules) of our total assets in equity or debt securities of Master Limited Partnerships. This limit does not apply to securities issued by MLP Affiliates, which are not treated as publicly traded partnerships for federal income tax purposes.

- We will invest at least 50% of our total assets in securities of Midstream MLPs and Midstream Companies.

- We may invest up to but not more than 10% of our total assets in securities of Other MLPs.

- We may invest up to but not more than 50% of our total assets in unregistered or otherwise restricted securities of companies in the Midstream/Energy Sector. For purposes of this limitation, restricted securities include (i) registered securities of public companies subject to a lock-up period, (ii) unregistered securities of public companies with registration rights, (iii) unregistered securities of public companies that become freely tradable with the passage of time, or (iv) securities of privately held companies. However, no more than 5% of our total assets may be invested in equity securities of privately held companies. For purposes of the foregoing, a registered security subject to such a lock-up period will no longer be considered a restricted security upon expiration of the lock-up period, an unregistered security of a public company with registration rights will no longer be considered a restricted security when such securities become registered, and an unregistered security of a public company that becomes freely tradable with the passage of time will no longer be considered a restricted security upon the elapse of the requisite time period.

Table of Contents

We may invest up to but not more than 30% of our total assets in debt securities of Energy Companies, including below-investment-grade debt securities (commonly referred to as junk bonds or high yield bonds). Up to but not more than 10% of our total assets may be invested in unrated debt securities or below-investment-grade debt securities that are rated less than B- (or an equivalent rating) by a nationally recognized ratings agency (a Ratings Agency). The balance of such debt investments may be invested in securities which are rated at least B- (or an equivalent rating) by a Ratings Agency or, if such securities are unrated, are determined by KAFA to be of comparable quality based on a Ratings Agency s corporate ratings for the issuers of such securities or ratings of other securities issued by such issuers. For the purposes of determining if an investment satisfies this test, we will look to the highest credit rating on such debt investment. The debt securities in which we invest may have varying maturities which will generally not exceed 30 years.

We may invest up to but not more than 15% of our total assets in any single issuer.

We generally will seek to enhance our total returns through the use of Leverage Instruments. Our policy is to utilize Leverage Instruments in an amount that represents approximately 30% of our total assets. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 30% of our total assets to the extent permitted by the 1940 Act.

Unless otherwise stated, all investment restrictions apply at the time of purchase and we will not be required to reduce a position due solely to market value fluctuations. However, although we may not be required to sell securities due to subsequent changes in value, if such changes cause us to have invested less than 80% of our total assets in securities of companies in the Midstream/Energy Sector, we will be required to make future purchases of securities in a manner so as to bring us into compliance with this investment policy.

We will invest primarily in companies located in North America, but may invest in companies located anywhere in the world. We will invest in companies of any market capitalization.

Our Portfolio

At any given time, we expect that our portfolio will have some or all of the types of the following types of investments: (i) equity securities of Midstream MLPs, including common units, preferred units, subordinated units and general partner interests, (ii) equity securities of Midstream Companies, (iii) equity securities of Other MLPs, (iv) equity securities of Other Energy Companies and (iv) debt securities of Energy Companies (including Midstream MLPs and Midstream Companies). The focus of our portfolio investments is in securities of Midstream MLPs and Midstream Companies. A description of our investment policies and restrictions and more information about our portfolio investments are contained in this joint proxy statement/prospectus and the Statement of Additional Information.

Description of Midstream Companies and Midstream Assets

Midstream Companies include companies that (i) derive at least 50% of their revenues or operating income from operating Midstream Assets or (ii) have Midstream Assets that represent a majority of their assets. These companies are typically structured as corporations and the common stock of such companies is typically listed and traded on a U.S. securities exchange.

Midstream Assets are the assets used by Energy Companies in performing services related to energy logistics. These assets provide the link between the source point of energy products such as natural gas and natural gas liquids and oil (i.e., where it is produced) and the end users (i.e., where it is consumed). Midstream Assets include those used in transporting (including via marine transportation vessels), storing, gathering, treating, processing, fractionating, transloading, distributing or marketing of natural gas, natural gas liquids, oil or refined products. Midstream Assets are often owned by Master Limited Partnerships, but are increasingly owned by Midstream Companies.

Natural gas related Midstream Assets serve to collect natural gas from the wellhead in small diameter pipelines, known as gathering systems. After natural gas is gathered, it can be either delivered directly into a natural gas pipeline system or to gas processing and treating plants for removal of natural gas liquids and impurities. After being processed, resulting residue natural gas is transported by large diameter intrastate and interstate pipelines across the country to end users. During the transportation process, natural gas may be placed in storage facilities, which consist of salt caverns, aquifers and depleted gas reservoirs, for withdrawal at a later date. Finally, after being transported by the intrastate and interstate pipelines, natural gas enters small diameter distribution lines pipelines, usually owned by local utilities, for delivery to consumers of such natural gas or is transported to liquefaction plants for export.

Midstream Assets also process, store and transport natural gas liquids, or NGLs. Before natural gas can be transported through major transportation pipelines, it must be processed by removing the NGLs to meet pipeline specifications. NGLs are transported by pipelines, truck, rail and barges from natural gas processing plants to fractionators and storage facilities. At the fractionator, the NGLs are separated into component products such as ethane, propane, butane and natural gasoline. These products are then transported to storage facilities, export facilities or end consumers, such as petrochemical facilities and other industrial users.

Similarly, Midstream Assets transport crude oil by pipeline, truck, rail and barge from the wellhead to the refinery. At the refinery, oil is refined into gasoline, distillates (such as diesel and heating oil) and other refined products. Refined products are then transported by pipeline, truck, rail and barges from the refinery to storage terminals and are ultimately transported to end users such as gas stations, airports and other industrial users.

Owners of Midstream Assets generally do not own the energy products flowing through their assets. Instead, owners of Midstream Assets often charge a fee determined primarily by volume handled and service provided. Further, the fee charged for such service may be regulated by the Federal Energy Regulatory Commission or a similar state agency, may be based on the market price of the transported commodity or may be based on negotiated rates.

Description of How MLPs are Structured

Master Limited Partnerships are entities that are publicly traded and are treated as partnerships for federal income tax purposes. Master Limited Partnerships are typically structured as limited partnerships or as limited liability companies treated as partnerships. The units for these entities are listed and traded on a U.S. securities exchange. To qualify as a master limited partnership, the entity must receive at least 90% of its income from qualifying sources as set forth in Section 7704(d) of the Code. These qualifying sources include natural resource-based activities such as the exploration, development, mining, production, gathering, processing, refining, transportation, storage, distribution and marketing of mineral or natural resources. Limited partnerships have two classes of interests: general partner interests and limited partner interests. The general partner typically controls the operations and management of the partnership through an equity interest in the partnership (typically up to 2% of total equity). Limited partners own the remainder of the partnership and have a limited role in the partnership s operations and management.

MLPs organized as limited partnerships typically have two classes of limited partner interests common units and subordinated units.

MLPs that have two classes of limited partnership interests (common units and subordinated units) are structured such that common units and general partner interests have first priority to receive quarterly cash distributions up to an established minimum amount (minimum quarterly distributions or MQD). Common units also accrue arrearages in distributions to the extent the MQD is not paid. Once common units have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to

44

Table of Contents

both common and subordinated units on a pro rata basis. Whenever a distribution is paid to either common unitholders or subordinated unitholders, the general partner is paid a proportional distribution. The holders of incentive distribution rights (IDRs), usually the general partner, are eligible to receive incentive distributions if the general partner operates the business in a manner which results in distributions paid per unit surpassing specified target levels. As cash distributions to the limited partners increase, the IDRs receive an increasingly higher percentage of the incremental cash distributions.

The MLPs in which we invest are currently classified by us as Midstream MLP and Other MLPs. As described below, we further sub-categorized into the following groups:

Midstream MLPs own and operate Midstream Assets. Midstream MLPs may also operate ancillary businesses including the marketing of commodities and logistical services. Midstream MLPs include General Partner MLPs whose assets consist of ownership interests of an affiliated Midstream MLP.

Other MLPs own and operate Energy Assets but are not categorized as Midstream MLPs. Other MLPs can be classified into one of the following groups:

Upstream MLPs are businesses engaged in the acquisition, exploitation, development and production of natural gas, natural gas liquids and crude oil. An Upstream MLP s cash flow and distributions are driven by the amount of oil, natural gas, natural gas liquids and oil produced and the demand for and price of such commodities. As the underlying reserves of an Upstream MLP are produced, its reserve base is depleted. Most Upstream MLPs seek to maintain or expand their reserves and production through the acquisition of reserves from other companies, and the exploration and development of existing resources. Certain U.S. royalty trusts are considered MLPs for tax purposes. These trusts have a defined quantity of reserves and prospective acreage at formation, which will deplete over time as the trust s reserves are produced.

Coal MLPs are engaged in the owning, leasing, managing and production and sale of various grades of steam and metallurgical grades of coal. The primary use of steam coal is for electric generation (steam coal is used as a fuel for steam-powered generators by electrical utilities). The primary use of metallurgical coal is in the production of steel (metallurgical coal is used to make coke, which, in turn, is used as a raw material in the steel manufacturing process).

Propane MLPs are engaged in the distribution of propane to homeowners for space and water heating and to commercial, industrial and agricultural customers. Propane serves approximately 6% of the household energy needs in the United States, largely for homes beyond the geographic reach of natural gas distribution pipelines. Volumes are weather dependent and a majority of annual cash flow is earned during the winter heating season (October through March).

In addition to the first three categories of Other MLPs listed above, certain MLPs own other types of Energy Assets or provide other energy-related services, such as refining, petrochemical manufacturing, frac sands production, wholesale fuel distribution, offshore drilling and distribution of specialty refined products. These types of assets and services generate qualified income and qualify for federal tax treatment as an MLP.

Description of Energy Companies

Energy Companies 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 Energy Assets or (ii) have Energy Assets that represent the majority of their assets. These companies operate Energy Assets including assets used in exploring, developing, producing, generating, transporting, transmitting, storing, gathering, processing, refining, distributing, mining, marketing or generation of natural gas, natural gas liquids, crude oil, refined petroleum products, coal or electricity.

Table of Contents

Energy Companies can be broadly divided into five groups:

- Upstream: Companies engaged in the exploring, developing and producing of natural gas, natural gas liquids, crude oil and coal.
- Midstream: Companies engaged in the transporting, gathering, processing, storing and delivery of natural gas, natural gas liquids, crude oil and refined products for use by end users.
- Downstream: Companies engaged in the refining, marketing and distributing of crude oil and refined products to end customers.
- Power: Companies engaged in the generating, transmission and distribution of electricity.
- Energy Services: Companies that provide services to the Upstream, Midstream and Downstream sectors of the energy industry.

For the purpose of this joint proxyt statement/prospectus, Other Energy Companies include all of the companies mentioned above except MLPs and Midstream Companies.

Investment Practices

Covered Calls

We may write call options with the purpose of generating cash from call premiums, generating realized gains or reducing our ownership of certain securities. We will only write call options on securities that we hold in our portfolio (i.e., covered calls). A call option on a security is a contract that gives the holder of such call option the right to buy the security underlying the call option from the writer of such call option at a specified price at any time during the term of the option. At the time the call option is sold, the writer of a call option receives a premium (or call premium) from the buyer of such call option. If we write a call option on a security, we have the obligation upon exercise of such call option to deliver the underlying security upon payment of the exercise price. When we write a call option, an amount equal to the premium received by us will be recorded as a liability and will be subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by us as realized gains from investments on the expiration date. If we repurchase 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 realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether we have realized a gain or loss. We, as the writer of the option, bear the market risk of an unfavorable change in the price of the security underlying the written option.

Interest Rate Swaps

We may utilize hedging techniques such as interest rate swaps to mitigate potential interest rate risk on a portion of our Leverage Instruments. Such interest rate swaps would principally be used to protect us against higher costs on our Leverage Instruments resulting from increases in short-term interest rates. We anticipate that the majority of our interest rate hedges will be interest rate swap contracts with financial institutions.

Use of Arbitrage and Other Derivative-Based Strategies

We may use short sales, arbitrage and other strategies to try to generate additional return. As part of such strategies, we may (i) engage in paired long-short trades to arbitrage pricing disparities in securities held in our portfolio; (ii) purchase call options or put options; (iii) enter into total return swap contracts; or (iv) sell securities short. Paired trading consists of taking a long position in one security and concurrently taking a short position in another security within the same or an affiliated issuer. With a long position, we purchase a stock outright; whereas with a short position, we would sell a security that we do not own and must borrow to meet our settlement obligations. We will realize a profit or incur a loss from a short position depending on whether the value of the underlying stock decreases or increases, respectively, between the time the stock is sold and when we replace the borrowed security. See Risk Factors Risks Related to Our Investments and Investment Techniques Short Sales Risk. We do not intend to have a net short position that exceeds 2% of our total assets. A total return swap is a contract between two parties designed to replicate the economics of directly owning a security. We may enter into total return swaps with financial institutions related to equity investments in certain MLPs.

Other Risk Management Strategies

To a lesser extent, we may use various hedging and other risk management strategies to seek to manage market risks. Such hedging strategies would be utilized to seek to protect against possible adverse changes in the market value of securities held in our portfolio, or to otherwise protect the value of our portfolio. We may execute our hedging and risk management strategy by engaging in a variety of transactions, including buying or selling options or futures contracts on indexes. See Risk Factors Risks Related to Our Investments and Investment Techniques Derivatives Risk.

Portfolio Turnover

We anticipate that our annual portfolio turnover rate will range between 20% and 50%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in KAFA s execution of investment decisions. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See Certain Federal Income Tax Matters.

Use of Leverage

We generally will seek to enhance our total returns through the use of financial leverage, which may include the issuance of Leverage Instruments. Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 30% of our total assets, including proceeds from such Leverage Instruments (which equates to approximately 43% of our net asset value as of February 28, 2018). Notwithstanding this policy, based on market conditions at such time, we may use Leverage Instruments in amounts greater than our policy (to the extent permitted by the 1940 Act) or less than our policy. As of February 28, 2018, our Leverage Instruments represented approximately 30% of our total assets. At February 28, 2018, our asset coverage ratios under the 1940 Act were 460% and 333% for debt and total leverage (debt plus preferred stock), respectively. We currently target an asset coverage ratio with respect to our debt of 430%. At times we may be above or below this target depending upon market conditions, as well as certain other factors, including our target total leverage asset coverage of 320% and the basic maintenance amount as stated in our rating agency guidelines. Depending on the type of Leverage Instruments involved, our use of financial leverage may require the approval of our Board of Directors. Leverage creates a greater risk of loss, as well as potential for more gain, for our common stock than if leverage is not used. Our common stock is junior in liquidation and distribution rights to our Leverage Instruments. We expect to invest the net proceeds derived from any use of Leverage Instruments according to the investment objective and policies described in this joint proxy statement/prospectus.

Leverage creates risk for our common stockholders, including the likelihood of greater volatility of net asset value and market price of our common stock, and the risk of fluctuations in dividend rates or interest rates on Leverage Instruments which may affect the return to the holders of our common stock or will result in fluctuations in the distributions paid by us on our common stock. To the extent the return on securities purchased with funds received from Leverage Instruments exceeds their cost (including increased expenses to us), our total return will be greater than if Leverage Instruments had not been used. Conversely, if the return derived from such securities is less than the cost of Leverage Instruments (including increased expenses to us), our total return will be less than if Leverage Instruments had not been used, and therefore, the amount available for distribution to our common stockholders will be reduced. In the latter case, KAFA in its best judgment nevertheless may determine to maintain our leveraged position if it expects that the long-term benefits of so doing will outweigh the near-term impact of the reduced return to our common stockholders.

The management fees paid to KAFA will be calculated on the basis of our total assets including proceeds from Leverage Instruments. During periods in which we use financial leverage, the management fee payable to KAFA may be higher than if we did not use a leveraged capital structure. Consequently, we and KAFA may have differing interests in determining whether to leverage our assets. Our Board of Directors monitors our use of Leverage Instruments and this potential conflict. The use of leverage creates risks and involves special considerations. See Risk Factors Additional Risks Related to Our Common Stock Leverage Risk to Common Stockholders.

The Maryland General Corporation Law authorizes us, without prior approval of our common stockholders, to borrow money. In this regard, we may obtain proceeds through Borrowings and may secure any such Borrowings by mortgaging, pledging or otherwise subjecting as security our assets. In connection with such Borrowings, we may be required to maintain minimum average balances with the lender or to pay a commitment or other fee to maintain a line of credit. Any such requirements will increase the cost of such Borrowing over its stated interest rate.

Under the requirements of the 1940 Act, we, immediately after issuing any senior securities representing indebtedness, must have an asset coverage of at least 300% after such issuance. With respect to such issuance, asset coverage means the ratio which the value of our total assets, less all liabilities and indebtedness not represented by senior securities (as defined in the 1940 Act), bears to the aggregate amount of senior securities representing indebtedness issued by us.

The rights of our lenders to receive interest on and repayment of principal of any Borrowings will be senior to those of our common stockholders, and the terms of any such Borrowings may contain provisions which limit certain of our activities, including the payment of distributions to our common stockholders in certain circumstances. Under the 1940 Act, we may not declare any dividend or other distribution on any class of our capital stock, or purchase any such capital stock, unless our aggregate indebtedness has, at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, an asset coverage of at least 300% after declaring the amount of such dividend, distribution or purchase price, as the case may be. Further, the 1940 Act does (in certain circumstances) grant our lenders certain voting rights in the event of default in the payment of interest on or repayment of principal.

Certain types of Leverage Instruments subject us to certain affirmative covenants relating to asset coverage and portfolio composition and may impose special restrictions on our use of various investment techniques or strategies or on our ability to pay distributions on common stock in certain circumstances. In addition, we are subject to certain negative covenants relating to transactions with affiliates, mergers and consolidations among others. We are also subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which issue ratings for the Leverage Instruments issued by us. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. It is not anticipated that these covenants or guidelines will impede KAFA from managing our portfolio in accordance with our investment objective and policies.

If an event of default is not cured, under any Borrowing, the lenders have the right to cause our outstanding Borrowings to be immediately due and payable and proceed to protect and enforce their rights by an action at law, suit in equity or other appropriate proceeding. If an event of default occurs or in an effort to avoid an event of default, we may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales. We may also incur prepayment penalties on unsecured notes (Notes) and MRP Shares that are redeemed prior to their stated maturity dates or mandatory redemption dates.

Table of Contents

Under the 1940 Act, we are not permitted to issue preferred stock unless immediately after such issuance the value of our total assets less all liabilities and indebtedness not represented by senior securities is at least 200% of the sum of the liquidation value of the outstanding preferred stock plus the aggregate amount of senior securities representing indebtedness. In addition, we are not permitted to declare any cash dividend or other distribution on our common or preferred stock unless, at the time of such declaration, our preferred stock has an asset coverage of at least 200%. Further, while the MRP Shares are outstanding, we are not permitted to issue preferred stock unless immediately after such issuance the value of our total assets less all liabilities and indebtedness not represented by senior securities is at least 225% of the sum of the liquidation value of the outstanding preferred stock plus the aggregate amount of senior securities representing indebtedness. In addition, we are not permitted to declare any cash dividend or other distribution on our common or preferred stock unless, at the time of such declaration, our preferred stock has an asset coverage of at least 225%. If necessary, we will purchase or redeem our preferred stock to maintain the applicable asset coverage ratio. In addition, as a condition to obtaining ratings on the preferred stock, the terms of any preferred stock include asset coverage maintenance provisions which will require the redemption of the preferred stock in the event of non-compliance by us and may also prohibit distributions on our common stock in such circumstances. In order to meet redemption requirements, we may have to liquidate portfolio securities. Such liquidations and redemptions would cause us to incur related transaction costs and could result in capital losses to us. If we have preferred stock outstanding, two of our directors will be elected by the holders of our preferred stock (voting as a class). Our remaining directors will be elected by holders of our common stock and preferred stock voting together as a single class. In the event we fail to pay dividends on our preferred stock for two years, holders of preferred stock would be entitled to elect a majority of our directors.

