Kayne Anderson MLP/Midstream Investment Co
Form N-CSR
January 25, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21593

Kayne Anderson MLP/Midstream Investment Company

(Exact name of registrant as specified in charter)

811 Main Street, 14th Floor, Houston, Texas	77002
(Address of principal executive offices)	(Zip code)

David Shladovsky, Esq.

KA Fund Advisors, LLC, 811 Main Street, 14th Floor, Houston, Texas 77002

(Name and address of agent for service)

Registrant s telephone number, including area code: (713) 493-2020

Date of fiscal year end: November 30, 2018

Date of reporting period: November 30, 2018

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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Item 1. Reports to Stockholders.

The report of Kayne Anderson MLP/Midstream Investment Company (the Registrant) to stockholders for the fiscal year ended November 30, 2018 is attached below.

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MLP/Midstream Investment Company

KYN Annual Report

November 30, 2018

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS: This report of Kayne Anderson MLP/Midstream Investment Company (the Company) contains forward-looking statements as defined under the U.S. federal securities laws. Generally, the words believe, expect, intend, estimate, anticipate, project, will and similar expressions identify forward-looking statements, which generally historical in nature. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to materially differ from the Company s historical experience and its present expectations or projections indicated in any forward-looking statements. These risks include, but are not limited to, changes in economic and political conditions; regulatory and legal changes; master limited partnership (MLP) industry risk; leverage risk; valuation risk; interest rate risk; tax risk; and other risks discussed in the Company s filings with the Securities and Exchange Commission (SEC). You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. The Company undertakes no obligation to update or revise any forward-looking statements made herein. There is no assurance that the Company s investment objectives will be attained.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

ADOPTION OF AN OPTIONAL DELIVERY METHOD FOR SHAREHOLDER REPORTS

Rule 30e-3 Notice

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of Kayne Anderson MLP/Midstream Investment Company s (the Company or KYN) annual and semi-annual shareholder reports like this one will no longer be sent by mail, unless you specifically request paper copies of the reports from the Company or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on the Company s website (www.kaynefunds.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Company or your financial intermediary electronically by calling the Company at 1-877-657-3863 or contacting your financial intermediary.

You may elect to receive all future reports in paper free of charge. You can inform the Company or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by calling the Company at 1-877-657-3863 or contacting your financial intermediary. Your election to receive reports in paper will apply to all funds managed by KA Fund Advisors, LLC or held with your financial intermediary.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

LETTER TO STOCKHOLDERS

January 23, 2019

Dear Fellow Stockholders:

Earlier this month, I announced that I plan to step down as CEO this summer, so this will be my fifteenth and final annual letter to stockholders. I am transitioning into a new role at Kayne Anderson, serving as Vice Chairman of the firm and a member of its Executive Committee. I am pleased to have served the stockholders of KYN for the last 15 years and proud of what we have accomplished. Furthermore, I believe the Company is very well positioned to execute on its business plan for many years to come achieving high after-tax total returns by investing in MLPs and Midstream Companies.

When I think back to KYN s first annual letter which I wrote in January 2005 it is amazing to think about how much the domestic energy sector has changed. The development of unconventional resources, or the Shale Revolution as we often call it, impacted the American energy industry and the broader economy in ways that were almost unimaginable 15 years ago. The most attention-grabbing statistic, arguably, is the growth in domestic crude oil production. Production has grown by more than 100% since 2004, and currently the United States produces more oil than any other country in the world. While growth in domestic production of natural gas and natural gas liquids, or NGLs, does not attract as many headlines, those statistics are equally impressive. Largely as a result of the Shale Revolution, the market backdrop today could not be more different than it was in 2005. In the mid-2000s, domestic production had declined for several decades and was believed to be in terminal decline. As a result, the United States had become increasingly reliant on imports to satisfy its growing demand a trend that was expected to continue. Today, domestic production is at an all-time high (with more growth projected), and the United States now exports a growing amount of its production to the rest of the world. America has changed from being dependent on other countries to satisfy its energy needs to being one of the world s leading suppliers of energy commodities. It has been an incredibly eventful 15-year period!

Midstream MLPs were instrumental in enabling this production growth the Shale Revolution would not have been nearly as revolutionary if the MLP industry were not there to build the pipelines, terminals, processing plants, fractionators and countless other logistics assets that ensured these products flowed from the wellhead to the end user. The ingenuity and resourcefulness of the sector s management teams to respond to this incredibly dynamic environment is impressive as is the attractiveness of the MLP structure, which helped these companies raise the capital needed to fund this multi-decade build-out of midstream assets.

Undoubtedly, you realize that the last four years have been very challenging for the MLP space. Many MLP management teams made mistakes and took actions that caused many investors to lose confidence in the structure as we have discussed extensively in recent annual letters. That said, as we will review in this year s letter, tremendous progress has been made over the last few years, and today s MLP sector is very different from the one of five years ago. We believe the sector has taken the right steps to improve its financial health and address many investor concerns. Further, we believe MLPs are attractively valued and well positioned to generate strong returns for investors.

In addition to MLPs, it is important to include Midstream Companies in any discussion involving the domestic midstream industry. As a result of many simplification transactions (more on this topic in a bit), an increasing amount of midstream assets are held by entities structured as taxable corporations. This is very different than the midstream landscape a few years ago, when most midstream assets were held by entities structured as MLPs. In response to this trend, we changed KYN s name during fiscal 2018 to Kayne Anderson MLP/Midstream Investment Company to ensure that the Company had the flexibility to invest in securities issued by all companies that own midstream assets, regardless of their corporate structure. As of year-end 2018, 26% of the Company s portfolio was invested in equity securities of Midstream Companies compared to just 5% five years ago. While we expect the majority of KYN s portfolio to continue to be invested in equity securities issued by MLPs, we believe that Midstream Companies will also be a key piece of the Company s portfolio.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

LETTER TO STOCKHOLDERS

Before turning to KYN s performance during fiscal 2018, I would like to comment on recent market volatility. Both the broader equity markets as well as the energy markets have been extremely volatile over the last few months. Crude oil prices declined by almost 45% this fall and MLPs declined by over 25% from their August highs. Fortunately, both have started to recover with MLPs up 15% from their December lows. We enter 2019 with many questions, including the state of the domestic economy, as well as the potential impact of a trade war between the U.S. and China. It is likely that volatility levels will remain elevated that is the world we live in today. Fortunately, the Company is well positioned to deal with this environment. Our leverage ratios are near target levels, providing a buffer against the impact of stock price declines. As has been the case since inception, our investment process is focused on delivering attractive returns over multi-year periods, not reacting to day-to-day price swings.

Performance Review

The Company performed well in fiscal 2018 and was the best performer among peer closed-end funds. We primarily measure the Company s performance based on its Net Asset Value Return, which is equal to the change in net asset value per share plus cash distributions paid during the period (assuming reinvestment through our dividend reinvestment program). For fiscal 2018, the Company s Net Asset Value Return was 14.2%. During the same period, the total return for the AMZ was 1.2% and the average of our peer closed-end funds was 2.4%. Of note, our performance, like that of other taxable closed-end funds, benefited from the enactment of the Tax Cuts and Jobs Act. Specifically, the reduction in the federal corporate tax rate from 35% to 21% reduced our deferred tax liability by $1.84 per share (an 11% increase in NAV). We also performed quite well when looking at the Company s Market Return (share price change plus reinvested dividends), which was 14.8% for fiscal 2018. We are pleased to have generated best-in-class returns on both a share price basis and an NAV basis during the year.

In response to the Company s projection for net distributable income, or NDI, in calendar year 2019, which has been negatively impacted by the simplification transactions announced during 2018, the Company s Board of Directors decided at our December board meeting to reduce the monthly distribution from $0.15 per share ($0.45 per share on a quarterly basis) to $0.12 per share ($0.36 per share on a quarterly basis) starting with the distribution that will be paid at the end of this month. Given our view that the majority of material simplification transactions have been announced, we felt it was the appropriate time to reset the distribution to a level that is in line with our revised NDI projections. At the same time that the new distribution was announced, we provided guidance that we intend to maintain this distribution level for the 12-month period ending December 31, 2019. Going forward, each December we intend to reassess our distribution level in light of our NDI and provide distribution guidance for the next twelve months. We understand that our distribution is a key piece of the value proposition for our investors, and the goal of this policy is to provide more visibility for our investors while ensuring that we maintain a distribution that is supported by the NDI generated from our portfolio investments.