To the extent that we use additional Leverage Instruments, the Borrowings that we anticipate issuing will have maturity dates ranging from 1 to 10 years from the date of issuance. The preferred stock we anticipate issuing is a mandatory redeemable preferred that must be redeemed within 5 to 10 years from the date of issuance. If we are unable to refinance such Leverage Instruments when they mature, we may be forced to sell securities in our portfolio to repay such Leverage Instruments. Further, if we do not repay the Leverage Instruments when they mature, we will trigger an event of default on our Borrowings (which will increase the interest rate on such Borrowings and give the holders of such Borrowings certain rights) and will trigger a higher dividend rate on our preferred stock.

We may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of our common stock. See Investment Objective and Policies of KMF Our Portfolio Temporary Defensive Position.

Effects of Leverage

As of February 28, 2018, we had $91 million, aggregate principal amount, of fixed rate Notes outstanding.

As of February 28, 2018, we did not have any outstanding borrowings under our revolving credit facility. The interest rate payable by us on borrowings under our revolving credit facility may vary between one-month LIBOR plus 1.60% and one-month LIBOR plus 2.25%, depending on asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.60% per annum based on asset coverage ratios as of February 28, 2018. We pay a commitment fee equal to a rate of 0.30% per annum on any unused amounts of the $75 million commitment for the revolving credit facility. Our revolving credit facility matures on November 9, 2018.

As of February 28, 2018, we had $1 million of borrowings outstanding under our term loan. The interest rate payable by us on our borrowings under our term loan with Sumitomo Mitsui Banking Corporation is LIBOR plus 1.50% per annum. We pay a commitment fee equal to a rate of 0.25% per annum on any unused amounts of

the $35 million commitment for the term loan. Amounts borrowed under our term loan can be repaid and subsequently reborrowed. Our term loan matures on July 25, 2019.

As of February 28, 2018, we had $35 million aggregate liquidation value of MRP Shares outstanding.

Assuming that our leverage costs remain as described above, our average annual cost of leverage would be 4.58%. Income generated by our portfolio as of February 28, 2018 must exceed 1.74% in order to cover such leverage costs. These numbers are merely estimates used for illustration; actual dividend or interest rates on the Leverage Instruments will vary frequently and may be significantly higher or lower than the rate estimated above.

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on common stock total return, assuming investment portfolio total returns (comprised of income and changes in the value of securities held in our portfolio) of minus 10% to plus 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns experienced or expected to be experienced by us. See Risk Factors. Further, the assumed investment portfolio total returns are after all of our expenses other than expenses associated with leverage, but such leverage expenses are included when determining the common stock total return. The table further reflects the issuance of Leverage Instruments representing 30% of our total assets (actual leverage at February 28, 2018), and our estimated leverage costs of 4.58%. The cost of leverage is expressed as a blended interest/dividend rate and represents the weighted average cost on our Leverage Instruments.

Assumed Portfolio Total Return (Net of Expenses)	(10)%	(5)%	0%	5%	10%
Common Stock Total Return	(16.9)%	(9.7)%	(2.5)%	4.7%	11.9%

Common stock total return is composed of two elements: common stock distributions paid by us (the amount of which is largely determined by our net distributable income after paying dividends or interest on our Leverage Instruments) and gains or losses on the value of the securities we own. As required by SEC rules, the table above assumes that we are more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0% we must assume that the distributions we receive on our investments is entirely offset by losses in the value of those securities.

Table of Contents

Comparison of the Funds

Each Fund (i) is managed by KAFA, (ii) has similar investment objectives, (iii) seeks to achieve its objective by investing primarily in the Midstream/Energy Sector, and (iv) has similar fundamental investment policies and nonfundamental investment policies. Each Fund is also taxed qualifies as a RIC, which is not generally subject to U.S. federal income tax. KMF and KYE s fundamental and non-fundamental investment policies are similar. The primary difference in the investment objectives of the Funds is that KMF emphasizes cash distributions, while KYE emphasizes current income. In addition, KMF has a non-fundamental investment policy to invest at least 80% of its total assets in the Midstream/Energy Sector. Moreover, KMF is required to invest at least 50% of its total assets in securities of Midstream MLPs and Midstream Companies. In contrast, KYE s policies are broader, only requiring at least 80% of total assets to be invested in Energy Companies. The table below provides a more detailed comparison of the Funds.

KMF	KYE
Organization:	
Maryland corporation registered as a non-diversified, closed-end management investment company under the 1940 Act	
Fiscal Year End:	
November 30	
Investment Advisor:	
KA Fund Advisors, LLC	
Investment Advisory Fee Structure:	
1.25% of average total assets	
Net Assets as of February 28, 2018:	
$296 million	$363 million
Listing of Common Shares:	
NYSE: KMF	NYSE: KYE
Investment Objective:	
Provide a high level of total return with an emphasis on cash distributions	Obtain a high total return with an emphasis on current income
Fundamental Investment Policies:	
Without appropriate approval, KMF may not:	Without appropriate approval, KYE may not:
Purchase or sell real estate unless acquired as a result of ownership of securities or other instruments	Purchase or sell real estate unless acquired as a result of ownership of securities or other instruments
Purchase or sell commodities	Purchase or sell commodities
Borrow money or issue senior securities, except to the extent permitted by the 1940 Act or the SEC	Borrow money or issue senior securities, except to the extent permitted by the 1940 Act or the SEC

Table of Contents

KMF	KYE
Make loans to other persons except (a) through the lending of its portfolio securities, (b) through the purchase of debt obligations, loan participations and/or engaging in direct corporate loans in accordance with its investment objectives and policies, and (c) to the extent the entry into a repurchase agreement is deemed to be a loan (in each case subject to certain exceptions)	Make loans to other persons except (a) through the lending of its portfolio securities, (b) through the purchase of debt obligations and/or engaging in direct corporate loans in accordance with its investment objective and policies, and (c) to the extent the entry into a repurchase agreement is deemed to be a loan (in each case subject to certain exceptions)
Act as an underwriter except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under applicable securities laws	Act as an underwriter except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under applicable securities laws
Concentrate its investments in a particular industry (other than Energy Companies and investments in securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities)	Concentrate its investments in a particular industry (other than MLPs and other Midstream Companies and investments in securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities)
Nonfundamental Investment Policies:	
Invest at least 80% of total assets in the Midstream/Energy Sector	Invest at least 80% of total assets in Energy Companies
Invest in equity securities such as common units, preferred units, subordinated units, general partner interests, common stocks, preferred stocks and convertible securities MLPs, Midstream Companies and Other Energy Companies	Invest in equity securities such as common stocks, preferred stocks, convertible securities, warrants, depository receipts, and equity interests in MLPs, marine transportation companies and Other Energy Companies
Invest up to but not more than 25% (or such higher amount as permitted by any applicable tax diversification rules) of total assets in equity or debt securities of MLPs (limit does not apply to securities issued by MLP Affiliates)	Invest up to 25% (or such higher amount as permitted by any applicable tax diversification rules) of total assets in equity or debt securities of MLPs (limit does not apply to securities issued by MLP Affiliates)
Invest at least 50% of total assets in securities of Midstream MLPs and Midstream Companies	
Invest up to but not more than 10% of total assets in securities of Other MLPs	
Invest up to but not more than 50% of total assets in unregistered or otherwise restricted securities of companies in the Midstream/Energy Sector; no more than 5% of our total assets may be invested in equity securities of privately held companies	Invest up to 50% of total assets in unregistered or otherwise restricted securities of Energy Companies; no more than 25% of total assets may be invested in (a) subordinated units or (b) securities of public companies which, in the reasonable judgment of KAFA, are not likely to become or convert into securities freely tradable by us within two years of purchase; no more than 10% of total assets may be invested in private equity securities of privately held companies

Table of Contents

KMF	KYE
Invest up to but not more than 30% of total assets in debt securities of Energy Companies, including below-investment-grade debt securities (commonly referred to as junk bonds or high yield bonds); up to but not more than 10% of total assets may be invested in unrated debt securities or below-investment-grade debt securities that are rated less than B- (or an equivalent rating) by a nationally recognized ratings agency (a Ratings Agency); the balance of such debt investments may be invested in securities which are rated at least B- (or an equivalent rating) by a Ratings Agency or, if such securities are unrated, are determined by KAFA to be of comparable quality based on a Ratings Agency s corporate ratings for the issuers of such securities or ratings of other securities issued by such issuers	Invest up to but not more than 30% of total assets in debt securities of Energy Companies, including below-investment-grade debt securities (commonly referred to as junk bonds or high yield bonds); up to but not more than 10% of total assets may be invested in unrated debt securities or below-investment-grade debt securities that are rated less than B- (or an equivalent rating) by a Ratings Agency; the balance of such debt investments may be invested in securities which are rated at least B- (or an equivalent rating) by a Ratings Agency or, if such securities are unrated, are determined by KAFA to be of comparable quality based on a Ratings Agency s corporate ratings for the issuers of such securities or ratings of other securities issued by such issuers
Invest up to but not more than 15% of total assets in any single issuer	Not invest more than 15% of total assets in any single issuer
	Not invest directly in commodities

Tax Treatment:

Regulated investment company for federal income tax purposes

53

Table of Contents

Management

Directors and Officers

Each Fund s business and affairs are managed under the direction of its Board of Directors, including supervision of the duties performed by KAFA. Following the Reorganization, it is expected that KMF s Board of Directors will consist of eight directors (subject to the election of all nominated directors identified in Proposal Three: Election of Directors). KYE s Board of Directors currently consists of four directors. Each Board of Directors includes a majority of Independent Directors. Each Board of Directors elects each Fund s officers, who serve at the Board s discretion, and are responsible for day-to-day operations. Additional information regarding each Fund s Board of Directors and their committees is set forth in Proposal Three: Election of Directors and under Management in the Statement of Additional Information.

Investment Adviser

KAFA is each Fund s investment adviser and is registered with the SEC under the Investment Advisers Act of 1940, as amended (the Advisers Act). KAFA also is responsible for managing each Fund s business affairs and providing certain clerical, bookkeeping and other administrative services. KAFA is a Delaware limited liability company. The managing member of KAFA is KACALP, an investment adviser registered with the SEC under the Advisers Act. Kayne Anderson has one general partner, Kayne Anderson Investment Management, Inc., and a number of individual limited partners. Kayne Anderson Investment Management, Inc. is a Nevada corporation controlled by Richard A. Kayne. Kayne Anderson s predecessor was established as an independent investment advisory firm in 1984.

KAFA s management of each Fund s portfolio is led by three of its Senior Managing Directors, Kevin S. McCarthy, J.C. Frey and James C. Baker. Messrs. McCarthy and Frey have each served as portfolio managers since KMF s and KYE s inception in 2010 and 2005, respectively. Mr. Baker has served as portfolio manager since November 2017. Each portfolio manager is jointly and primarily responsible for the day-to-day management of each Fund s portfolio. The portfolio managers draw on the support of the research analyst team at Kayne Anderson, as well as the experience and expertise of other professionals at Kayne Anderson, including its Co-Chairmen, Richard Kayne, and Robert V. Sinnott.

Portfolio Management

Kevin S. McCarthy is each Fund s Chief Executive Officer, and he has served as the Chief Executive Officer and co-portfolio manager of KYN since September 2004, of Kayne Anderson Energy Total Return Fund, Inc. since March 2005, of KED since September 2006, and Kayne Anderson Midstream/Energy Fund, Inc. since November 2010. Mr. McCarthy has served as the Chairman of the Board of Directors of Kayne Anderson Acquisition Corp. since March 2017. Mr. McCarthy currently serves as a Managing Partner of KACALP and Co-Managing Partner of KAFA. Prior to joining Kayne Anderson, Mr. McCarthy was global head of energy at UBS Securities LLC. In that role, Mr. McCarthy had senior responsibility for all of UBS energy investment banking activities. Mr. McCarthy was with UBS from 2000 to 2004. From 1995 to 2000, Mr. McCarthy led the energy investment banking activities of Dean Witter Reynolds and then PaineWebber Incorporated. Mr. McCarthy began his investment banking career in 1984. Mr. McCarthy earned a BA degree in Economics and Geology from Amherst College in 1981, and an MBA degree in Finance from the University of Pennsylvania s Wharton School in 1984.

J.C. Frey is a Managing Partner of KACALP and Co-Managing Partner of KAFA. Mr. Frey serves as portfolio manager of Kayne Anderson s funds investing in MLP securities, including service as a co-portfolio manager, Executive Vice President, Assistant Secretary and Assistant Treasurer of each Fund, Kayne Anderson Energy Total

Return Fund, Inc. and Kayne Anderson Midstream/Energy Fund, Inc. Mr. Frey began investing in MLPs on behalf of Kayne Anderson in 1998 and has served as portfolio manager of Kayne Anderson s MLP funds since their inception in 2000. Prior to joining Kayne Anderson in 1997, Mr. Frey was a CPA and audit manager in KPMG Peat Marwick s financial services group, specializing in banking and finance clients, and loan securitizations. Mr. Frey graduated from Loyola Marymount University with a BS degree in Accounting in 1990. In 1991, he received a Master s degree in Taxation from the University of Southern California.

James C. Baker is a Senior Managing Director of Kayne Anderson. He serves as each Fund s co-portfolio manager and President and as co-portfolio manager and President of Kayne Anderson Energy Total Return Fund, Inc. and Kayne Anderson Midstream/Energy Fund, Inc., and serves on the Board of Directors of KED. Prior to joining Kayne Anderson in 2004, Mr. Baker was a director in the energy investment banking group at UBS Securities LLC. At UBS, Mr. Baker focused on securities underwriting and mergers and acquisitions in the MLP industry. Mr. Baker received a BBA degree in Finance from the University of Texas at Austin in 1995 and an MBA degree in Finance from Southern Methodist University in 1997.

Firm Management

Richard A. Kayne is Co-Chairman of Kayne Anderson. Mr. Kayne began his career in 1966 as an analyst with Loeb, Rhodes & Co. in New York. Prior to forming Kayne Anderson s predecessor in 1984, Mr. Kayne was a principal of Cantor Fitzgerald & Co., Inc., where he managed private accounts, a hedge fund and a portion of the firm s capital. Mr. Kayne is a trustee of and the former Chairman of the Investment Committee of the University of California at Los Angeles Foundation, and is a trustee and Co-Chairman of the Investment Committee of the Jewish Community Foundation of Los Angeles. Mr. Kayne earned a BS degree in Statistics from Stanford University in 1966 and an MBA degree from UCLA s Anderson School of Management in 1968.

Robert V. Sinnott is Co-Chairman of Kayne Anderson. Mr. Sinnott has been member of the Board of Directors that oversees Plains All American Pipeline, LP and Plains GP Holdings, L.P. since 1998, has been a director of California Resources Corporation since 2014, and has served as the Vice-Chairman of the Board of Directors of Kayne Anderson Acquisition Corp. since March 2017. He joined Kayne Anderson in 1992. From 1986 to 1992, Mr. Sinnott was Vice President and senior securities officer of Citibank s Investment Banking Division, concentrating in high-yield corporate buyouts and restructuring opportunities. From 1981 to 1986, Mr. Sinnott served as director of corporate finance for United Energy Resources, a pipeline company. Mr. Sinnott began his career in the financial industry in 1976 as a Vice President and debt analyst for Bank of America, N.A. in its oil and gas finance department. Mr. Sinnott graduated from the University of Virginia in 1971 with a BA degree in Economics. In 1976, Mr. Sinnott received an MBA degree in Finance from Harvard University.

Michael Levitt joined Kayne Anderson as its Chief Executive Officer in July 2016. Mr. Levitt was formerly Vice Chairman of Credit with Apollo Global Management, LLC. Prior to Apollo, Mr. Levitt founded and served as Chairman and CEO of Stone Tower Capital LLC, a credit-focused alternative investment management firm that was acquired by Apollo in 2012. Previously, Mr. Levitt worked as a partner with Hicks, Muse, Tate & Furst Incorporated, where he was involved in many of the firm s media and consumer investments. Prior thereto, Mr. Levitt served as the Co-Head of the Investment Banking Division of Smith Barney Inc. Mr. Levitt began his investment banking career at, and ultimately served as a Managing Director of, Morgan Stanley & Co., Inc. Mr. Levitt oversaw the firm s corporate finance and advisory businesses related to private equity firms and non-investment grade companies. Mr. Levitt has a BBA degree from the University of Michigan and a JD degree from the University of Michigan Law School. Mr. Levitt serves on the University of Michigan s Investment Advisory Board.

Table of Contents

Investment Professionals

Ron M. Logan, Jr. is a Senior Managing Director of Kayne Anderson. He serves as each Fund s Senior Vice President and as Senior Vice President and assistant portfolio manager of Kayne Anderson Energy Total Return Fund, Inc. and Kayne Anderson Midstream/Energy Fund, Inc. Prior to joining Kayne Anderson in 2006, Mr. Logan was an independent consultant to several leading energy firms. From 2003 to 2005, he served as Senior Vice President of Ferrellgas Inc. with responsibility for the firm s supply, wholesale, transportation, storage, and risk management activities. Before joining Ferrellgas, Mr. Logan was employed for six years by Dynegy Midstream Services where he was Vice President of the Louisiana Gulf Coast Region and also headed the company s business development activities. Mr. Logan began his career with Chevron Corporation in 1984, where he held positions of increasing responsibility in marketing, trading and commercial development through 1997. Mr. Logan earned a BS degree in Chemical Engineering from Texas A&M University in 1983 and an MBA degree from the University of Chicago in 1994.

Jody C. Meraz is a Managing Director for Kayne Anderson. He serves as each Fund s Vice President and as Vice President and assistant portfolio manager of Kayne Anderson Energy Total Return Fund, Inc. and Kayne Anderson Midstream/Energy Fund, Inc. He is responsible for providing analytical support for investments in master limited partnerships and other energy sub-sectors. Prior to joining Kayne Anderson in 2005, Mr. Meraz was a member of the energy investment banking group at Credit Suisse First Boston, where he focused on securities underwriting transactions and mergers and acquisitions. From 2001 to 2003, Mr. Meraz was in the Merchant Energy group at El Paso Corporation. Mr. Meraz earned a BA degree in Economics from The University of Texas at Austin in 2001 and an MBA degree in Finance and Economics from the University of Chicago in 2010.

Alan Boswell is a Managing Director for Kayne Anderson. He serves as each Fund s Vice President and as Vice President at Kayne Anderson Energy Total Return Fund, Inc. and Kayne Anderson Midstream/Energy Fund, Inc. He is responsible for providing analytical support for investments in master limited partnerships and other energy sub-sectors. Prior to joining Kayne Anderson in 2012, Mr. Boswell was a Vice President in the global energy group at Citigroup Global Markets Inc. where he focused on securities underwriting and mergers and acquisitions, primarily for midstream energy companies. Prior to joining Citigroup, Mr. Boswell practiced corporate securities law for Vinson & Elkins L.L.P. from 2005 to 2007. Mr. Boswell received an AB degree in Economics from Princeton University in 2001 and a JD degree from The University of Texas School of Law in 2005.