Changing Midstream Landscape

The most impactful trend in the midstream industry over the last few years has been the simplification transactions between MLPs and Midstream Companies, a topic we have covered in great detail in prior annual letters. These transactions have come in three principal varieties: a roll-up of a subsidiary MLP into its parent, often a Midstream Company; the purchase of the general partner and incentive distribution rights, or IDRs, by an MLP from its parent; and the merger of two affiliate MLPs that share the same general partner. This trend continued in 2018, with several large simplifications taking place, including Energy Transfer s roll-up of its MLP into its general partner, the roll up of Williams Partners by Williams and the roll-up of Spectra Energy Partners and Enbridge Energy Partners into Enbridge Inc. There were a half dozen other simplification transactions announced or completed during 2018, but rather than recap all of these transactions, we want to take a step back and review these transactions in the context of the broader changes that have been occurring in the sector over the last several years.

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Since Kinder Morgan completed the roll-up of its MLPs in November 2014, over 30 MLPs have pursued simplification transactions. These transactions have been good for the sector in that they have eliminated IDRs for the vast majority of MLPs and, as a consequence, created better economic alignment between general partners and limited partners. At the same time, however, most of these transactions were accomplished by the lower-yielding entity purchasing the higher-yielding entity, which resulted in back-door distribution cuts for the unitholders of the acquired MLP.

In hindsight, it is easier to see that these simplification transactions were one facet of a broader shift in the midstream sector. As some MLPs pursued simplification transactions, others reduced their distributions or either slowed or stopped distribution growth. The effect of all of these actions is to preserve more internally generated cash flow in order for it to be used to reduce leverage and fund capital expenditures. Similar to what we have seen in the upstream sector, investors have been demanding more capital discipline from companies in the midstream sector. This trend has manifested itself through a more challenging capital markets environment in which it has become much more difficult to issue new common equity. As a result, companies have responded by retaining more internally generated cash flow, as well as pursuing a combination of asset sales, partnering with other companies on projects, structured or preferred financing and (hopefully) eliminating marginal growth projects.

While painful at times for equity holders, these changes are good for the midstream industry over the longer term. Today companies are much healthier, with stronger balance sheets and higher distribution coverage ratios than they had in 2014. Further, a substantial majority of midstream assets are held either by Midstream Companies or MLPs that have eliminated their IDRs, which is very different from a few years ago when IDRs were much more prevalent.

Admittedly, this transformation has taken a toll on investors in the short term, including KYN. Given the large number of back-door distribution cuts from simplifications, along with a few distribution cuts by large MLPs, current distributions being paid to MLP unitholders are well below where they were at the peak in 2014. For example, a portfolio that tracked the Alerian MLP Index, or AMZ, would have experienced a 29% decline in distributions from the fourth quarter of 2014 to today. For long-time MLP unitholders, this decline in distributions was a particularly bitter pill to swallow because many of the simplification transactions that contributed to this reduction also resulted in a tax bill for these investors.

Midstream Industry Update

In last year s letter, we predicted that 2018 would be the year that we would see volume growth and new projects going into service translate into strong financial results for MLPs and Midstream Companies, and that certainly came to pass. It has been a year of record earnings for the industry, exceeding even the most bullish estimates, including ours. Domestic crude oil production growth also exceeded expectations during 2018, surpassing the previous record set in 1970. This time last year, the U.S was producing approximately 10.0 million barrels per day. Currently, domestic production is estimated to be around 11.9 million barrels per day, and the EIA is projecting that the U.S. will exit 2019 at approximately 12.2 million barrels per day. It is worth pointing out that just 12 months ago, the EIA was projecting that the U.S would exit 2019 at 11.0 million barrels per day of production.

During 2018, crude oil prices averaged $65 per barrel, but at the end of the year, prices fell sharply as concerns of oversupply from (a) greater than expected U.S. production and (b) higher-than-expected production levels from OPEC coincided with concerns of a slowing global economy and weaker-than-expected demand growth. After falling to the low $40s (a decline of over $30 per barrel), oil prices have recovered and are currently in the low $50 per barrel area.