Eric Javidi is a Managing Director for Kayne Anderson. He is responsible for providing analytical support for investments in the area of master limited partnerships and other midstream companies. Prior to joining Kayne Anderson in 2015, Mr. Javidi was an executive director in the energy investment banking group at UBS Securities LLC. Before joining UBS in 2012, Mr. Javidi began his investment banking career in the natural resources group at Lehman Brothers Holdings, Inc. and Barclays Capital Inc. Mr. Javidi s investment banking experience focused on securities underwriting and mergers and acquisitions in the MLP/midstream sector. Prior to pursuing his MBA degree in 2007, Mr. Javidi was a wealth management analyst at Morgan Stanley & Co. LLC. Mr. Javidi earned an AB degree with majors in Economics and Psychology from the University of California, Davis in 2003 and an MBA degree with emphases in Financial Analysis and Finance & Accounting from Duke University in 2009.

The principal office of KAFA is located at 811 Main Street, 14th Floor, Houston, Texas 77002. KACALP s principal office is located at 1800 Avenue of the Stars, Third Floor, Los Angeles, California 90067. For additional information concerning KAFA, including a description of the services to be provided by KAFA, see Investment Management Agreement.

Table of Contents

Investment Management Agreement

KMF

Pursuant to an investment management agreement between KMF and KAFA (the KMF Investment Management Agreement), KMF pays a management fee, computed and paid monthly at an annual rate of 1.25% of its average monthly total assets.

For the fiscal year ended November 30, 2017, KMF paid management fees at an annual rate of 1.25% of average monthly total assets.

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 day of the month with the total assets at the last day of the prior month. KMF s total assets shall be equal to its average monthly gross asset value (which includes assets attributable to or proceeds from its use of Leverage Instruments and excludes any deferred tax assets), minus the sum of its accrued and unpaid distribution on any outstanding common stock and accrued and unpaid dividends on any outstanding preferred stock and accrued liabilities (other than liabilities associated with Leverage Instruments issued by us and any accrued taxes). Liabilities associated with Leverage Instruments include the principal amount of any borrowings issued by KMF, 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 KMF.

In addition to KAFA s management fee, KMF pays all other costs and expenses of our operations, such as compensation of its directors (other than those employed by Kayne Anderson), custodian, transfer agency, administrative, accounting and distribution disbursing expenses, legal fees, borrowing or leverage expenses, marketing, advertising and public/investor relations expenses, expenses of independent auditors, expenses of personnel including those who are affiliates of Kayne Anderson reasonably incurred in connection with arranging or structuring portfolio transactions for KMF, expenses of repurchasing KMF s securities, expenses of preparing, printing and distributing stockholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

The KMF Investment Management Agreement will continue in effect from year to year after its current one-year term commencing on March 31, 2018, so long as its continuation is approved at least annually by KMF s Board of Directors including a majority of Independent Directors or by the vote of a majority of our outstanding voting securities (as such term is defined under the 1940 Act). The Investment Management Agreement may be terminated at any time without the payment of any penalty upon 60 days written notice by either party, or by action of the Board of Directors or by a vote of a majority of KMF s outstanding voting securities, accompanied by appropriate notice. It also provides that it will automatically terminate in the event of its assignment, within the meaning of the 1940 Act. This means that an assignment of the KMF Investment Management Agreement to an affiliate of Kayne Anderson would normally not cause a termination of the KMF s Investment Management Agreement.

Because KAFA s fee is based upon a percentage of KMF s total assets, KAFA s fee will be higher to the extent KMF employs financial leverage. As noted, KMF has issued Leverage Instruments in a combined amount equal to approximately 30% of its total assets as of February 28, 2018. A discussion regarding the basis of the KMF Board of Directors decision to approve the continuation of the KMF Investment Management Agreement will be available in KMF s May 31, 2018 Semi-Annual Report to Stockholders.

KYE

Pursuant to an investment management agreement (the KYE Investment Management Agreement) between KYE and KAFA, KYE pays a management fee, computed and paid monthly at an annual rate of 1.25% of its average monthly total assets.

57

Table of Contents

For the fiscal year ended November 30, 2017, KYE paid management fees at an annual rate of 1.25% of its average monthly total assets.

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 day of the month with the total assets at the last day of the prior month. Total assets shall equal average monthly gross asset value (which includes assets attributable to or proceeds from the use of leverage instruments), minus the sum of accrued and unpaid distributions on common and preferred stock and accrued liabilities (other than liabilities associated with leverage and deferred taxes). Liabilities associated with leverage include the principal amount of any borrowings, commercial paper or notes that KYE may issue, the liquidation preference of outstanding preferred stock, and other liabilities from other forms of leverage such as short positions and put or call options held or written by KYE.

In addition to KAFA s management fee, KYE pays all other costs and expenses of its operations, such as compensation of our directors (other than those affiliated with Kayne Anderson), custodian, transfer agency, administrative, accounting and dividend disbursing expenses, legal fees, leverage expenses, expenses of independent auditors, expenses of personnel including those who are affiliates of KAFA reasonably incurred in connection with arranging or structuring portfolio transactions for KYE, expenses of repurchasing our securities, expenses of preparing, printing and distributing stockholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

The KYE Investment Management Agreement will continue in effect from year to year after its current one-year term commencing on March 31, 2018, so long as its continuation is approved at least annually by KYE s Board of Directors including a majority of Independent Directors or by the vote of a majority of our outstanding voting securities (as such term is defined under the 1940 Act). The Investment Management Agreement may be terminated at any time without the payment of any penalty upon 60 days written notice by either party, or by action of the Board of Directors or by a vote of a majority of KYE outstanding voting securities, accompanied by appropriate notice. It also provides that it will automatically terminate in the event of its assignment, within the meaning of the 1940 Act. This means that an assignment of the KYE Investment Management Agreement to an affiliate of Kayne Anderson would normally not cause a termination of the KYE Investment Management Agreement.

Because KAFA s fee is based upon a percentage of KYE s total assets, KAFA s fee will be higher to the extent KYE employs financial leverage. As noted, KYE has issued Leverage Instruments in a combined amount equal to approximately 33% of its total assets as of February 28, 2018. If the Reorganization is not consummated and KYE continues as a standalone Fund, it is expected that KAFA would continue in its role. If applicable, a discussion regarding the basis of the KYE Board of Directors decision to approve the continuation of the KYE Investment Management Agreement will be available in KYE s May 31, 2018 Semi-Annual Report to Stockholders.

Table of Contents

Capitalization

The table below sets forth the capitalization of KMF and KYE as of November 30, 2017, and the pro forma capitalization of the Combined Fund as if the Reorganization had occurred on that date. The information presented in the table is for informational purposes only. If the Reorganization is consummated, the actual capitalization is likely to be different on the closing date of the transaction as a result of trading activity and changes in net asset value.

	As of November 30, 2017		
	KMF	KYE	Pro Forma Combined KMF
	($ in thousands, except per share data)		
Cash and Cash Equivalents	$ 2,031	$ 11,504	$ 13,535
Term Loan(1)		21,000	21,000
Notes	91,000	115,000	206,000
Mandatory Redeemable Preferred Stock(2):			
Series C MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (1,400,000 shares issued and outstanding, 1,400,000 shares authorized)	35,000		35,000
Series C MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (800,000 shares issued and outstanding, 800,000 shares authorized)		20,000	
Series D MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (800,000 shares issued and outstanding, 800,000 shares authorized)		20,000	
Series D MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (800,000 shares issued and outstanding, 800,000 authorized)(3)			20,000
Series E MRP Shares, $0.001 par value per share, liquidation preference $25.00 per share (800,000 shares issued and outstanding, 800,000 authorized)(3)			20,000
Common Stockholders Equity:			
Common stock, $0.001 par value per share (198,600,000 KMF shares, 198,400,000 KYE shares and 197,000,000 Combined Fund shares authorized; 22,277,499 KMF shares, 36,742,919 KYE shares and 49,426,453 Combined Fund shares issued; 22,034,170 KMF shares, 36,742,919 KYE shares and 49,183,123 Combined Fund shares outstanding)(2)(4)	$ 22	$ 37	$ 49
Paid-in capital(4)	445,109	506,650	950,990
Accumulated net investment income less distributions not treated as tax return of capital	(9,104)	(8,235)	(17,339)
Accumulated net realized losses less distributions not treated as tax return of capital	(117,312)	(112,205)	(229,517)
Net unrealized gains (losses)	(6,872)	(2,016)	(8,888)

Net assets applicable to common stockholders	$ 311,843	$ 384,231	$ 695,295
Shares of common stock outstanding	22,034,170	36,742,919	49,183,124
Net asset value per share	$ 14.15	$ 10.46	$ 14.14

(1) As of November 30, 2017, KMF and KYE had unsecured revolving credit facilities and term loans. The pro forma Combined Fund assumes the termination of KYE s credit facility and term loan and a subsequent increase in KMF s term loan to absorb the amount of outstanding KYE borrowings as of November 30, 2017.

Table of Contents

(2) Neither KMF nor KYE holds any of its common stock or preferred stock for its own account.

(3) Reflects the new KMF MRP Shares to be issued in the Reorganization to replace the currently outstanding KYE MRP Shares.

(4) Reflects the capitalization adjustments giving the effect of the transfer of shares of KMF which KYE stockholders will receive as if the Reorganization had taken place on November 30, 2017. Costs related to the Reorganization are currently estimated to be approximately $779 or 0.1% of pro forma Combined Fund net assets, which equates to $349 or $0.016 per share for KMF and $430 or $0.012 per share for KYE as of February 28, 2018. Of the Reorganization costs, $561 is related to out of pocket expenses, and $218 is a write-off of debt issuance cost, which is a non-cash expense.

Table of Contents

Automatic Dividend Reinvestment Plan

This section relates to KMF and its Automatic Dividend Reinvestment Plan (other parts of this document relate to both KMF and KYE). Accordingly, references to we us our or the Fund in this section are references to KMF.

We have adopted a Dividend Reinvestment Plan (the Plan) that provides that, unless you elect to receive your dividends or distributions in cash, they will be automatically reinvested by the Plan Administrator, American Stock Transfer & Trust Company (AST), in additional shares of our common stock. If you elect to receive your dividends or distributions in cash, you will receive them in cash paid by check mailed directly to you by the Plan Administrator.

No action is required on the part of a registered stockholder to have their cash distribution reinvested in shares of our common stock. Unless you or your brokerage firm decides to opt out of the Plan, the number of shares of common stock you will receive will be determined as follows:

(1) The number of shares to be issued to a stockholder shall be based on share price equal to 95% of the closing price of our common stock one day prior to the dividend payment date.

(2) Our Board of Directors may, in its sole discretion, instruct us to purchase shares of our common stock in the open market in connection with the implementation of the Plan as follows: if our common stock is trading below net asset value at the time of valuation, upon notice from us, the Plan Administrator will receive the dividend or distribution in cash and will purchase common stock in the open market, on the NYSE or elsewhere, for the participants accounts, except that the Plan Administrator will endeavor to terminate purchases in the open market and cause us to issue the remaining shares if, following the commencement of the purchases, the market value of the shares, including brokerage commissions, exceeds the net asset value at the time of valuation. Provided the Plan Administrator can terminate purchases on the open market, the remaining shares will be issued by us at a price equal to the greater of (i) the net asset value at the time of valuation or (ii) 95% of the then current market price. It is possible that the average purchase price per share paid by the Plan Administrator may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid entirely in common stock issued by us.

You may withdraw from the Plan at any time by giving written notice to the Plan Administrator, or by telephone in accordance with such reasonable requirements as we and the Plan Administrator may agree upon. If you withdraw or the Plan is terminated, you will receive a certificate for each whole share in your account under the Plan and you will receive a cash payment for any fractional shares in your account. If you wish, the Plan Administrator will sell your shares and send the proceeds to you, less brokerage commissions. The Plan Administrator is authorized to deduct a $15 transaction fee plus a $0.10 per share brokerage commission from the proceeds.

The Plan Administrator maintains all common stockholders accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common stock in your account will be held by the Plan Administrator in non-certificated form. The Plan Administrator will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to us. Any proxy you receive will include all common stock you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in common stock. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Administrator when it makes open market purchases.

Automatically reinvesting dividends and distributions does not avoid a taxable event or the requirement to pay income taxes due upon the receipt of dividends and distributions, even though you have not received any cash with which to pay the resulting tax.

If you hold your common stock with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any distribution reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

The Plan Administrator s fees under the Plan will be borne by us. There is no direct service charge to participants in the Plan; however, we reserve the right to amend or terminate the Plan, including amending the Plan to include a service charge payable by the participants, if in the judgment of the Board of Directors the change is warranted. Any amendment to the Plan, except amendments necessary or appropriate to comply with applicable law or the rules and policies of the SEC or any other regulatory authority, require us to provide at least 30 days written notice to each participant. Additional information about the Plan may be obtained from American Stock Transfer & Trust Company at 6201 15th Avenue, Brooklyn, New York 11219.

Governing Law

Each Fund is organized as a corporation under the laws of the State of Maryland. KMF was formed in August 2010 and began investment activities in November 2010 after its initial public offering. KYE was formed in March 2005 and began investment activities in June 2005 after its initial public offering.

Each Fund is also subject to federal securities laws, including the 1940 Act and the rules and regulations promulgated by the SEC thereunder, and applicable state securities laws. Each Fund is registered as a non-diversified, closed-end management investment company under the 1940 Act.

Table of Contents

Description of Securities

This section contains a Description of Securities issued (or to be issued) by KMF (other parts of this document relate to both KMF and KYE). Accordingly, references to we us our or the Fund in this section are references to KMF.

The following description is based on relevant portions of the Maryland General Corporation Law and on our Charter and Bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our Charter and Bylaws for a more detailed description of the provisions summarized below. In addition, the description of our common stock and preferred stock also generally describe the outstanding common stock and preferred stock of KYE (including the KYE MRP Shares that will be replaced with new KMF MRP Shares in the Reorganization).

Common Stock

General

As of February 28, 2018, KMF had 22,277,499 shares of common stock issued and 22,034,170 shares outstanding (out of an authorized total of 198,600,000). Shares of KMF s common stock are listed on the New York Stock Exchange under the symbol KMF.

As of February 28, 2018, KYE had 36,742,919 shares of common stock issued and outstanding (out of an authorized total of 198,400,000). Shares of KYE s common stock are listed on the New York Stock Exchange under the symbol KYE.

As of February 28, 2018, neither KMF nor KYE held any of its common stock or preferred stock for its own account.

All common stock offered pursuant to this joint proxy statement/prospectus will be, upon issuance, duly authorized, fully paid and nonassessable. All common stock offered pursuant to this joint proxy statement/prospectus will be of the same class and will have identical rights, as described below. Holders of shares of common stock are entitled to receive distributions when, as and if authorized by the Board of Directors and declared by us out of assets legally available for the payment of distributions. Holders of common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Shares of common stock are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. All shares of common stock have equal earnings, assets, distribution, liquidation and other rights.

Distributions

Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor.

The yield on our common stock will likely vary from period to period depending on factors including the following:

- market conditions;

the timing of our investments in portfolio securities;

the securities comprising our portfolio;

- changes in interest rates (including changes in the relationship between short-term rates and long-term rates);

- the amount and timing of the use of borrowings and other leverage by us;

- the effects of leverage on our common stock (discussed under Effects of Leverage);

- the timing of the investment of offering proceeds and leverage proceeds in portfolio securities; and

- our net assets and operating expenses.

Consequently, we cannot guarantee any particular yield on our common stock, and the yield for any given period is not an indication or representation of future yield on the common stock.

Limitations on Distributions

So long as our MRP Shares are outstanding, holders of common stock or other shares of stock, if any, ranking junior to our MRP Shares as to dividends or upon liquidation will not be entitled to receive any distributions from us unless (1) we have declared and paid all accumulated dividends due on the MRP Shares on or prior to the date of such distribution; (2) we have redeemed the full number of MRP Shares required to be redeemed by any provision for mandatory redemption contained in the articles supplementary of such MRP Shares; (3) our asset coverage (as defined in the 1940 Act) with respect to outstanding debt securities and preferred stock would be at least 225%; and (4) the assets in our portfolio have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance amount required by such rating agency under its specific rating agency guidelines, in each case, after giving effect to distributions. In determining whether a distribution may be made to holders of common stock under Maryland law, amounts that would be needed, if the Fund were to be dissolved, to satisfy the liquidation preference of the MRP Shares will not be added to the Fund s total liabilities.

So long as senior securities representing indebtedness, including the Notes, are outstanding, holders of shares of common stock will not be entitled to receive any distributions from us unless (1) there is no event of default existing under the terms of our Borrowings, including the Notes, (2) our asset coverage (as defined in the 1940 Act) with respect to any outstanding senior securities representing indebtedness would be at least 300% and (3) the assets in our portfolio have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance amount required by such rating agency under its specific rating agency guidelines, in each case, after giving effect to such distribution.

Liquidation Rights

Common stockholders are entitled to share ratably in our assets legally available for distribution to stockholders in the event of liquidation, dissolution or winding up, after payment of or adequate provision for all known debts and liabilities, including any outstanding debt securities or other borrowings and any interest thereon. These rights are subject to the preferential rights of any other class or series of our stock, including the MRP Shares. The rights of common stockholders upon liquidation, dissolution or winding up are subordinated to the rights of holders of outstanding Notes and the MRP Shares.

Voting Rights

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of the common stockholders, including the election of directors. The presence of the holders of shares of stock entitled to cast a majority of all the votes entitled to be cast shall constitute a quorum at a meeting of stockholders. Our Charter provides that, except as otherwise provided in the Bylaws, directors shall be elected by the affirmative vote of the holders of a majority of the shares of stock outstanding and entitled to vote thereon. There is no cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the outstanding shares of stock entitled to vote will be able to elect all of the successors of the class of directors whose terms expire at that meeting, except that holders of preferred stock, as a class, have the right to elect two directors at all times. Pursuant to our Charter and Bylaws, the Board of Directors may amend the Bylaws to alter the vote required to elect directors.

Under the rules of the NYSE applicable to listed companies, we normally will be required to hold an annual meeting of stockholders in each fiscal year. If we are converted into an open-end company or if for any reason the shares are no longer listed on the NYSE (or any other national securities exchange the rules of which require annual meetings of stockholders), and our Board is de-classified, we may amend our Bylaws so that we are not otherwise required to hold annual meetings of stockholders.

Issuance of Additional Shares

The provisions of the 1940 Act generally require that the public offering price of common stock of a closed-end investment company (less underwriting commissions and discounts) must equal or exceed the NAV of such company s common stock (calculated within 48 hours of pricing), unless such sale is made with the consent of a majority of the company s outstanding common stockholders. Any sale of common stock by us will be subject to the requirement of the 1940 Act.

Preferred Stock

In addition to our currently outstanding preferred stock, this section includes a brief description of the terms of the KMF MRP Shares to be issued in the Reorganization, as if such shares had been outstanding as of the relevant dates. The terms of the KMF MRP Shares will be substantially identical, as of the time of the exchange, to the outstanding KYE MRP Shares for which they are exchanged.

General

The table below sets forth the key terms of each series of KMF s outstanding MRP Shares, including the Series D and Series E MRP Shares to be issued in the Reorganization, as of February 28, 2018:

Series	Shares Outstanding[(1)]	Liquidation Value ($ in millions)	Dividend Rate	Mandatory Redemption Date
C	1,400,000	35	4.06%	July 2021
D	800,000	20	3.36%	September 2021
E	800,000	20	4.07%	December 2024
	3,000,000	$ 75		

(1) Each share has a liquidation preference of $25.00.