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This recent volatility highlights how sensitive oil prices are to domestic production levels in a world where improving drilling and completion technologies have enabled U.S. upstream companies to grow production to levels that were not thought possible just a few years ago. It is amazing to think that domestic crude production was at 5.4 million barrels per day when I wrote my first annual letter in January 2005 (and had declined in 27 out of the previous 35 years), and that now the U.S. has surpassed Russia and Saudi Arabia to be the top producer of oil in the world. Equally amazing is the fact that U.S. exports of crude oil averaged 2.0 million barrels per day to world markets during 2018. Until as recently as December 2015, it was against the law to export oil from the U.S.! The world has certainly changed since 2005, when the biggest concern was how to reduce the country s dependence on imports of foreign oil.

The same phenomenon has occurred in natural gas and NGLs production as well both are also at record levels. The U.S. is now exporting 2.9 billion cubic feet per day of liquefied natural gas, or LNG, which is expected to continue to grow. Cheniere Energy Partners currently exports the substantial majority of this domestic LNG from its Sabine Pass facility. Interestingly, when this MLP went public in 2007, this facility was under construction and was being built to import LNG just another data point that illustrates the transformation in the energy industry as a result of the Shale Revolution.

Growth in domestic NGL production, which has more than doubled since 2011, has revitalized the domestic petrochemical industry. Plentiful supply and competitive prices have positioned the Gulf Coast as one of the lowest cost producers of petrochemicals in the world. As domestic production has increased, the U.S. has become one of the largest exporters of NGLs in the world, as production levels far outstrip domestic demand. To help put in perspective how important exports of NGLs are to balance the market, we expect that over one-third of domestic NGL production will be exported in 2019.

Midstream MLPs and Midstream Companies own the pipelines, terminals and docks that make exports of these commodities possible, and more infrastructure will be needed to accommodate expected production growth. As a result, we believe that the midstream sector is well positioned to grow cash flows over the next few years.

While the Shale Revolution has unquestionably changed the domestic energy industry, in many instances the production growth over the last 15 years has not translated into attractive returns for the companies stockholders. As a result, investors are demanding companies in all facets of the energy industry change the way they do business. In particular, investors want companies to pivot away from a growth at all costs mindset to one that is focused on capital efficiency and return on capital employed. We echo this sentiment. While this may slow the rate of growth of cash flow and cash distributions, it should make activity levels more sustainable, help stabilize commodity prices, and help dampen the industry s boom and bust cycles. I think it is worth noting that the midstream industry has historically been more disciplined than its upstream peers. We believe the MLP structure, which requires a majority of the free cash flow be paid to investors in the form of quarterly distributions, helped instill this discipline.

Before reviewing our outlook for fiscal 2019, it is also important to point out some of the challenges the sector faces. Currently, one of the biggest impediments to development in the midstream sector is growing opposition to fossil fuels. Over the last few years, environmental groups have increasingly targeted pipeline construction under the theory that if natural gas and oil cannot get to market, it will not get drilled and produced, and their tactics have become increasingly sophisticated. We have seen challenges to pipelines at local, state and federal levels in the courts, from challenging FERC and Army Corps procedures to questioning the propriety of a local air or water permit. These tactics have worked and caused meaningful delays and cost increases for many pipeline projects. Further, environmental groups have been active on the legislative front with ballot initiatives to curb oil and gas development. In Colorado, for example, a proposal to increase setbacks from occupied buildings made the ballot that would have had a material impact on oil and gas development in Colorado. Although the initiative failed, we expect more attempts like this in Colorado and elsewhere. This is the new world order, and in order to navigate it, the energy industry needs to rigidly adhere to existing regulations and procedures, prioritize safety and environmental stewardship and look for ways to compromise where possible in order to gain support from concerned citizens.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

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Outlook

Our outlook for the midstream industry for the next few years is very positive. We believe MLPs and Midstream Companies are attractively valued and well positioned to generate strong returns for investors. The operating environment for the sector is robust, with continued volume growth driving improved financial results. Further, the sector s transformation is largely complete, as we believe that most of the material simplification transactions have already been announced. If commodity prices were to fall back to their December lows, and activity levels slow more than expected, the midstream sector with lower leverage levels and higher distribution coverage ratios is very well positioned to deal with this scenario.

In response to the recent decline in commodity prices since early October, we expect upstream companies to moderate their spending levels during 2019. We believe the upstream sector is listening carefully to investor demands that companies spend within cash flows. Even after taking these lower spending levels into account, we expect domestic production to continue to grow this year. Importantly, we believe that oil prices in the mid $50 per barrel area (very close to where we are today) is a goldilocks price for domestic production growth not too slow, not too fast.

In addition to a supportive fundamental outlook, we believe that midstream valuations are very attractive. Let me provide some facts that support our thesis: The companies in KYN s portfolio (on a weighted average basis) trade a multiple of 11x Enterprise Value to 2019 EBITDA, have a current yield of 7.4% and a distribution coverage ratio of 1.4x. We anticipate distribution growth rates on KYN s portfolio investments will average 5% to 7% over the next few years. Further, over half of the portfolio is invested in companies with an investment grade credit rating, and the companies in KYN s portfolio have an average debt to 2019 EBITDA ratio of 4.1x. In our opinion, this is an impressive combination of attractive valuations, nice yields and high quality balance sheets.

We appreciate your investment in the Company and know that the downturn over the last few years has not been a pleasant experience. We believe the midstream sector will continue to perform well operationally, and that stock prices will eventually begin to better reflect the value of these businesses leading to strong returns. For these reasons, we believe that patient long-term investors in the Company will be rewarded with very attractive returns over the next three to five years.

On a personal note, I would like to thank the employees of Kayne Anderson, the Board of Directors of the Company and, most importantly, our investors for 15 wonderful years as CEO. I look forward to continuing as chairman of the board for the next year and a half and am excited about my new role at Kayne Anderson. The Board of Directors and I have complete confidence in Jim Baker, who has been my colleague for 22 years, and we are certain when he steps up to the role of CEO in June the Company will be in good hands as it continues to execute on its business plan of achieving high after-tax total returns by investing in MLPs and other Midstream Companies. We invite you to visit our website at www.kaynefunds.com for the latest updates.

Sincerely,

Kevin S. McCarthy

Chairman of the Board of Directors

and Chief Executive Officer

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

PORTFOLIO SUMMARY

(UNAUDITED)

Portfolio of Long-Term Investments by Category

November 30, 2018 **November 30, 2017**

Top 10 Holdings by Issuer

		Percent of Long-Term Investments as of November 30,	
Holding	**Category**	**2018**	**2017**
1. Enterprise Products Partners L.P.	Midstream MLP	13.3%	14.7%
2. Energy Transfer LP[(1)]	Midstream MLP	10.6	9.9
3. ONEOK, Inc.	Midstream Company	8.8	6.8
4. The Williams Companies, Inc.[(2)]	Midstream Company	8.1	9.2
5. MPLX LP[(3)]	Midstream MLP	7.3	7.9
6. Western Gas Partners, LP[(4)]	Midstream MLP	5.7	5.2
7. Plains All American Pipeline, L.P.[(5)]	Midstream MLP	5.7	5.1
8. Buckeye Partners, L.P.	Midstream MLP	5.0	4.0
9. Targa Resources Corp.	Midstream Company	5.0	4.4
10. Magellan Midstream Partners, L.P.	Midstream MLP	3.7	3.9

(1) On October 19, 2018, Energy Transfer Equity, L.P. (ETE) and Energy Transfer Partners, L.P. (ETP) completed their previously announced unit-for-unit merger, in which ETE acquired ETP. Upon closing of the merger, ETE changed its name to Energy Transfer LP. As of November 30, 2017, our ownership of ETP and ETE represented 9.2% and 0.7% of long-term investments, respectively.

(2) On August 10, 2018, The Williams Companies, Inc. (WMB) and Williams Partners L.P. (WPZ) completed their previously announced stock-for-unit merger. As of November 30, 2017, we did not own any WMB, and our ownership of WPZ represented 9.2% of long-term investments.