As of February 28, 2018, KYE had 800,000 Series C MRP Shares and 800,000 Series D MRP Shares (out of 1,600,000 total authorized preferred shares). The KYE Series C MRP Shares have a liquidation preference of $25.00 per share, a dividend rate of 3.36% per annum, and a mandatory redemption date of September 7, 2021. The KYE Series D MRP Shares have a liquidation preference of $25.00 per share, a dividend rate of 4.07% per annum, and a mandatory redemption date of December 1, 2024. In connection with the Reorganization, we will issue 1,600,000 KMF MRP Shares to replace the KYE MRP Shares. In this section, we collectively refer to our outstanding preferred stock, together with the KMF Series D MRP Shares and KMF Series E MRP Shares, as the MRP Shares.

Table of Contents

Preference

Preferred stock (including the MRP Shares) ranks junior to our debt securities (including the Notes), and senior to all common stock. Under the 1940 Act, we may only issue one class of senior equity securities (preferred stock), and we are not permitted to issue preferred stock unless immediately after such issuance the value of our total assets less all liabilities and indebtedness not represented by senior securities is at least 200% of the sum of the liquidation value of the outstanding preferred stock plus the aggregate amount of senior securities representing indebtedness. So long as any MRP Shares are outstanding, additional issuances of preferred stock must be considered to be of the same class as any MRP Shares under the 1940 Act and interpretations thereunder and must rank on a parity with the MRP Shares with respect to the payment of dividends or the distribution of assets upon our liquidation or winding up (Parity Shares). Pursuant to the terms of our MRP Shares, we may issue Parity Shares if, upon issuance (1) we meet the asset coverage test of at least 225%, (2) we maintain assets in our portfolio that have a value, discounted in accordance with current applicable rating agency guidelines, at least equal to the basic maintenance amount required under such rating agency guidelines (3) all accrued and unpaid dividends on the MRP Shares have been paid and (4) all redemptions required in respect of the MRP Shares have been effectuated.. The MRP Shares shall have the benefit of any rights substantially similar to certain mandatory redemption and voting provisions in the articles supplementary for the Parity Shares which are additional or more beneficial than the rights of the holders of the MRP Shares. Such rights incorporated by reference into the articles supplementary for each series of MRP Shares shall be terminated when and if terminated with respect to the other Parity Shares and shall be amended and modified concurrently with any amendment or modification of such other Parity Shares.

Dividends and Dividend Periods

General. Holders of the MRP Shares will be entitled to receive cash dividends, when, as and if authorized by the Board of Directors and declared by us, out of funds legally available therefor, on the initial dividend payment date with respect to the initial dividend period and, thereafter, on each dividend payment date with respect to a subsequent dividend period at the rate per annum (the Dividend Rate) equal to the applicable rate (or the default rate) for each dividend period. The applicable rate is computed on the basis of a 360 day year. Dividends so declared and payable shall be paid to the extent permitted under Maryland law and to the extent available and in preference to and priority over any distributions declared and payable on our common stock.

Payment of Dividends, Dividend Periods and Fixed Dividend Rate. Dividends on the MRP Shares will be payable quarterly. Dividend periods for each series of the MRP Shares will end on February 28, May 31, August 31 and November 30,. Dividends will be paid on the first business day following the last day of each dividend period and upon redemption of such series of the MRP Shares. The table below sets forth applicable rate (per annum) for each series of MRP Shares, and may be adjusted upon a change in the credit rating of such series of MRP Shares.

Series	Fixed Dividend Rate
C	4.06%
D	3.36%
E	4.07%

Table of Contents

Adjustment to MRP Shares Fixed Dividend Rate Ratings. So long as each series of MRP Shares are rated on any date no less than A by Fitch (and no less than an equivalent of such ratings by some other rating agency), then the Dividend Rate will be equal to the applicable rate for such series of MRP Shares. As of February 28, 2018, Fitch assigned each of our outstanding series of MRP Shares a rating of A . If the lowest credit rating assigned on any date to the then outstanding MRP Shares by Fitch (or any other rating agency) is equal to one of the ratings set forth in the table below (or its equivalent by some other rating agency), the Dividend Rate applicable to such outstanding MRP Shares for such date will be adjusted by adding the respective enhanced dividend amount (which shall not be cumulative) set opposite such rating to the applicable rate.

Fitch	Enhanced Dividend Amount
A	0.5%
BBB+ to BBB	2.0%
BB+ and lower	4.0%

If no rating agency is rating our MRP Shares, the Dividend Rate (so long as no rating exists) applicable to such series of MRP Shares for such date shall be the rate equal to the applicable rate plus 4.0%, unless the Dividend Rate is the default rate (namely, the applicable rate in effect on such calendar day, without adjustment for any credit rating change on such MRP Shares, plus 5% per annum), in which case the Dividend Rate shall remain the default rate.

Default Rate Default Period. The Dividend Rate will be the default rate in the following circumstances. Subject to the cure provisions below, a Default Period with respect to MRP Shares will commence on a date we fail to (i) pay directly or deposit irrevocably in trust in same-day funds with the paying agent by 1:00 p.m. New York City time the full amount of any dividends on the MRP Shares payable on the dividend payment date (a Dividend Default) or (ii) pay directly, or deposit irrevocably in trust in same-day funds with the paying agent by 1:00 p.m., New York City time, the full amount of any redemption price payable on a mandatory redemption date (a Redemption Default).

In the case of a Dividend Default, the Dividend Rate for each day during the Default Period will be equal to the default rate. The default rate for any calendar day shall be equal to the applicable rate in effect on such day (without adjustment for any credit rating change on such series of MRP Shares) plus five percent (5%) per annum. Subject to the cure period discussed in the following paragraph, a default period with respect to a Dividend Default or a Redemption Default shall end on the business day on which by 12:00 noon, New York City time, all unpaid dividends and any unpaid redemption price shall have directly paid.

No Default Period with respect to a Dividend Default or Redemption Default (if such default is not solely due to our willful failure) will be deemed to commence if the amount of any dividend or any redemption price due is paid (or shall, in the case of Series F MRP Shares, have been deposited irrevocably in trust in same-day funds with the paying agent for the Series F MRP Shares) within three business days (the Default Rate Cure Period) after the applicable dividend payment date or redemption date, together with an amount equal to the default rate applied to the amount of such non-payment based on the actual number of days within the Default Rate Cure Period divided by 360.

Upon failure to pay dividends for two years or more, the holders of MRP Shares will acquire certain additional voting rights. See Voting Rights. Such rights shall be the exclusive remedy of the holders of MRP Shares upon any failure to pay dividends on the MRP Shares.

Distributions. Distributions declared and payable shall be paid to the extent permitted under Maryland law and to the extent available and in preference to and priority over any distribution declared and payable on the common stock or any other junior securities. Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, it is possible that a portion of a distribution payable on our preferred stock will be paid from sources other than our current or

Table of Contents

accumulated earnings and profits. The portion of such distribution which exceeds our current or accumulated earnings and profits would be treated as a return of capital to the extent of the stockholder s basis in our preferred stock, then as capital gain.

Redemption

Term Redemption. We are required to redeem all of the Series C MRP Shares on July 30, 2021, all of the Series D MRP Shares on September 7, 2021, and all of the Series E MRP Shares on December 1, 2024 (each such date, a Term Redemption Date).

MRP Shares Optional Redemption. To the extent permitted under the 1940 Act and Maryland law, we may, at our option, redeem the MRP Shares, in whole or in part, out of funds legally available therefor, at any time and from time to time, upon not less than 20 calendar days nor more than 40 calendar days prior notice. The optional redemption price per MRP Share shall be the $25.00 per share (the Liquidation Preference Amount) plus accumulated but unpaid dividends and distributions on such series of MRP Shares (whether or not earned or declared by us) to, but excluding, the date fixed for redemption, plus an amount determined in accordance with the applicable articles supplementary for each such series of MRP Shares which compensates the holders of such series of MRP Shares for certain losses resulting from the early redemption of such series of MRP Shares (the Make-Whole Amount). Notwithstanding the foregoing, we may, at our option, redeem the MRP Shares within 180 days prior to the applicable Term Redemption Date for such series of MRP Shares, at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared by us but excluding interest thereon) to, but excluding, the date fixed for redemption.

In addition to the rights to optionally redeem the MRP Shares described above, if the asset coverage with respect to outstanding debt securities and preferred stock is less than or equal to 235% (and greater than 225% for the Series C MRP Shares), for any five business days within a ten business day period determined in accordance with the terms of the articles supplementary for such series of MRP Shares, we, upon notice (as provided below) of not less than 12 days, nor more than 40 days notice in any case, may redeem such series of MRP Shares at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared) to, but excluding, the date fixed for redemption, plus a redemption amount equal to 2% of the liquidation preference amount. The amount of the MRP Shares that may be so redeemed shall not exceed an amount of such series of MRP Shares which results in an asset coverage of more than 250% pro forma for such redemption.

We shall not give notice of or effect any optional redemption unless (in the case of any partial redemption of a series of MRP Shares) on the date of such notice and on the date fixed for the redemption, we would satisfy the basic maintenance amount set forth in current applicable rating agency guidelines and the asset coverage with respect to outstanding debt securities and preferred stock is greater than or equal to 225% immediately subsequent to such redemption, if such redemption were to occur on such date.

Mandatory Redemption. If, while any MRP Shares are outstanding, we fail to satisfy the asset coverage as of the last day of any month or the basic maintenance amount as of any valuation date, and such failure is not cured as of the close of business on the date that is 30 days from such business day (any such day, an Asset Coverage Cure Date), the MRP Shares will be subject to mandatory redemption out of funds legally available therefor at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared by us, but excluding interest thereon) to, but excluding, the date fixed for redemption, plus a redemption amount equal to 1% of the Liquidation Preference Amount.

The number of MRP Shares to be redeemed under these circumstances will be equal to the product of (1) the quotient of the number of outstanding MRP Shares of each series divided by the aggregate number of outstanding shares of preferred stock (including the MRP Shares) which have an asset coverage test greater than or equal to 225% times (2) the minimum number of outstanding shares of preferred stock (including the MRP

Table of Contents

Shares) the redemption of which, would result in us satisfying the asset coverage and basic maintenance amount as of the Asset Coverage Cure Date, as applicable (provided that, if there is no such number of MRP Shares of such series the redemption of which would have such result, we shall, subject to certain limitation set forth in the next paragraph, redeem all MRP Shares of such series then outstanding).

We are required to effect such mandatory redemptions not later than 40 days after the Asset Coverage Cure Date (each a Mandatory Redemption Date), except (1) if we do not have funds legally available for the redemption of, or (2) such redemption is not permitted under our credit facility, any agreement or instrument consented to or agreed to by the applicable preferred stock holders pursuant to the applicable articles supplementary or the note purchase agreements relating to the Notes to redeem or (3) if we are not otherwise legally permitted to redeem the number of MRP Shares which we would be required to redeem under the articles supplementary of such series of MRP Shares if sufficient funds were available, together with shares of other preferred stock which are subject to mandatory redemption under provisions similar to those contained in the articles supplementary for such series of MRP Shares, we shall redeem those MRP Shares, and any other preferred stock which we were unable to redeem, on the earliest practical date on which we will have such funds available, and we are otherwise not prohibited from redeeming pursuant to the credit facility or the note purchase agreements relating to the Notes or other applicable laws. In addition, our ability to make a mandatory redemption may be limited by the provisions of the 1940 Act or Maryland law.

If fewer than all of the outstanding shares of a series of MRP Shares are to be redeemed in an optional or mandatory redemption, we shall allocate the number of shares required to be redeemed pro rata among the holders of such series of MRP Shares in proportion to the number of shares they hold.

Redemption Procedure. In the event of a redemption, we will, if required, file a notice of our intention to redeem any MRP Shares with the SEC under Rule 23c-2 under the 1940 Act or any successor provision to the extent applicable. We also shall deliver a notice of redemption to the paying agent and the holders of MRP Shares to be redeemed as specified above for an optional or mandatory redemption (Notice of Redemption).

If Notice of Redemption has been given, then upon the deposit with the paying agent sufficient to effect such redemption, dividends on such shares will cease to accumulate and such shares will be no longer deemed to be outstanding for any purpose and all rights of the holders of the shares so called for redemption will cease and terminate, except the right of the holders of such shares to receive the redemption price, but without any interest or additional amount.

Notwithstanding the provisions for redemption described above, but subject to provisions on liquidation rights described below, no MRP Shares may be redeemed unless all dividends in arrears on the outstanding MRP Shares and any of our outstanding shares ranking on a parity with the MRP Shares with respect to the payment of dividends or upon liquidation have been or are being contemporaneously paid or set aside for payment. However, at any time, we may purchase or acquire all the outstanding MRP Shares pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, holders of all outstanding MRP Shares.

Except for the provisions described above, nothing contained in the articles supplementary for each series of MRP Shares limits our legal right to purchase or otherwise acquire any MRP Shares at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory redemption, so long as, at the time of any such purchase (1) there is no arrearage in the payment of dividends on, or the mandatory or optional redemption price with respect to, any MRP Shares for which a Notice of Redemption has been given, (2) we are in compliance with the asset coverage with respect to our outstanding debt securities and preferred stock of 225% and the basic maintenance amount set forth in the current applicable rating agency guidelines after giving effect to such purchase or acquisition on the date thereof and (3) we make an offer to purchase or otherwise acquire any shares of such series of

MRP Shares pro rata to the holders of all such MRP Shares at the time outstanding upon the same terms and conditions.

Table of Contents

Any shares purchased, redeemed or otherwise acquired by us shall be returned to the status of authorized but unissued shares of common stock.

Limitations on Distributions

So long as we have senior securities representing indebtedness and Notes outstanding, holders of preferred stock will not be entitled to receive any distributions from us unless (1) asset coverage (as defined in the 1940 Act) with respect to outstanding debt securities and preferred stock would be at least 225%, (2) the assets in our portfolio that have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance amount required by such rating agency under its specific rating agency guidelines, in each case, after giving effect to such distributions, (3) full cumulative dividends on the MRP Shares due on or prior to the date of such distribution have been declared and paid, and (4) we have redeemed the full number of MRP Shares required to be redeemed by any provision for mandatory redemption applicable to the MRP Shares, and (5) there is no event of default or default under the terms of our senior securities representing indebtedness or Notes.

Liquidation Rights

In the event of any liquidation, dissolution or winding up, the holders of MRP Shares then outstanding, together with the holders of any other shares of preferred stock ranking in parity with the MRP Shares would be entitled to receive a preferential liquidating distribution, which is expected to equal the liquidation preference per share plus accumulated and unpaid dividends, whether or not earned or declared, but without interest, before any distribution of assets is made to holders of common stock. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of preferred stock will not be entitled to any further participation in any distribution of our assets. If, upon any such liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, our assets available for distribution among the holders of all outstanding preferred stock shall be insufficient to permit the payment in full to such holders of the amounts to which they are entitled, then available assets shall be distributed among the holders of all outstanding preferred stock ratably in that distribution of assets according to the respective amounts which would be payable on all such shares if all amounts thereon were paid in full. Preferred stock ranks junior to our debt securities upon our liquidation, dissolution or winding up of our affairs.

Voting Rights

Except as otherwise indicated in our Charter or Bylaws, or as otherwise required by applicable law, holders of preferred stock have one vote per share and vote together with holders of common stock as a single class.

The 1940 Act requires that the holders of any preferred stock, voting separately as a single class, have the right to elect at least two directors at all times. The remaining directors will be elected by holders of common stock and preferred stock, voting together as a single class. In addition, the holders of any shares of preferred stock have the right to elect a majority of the directors at any time two years accumulated dividends on any preferred stock are unpaid. The 1940 Act also requires that, in addition to any approval by stockholders that might otherwise be required, the approval of the holders of a majority of shares of any outstanding preferred stock, voting separately as a class, would be required to (i) adopt any plan of reorganization that would adversely affect the preferred stock, and (ii) take any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in our subclassification as a closed-end investment company or changes in our fundamental investment restrictions. See Certain Provisions of the Maryland General Corporation Law and our Charter and Bylaws. As a result of these voting rights, our ability to take any such actions may be impeded to the extent that any shares of our preferred stock are outstanding.

The affirmative vote of the holders of the 1940 Act Majority (as defined in our Charter) of the outstanding preferred stock, voting as a separate class will be required (1) to amend, alter or repeal any of the

Table of Contents

preferences, rights or powers of holders of our preferred stock so as to affect materially and adversely such preferences, rights or powers, and (2) to approve the creation, authorization or issuance of shares of any class of stock (or the issuance of a security convertible into, or a right to purchase, shares of a class or series) ranking senior to our preferred stock with respect to the payment of dividends or the distribution of assets. The class vote of holders of preferred stock described above will in each case be in addition to any other vote required to authorize the action in question.

Repurchase Rights

We will have the right (to the extent permitted by applicable law) to purchase or otherwise acquire any preferred stock, other than the MRP Shares, so long as (1) asset coverage (as defined in the 1940 Act) with respect to outstanding debt securities and preferred stock would be at least 225%, (2) the assets in our portfolio have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance amount required by such rating agency under its specific rating agency guidelines, in each case after giving effect to such transactions, (3) full cumulative dividends on the MRP Shares due on or prior to the date of such purchase or acquisition have been declared and paid and (4) we have redeemed the full number of MRP Shares required to be redeemed by any provision for mandatory redemption applicable to the MRP Shares.

Market

Our MRP Shares are not listed (and the KMF Series D MRP Shares and KMF Series E MRP Shares will not be listed) on an exchange or an automated quotation system. *Transfer Agent, Registrar, Dividend Paying Agent and Redemption Agent*

The Bank of New York Mellon Trust Company, N.A., 601 Travis Street, 16th Floor, Houston, Texas 77002, serves as the transfer agent, registrar, dividend paying agent and redemption agent with respect to our MRP Shares.

Debt Securities

Under Maryland law and our Charter, we may borrow money, without prior approval of holders of common and preferred stock to the extent permitted by our investment restrictions and the 1940 Act. We may issue debt securities, including additional unsecured fixed and floating rate notes, or other evidence of indebtedness (including bank borrowings or commercial paper) and may secure any such notes or borrowings by mortgaging, pledging or otherwise subjecting as security our assets to the extent permitted by the 1940 Act or rating agency guidelines. Any borrowings will rank senior to the preferred stock and the common stock.

General

As of February 28, 2018, the Fund and KYE had $91 million and $115 million aggregate principal amount of Notes, respectively. The Notes are subordinated in right of payment to any of our secured indebtedness or other secured obligations to the extent of the value of the assets that secure the indebtedness or obligation. The Notes may be prepaid prior to their maturity at our option, in whole or in part, under certain circumstances and are subject to mandatory prepayment upon an event of default.

Table of Contents

So long as Notes are outstanding, additional debt securities must rank on a parity with the Notes with respect to the payment of interest and upon the distribution of our assets. The table below sets forth the key terms of each series of KMF s and KYE s Notes (the latter of which will be assumed by KMF in connection with the Reorganization). The description of certain covenants applicable to our Notes below also applies to KYE s Notes.

Series	Principal Outstanding ($ in millions)	Fixed Interest Rate	Maturity
KMF			
C	21	4.00%	March 2022
D	40	3.34%	May 2023
E	30	3.46%	July 2021
	$ 91		
KYE			
I	5	2.59%	August 2018
J	25	3.07%	August 2020
K	42	3.72%	August 2023
L	38	3.82%	August 2025
M	5	3.36%	October 2021
	$ 115		

Interest

The Notes will bear interest from the date of issuance at the fixed or floating rate shown above. Holders of our fixed rate Notes are entitled to receive semi-annual cash interest payments at an annual rate per the terms of such notes. If we do not pay interest when due, it will trigger an event of default and we will be restricted from declaring dividends and making other distributions with respect to our common stock and preferred stock. As of February 28, 2018, each series of Notes were rated AAA by Fitch. In the event the credit rating on any series of Notes falls below A- (Fitch) or the equivalent rating from a nationally recognized statistical ratings organization, the interest rate (including any applicable default rate) on such series will increase by 1% during the period of time such series is rated below A- or the equivalent rating from a nationally recognized statistical ratings organization.