(3) Includes our ownership of MPLX LP common and preferred units.

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PORTFOLIO SUMMARY

(UNAUDITED)

(4) On November 8, 2018, Western Gas Partners, LP (WES) and Western Gas Equity Partners, LP (WGP) announced that they entered into an agreement for WGP to acquire all of the publicly held common units of WES in a unit-for-unit exchange. As of November 30, 2018 and 2017, we did not own any WGP units.

(5) Does not include our ownership of Plains GP Holdings, L.P. (PAGP) and Plains AAP, L.P. (PAGP-AAP), which are affiliates. On a combined basis, our holdings in Plains All American Pipeline L.P. (PAA), PAGP and PAGP-AAP were 6.8% of long-term investments as of November 30, 2018, and our holdings in PAA, PAGP and PAGP-AAP were 5.9% of long-term investments as of November 30, 2017.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Company Overview

Kayne Anderson MLP/Midstream Investment Company (KYN) is a non-diversified, closed-end fund that commenced operations in September 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in energy-related master limited partnerships and their affiliates (MLPs) and in other companies that operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). Throughout this report we will refer to Midstream Companies , which we consider to be companies that own and operate midstream assets and are not treated as partnerships for federal income tax purposes.

On August 6, 2018, we completed our merger with Kayne Anderson Energy Development Company (KED). Pursuant to the terms of the merger agreement approved by stockholders of KED, we acquired all of the net assets of KED ($208 million) in exchange for an equal net asset value of newly issued KYN common stock (10.4 million shares). Our results of operations for the three months and fiscal year ended November 30, 2018 are not directly comparable to prior periods as these results include income and earnings associated with assets acquired in connection with the merger (included as of the date such merger was completed). See Note 1 Organization.

As of November 30, 2018, we had total assets of $3.5 billion, net assets applicable to our common stockholders of $2.1 billion (net asset value of $16.37 per share), and 126.2 million shares of common stock outstanding.

Our investments are principally in equity securities issued by MLPs and other Midstream Energy Companies, but we also may invest in debt securities of MLPs and other Midstream Energy Companies. As of November 30, 2018, we held $3.5 billion in equity investments and no debt investments.

Recent Events

January, February and March Distributions and Guidance for 2019

On December 17, 2018, we announced a monthly distribution of $0.12 per share for each of January, February and March of 2019. This distribution was a reduction of $0.03 per share from the prior monthly rate of $0.15 per share.

Over the past two years, there has been an ongoing trend of MLPs streamlining their ownership structures through simplification transactions. These transactions were designed to eliminate conflicts, strengthen balance sheets and improve distribution coverage ratios. While these transactions have accomplished those goals, they also have had the effect of materially reducing our net distributable income (NDI). During our fourth fiscal quarter, this activity accelerated, as several more of these simplifications were announced. Once these transactions are completed, we believe the midstream sector will be substantially finished with the simplification process. As a result, we have much better visibility as to what our NDI will be in 2019. In light of this, the Board of Directors elected to reduce the monthly distribution to $0.12 per share with respect to the January, February and March 2019 distributions. This distribution level is in line our projected NDI over the next 12 months, after giving effect to all of the transactions that have been announced or are expected to be announced in the near term.

We plan to maintain the monthly distribution of $0.12 per share for the next 12 months (through the distribution to be paid in December 2019). To the extent there is a material change in projected NDI for 2019, the Board of Directors will reassess the distribution level at such time. We also plan to reassess the distribution level each December and provide guidance for the following 12 months.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Results of Operations For the Three Months Ended November 30, 2018

Investment Income. Investment income totaled $11.6 million for the quarter. We received $65.6 million of dividends and distributions, of which $48.1 million was treated as return of capital and $5.9 million was treated as distributions in excess of cost basis. We also received $0.9 million of paid-in-kind dividends during the quarter, which are not included in investment income, but are reflected as unrealized gains.

Operating Expenses. Operating expenses totaled $24.6 million, including $12.7 million of investment management fees, $7.9 million of interest expense, $3.2 million of preferred stock distributions and $0.8 million of other operating expenses. Interest expense includes $0.4 million of non-cash amortization of debt issuance costs. Preferred stock distributions include $0.2 million of non-cash amortization.