Limitations

Under the requirements of the 1940 Act, immediately after issuing any senior securities representing indebtedness, we must have an asset coverage of at least 300%. Asset coverage means the ratio which the value of our total assets, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness. Under the 1940 Act, we may only issue one class of senior securities representing indebtedness. So long as any Notes are outstanding, additional debt securities must rank on a parity with Notes with respect to the payment of interest and upon the distribution of our assets. We are subject to certain restrictions imposed by Fitch, including restrictions related to asset coverage and portfolio composition. Borrowings also may result in our being subject to covenants in credit agreements that may be more stringent than the restrictions imposed by the 1940 Act. For a description of limitations with respect to our preferred stock, see Preferred Stock Limitations on Distributions.

Table of Contents

Prepayment

To the extent permitted under the 1940 Act and Maryland law, we may, at our option, prepay the Notes, in whole or in part in the amounts set forth in the purchase agreements relating to such Notes, at any time from time to time, upon advance prior notice. The amount payable in connection with prepayment of the fixed rate notes is equal to 100% of the amount being repurchased, together with interest accrued thereon to the date of such prepayment and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. In the case of each partial prepayment, the principal amount of a series of Notes to be prepaid shall be allocated among all of such series of Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. If our asset coverage is greater than 300%, but less than 325%, for any five business days within a ten business day period, in certain circumstances, we may prepay all or any part of the Notes at par plus 2%, so long as the amount of Notes redeemed does not cause our asset coverage to exceed 340%.

Events of Default and Acceleration of Notes; Remedies

Any one of the following events will constitute an event of default under the terms of the Notes:

- default in the payment of any interest upon a series of debt securities when it becomes due and payable and the continuance of such default for 5 business days;

- default in the payment of the principal of, or premium on, a series of debt securities whether at its stated maturity or at a date fixed for prepayment or by declaration or otherwise;

- default in the performance, or breach, of certain financial covenants, including financial tests incorporated from other agreements evidencing indebtedness pursuant to the terms of the Notes, and covenants concerning the rating of the Notes, timely notification of the holders of the Notes of events of default, the incurrence of secured debt and the payment of dividends and other distributions and the making of redemptions on our capital stock, and continuance of any such default or breach for a period of 30 days; provided, however, in the case of our failure to maintain asset coverage or satisfy the basic maintenance test, such 30-day period will be extended by 10 days if we give the holders of the Notes notice of a prepayment of Notes in an amount necessary to cure such failure;

- default in the performance, or breach, of any covenant (other than those covenants described above) of ours under the terms of the Notes, and continuance of such default or breach for a period of 30 days after the earlier of (1) a responsible officer obtaining actual knowledge of such default and (2) our receipt of written notice of such default from any holder of such Notes;

- certain voluntary or involuntary proceedings involving us and relating to bankruptcy, insolvency or other similar laws;

- KAFA or one of its affiliates is no longer our investment adviser;

if, on the last business day of each of twenty-four consecutive calendar months, the debt securities have a 1940 Act asset coverage of less than 100%;

other defaults with respect to Borrowings in an aggregate principal amount of at least $5 million, including payment defaults and any other default that would cause (or permit the holders of such Borrowings to declare) such Borrowings to be due prior to stated maturity;

- if our representations and warranties or any representations and warranties of our officers made in connection with transaction relating to the issuance of the Notes prove to have been materially false or incorrect when made; or

- other certain events of default provided with respect to the Notes that are typical for Borrowings of this type.

Upon the occurrence and continuance of an event of default, the holders of a majority in principal amount of a series of outstanding Notes may declare the principal amount of that series of Notes immediately due and payable upon written notice to us. Upon an event of default relating to bankruptcy, insolvency or other similar laws, acceleration of maturity occurs automatically with respect to all series of Notes. At any time after a declaration of acceleration with respect to a series of Notes has been made, and before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of the outstanding Notes of that series, by written notice to us, may rescind and annul the declaration of acceleration and its consequences if all events of default with respect to that series of Notes, other than the non-payment of the principal of, and interest and certain other premiums relating to, that series of Notes which has become due solely by such declaration of acceleration, have been cured or waived and other conditions have been met.

Liquidation Rights

In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to us or to our creditors, as such, or to our assets, or (b) any liquidation, dissolution or other winding up of us, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of ours, then (after any payments with respect to any secured creditor of ours outstanding at such time) and in any such event the holders of our Notes shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all debt securities (including any interest accruing thereon after the commencement of any such case or proceeding), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of our Notes, before the holders of any of our common or preferred stock are entitled to receive any payment on account of any redemption proceeds, liquidation preference or dividends from such shares. The holders of our Notes shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of ours being subordinated to the payment of our Notes, which may be payable or deliverable in respect of our Notes in any such case, proceeding, dissolution, liquidation or other winding up event.

Unsecured creditors of ours may include, without limitation, service providers including KAFA, custodian, administrator, broker-dealers and the trustee, pursuant to the terms of various contracts with us. Secured creditors of ours may include without limitation parties entering into any interest rate swap, floor or cap transactions, or other similar transactions with us that create liens, pledges, charges, security interests, security agreements or other encumbrances on our assets.

A consolidation, reorganization or merger of us with or into any other company, or a sale, lease or exchange of all or substantially all of our assets in consideration for the issuance of equity securities of another company shall not be deemed to be a liquidation, dissolution or winding up of us.

Voting Rights

Our Notes have no voting rights, except to the extent required by law or as otherwise provided in the terms of the Notes relating to the acceleration of maturity upon the occurrence and continuance of an event of default. In connection with any other borrowings (if any), the 1940 Act does in certain circumstances grant to the lenders certain voting rights in the event of default in the payment of interest on or repayment of principal.

Table of Contents

Market

Our Notes are not listed on an exchange or automated quotation system.

Paying Agent

The Bank of New York Mellon Trust Company, N.A., 601 Travis Street, 16th Floor, Houston, Texas 77002, shall serve as the paying agent with respect to all of our Notes.

Certain Provisions of the Maryland General Corporation Law and our Charter and Bylaws

The Maryland General Corporation Law and our Charter and Bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. KYE s Charter and Bylaws contain substantially similar provisions. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms. We have not elected to become subject to the Maryland Control Share Acquisition Act.

Classified Board of Directors

Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The current terms for the first, second and third classes will expire in 2020, 2018 and 2019, respectively. Upon expiration of their current terms, directors of each class will be elected to serve until the third annual meeting following their election and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

Election of Directors

Our Charter and Bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect a director. As noted above, pursuant to our Charter and Bylaws, our Board of Directors may amend the Bylaws to alter the vote required to elect directors.

Number of Directors; Vacancies; Removal

Our Charter provides that the number of directors will be set only by the Board of Directors in accordance with our Bylaws. Our Bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, the number of directors may never be less than the minimum number required by the Maryland General Corporation Law or, unless our Bylaws are amended, more than fifteen. We have elected by provision in our Charter to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors. Accordingly, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Table of Contents

Our Charter provides that, subject to the rights of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause, as defined in the Charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Action by Stockholders

Under the Maryland General Corporation Law, stockholder action can be taken only at an annual or special meeting of stockholders or, with respect to the holders of common stock, unless the charter provides for stockholder action by less than unanimous written consent (which is not the case for our Charter), by unanimous written consent in lieu of a meeting. These provisions, combined with the requirements of our Bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals. Our Bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who is a stockholder of record at the time of giving the notice and at the time of the meeting and who is entitled to vote at the meeting and who has complied with the advance notice procedures of the Bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder a stockholder of record at the time of giving the notice and at the time of the meeting and who is entitled to vote at the meeting and who has complied with the advance notice provisions of the Bylaws.

Calling of Special Meetings of Stockholders

Our Bylaws provide that special meetings of stockholders may be called by our Board of Directors and certain of our officers. Additionally, our Bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by the secretary of the corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless advised by the board and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our Charter generally provides for approval of Charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our Charter also provides that certain Charter amendments, including but not limited to any charter amendment that would make our stock a redeemable security (within the meaning of the 1940 Act) or would cause us, whether by merger or otherwise, to convert from a closed-end company to an open-end company, and any proposal for our liquidation or dissolution, requires the approval of the stockholders entitled to cast at least 80% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least 80% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter.

Table of Contents

Additionally, any transaction between us and any person or group that is entitled to exercise, or direct the exercise of, or acquire the right to exercise or direct the exercise of, directly or indirectly, other than solely by virtue of a revocable proxy, one-tenth or more of the voting power in the election of directors, also requires the approval of at least 80% of the votes entitled to vote on the matter. However, if the transaction is approved by at least 80% of our continuing directors (in addition to approval by our Board of Directors), stockholder approval of the transaction is not required unless Maryland law or another provision of the Charter or Bylaws requires such approval.

The continuing directors are defined in our Charter as our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors. Our Charter and Bylaws provide that the Board of Directors will have the exclusive power to adopt, alter or repeal any provision of our Bylaws and to make new Bylaws.

Table of Contents

Market and Net Asset Value Information

Shares of KMF s and KYE s common stock are listed on the NYSE under the symbols KMF and KYE, respectively. KMF s and KYE s common stock commenced trading on the NYSE on November 24, 2010 and June 28, 2005, respectively.

Each Fund s common stock has traded both at a premium and at a discount in relation to its net asset value. As of February 28, 2018, each Fund s common stock was trading at a discount to net asset value, and we cannot assure that the common stock will trade at a premium in the future. Any issuance of common stock may have an adverse effect on prices in the secondary market for the Funds common stock by increasing the number of shares of common stock available, which may create downward pressure on the market price for the common stock. Shares of closed-end investment companies frequently trade at a discount to net asset value. See Risk Factors Additional Risks Related to Our Common Stock Market Discount From Net Asset Value Risk.

The following tables set forth for each of the fiscal quarters indicated the range of high and low closing sales price of the Funds common stock and the quarter-end sales price, each as reported on the NYSE, the net asset value per share of common stock and the premium or discount to net asset value per share at which the Funds shares were trading. Net asset value is determined on a daily basis. See Net Asset Value for information as to the determination of net asset value.

KMF

	Quarterly Closing Sales Price		Quarter-End Closing		
	High	**Low**	**Sales Price**	**Net Asset Value Per Share of Common Stock[(1)]**	**Premium/ (Discount) of Sales Price to Net Asset Value[(2)]**
Fiscal Year 2017					
Fourth Quarter	$ 14.76	$ 12.40	$ 12.88	$ 14.15	(9.0)%
Third Quarter	15.42	13.00	14.03	15.12	(7.2)
Second Quarter	16.72	14.96	14.96	15.64	(4.3)
First Quarter	17.01	15.19	16.46	17.78	(7.4)
Fiscal Year 2016					
Fourth Quarter	$ 15.96	$ 13.69	$ 15.33	$ 17.41	(11.9)%
Third Quarter	15.08	13.28	14.40	15.86	(9.2)
Second Quarter	13.49	9.83	13.39	14.48	(7.5)
First Quarter	15.14	7.01	9.71	9.55	1.7
Fiscal Year 2015					
Fourth Quarter	$ 24.12	$ 15.46	$ 15.46	$ 17.56	(12.0)%
Third Quarter	32.67	20.82	22.61	25.21	(10.3)
Second Quarter	34.97	30.85	32.72	36.62	(10.6)
First Quarter	35.82	30.13	34.42	36.80	(6.5)

(1) NAV per share is determined as of close of business on the last day of the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low closing sales prices, which may or may not fall on the last day of the quarter. NAV per share is calculated as described under the caption Net Asset Value.

(2) Calculated as of the quarter-end closing sales price divided by the quarter-end NAV.

Table of Contents

On February 28, 2018, the last reported sales price of KMF s common stock on the NYSE was $13.11, which represented a discount of approximately 2.3% to the NAV per share reported by KMF on that date.

As of February 28, 2018, KMF had approximately 22 million shares of common stock outstanding and had net assets applicable to common stockholders of approximately $296 million.

KYE

	Quarterly Closing Sales Price			Quarter-End Closing	
	High	**Low**	**Sales Price**	**Net Asset Value Per Share of Common Stock(1)**	**Premium/ (Discount) of Sales Price to Net Asset Value(2)**
Fiscal Year 2017					
Fourth Quarter	$ 11.17	$ 9.21	$ 9.68	$ 10.46	(7.5)%
Third Quarter	11.41	9.85	10.66	11.23	(5.1)
Second Quarter	12.94	11.00	11.00	11.61	(5.3)
First Quarter	12.97	11.34	12.78	13.18	(3.0)
Fiscal Year 2016					
Fourth Quarter	$ 11.89	$ 10.03	$ 11.52	$ 13.02	(11.5)%
Third Quarter	11.31	10.04	10.88	11.90	(8.6)
Second Quarter	10.08	7.35	9.89	10.94	(9.6)
First Quarter	12.50	5.08	7.41	7.38	0.4
Fiscal Year 2015					
Fourth Quarter	$ 16.08	$ 12.25	$ 12.43	$ 13.23	(6.0)%
Third Quarter	23.77	13.96	16.04	18.66	(14.0)
Second Quarter	26.66	23.09	23.62	26.40	(10.5)
First Quarter	28.96	24.29	26.66	26.83	(0.6)

(1) NAV per share is determined as of close of business on the last day of the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low closing sales prices, which may or may not fall on the last day of the quarter. NAV per share is calculated as described under the caption Net Asset Value.

(2) Calculated as of the quarter-end closing sales price divided by the quarter-end NAV.

On February 28, 2018, the last reported sales price of KYE s common stock on the NYSE was $9.60, which represented a discount of approximately 2.8% to the NAV per share reported by KYE on that date.

As of February 28, 2018, KYE had approximately 37 million shares of common stock outstanding and had net assets applicable to common stockholders of approximately $363 million.

Table of Contents

Performance Information

The performance table below, as of February 28, 2018, illustrates the past performance of an investment in each Fund. As shown in the table below, since KMF s inception, it has generally outperformed KYE on both a net asset value and market price basis. A Fund s past performance does not necessarily indicate how such Fund will perform in the future.

Average Annual Total Returns as of February 28, 2018

	Based on Net Asset Value(1)						Based on Market Price(2)					
	1 Year	3 Years	5 Years	10 Years	Inception(3)	KMF s Inception(4)	1 Year	3 Years	5 Years	10 Years	Inception(3)	KMF s Inception(4)
KMF	(18.1)%	(19.5)%	(7.3)%	N/A	0.4%	0.4%	(13.6)%	(18.3)%	(8.3)%	N/A	(0.6)%	(0.6)%
KYE	(18.0)%	(20.5)%	(10.4)%	(1.9)%	1.5%	(5.0)%	(17.8)%	(21.1)%	(12.1)%	(0.8)%	0.8%	(6.2)%

(1) 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 the reinvestment of distributions at actual prices pursuant to each Fund s dividend reinvestment plan.

(2) Total investment return based on market value is calculated assuming a purchase of common stock at the closing market price on the first day and a sale at the closing market price on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to each Fund s dividend reinvestment plan.

(3) KMF and KYE commenced investment operations on November 24, 2010 and June 28, 2005, respectively.

(4) Represents the applicable average annual total returns of the Funds since November 30, 2010, the first month-end following KMF s commencement of investment operations.

Net Asset Value

Calculation of Net Asset Value

Each Fund determines its net asset value on a daily basis and such calculation is made available on the Funds website, *www.kaynefunds.com*. Net asset value is computed by dividing the value of all of the Fund s assets (including accrued interest and distributions), less all of the Fund s liabilities (including accrued expenses, distributions payable, and any Borrowings) and the liquidation value of any outstanding preferred stock, by the total number of common shares outstanding.

Investment Valuation

Readily marketable portfolio securities listed on any 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.

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 mean of the bid and ask prices provided by an independent pricing service or, if such prices are not available or in the judgment of 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 mean of the bid and ask prices provided by the agent or syndicate bank or principal market maker. When price quotes for

Table of Contents

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.

Each Fund holds 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, shall each be valued in a manner that most fairly reflects fair value of the security on the valuation date. Unless otherwise determined by the Fund s 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 valuation and supporting documentation is submitted to the Valuation Committee (a committee of the 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.

Unless otherwise determined by the Board of Directors, each Fund values its PIPE investments that are convertible into or otherwise 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. The discount is initially equal to the discount negotiated at the time that the Fund agrees to a purchase price. To the extent that such securities are convertible or otherwise 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.

Each Fund values convertible preferred units in publicly traded MLPs using a convertible pricing model. This model takes into account the attributes of the convertible preferred units, including the preferred dividend, conversion ratio and call features, to determine the estimated value of such units. In using this model, each Fund estimates (i) the credit spread for the convertible preferred units which is based on credit spreads for companies in a similar line of business as the publicly traded MLP and (ii) the expected volatility for the publicly traded MLP s common units, which is based on the publicly traded MLP s historical volatility. Each Fund may then apply a discount to the value derived from the convertible pricing model to account for an expected discount in

Table of Contents

market prices for convertible securities relative to the values calculated using pricing models. If the valuation for the convertible preferred unit is less than the public market price for the publicly traded MLP s common units at such time, the public market price for the publicly traded MLP s common units will be used for the convertible preferred units.

Each Fund s investments in private companies are typically valued using one of or a combination of the following valuation techniques: (i) analysis of valuations for publicly traded companies in a similar line of business (public company analysis), (ii) analysis of valuations for comparable M&A transactions (M&A analysis) and (iii) discounted cash flow analysis. As of February 28, 2018, neither Fund had any investments in private companies.

The public company analysis utilizes valuation ratios (commonly referred to as trading multiples) for publicly traded companies in a similar line of business as the portfolio company to estimate the fair value of such portfolio company. Typically, the analysis focuses on the ratio of enterprise value (EV) to earnings before interest expense, income tax expense, depreciation and amortization (EBITDA) which is referred to as an EV/EBITDA multiple and the ratio of equity market value (EMV) to distributable cash flow (DCF) which is referred to as a EMV/DCF multiple. For these analyses, each Fund utilizes projections provided by external sources (i.e., third party equity research estimates) as well as internally developed estimates, and focuses on EBITDA and DCF projections for the current calendar year and next calendar year. Based on this data, each Fund selects a range of multiples for each metric given the trading multiples of similar publicly traded companies and apply such multiples to the portfolio company s EBITDA and DCF to estimate the portfolio company s enterprise value and equity value. When calculating these values, each Fund applies a discount to the portfolio company s estimated equity value for the lack of marketability in the portfolio company s securities.

The M&A analysis utilizes valuation multiples for historical M&A transactions for companies or assets in a similar line of business as the portfolio company to estimate the fair value of such portfolio company. Typically, the analysis focuses on EV/EBITDA multiples. Each Fund selects a range of multiples based on EV/EBITDA multiples for similar M&A transactions and applies such ranges to the portfolio company s EBITDA to estimate the portfolio company s enterprise value. Each Fund utilizes projections provided by external sources as well as internally developed estimates to calculate the valuation multiples of the comparable M&A transactions.

The discounted cash flow analysis is used to estimate the equity value for the portfolio company based on estimated cash flows of such portfolio company. Such cash flows include a terminal value for the portfolio company, which is typically based on an EV/EBITDA multiple. A present value of these cash flows is determined by using estimated discount rates (based on our estimate for required equity rate of return for such portfolio company).

Each Fund may invest in a taxable subsidiary formed to make and hold investments in accordance with its investment objective. Any investment in such a subsidiary will be valued based on the NAV of the subsidiary. The NAV of the subsidiary will be computed by dividing the value of all of the subsidiary s assets less all of its liabilities by the total number of the subsidiary s outstanding securities. The subsidiary s portfolio securities will be valued in accordance with the same valuation procedures applied to the Funds portfolio securities.

Under all of these valuation techniques, the Funds estimate operating results of their portfolio companies (including EBITDA and DCF). These estimates utilize unobservable inputs such as historical operating results, which may be unaudited, and projected operating results, which will be based on operating assumptions for such portfolio company. These estimates will be sensitive to changes in assumptions specific to such portfolio company as well as general assumptions for the industry. Other unobservable inputs utilized in the valuation techniques outlined above include: discounts for lack of marketability, selection of publicly traded companies, selection of similar M&A transactions, selected ranges for valuation multiples and expected required rates of return (discount rates).

82

Changes in EBITDA multiples, DCF multiples, or discount rates, each in isolation, may change the fair value of a Fund s portfolio investments. Generally, a decrease in EBITDA multiples or DCF multiples, or an increase in discount rates will result in a decrease in the fair value of such portfolio investments.

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 investments may fluctuate from period to period. Additionally, the fair value of 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 a Fund may ultimately realize.

Table of Contents

Financial Highlights

KMF

The Financial Highlights set forth below are derived from KMF s financial statements, the accompanying notes thereto, and the report of PricewaterhouseCoopers LLP thereon for the fiscal year ended November 30, 2017 which are incorporated by reference into the Statement of Additional Information. Copies of the Statement of Additional Information are available from KMF without charge upon request.

KMF FINANCIAL HIGHLIGHTS

(amounts in 000 s, except share and per share amounts)

	For the Fiscal Year Ended November 30, 2017	2016	2015
Per Share of Common Stock[1]			
Net asset value, beginning of period	$ 17.41	$ 17.56	$ 39.51
Net investment income (loss)[2]	0.14	(0.07)	0.30
Net realized and unrealized gain (loss)	(2.10)	1.43	(18.42)
Total income (loss) from operations	(1.96)	1.36	(18.12)
Common dividends dividend income[3]	(0.03)	(1.50)	(1.68)
Common distributions long-term capital gains[3]			(2.14)
Common distributions return of capital[3]	(1.27)		
Total dividends and distributions common	(1.30)	(1.50)	(3.82)[4]
Effect of issuance of common stock		(0.01)	(0.01)
Effect of shares issued in reinvestment of distributions			
Effect of common stock repurchased			
Net asset value, end of period	$ 14.15	$ 17.41	$ 17.56
Market value per share of common stock, end of period	$ 12.88	$ 15.33	$ 15.46
Total investment return based on common stock market value[5]	(8.7)%	12.7%	(50.2)%
Total investment return based on net asset value[6]	(11.7)%	12.7%	(48.7)%
Supplemental Data and Ratios[7]			
Net assets applicable to common stockholders, end of period	$ 311,843	$ 383,557	$ 380,478
Ratio of expenses to average net assets			
Management fees[8]	1.7%	1.8%	1.9%
Other expenses	0.4	0.5	0.2

Subtotal	2.1	2.3	2.1
Interest expense and distributions on mandatory redeemable preferred stock[2]	1.7%	3.8	2.5
Management fee waiver			
Excise taxes			0.4
Total expenses	3.8%	6.1%	5.0%
Ratio of net investment income (loss) to average net assets[2]	0.9%	(0.5)%	1.0%
Net increase (decrease) in net assets to common stockholders resulting from operations to average net assets	(11.9)%	10.3%	(58.3)%
Portfolio turnover rate	25.5%	48.2%	45.3%
Average net assets	$ 360,869	$ 314,015	$ 672,534
Notes outstanding, end of period[9]	$ 91,000	$ 91,000	$ 185,000
Credit facility outstanding, end of period[9]		$	$
Term loan outstanding, end of period[9]		$ 27,000	$
Mandatory redeemable preferred stock, end of period[9]	$ 35,000	$ 35,000	$ 70,000
Average shares of common stock outstanding	22,034,170	21,975,582	21,657,943
Asset coverage of total debt[10]	481.1%	454.7%	343.5%
Asset coverage of total leverage (debt and preferred stock)[11]	347.5%	350.7%	249.2%
Average amount of borrowings per share of common stock during the period[1]	$ 5.16	$ 4.86	$ 11.16

84

Table of Contents

KMF FINANCIAL HIGHLIGHTS

(amounts in 000 s, except share and per share amounts)

	For the Fiscal Year Ended November 30,		
	2014	**2013**	**2012**
Per Share of Common Stock[(1)]			
Net asset value, beginning of period	$ 35.75	$ 29.01	$ 25.94
Net investment income (loss)[(2)]	(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[(3)]	(1.57)	(1.15)	(1.30)
Common distributions long-term capital gains[(3)]	(0.34)	(0.66)	(0.41)
Common distributions return of capital[(3)]			
Total dividends and distributions common	(1.91)	(1.81)	(1.71)
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[(5)]	15.3%	23.5%	33.3%
Total investment return based on net asset value[(6)]	16.4%	30.5%	19.4%
Supplemental Data and Ratios[(7)]			
Net assets applicable to common stockholders, end of period	$ 854,257	$ 788,057	$ 635,226
Ratio of expenses to average net assets			
Management fees[(8)]	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 redeemablepreferred stock[(2)]	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[2]	(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[9]	$ 235,000	$ 205,000	$ 165,000
Credit facility outstanding, end of period[9]	$	$ 50,000	$ 48,000
Term loan outstanding, end of period[9]	$ 46,000	$	$
Mandatory redeemable preferred stock, end of period[9]	$ 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[10]	441.4%	434.5%	428.7%
Asset coverage of total leverage (debt and preferred stock)[11]	321.3%	346.3%	328.5%
Average amount of borrowings per share of common stock during the period[1]	$ 12.84	$ 10.51	$ 8.85

Table of Contents

KMF FINANCIAL HIGHLIGHTS

(amounts in 000 s, except share and per share amounts)

	For the Fiscal Year Ended November 30, 2011	For the Period November 24, 2010[12] through November 30, 2010
Per Share of Common Stock[1]		
Net asset value, beginning of period	$ 23.80	$ 23.83[13]
Net investment income (loss)[2]	0.29	(0.02)
Net realized and unrealized gains (losses)	3.12	(0.01)
Total income (loss) from operations	3.41	(0.03)
Common dividends dividend income[3]	(1.20)	
Common distributions long-term capital gains[3]		
Common distributions return of capital[3]		
Total dividends and distributions common	(1.20)	
Effect of shares issued in reinvestment of distributions	(0.04)	
Effect of issuance of common stock	(0.03)	
Effect of common stock repurchased		
Net asset value, end of period	$ 25.94	$ 23.80
Market value per share of common stock, end of period	$ 22.46	$ 25.00
Total investment return based on common stock market value[5]	(5.5)%	0.0%[14]
Total investment return based on net asset value[6]	14.7%	(0.1)%[14]
Supplemental Data and Ratios[7]		
Net assets applicable to common stockholders, end of period	$ 562,044	$ 452,283
Ratio of expenses to average net assets		
Management fees[8]	1.6%	1.3%
Other expenses	0.3	0.3[15]
Subtotal	1.9	1.6
Interest expense and distributions on mandatory redeemable preferred stock[2]	1.3	
Management fee waiver	(0.3)	(0.3)
Excise taxes		

Total expenses		2.9%		1.3%
Ratio of net investment income (loss) to average net assets(2)		1.1%		(1.3)%(15)
Net increase (decrease) in net assets applicable to common stockholders resulting from operations to average net assets		13.4%		(0.1)%(14)
Portfolio turnover rate		74.1%		0.0%(14)
Average net assets	$	537,044	$	452,775
Notes outstanding, end of period(9)	$	115,000	$	
Credit facility outstanding, end of period(9)	$	45,000	$	
Term loan outstanding, end of period(9)	$		$	
Mandatory redeemable preferred stock, end of period(9)	$	35,000	$	
Average shares of common stock outstanding		21,273,512		19,004,000
Asset coverage of total debt(10)		473.2%		
Asset coverage of total leverage (debt and preferred stock)(11)		388.2%		
Average amount of borrowings per share of common stock during the period(1)	$	6.50		

Table of Contents

KMF 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).

(3) The information presented for each period 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) Includes special distribution of $1.80 per share paid in July 2015.

(5) 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.

(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%. For purposes of this test, the Credit Facility and the Term Loan are considered senior securities representing indebtedness.

(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%. For purposes of these asset coverage ratio tests, the Credit Facility and the Term Loan are considered senior securities representing indebtedness.

(12) Commencement of operations.

(13) Initial public offering price of $25.00 per share less underwriting discounts of $1.125 per share and offering costs of $0.05 per share.

(14) Not annualized.

(15) For purposes of annualizing other expenses of the Fund, professional fees and reports to stockholders are fees associated with the annual audit and annual report and therefore have not been annualized.

Table of Contents

KYE

The Financial Highlights set forth below are derived from KYE s financial statements, the accompanying notes thereto, and the report of PricewaterhouseCoopers LLP thereon for the fiscal year ended November 30, 2017 which are incorporated by reference into the Statement of Additional Information. Copies of the Statement of Additional Information are available from KYE without charge upon request.

KYE FINANCIAL HIGHLIGHTS

(amounts in 000 s, except share and per share amounts)

	For the Fiscal Year Ended November 30,		
	2017	**2016**	**2015**
Per Share of Common Stock[(1)]			
Net asset value, beginning of period	$ 13.02	$ 13.23	$ 29.17
Net investment income (loss)[(2)]	0.12	(0.05)	0.30
Net realized and unrealized gains (losses)	(1.68)	0.93	(14.30)
Total income (loss) from operations	(1.56)	0.88	(14.00)
Dividends and distributions auction rate preferred[(2)(3)]			
Common dividends dividend income[(3)]	(0.04)	(0.64)	
Common distributions long-term capital gains[(3)]			
Common distributions return of capital[(3)]	(0.96)	(0.44)	(1.94)
Total dividends and distributions common	(1.00)	(1.08)	(1.94)
Effect of common stock repurchased			
Effect of issuance of common and preferred stock			
Gain on 765 shares of Series B Preferred Stock redeemed at a discount to liquidation value			
Effect of shares issued in reinvestment of distributions		(0.01)	
Total capital stock transactions		(0.01)	
Net asset value, end of period	$ 10.46	$ 13.02	$ 13.23
Market value per share of common stock, end of period	$ 9.68	$ 11.52	$ 12.43
Total investment return based on common stock market value[(4)]	(8.3)%	5.2%	(54.7)%
Total investment return based on net asset value[(5)]	(12.3)%	11.8%	(50.2)%
Supplemental Data and Ratios[(6)]			
Net assets applicable to common stockholders, end of period	$ 384,231	$ 475,924	$ 477,287

Ratio of expenses to average net assets			
Management fees	1.8%	1.9%	1.9%
Other expenses	0.3	0.3	0.2
Subtotal	2.1	2.2	2.1
Interest expense and distributions on mandatory redeemable preferred stock(2)	1.8	3.8	2.1
Total expenses	3.9%	6.0%	4.2%
Ratio of net investment income (loss) to average net assets(2)	1.0%	(0.5)%	1.3%
Net increase (decrease) in net assets applicable to common stockholders resulting from operations to average net assets	(12.8)%	8.8%	(61.8)%
Portfolio turnover rate	23.4%	43.7%	50.0%
Average net assets	$ 446,007	$ 393,071	$ 817,534
Notes outstanding, end of period(7)	$ 115,000	$ 115,000	$ 230,000
Credit facility outstanding, end of period(7)	$	$	$
Term loan outstanding, end of period(7)	$ 21,000	$ 25,000	$
Mandatory redeemable preferred stock, end of period(7)	$ 40,000	$ 50,000	$ 120,000
Average shares of common stock outstanding	36,635,886	36,490,584	36,066,280
Asset coverage of total debt(8)	411.9%	475.7%	359.7%
Asset coverage of total leverage (debt and preferred stock)(9)	318.3%	350.5%	236.4%
Average amount of borrowings per share of common stock during the period(1)	$ 3.98	$ 3.57	$ 8.10

88

Table of Contents

KYE FINANCIAL HIGHLIGHTS

(amounts in 000 s, except share and per share amounts)

	For the Fiscal Year Ended November 30, 2014	2013	2012	2011
Per Share of Common Stock[1]				
Net asset value, beginning of period	$ 28.91	$ 25.43	$ 25.25	$ 26.53
Net investment income (loss)[2]	0.14	(0.28)	(0.04)	(0.08)
Net realized and unrealized gains (losses)	2.06	5.68	2.14	0.71
Total income (loss) from operations	2.20	5.40	2.10	0.63
Dividends and distributions auction rate preferred[2][3]				
Common dividends dividend income[3]	(1.60)	(0.05)	(0.71)	
Common distributions long-term capital gains[3]	(0.33)	(1.23)		(1.92)
Common distributions return of capital[3]		(0.64)	(1.21)	
Total dividends and distributions common	(1.93)	(1.92)	(1.92)	(1.92)
Effect of common stock repurchased	0.01			
Effect of issuance of common and preferred stock		0.01		
Gain on 765 shares of Series B Preferred Stock redeemed at a discount to liquidation value				
Effect of shares issued in reinvestment of Distributions	(0.02)	(0.01)		0.01
Total capital stock transactions	(0.01)			0.01
Net asset value, end of period	$ 29.17	$ 28.91	$ 25.43	$ 25.25
Market value per share of common stock, end of period	$ 30.10	$ 27.99	$ 25.02	$ 23.82
Total investment return based on common stock market value[4]	15.3%	20.2%	13.0%	(9.7)%
Total investment return based on net asset value[5]	8.1%	22.1%	8.4%	2.3%
Supplemental Data and Ratios[6]				
	$ 1,050,352	$ 1,038,876	$ 901,787	$ 883,967

Net assets applicable to common stockholders, end of period				
Ratio of expenses to average net assets				
Management fees	1.8%	1.8%	1.8%	1.8%
Other expenses	0.1	0.2	0.2	0.2
Subtotal	1.9	2.0	2.0	2.0
Interest expense and distributions on mandatory redeemable preferred stock(2)	1.7	2.1	2.4	2.3
Total expenses	3.6%	4.1%	4.4%	4.3%
Ratio of net investment income (loss) to average net assets(2)	0.4%	(1.0)%	(0.2)%	(0.3)%
Net increase (decrease) in net assets applicable to common stockholders resulting from operations to average net assets	7.1%	19.5%	7.8%	2.3%
Portfolio turnover rate	37.7%	46.0%	57.2%	57.6%
Average net assets	$ 1,129,602	$ 987,463	$ 934,388	$ 940,587
Notes outstanding, end of period(7)	$ 345,000	$ 275,000	$ 273,000	$ 301,000
Credit facility outstanding, end of period(7)	$	$ 70,000	$ 40,000	$
Term loan outstanding, end of period(7)	$ 28,000	$	$	$
Mandatory redeemable preferred stock, end of period(7)	$ 120,000	$ 120,000	$ 120,000	$ 120,000
Average shares of common stock outstanding	36,004,074	35,708,710	35,222,412	34,742,802
Asset coverage of total debt(8)	413.8%	435.9%	426.4%	433.5%
Asset coverage of total leverage (debt and preferred stock)(9)	313.1%	323.4%	308.3%	310.0%
Average amount of borrowings per share of common stock during the period(1)	$ 10.16	$ 9.04	$ 8.70	$ 8.92

89

Table of Contents

KYE FINANCIAL HIGHLIGHTS

(amounts in 000 s, except share and per share amounts)

	For the Fiscal Year Ended November 30, 2010	2009	2008
Per Share of Common Stock[1]			
Net asset value, beginning of period	$ 20.04	$ 13.43	$ 29.01
Net investment income (loss)[2]	0.16	0.31	0.88
Net realized and unrealized gains (losses)	8.24	8.26	(14.09)
Total income (loss) from operations	8.40	8.57	(13.21)
Dividends and distributions auction rate preferred[2][3]			(0.34)
Common dividends dividend income[3]	(1.92)	(0.62)	(0.38)
Common distributions long-term capital gains[3]			
Common distributions return of capital[3]		(1.34)	(1.68)
Total dividends and distributions common	(1.92)	(1.96)	(2.06)
Effect of common stock repurchased			
Effect of issuance of common and preferred stock			
Gain on 765 shares of Series B Preferred Stock redeemed at a discount to liquidation value			0.03
Effect of shares issued in reinvestment of distributions	0.01		
Total capital stock transactions	0.01		0.03
Net asset value, end of period	$ 26.53	$ 20.04	$ 13.43
Market value per share of common stock, end of period	$ 28.34	$ 22.28	$ 10.53
Total investment return based on common stock market value[4]	37.9%	139.9%	(55.2)%
Total investment return based on net asset value[5]	43.6%	69.2%	(49.2)%
Supplemental Data and Ratios[6]			
Net assets applicable to common stockholders, end of period	$ 915,064	$ 677,678	$ 437,946
Ratio of expenses to average net assets			
Management fees	1.7%	1.7%	1.6%
Other expenses	0.3	0.3	0.3

Subtotal	2.0	2.0	1.9
Interest expense and distributions on mandatory redeemable preferred stock(2)	2.3	2.6	0.7
Total expenses	4.3%	4.6%	2.6%
Ratio of net investment income (loss) to average net assets(2)	0.7%	2.0%	3.1%
Net increase (decrease) in net assets applicable to common stockholders resulting from operations to average net assets	37.2%	55.8%	(47.7)%
Portfolio turnover rate	62.0%	88.8%	65.0%
Average net assets	$ 771,297	$ 512,647	$ 915,456
Notes outstanding, end of period(7)	$ 250,000	$ 165,000	$ 225,000
Credit facility outstanding, end of period(7)	$ 67,000	$ 47,000	$
Term loan outstanding, end of period(7)	$	$	$
Mandatory redeemable preferred stock, end of period(7)	$ 90,000	$	$
Average shares of common stock outstanding	34,177,249	33,272,958	32,258,146
Asset coverage of total debt(8)	417.1%	419.7%	294.6%(10)
Asset coverage of total leverage (debt and preferred stock)(9)	324.8%	419.7%	294.6%(10)
Average amount of borrowings per share of common stock during the period(1)	$ 7.71	$ 5.18	$ 3.53

90

Table of Contents

KYE 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).

(3) The information presented for each period is a characterization of the total distributions paid to the preferred stockholders and common stockholders as either dividend income (a portion 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) 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.

(6) Unless otherwise noted, ratios are annualized.

(7) Principal / liquidation value.

(8) 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%. For purposes of this test, the Credit Facility and the Term Loan are considered senior securities representing indebtedness.

(9) 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%. For purposes of these asset coverage ratio tests, the Credit Facility and the Term Loan are considered senior securities representing indebtedness.

(10) At November 30, 2008, the Fund s asset coverage ratio on total debt pursuant to the 1940 Act was less than 300%. However, on December 2, 2008, the Fund entered into an agreement to repurchase $60,000 of its Notes, which closed on December 5, 2008. Upon the closing of the repurchase of the Notes, the Fund was in compliance with the 1940 Act and with its covenants under the Notes agreements.