Net Investment Loss. Our net investment loss totaled $9.2 million and included a current tax benefit of $8.7 million and a deferred tax expense of $4.9 million.

Net Realized Gains. We had net realized gains from our investments of $9.0 million, consisting of realized gains from long term investments of $13.7 million, a current tax expense of $13.4 million and a deferred tax benefit of $8.7 million.

Net Change in Unrealized Gains. We had a net decrease in our unrealized gains of $328.5 million. The net change consisted of a $427.6 million decrease in unrealized gains on investments and a deferred tax benefit of $99.1 million.

Net Decrease in Net Assets Resulting from Operations. We had a net decrease in net assets resulting from operations of $328.7 million. This decrease was comprised of a net investment loss of $9.2 million, net realized gains of $9.0 million and a net decrease in unrealized gains of $328.5 million, as noted above.

Results of Operations For the Fiscal Year Ended November 30, 2018

Investment Income. Investment income totaled $25.4 million for the fiscal year and consisted of net dividends and distributions on our investments. We received $257.9 million of dividends and distributions, of which $214.3 million was treated as return of capital and $18.2 million was treated as distributions in excess of cost basis. Return of capital for the year was increased by $7.0 million due to 2017 tax reporting information that we received in fiscal 2018. We also received $9.3 million of paid-in-kind dividends during the fiscal year, which are not included in investment income, but are reflected as an unrealized gain.

Operating Expenses. Operating expenses totaled $94.0 million, including $49.1 million of investment management fees (net of $0.1 million investment management fee waiver), $29.0 million of interest expense, $12.3 million of preferred stock distributions and $3.6 million of other operating expenses. Interest expense includes $1.7 million of non-cash amortization of debt issuance costs. Preferred stock distributions include $0.8 million of non-cash amortization. Other operating expenses included $0.2 million of merger related expenses.

Net Investment Loss. Our net investment loss totaled $53.1 million and included a current tax benefit of $31.8 million and a deferred tax expense of $16.3 million.

Net Realized Gains. We had net realized gains from our investments of $168.5 million, consisting of realized gains from long term investments of $224.8 million, a current tax expense of $115.7 million and a deferred tax benefit of $59.4 million.

Net Change in Unrealized Gains. We had a net increase in our unrealized gains of $113.4 million. The net change consisted of a $103.2 million decrease in our unrealized gains on investments, and a deferred tax benefit of $216.6 million (primarily as a result of the decrease in corporate tax rate from 2017 tax reform).

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Net Increase in Net Assets Resulting from Operations. We had an increase in net assets resulting from operations of $228.8 million. This increase was comprised of a net investment loss of $53.1 million, net realized gains of $168.5 million and a net increase in unrealized gains of $113.4 million, as noted above.

Distributions to Common Stockholders

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

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

Operating expenses include (a) investment management fees paid to our investment adviser (KAFA), (b) other expenses (mostly comprised of fees paid to other service providers), (c) interest expense and preferred stock distributions and (d) current and deferred income tax expense/benefit on net investment income/loss.

Net Distributable Income (NDI)

(amounts in millions, except for per share amounts)

	Three Months Ended November 30, 2018[(1)]	Fiscal Year Ended November 30, 2018[(1)]
Distributions and Other Income from Investments		
Dividends and Distributions[(2)]	$ 65.6	$ 257.9
Paid-In-Kind Dividends[(2)]	0.9	9.3
Total Distributions and Other Income from Investments	66.5	267.2
Expenses		
Net Investment Management Fee	(12.7)	(49.1)
Other Expenses[(3)]	(0.9)	(3.4)
Interest Expense	(7.6)	(28.2)
Preferred Stock Distributions	(3.0)	(11.5)
Income Tax Benefit, net	3.9	15.5
Net Distributable Income (NDI)	**$ 46.2**	**$ 190.5**
Weighted Shares Outstanding[(4)]	126.1	118.7
NDI per Weighted Share Outstanding	**$ 0.366**	**$ 1.605**
Adjusted NDI per Weighted Share Outstanding[(5)]	**$ 0.369**	**$ 1.605**

Distributions per Common Share[(6)]	**$**	**0.390**	**$**	**1.740**
	Quarterly Rate			
Distribution Guidance per Common Share for 2019[(7)]	$	0.36		

(1) NDI for the three months and fiscal year ended November 30, 2018, includes income and expenses associated with assets acquired in connection with our merger with KED (included as of August 6, 2018, the date such merger was completed).

(2) See Note 2 Significant Accounting Policies to the Financial Statements for additional information regarding paid-in-kind and non-cash dividends and distributions.

KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

(3) For the fiscal year ended November 30, 2018, excludes $0.2 million of one-time merger related expenses.

(4) Weighted shares outstanding for the fiscal year reflects 10.4 million of new KYN shares issued August 6, 2018 in connection with our merger with KED.

(5) The income tax benefit for the second quarter of fiscal 2018 included a $1.6 million increase attributable to a change made to our return of capital estimate for 2017 (the Return of Capital Adjustment) as a result of tax reporting information related to 2017 received during fiscal 2018. For purposes of calculating Adjusted NDI, we allocated the income tax benefit related to our Return of Capital Adjustment equally to each quarter in 2018 ($1.6 million adjustment in aggregate; $0.4 million quarterly adjustment).

(6) For the three months ended November 30, 2018, consists of distributions paid, or to be paid, December 31, 2018, January 31, 2019 and February 28, 2019. For the fiscal year ended November 30, 2018, consists of quarterly distributions paid April 20, 2018 and July 13, 2018, and monthly distributions paid, or to be paid, September 28, 2018, October 31, 2018, November 30, 2018, December 31, 2018, January 31, 2019 and February 28, 2019.

(7) Based on a monthly distribution of $0.12 per common share ($1.44 per common share annualized).

Payment of future distributions is subject to Board of Directors approval, as well as meeting the covenants on our debt agreements and terms of our preferred stock. The Company has provided guidance on the expected distribution level for 2019 (monthly distribution rate of $0.12 per common share). The Company plans to reassess its distribution level each December and provide guidance for the following twelve months. In determining this amount, management and the Board of Directors gives a significant amount of consideration to the NDI the portfolio is expected to generate during the twelve month guidance period.

Reconciliation of NDI to GAAP

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

GAAP recognizes that a significant portion of the cash distributions received from MLPs is characterized as a return of capital and therefore excluded from investment income, whereas the NDI calculation includes the return of capital portion of such distributions.

GAAP recognizes distributions received from MLPs that exceed the cost basis of our securities to be realized gains and are therefore excluded from investment income, whereas the NDI calculation includes these distributions.

NDI includes the value of paid-in-kind dividends and distributions, whereas such amounts are not included as investment income for GAAP purposes, but rather are recorded as unrealized gains upon receipt.

NDI includes commitment fees from PIPE investments, whereas such amounts are generally not included in investment income for GAAP purposes, but rather are recorded as a reduction to the cost of the investment.

We may hold debt securities from time to time. Certain of our investments in debt securities may be purchased at a discount or premium to the par value of such security. When making such investments, we consider the security s yield to maturity, which factors in the impact of such discount (or premium). Interest income reported under GAAP includes the non-cash accretion of the discount (or amortization of the premium) based on the effective interest method. When we calculate interest income for purposes of determining NDI, in order to better reflect the yield to maturity, the accretion of the discount (or amortization of the premium) is calculated on a straight-line basis to the earlier of the expected call date or the maturity of the debt security.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

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

The treatment of expenses included in NDI also differs from what is reported in the Statement of Operations as follows:

The non-cash amortization or write-offs of capitalized debt issuance costs, premiums on newly issued debt and preferred stock offering costs related to our financings is included in interest expense and distributions on mandatory redeemable preferred stock for GAAP purposes, but is excluded from our calculation of NDI.

For GAAP purposes, offering costs incurred related to the issuance of common stock reduce paid-in capital when stock is issued. Certain costs related to registration statements or shelf offerings may be written off once the registration statement or prospectus usefulness has expired. The non-cash amortization or write-off of these offering costs is included in operating expense for GAAP purposes, but is excluded from