Table of Contents

Information about the Reorganization

The Board of Directors of KYE, including the Independent Directors, has unanimously approved the Reorganization Agreement, declared the Reorganization advisable and directed that the Reorganization proposal be submitted to the KYE stockholders for consideration. If the stockholders approve the Reorganization, KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then cease its separate existence under Maryland law and terminate its registration under the 1940 Act. The aggregate NAV of KMF common stock received by KYE common stockholders in the Reorganization will equal the aggregate NAV of KYE common stock held on the business day prior to closing of the Reorganization, less the costs of the Reorganization attributable to their common shares. KMF will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objectives and policies described in this joint proxy statement/prospectus.

In connection with the Reorganization, each holder of KYE MRP Shares will receive in a private placement an equivalent number of newly issued KMF MRP Shares having substantially identical terms as the KYE MRP Shares. The aggregate liquidation preference of the KMF MRP Shares received by the holders of KYE MRP Shares in the Reorganization will equal the aggregate liquidation preference of the KYE MRP Shares held immediately prior to the closing of the Reorganization. The KMF MRP Shares to be issued in the Reorganization will have equal priority with KMF s existing outstanding preferred shares as to the payment of dividends and the distribution of assets in the event of a liquidation of KMF. In addition, the preferred shares of KMF, including the KMF MRP Shares to be issued in connection with the Reorganization, will be senior in priority to KMF common shares as to payment of dividends and the distribution of assets in the event of a liquidation of KMF.

The exchange rate for common shares will be determined based on each Fund s respective net asset value per share as of the business day prior to the closing of the Reorganization. The net asset value of a share of common stock of each Fund will be calculated as follows:

The value of the total assets (the value of the securities held plus any cash or other assets, including interest, dividends or distributions accrued but not yet received computed in accordance with U.S. Generally Accepted Accounting Principles)

Minus:

- all liabilities (including accrued expenses and accumulated and unpaid distributions)

- accumulated and unpaid distributions on and the aggregate liquidation preference amount of any outstanding preferred stock

- accrued and unpaid interest payments on and the aggregate principal amount of any outstanding indebtedness any distributions payable on the common stock

the Fund s share of the Reorganization costs

Divided by:

The total number of shares of common stock outstanding at such time.

Table of Contents

Since KMF common shares will be issued at NAV in exchange for the net assets of KYE (less the expenses of the Reorganization attributed to KYE) having a value equal to the aggregate NAV of those KMF common shares, the NAV per share of KMF common shares should remain virtually unchanged immediately following the Reorganization, except for its share of the costs of the Reorganization. Thus, the Reorganization should result in no dilution on the basis of NAV of KMF common shares, other than to reflect the costs of the Reorganization. However, as a result of the Reorganization, a common stockholder of both Funds will hold a reduced percentage of ownership in the larger combined entity than he or she did in any of the separate Funds. No sales charge or fee of any kind will be charged to stockholders of KYE in connection with their receipt of KMF common shares in the Reorganization. The price of KMF s shares may fluctuate following the Reorganization as a result of market conditions or other factors.

The Reorganization is intended to qualify as a tax-free reorganization. As such, no gain or loss should be recognized by KYE or its stockholders upon the closing of the Reorganization. However, KYE stockholders will generally recognize gain or loss with respect to cash they receive pursuant to the Reorganization in lieu of fractional KMF shares.

If the Reorganization so qualifies, the aggregate tax basis of KMF common shares received by stockholders of KYE should be the same as the aggregate tax basis of the common shares of KMF surrendered in exchange therefore (reduced by any amount of tax basis allocable to a fractional share of common stock for which cash is received). See Terms of the Agreement and Plan of Reorganization and Material U.S. Federal Income Tax Consequences of the Reorganization for additional information.

Terms of the Agreement and Plan of Reorganization

The following is a summary of the material terms and conditions of the Reorganization Agreement. This summary is qualified in its entirety by reference to the form of Reorganization Agreement attached as Appendix A hereto.

The Reorganization Agreement contemplates that KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then be terminated and dissolved in accordance with its charter and Maryland law.

As a result of the Reorganization, KYE will:

- deregister as an investment company under the 1940 Act;
- cease its separate existence under Maryland law;
- remove its common shares from listing on the NYSE; and
- withdraw from registration under the Securities Exchange Act of 1934, as amended (the Exchange Act).

After the closing of the Reorganization, shares of KMF common stock will be credited to holders of KYE common stock only on a book-entry basis. KMF shall not issue certificates representing shares in connection with the Reorganization, irrespective of whether KYE stockholders hold their shares in certificated form and all outstanding certificates representing common stock of KYE will be deemed cancelled.

The Reorganization Agreement provides the time for and method of determining the net value of KYE s assets (and therefore shares) and the NAV per share of KMF. The valuation will be done immediately after the

93

close of business, as described in the Reorganization Agreement, on the business day immediately preceding the closing date. Any special stockholder selections (for example, automatic investment plans for current KYE stockholder accounts) will NOT automatically transfer to the new accounts unless newly set up by the affected stockholder.

No sales charge or fee of any kind will be charged to holders of KYE common shares in connection with their receipt of KMF common shares in the Reorganization.

From and after the closing date, KMF will possess all of the properties, assets, rights, privileges and powers and shall be subject to all of the restrictions, liabilities, obligations, disabilities and duties of KYE, all as provided under Maryland law.

Under Maryland law, stockholders of KYE are not entitled to dissenters rights in connection with the Reorganization. However, any holder of KYE s common stock may sell his or her shares on the NYSE at any time prior to the Reorganization.

The Reorganization Agreement may be terminated and the Reorganization may be abandoned, whether before or after approval by stockholders, at any time prior to the closing date by resolution of either applicable Fund s Board of Directors, if circumstances should develop that, in the opinion of that Board of Directors, make proceeding with the Reorganization inadvisable.

The Reorganization Agreement provides that either Fund party thereto may waive compliance with any of the terms or conditions made therein for the benefit of that Fund, other than the requirements that: (a) the Reorganization be approved by stockholders of KYE; and (b) the Funds receive the opinion of Paul Hastings LLP that the transactions contemplated by the Reorganization Agreement will constitute a tax-free reorganization for federal income tax purposes, if, in the judgment of the Fund s Board of Directors, after consultation with Fund counsel, such waiver will not have a material adverse effect on the benefits intended to be provided by the Reorganization to the stockholders of the Fund.

Under the Reorganization Agreement, each Fund, out of its assets and property, will indemnify and hold harmless the other Fund party thereto and the members of the Board of Directors and officers of the other Fund from and against any and all losses, claims, damages, liabilities or expenses (including, without limitation, the payment of reasonable legal fees and reasonable costs of investigation) to which the other Fund and those board members and officers may become subject, insofar as such loss, claim, damage, liability or expense (or actions with respect thereto) arises out of or is based on (a) any breach by the Fund of any of its representations, warranties, covenants or agreements set forth in the Reorganization Agreement or (b) any act, error, omission, neglect, misstatement, materially misleading statement, breach of duty or other act wrongfully done or attempted to be committed by the Fund or the members of the Board of Directors or officers of the Fund prior to the closing date, provided that such indemnification by the Fund is not (i) in violation of any applicable law or (ii) otherwise prohibited as a result of any applicable order or decree issued by any governing regulatory authority or court of competent jurisdiction. In no event will a Fund or the members of the Board of Directors or officers of a Fund be indemnified for any losses, claims, damages, liabilities or expenses arising out of or based on conduct constituting willful misfeasance, bad faith, gross negligence or the reckless disregard of duties.

The Board of Directors of each Fund, including the Independent Directors, has determined, with respect to its Fund, that the interests of the holders of that Fund s common stock will not be diluted on the basis of NAV as a result of the Reorganization and that participation in the Reorganization is in the best interests of that Fund. All costs of the Reorganization will be borne by the Funds on a pro rata basis based upon each Fund s relative NAV. Such expenses shall include, but not be limited to, all costs related to the preparation and distribution of this joint proxy statement/prospectus, proxy solicitation expenses, SEC registration fees and NYSE listing fees.

Table of Contents

Material U.S. Federal Income Tax Consequences of the Reorganization

The following is a general summary of the material anticipated U.S. federal income tax consequences of the Reorganization. The discussion is based upon the Code, Treasury regulations, court decisions, published positions of the Internal Revenue Service (IRS) and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The discussion is limited to U.S. persons who hold shares of common or preferred stock of KYE as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This summary does not address all of the U.S. federal income tax consequences that may be relevant to a particular stockholder or to stockholders who may be subject to special treatment under U.S. federal income tax laws. No ruling has been or will be obtained from the IRS regarding any matter relating to the Reorganization. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects described below. Prospective investors must consult their own tax advisers as to the U.S. federal income tax consequences of the Reorganization, as well as the effects of state, local and non-U.S. tax laws.

The federal income tax consequences with respect to the Reorganization will be dependent upon the particular facts in existence prior to and at the time of the Reorganization. In addition, the application of certain aspects of the federal income tax law to the proposed Reorganization is unclear and subject to alternative interpretations.

The parties believe that the Reorganization will be characterized for federal income tax purposes as a tax-free reorganization under Section 368(a) of the Code. It may, however, be treated as a taxable transaction in which KMF or KYE is deemed to have sold all of their respective assets for federal income tax purposes and the KMF or KYE stockholders are deemed to have exchanged their respective stock in a taxable sale.

Requirements to Qualify as a Tax-Free Reorganization

Under Code Section 368(a)(1)(A), a statutory merger of one or more corporations into the acquiring corporation generally may qualify as a tax-free reorganization and, under Code Section 368(a)(1)(C), a transaction that results in an exchange of stock of an acquiring corporation for substantially all of the assets of another corporations similarly may qualify as a tax-free reorganization. In addition to the statutory requirements, the transaction needs to satisfy the continuity of proprietary interest, continuity of business enterprise, and business purpose requirements, all of which should be satisfied in the contemplated Reorganization.

Even if a transaction would satisfy the general requirements for a tax-free reorganization, the Code provides that an otherwise qualifying reorganization involving an investment company will not qualify as a tax-free reorganization with respect to any such investment company (and its shareholders) unless the investment company was immediately before the transaction a regulated investment company (RIC), a real estate investment trust (REIT), or a corporation that meets the diversified investment requirements of Code Section 368(a)(2)(F)(ii). Each of KMF and KYE has qualified as a RIC; accordingly, the remainder of this discussion assumes both KMF and KYE are investment companies.

Federal Income Tax Consequence if the Reorganization Qualifies as a Tax-Free Reorganization

If the Reorganization qualifies as tax-free reorganizations as to KMF and KYE within the meaning of Section 368(a) of the Code, the U.S. federal income tax consequences of the Reorganization can be summarized as follows:

No gain or loss will be recognized by KMF or KYE upon the Reorganization.

No gain or loss will be recognized by a stockholder of KYE who receives KMF common shares or KMF MRP Shares pursuant to the Reorganization (except with respect to cash received in lieu of a fractional KMF common share, as discussed below).

Table of Contents

The aggregate tax basis of KMF common shares and KMF MRP Shares, received by a stockholder of KYE pursuant to the Reorganization will be the same as the aggregate tax basis of the shares of common or preferred stock of KYE surrendered in exchange therefor (reduced by any amount of tax basis allocable to a fractional share of common stock for which cash is received).

The holding period of KMF common shares and KMF MRP Shares, received by a stockholder of KYE pursuant to the Reorganization will include the holding period of KYE shares of stock surrendered in exchange therefor.

A stockholder of KYE that receives cash in lieu of a fractional KMF common shares pursuant to the Reorganization will recognize capital gain or loss with respect to the fractional share of common stock in an amount equal to the difference between the amount of cash received for the fractional KMF common share and the portion of such stockholder s tax basis in its KYE shares of common stock that is allocable to the fractional share of common stock. The capital gain or loss will be long-term if the holding period for the KYE shares of common stock is more than one year as of the date of the exchange.

KMF s tax basis in the KYE assets received by KMF pursuant to the Reorganization will equal the tax basis of such assets in the hands of KYE immediately prior to the Reorganization, and KMF s holding period of such assets will, in each instance, include the period during which the assets were held by KYE.

Even though KMF will be the corporation surviving the Reorganization, for certain tax purposes, KYE will be treated as the technical acquirer because its market value is larger than that of KMF. Accordingly, KYE will succeed to any federal tax capital loss carryforwards that KYE or KMF had at the time of the Reorganization, although such carryforwards, and possibly any built-in losses with respect to the KMF assets, will be subject to the limitations on the deductibility of such losses following the Reorganization, as set forth in Code Section 382. Code Section 382 generally limits the amount of taxable income that may be offset by capital loss carryforwards to an amount equal to the product of the fair market value of the loss entity s stock times a specified rate issued by the IRS, which for a transaction effected on February 28, 2018 would have been 1.97 percent. Thus, if the Reorganization had occurred on February 28, 2018 and the fair market value of KMF s equity (including preferred stock) was $323.9 million, the amount of the KMF capital loss carryforward that could be used annually to offset taxable income would be $6.4 million, until KMF s loss carryforwards were fully utilized. As of November 30, 2017, KMF had $117.0 million of capital loss carryforwards that would be subject to this limitation. As of November 30, 2017, KYE had $111.0 million of capital loss carryforwards. KYE s capital loss carryforwards can be carried forward indefinitely and generally should not be limited as a result of the Reorganization. Certain other adjustments to the utilization of loss carryforwards may apply (following the Reorganization) if KMF has unrealized gains or losses at the time of the consummation of the change of control.

Federal Income Tax Consequence if the Reorganization Fails to Qualify as a Tax-Free Reorganization

If the Reorganization fails to qualify as a tax-free reorganization because KMF or KYE fail to meet the asset diversification tests or for any other reason, the transaction will be taxable to the non-diversified investment company and its stockholders. For example, if KYE is treated as a non-diversified investment company, KYE will be deemed to have sold all of its assets to KMF in a taxable transaction, followed by a deemed liquidation of KYE and a distribution of the sales proceeds (the KMF stock) to KYE s stockholders. Based upon current market values, KYE anticipates that it would recognize a net gain for federal income tax purposes on such deemed sale. Each KYE stockholder would recognize gain or loss on the liquidating distribution in an amount equal to the difference between the fair market value of the KMF stock received in the Reorganization and such stockholder s basis in its KYE stock. KMF s basis in the assets of the combined entity would include (i) its historic basis in the assets

96

Table of Contents

previously held by KMF and (ii) the fair market value of the KYE assets as of the date of the Reorganization. KMF, after the Reorganization, would not succeed to any net operating or capital loss carryforwards of KYE.

If, alternatively, KMF is treated as a non-diversified investment company, KMF will be deemed to have sold all of its assets to KYE in a taxable transaction with the attendant deemed liquidation. Based upon current market values, KMF anticipates it would recognize a net gain for federal income tax purposes. Each KMF stockholder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the KMF stock held and the stockholder s basis in such stock. KMF, after the Reorganization, would receive a fair market value basis in the assets historically held by KMF and will lose any of its pre-existing net operating loss and capital loss carryforwards.

Reporting Requirements

A KYE stockholder who receives KMF common shares as a result of the Reorganization may be required to retain records pertaining to the Reorganization. Each KYE stockholder who is required to file a federal income tax return and who is a significant holder that receives KMF common shares in the Reorganization will be required to file a statement with the holder s federal income tax return setting forth, among other things, the holder s basis in the KYE shares surrendered and the fair market value of the KMF common shares and cash, if any, received in the Reorganization. A significant holder is a holder of KYE shares who, immediately before the Reorganization, owned at least 5% of the outstanding KMF shares.

Table of Contents

Certain Federal Income Tax Matters

This section relates to KMF and Certain Federal Income Tax Matters related to KMF (other parts of this document relate to both KMF and KYE). Accordingly, references to we us our or the Fund in this section ar references to KMF.

The following discussion of federal income tax matters is based on the advice of our counsel, Paul Hastings LLP.

This section and the discussion in the Statement of Additional Information summarize certain U.S. federal income tax consequences of owning our securities for U.S. taxpayers. This section is current as of the date of this joint proxy statement/prospectus. Tax laws and interpretations change frequently, possibly with retroactive effect, and this summary does not describe all of the tax consequences to all taxpayers. Except as otherwise provided, this summary generally does not describe your situation if you are a non-U.S. person, a broker-dealer, or other investor with special circumstances. In addition, this section does not describe any state, local or foreign tax consequences. Investors should consult their own tax advisors regarding the tax consequences of investing in us.

We have elected to be treated and intend to qualify each year (including the taxable year in which the Reorganization occurs) as a RIC under Subchapter M of the Code. In order to qualify as a RIC, we must satisfy certain requirements regarding the sources of its income, the diversification of our assets and the distribution of our income. As a RIC, we are not expected to be subject to federal income tax on the income and gains we distribute to our shareholders. Because KYE has also elected to be treated and intends to qualify each year as a RIC under Subchapter M of the Code, the following discussion of certain federal income tax matters associated with an investment in us generally applies to KYE, with respect to an investment in KYE.

Distributions paid out of our investment company taxable income (which includes dividends and distributions we receive, interest income and net short-term capital gain) will generally be taxable to shareholders as ordinary income, except as described below with respect to qualified dividend income. Net capital gain distributions (the excess of net long-term capital gain over net short-term capital loss) are generally taxable at rates applicable to long-term capital gains regardless of how long a shareholder has held its shares. Long-term capital gains for noncorporate shareholders are currently taxable at a maximum federal income tax rate of 20%. In addition, certain individuals, estates and trusts are subject to a 3.8% Medicare tax on net investment income, including net capital gains and other taxable dividends. Corporate shareholders are taxed on capital gain at the same rates as apply to ordinary income. Distributions derived from qualified dividend income and received by a noncorporate shareholder will be taxed at the rates applicable to long-term capital gain. In order for some portion of the dividends received by a shareholder to be qualified dividend income, we must meet certain holding period and other requirements with respect to the dividend-paying stocks in our portfolio and the noncorporate shareholder must meet certain holding period and other requirements with respect to its shares of us. A portion of our distributions to shareholders may qualify for the dividends-received deduction

As a RIC, we will not be subject to federal income tax in any taxable year provided that we meet certain distribution requirements. We may retain for investment some (or all) of our net capital gains. If we retain any net capital gains or investment company taxable income, we will be subject to tax at regular corporate rates on the amount retained. If we retain any net capital gains, we may designate the retained amount as undistributed capital gains in a notice to our shareholders who, if subject to federal income tax on long-term capital gains, (1) will be required to include in income for federal income tax purposes, as long-term capital gain, their share of such undistributed amount; (2) will be entitled to credit their proportionate shares of the federal income tax paid by us on such undistributed amount against their federal income tax liabilities, if any; and (3) may claim refunds to the extent the credit exceeds such liabilities. For federal income tax purposes, the basis of shares owned by a shareholder of us will be increased by an amount equal to the difference between the amount of undistributed capital gains included in the shareholder s gross income and the tax deemed paid by the shareholder under clause (2) of the preceding sentence.

Table of Contents

If we utilize leverage through borrowings, or otherwise, asset coverage limitations imposed by the 1940 Act as well as additional restrictions that may be imposed by certain lenders on the payment of dividends or distributions potentially could limit or eliminate our ability to make distributions on our common shares and preferred shares until the asset coverage is restored. These limitations could prevent us from distributing at least 90% of our investment company taxable income as is required under the Code and therefore might jeopardize our qualification as a RIC and might subject us to federal income tax or a nondeductible 4% federal excise tax.

Dividends declared by us in October, November or December to shareholders of record in one of those months and paid during the following January will be treated as having been paid by us and received by shareholders on December 31 of the year the distributions were declared.

Each shareholder will receive an annual statement summarizing the shareholder s dividend and capital gains distributions.

We may invest to a limited degree in MLPs that are treated as qualified publicly traded partnerships for federal income tax purposes. Net income derived from an interest in a qualified publicly traded partnership is included in the sources of income from which a RIC must derive 90% of its gross income. However, no more than 25% of the value of a RIC s total assets at the end of each fiscal quarter may be invested in securities of qualified publicly traded partnerships. If an MLP in which we invest is taxed as a partnership for federal income tax purposes, we will be taxable on our allocable share of the MLP s income regardless of whether we receive any distribution from the MLP. Thus, we may be required to sell other securities in order to satisfy the distribution requirements to qualify as a RIC and to avoid federal income and excise taxes. Distributions to us from an MLP that is taxed as a partnership for federal income tax purposes will constitute a return of capital to the extent of our basis in our interest in the MLP. If our basis is reduced to zero, distributions will constitute capital gain for federal income tax purposes.

Backup Withholding and Information Reporting

We may be required to withhold U.S. federal income tax at a rate of 24% from all distributions and redemption proceeds payable to shareholders who fail to provide us with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Corporate shareholders and certain other shareholders specified in the Code generally are exempt from such backup withholding. This withholding is not an additional tax. Any amounts withheld may be credited against the shareholder s federal income tax liability, provided the required information is furnished to the IRS.

The Foreign Account Tax Compliance Act

Sections 1471-1474 of the Code and the U.S. Treasury and IRS guidance issued thereunder (collectively, FATCA) generally require us to obtain information sufficient to identify the status of each of its shareholders. If a shareholder fails to provide this information or otherwise fails to comply with FATCA, we may be required to withhold under FATCA at a rate of 30% with respect to that shareholder on our dividends and distributions and sale, redemption or exchange proceeds. We may disclose the information that we receive from (or concerning) our shareholders to the IRS, non-U.S. taxing authorities or other parties as necessary to comply with FATCA, related intergovernmental agreements or other applicable law or regulation. Investors are urged to consult their own tax advisers regarding the applicability of FATCA and any other reporting requirements with respect to the investor s own situation, including investments through an intermediary.

Tax Risks

Investing in our securities involves certain tax risks, which are more fully described in Risk Factors Risks Related to Our Business and Structure Tax Risks.

Table of Contents

Required Vote

Stockholder approval of the Reorganization requires the affirmative vote of (i) the holders of a majority of the issued and outstanding KYE common and preferred stock (voting as a class) and (ii) the holders of a majority of the outstanding voting securities, as such term is defined under the 1940 Act represented by KYE preferred stock (voting as a separate class). Under the 1940 Act, a majority of the outstanding voting securities means the vote, at the annual or a special meeting of the security holders of such company duly called, the lesser of (A) of 67 percent or more of the voting securities present at such meeting, if the holders of more than 50 percent of the outstanding voting securities of such company are present or represented by proxy; or (B) of more than 50 percent of the outstanding voting securities of such company. For purposes of this proposal, each share of KYE common stock and each share of KYE preferred stock is entitled to one vote. Abstentions and broker non-votes, if any, will have the same effect as votes against approving the Reorganization since approval is based on the affirmative vote of all votes entitled to be cast. Abstentions will be considered present for purposes of determining the presence of a quorum for KYE at the Meeting.

Board Recommendation

THE BOARD OF DIRECTORS OF KYE, INCLUDING ALL OF THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT KYE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE REORGANIZATION.

Table of Contents

PROPOSAL TWO: ISSUANCE OF ADDITIONAL KMF COMMON STOCK IN CONNECTION WITH THE REORGANIZATION

The Board of Directors of KMF, including the Independent Directors, has unanimously approved the Reorganization Agreement, including the issuance of additional shares of KMF common stock in connection therewith, declared the Reorganization advisable and directed that the issuance of additional KMF common stock in connection with the Reorganization be submitted to the KMF stockholders.

The rules of the NYSE require the stockholders of KMF to approve the issuance of additional KMF common shares in connection with the Reorganization. Pursuant to the Reorganization Agreement, which is described more fully under Proposal One: Reorganization, KYE would transfer substantially all of its assets to KMF, and KMF would assume substantially all of KYE s liabilities, in exchange solely for newly issued shares of common and preferred stock of KMF, which will be distributed by KYE to its stockholders in the form of a liquidating distribution (although cash will be distributed in lieu of fractional common shares). KYE will then cease its separate existence under Maryland law and terminate its registration under the 1940 Act. As a result of the Reorganization, (i) each share of common stock of KYE will convert into newly-issued KMF common shares, and (ii) each KYE MRP Share will convert into newly-issued KMF MRP Shares having identical terms as the KYE MRP Shares.

The aggregate NAV of KMF common stock issued in the Reorganization will equal the aggregate NAV of the common stock of KYE held the business day prior to the Reorganization, less the costs of the Reorganization (though stockholders of KYE will receive cash for their fractional shares of common stock). The Reorganization will result in no reduction of the NAV of KMF common shares, immediately following the Reorganization, other than to reflect the costs of the Reorganization. KMF will continue to operate as a registered, non-diversified, closed-end investment company with the investment objective and policies described in this joint proxy statement/prospectus.

The parties believe that the Reorganization will be characterized for federal income tax purposes as a tax-free reorganization under Section 368(a) of the Code. If the Reorganization so qualifies, neither KMF nor its stockholders will recognize any gain or loss in connection with the Reorganization.

The Board of Directors of KMF, based upon its evaluation of all relevant information, anticipates that the Reorganization will benefit the stockholders of KMF. The Funds have very similar investment strategies and objectives and the Reorganization will permit each Fund to continue to pursue them in a larger fund. Additionally, the Reorganization is expected to result in several benefits for stockholders in the Combined Fund, including (i) anticipated cost savings through the elimination of duplicative expenses, (ii) expected accretion to net distributable income, (iii) greater financial flexibility through a larger asset base and (iv) the opportunity for enhanced long-term market liquidity. For additional information about the Reorganization, including a comparison of KMF and KYE, the reasons for the Reorganization and the U.S. Federal income tax consequences of the Reorganization, see Proposal One: Reorganization.

Required Vote

KMF stockholder approval of the issuance of additional KMF common shares in connection with the Reorganization requires the affirmative vote of the holders of a majority of votes cast by the holders of the issued and outstanding KMF common and preferred stock (voting as a class). For purposes of this proposal, each share of KMF common stock and each share of KMF preferred stock is entitled to one vote. Abstentions, if any, will have the same effect as votes against the issuance of additional KMF common stock in connection with the Reorganization, since approval is based on the affirmative vote of all votes entitled to be cast. Broker non-votes, if any, will not count as votes cast and thus will have no effect on the proposal.

Board Recommendation

THE BOARD OF DIRECTORS OF KMF UNANIMOUSLY RECOMMENDS KMF STOCKHOLDERS VOTE FOR THE ISSUANCE OF ADDITIONAL KMF COMMON STOCK IN CONNECTION WITH THE REORGANIZATION.

Table of Contents

PROPOSAL THREE: ELECTION OF DIRECTORS

The KMF Board of Directors unanimously nominated the following directors for the specified terms and until their successors have been duly elected and qualified:

- Anne K. Costin and James C. Baker until the 2019 Annual Meeting of Stockholders;
- William R. Cordes and Barry R. Pearl until the 2020 Annual Meeting of Stockholders; and
- Kevin S. McCarthy, William H. Shea, Jr. and William L. Thacker until the 2021 Annual Meeting of Stockholders.

Ms. Costin and Mr. Shea are currently directors of KYE, and Mr. Baker is currently President of KYE and KMF, and each has been nominated to the Board of Directors of KMF to serve whether or not the Reorganization is approved. Messrs. Cordes, Pearl and McCarthy are currently directors of KMF and have been nominated to move from one Class to another and, as a result, will be up for election at the Annual Meeting. Mr. Thacker is currently a director of KMF, and his existing term as a KMF director is expiring at the Annual Meeting. Mr. Richey is an existing director of KMF who is not up for election at the Meeting. Following the completion of the Reorganization, the KMF board (as modified) will govern the Combined Fund.

Each director has consented to be named in this joint proxy statement/prospectus and has agreed to serve if elected. KMF has no reason to believe that any of the nominees will be unavailable to serve. The persons named on the accompanying proxy card intend to vote at the Meeting (unless otherwise directed) FOR the election of the nominees. If any of the nominees is unable to serve because of an event not now anticipated, the persons named as proxies may vote for another person designated by KMF s Board of Directors.

In accordance with KMF s charter, its Board of Directors is divided into three classes of approximately equal size. Including the directors nominated for election at the Meeting, KMF will have eight directors as follows:

Class	Term*	Directors	Common Stockholders	Preferred Stockholders
I	Until 2020	William R. Cordes	X	X
		Barry R. Pearl	X	X
II	Until 2021	Kevin S. McCarthy	X	X
		William H. Shea, Jr.		X
		William L. Thacker	X	X
III	Until 2019	Anne K. Costin	X	X
		Albert L. Richey	X	X
		James C. Baker		X

* Each director serves a three-year term until the Annual Meeting of Stockholders for the designated year and until his or her successor has been duly elected and qualified.

Pursuant to the terms of KMF s preferred stock, the holders of preferred stock are entitled as a class, to the exclusion of the holders of KMF s common stock, to elect two directors of the Fund (the Preferred Directors). The KMF Board of Directors has designated William H. Shea, Jr. and James C. Baker as the Preferred Directors. The terms of the preferred stock further provide that the remaining nominees shall be elected by holders of common stock and preferred stock voting together as a single class.

Table of Contents

The following tables set forth the nominees and each remaining director s name and year of birth; position(s) with KMF and length of time served; principal occupations during the past five years; and other directorships held during the past five years. The address for the nominees and directors is 811 Main Street, 14th Floor, Houston, TX 77002.

The term Independent Director is used to refer to a director who is not an interested person, as defined in the 1940 Act, of the Fund, of Kayne Anderson or of KMF s underwriters in offerings of its securities from time to time as defined in the 1940 Act. None of the Independent Directors nor any of their immediate family members, has ever been a director, officer or employee of Kayne Anderson or its affiliates. Each of Kevin S. McCarthy and James C. Baker is an interested person or Interested Director by virtue of his employment relationship with Kayne Anderson.

The KMF Board of Directors has adopted a mandatory retirement policy. No director may be nominated or stand for re-election if that director would have his or her 75th birthday before the stockholders meeting at which that director would be elected. Once elected, a director may complete his or her term even if that director turns 75 during such term.

For information regarding KMF s executive officers and their compensation, see Information About Executive Officers and Compensation Discussion and Analysis.

In addition to serving on the Board of Directors of KMF, each of the directors also serves on the Board of Directors of other Kayne Anderson affiliates, as set forth in the tables below. In addition, Mr. McCarthy also serves on the Board of Directors of KYE, Kayne Anderson MLP Investment Company (KYN) and Kayne Anderson Energy Development Company (KED). KYN, KYE, KMF and KED are all closed-end investment companies registered under the 1940 Act that are advised by KAFA. Contemporaneously with the Reorganization, KYN and KED are pursuing a similar combination transaction (the KYN Reorganization) that, if approved, is expected to close at the same time as the Reorganization. As a result, if both transactions are approved, it is expected that each director will serve on the Board of Directors of two Kayne Anderson affiliates, KYN and KMF, and KED and KYE will cease to exist.

Directors and Director Nominees

Nominees for Director Who Are Independent

Name (Year Born)	Position(s) Held with the Fund, Term of Office/ Time of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex(1) Overseen by Director	Other Directorships Held by Director During Past Five Years
Anne K. Costin (born 1950)	Director nominee. New term as a director until the 2019 annual meeting of stockholders.	Professor at the Amsterdam Institute of Finance from 2007 to 2013. Adjunct Professor in the Finance and Economics Department of Columbia University Graduate School of Business in New York from 2004 through 2007. As of March 1, 2005, Ms. Costin retired after a 28-year career at Citigroup. During the seven years prior to her	2	Current: KYE KYN

	retirement, Ms. Costin was Managing Director and Global Deputy Head of the Project & Structured Trade Finance product group within Citigroup s Investment Banking Division

Table of Contents

Name (Year Born)	Position(s) Held with the Fund, Term of Office/ Time of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex[1] Overseen by Director	Other Directorships Held by Director During Past Five Years
William R. Cordes (born 1948)	Director. Revised term as a director until the 2020 annual meeting of stockholders. Served since inception.	Retired from Northern Border Pipeline Company in March 2007 after serving as President from October 2000 to March 2007. Chief Executive Officer of Northern Border Partners, L.P. from October 2000 to April 2006. President of Northern Natural Gas Company from 1993 to 2000. President of Transwestern Pipeline Company from 1996 to 2000.	2	Current: KED Boardwalk Pipeline Partners, LP (midstream MLP) Prior: Northern Border Partners, L.P. (midstream MLP)
Barry R. Pearl (born 1949)	Director. Revised term as a director until the 2020 annual meeting of stockholders. Served since inception.	Management consultant to Northstar Midstream, a private developer and operator of petroleum infrastructure assets since March 2016. Executive Vice President of Kealine, LLC, (and its affiliate WesPac Midstream LLC, an energy infrastructure developer), from February 2007 to March 2016. Provided management consulting services from January 2006 to February 2007. President of Texas Eastern Products Pipeline Company, LLC (TEPPCO), (the general partner of TEPPCO Partners, L.P.) from February 2001 to December 2005. Chief Executive Officer and director of TEPPCO from May 2002 to December 2005; and	2	Current: KED Magellan Midstream Partners, L.P. (midstream MLP) Prior: Peregrine Midstream Partners LLC (natural gas storage)

		Chief Operating Officer from February 2001 to May 2002.		Seaspan Corporation (containership chartering) Targa Resources Partners LP (midstream MLP) TEPPCO Partners, L.P. (midstream MLP)
William L. Thacker (born 1945)	Director. 3-year term as a director until the 2018 annual meeting of stockholders. Served since inception.	Chairman of the Board of Directors of Copano Energy, L.L.C. from 2009 to 2013. Retired from the Board of TEPPCO in May 2002 after serving as Chairman from March 1997 to May 2002; Chief Executive Officer from January 1994 to May 2002; and President, Chief Operating Officer and Director from September 1992 to January 1994.	2	Current: KED QEP Resources, Inc. (oil and gas exploration and production company) Prior: Copano Energy, L.L.C. (midstream MLP) GenOn Energy, Inc. (electricity generation and sales) Pacific Energy Partners, L.P. (midstream MLP)

TEPPCO Partners, L.P. (midstream MLP)

Table of Contents

Name (Year Born)	Position(s) Held with the Fund, Term of Office/ Time of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex(1) Overseen by Director	Other Directorships Held by Director During Past Five Years
William H. Shea, Jr. (born 1954)	Director nominee. New term as a director until the 2021 annual meeting of stockholders.	Chief Executive Officer of Mainline Energy Partners, LLC since July 2016. Chief Executive Officer and President of Niska Gas Storage Partners LLC from May 2014 to July 2016. Chief Executive Officer of the general partner of PVR Partners, L.P. (PVR) from March 2010 to March 2014. Chief Executive Officer and President of the general partner of Penn Virginia GP Holdings L.P. (PVG), from March 2010 to March 2011. Private investor from June 2007 to March 2010. From September 2000 to June 2007, President, Chief Executive Officer and Director (Chairman from May 2004 to June 2007) of Buckeye Partners, L.P. (BPL). From May 2004 to June 2007, President, Chief Executive Officer and Chairman of Buckeye GP Holdings, L.P. (BGH) and its predecessors.	2	Current: KYE KYN Mainline Energy Partners, LLC (midstream energy) USA Compression Partners, LP (natural gas compression MLP) Prior: BGH (general partner of BPL) BPL (midstream MLP) Gibson Energy ULC (midstream energy)

				Niska Gas Storage Partners LLC (natural gas storage) PVG (owned general partner of PVR) PVR (midstream MLP) Penn Virginia Corporation (oil and gas exploration and production company)

(1) The 1940 Act requires the term Fund Complex to be defined to include closed-end funds advised by the Fund s investment adviser, KAFA, and includes KYN, KYE, KMF and KED.

Remaining Directors Who Are Independent

Name (Year Born)	Position(s) Held with the Fund, Term of Office/ Time of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex[(1)] Overseen by Director	Other Directorships Held by Director During Past Five Years
Albert L. Richey (born 1949)	Director. 3-year term as a director until the 2019 annual meeting of stockholders. Served since inception.	Retired from Anadarko Petroleum Corporation in August 2016 after serving as Senior Vice President Finance and Treasurer from January 2013 to August 2016; Vice President, Special Projects from January 2009 to December 2012; Vice President of Corporate Development from 2006 to December 2008; Vice President and Treasurer from 1995 to 2005; and Treasurer from 1987 to 1995.	2	Current: KED Prior: Boys & Girls Clubs of Houston

Boy Scouts of America

(1) The 1940 Act requires the term Fund Complex to be defined to include closed-end funds advised by the Fund s investment adviser, KAFA, and includes KYN, KYE, KMF and KED.

Table of Contents

Nominees for Director Who Are Interested Persons

Name (Year Born)	Position(s) Held with the Fund, Term of Office/ Time of Service	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex[1] Overseen by Director	Other Directorships Held by Director During Past Five Years
Kevin S. McCarthy[2] (born 1959)	Chairman of the Board of Directors and Chief Executive Officer. Revised term as a director until the 2018 annual meeting of stockholders. Elected annually as an officer. Served since inception.	Managing Partner of KACALP since June 2004 and Co-Managing Partner of KAFA since 2006. Chief Executive Officer of KYN, KYE, KED and KMF since inception (KYN inception in 2004, KYE inception in 2005, KED inception in 2006 and KMF inception in 2010).	4	Current: KED KYN KYE Kayne Anderson Acquisition Corp. (special purpose acquisition company) Range Resources Corporation (oil and gas exploration and production company) Prior: Clearwater Natural Resources, L.P. (coal mining)

				Direct Fuels Partners, L.P. (transmix refining and fuels distribution) Emerge Energy Services LP (frac sand MLP) International Resource Partners LP (coal mining) K-Sea Transportation Partners LP (shipping MLP) ONEOK, Inc. (midstream company) ProPetro Services, Inc. (oilfield services)
James C. Baker[(2)] (born 1972)	Director nominee. Served as President since June 2016 and as Executive Vice President from June 2008 to June 2016. Elected annually as an officer since June 2005.	Senior Managing Director of KACALP and KAFA since February 2008. President of KYN, KYE, KMF and KED since June 2016. Executive Vice President of KYN, KYE and KED from June 2008 to June 2016, and of KMF from August 2010 to June 2016.	1	Current: KED Prior: K-Sea Transportation Partners LP (shipping MLP) Petris Technology, Inc. (data management

for energy companies)

ProPetro Services, Inc.
(oilfield services)

(1) The 1940 Act requires the term Fund Complex to be defined to include closed-end funds advised by the Fund s investment adviser, KAFA, and includes KYN, KYE, KMF and KED.

(2) Each of Mr. McCarthy and Mr. Baker is an interested person by virtue of his employment relationship with Kayne Anderson.

Table of Contents

Director Compensation

Directors and officers who are interested persons by virtue of their employment by Kayne Anderson, including all executive officers, serve without any compensation from KMF. For the fiscal year ended November 30, 2017, directors were compensated as follows:

Each Independent Director who serves on the Board of Directors of both KMF and KED received an annual retainer of $105,000 for his or her service on both boards. KMF and KED each paid a pro rata portion of this retainer quarterly based on their total assets for the quarter. As of November 30, 2017, 60% and 40% of the quarterly retainer was allocated to KMF and KED, respectively.

For each of KMF and KED, the chairperson of the Audit Committee received additional compensation of $7,500 annually.

In addition, for each of KMF and KED, each Independent Director received fees for attending meetings of the Board and its Committees on which such Independent Directors served, as follows: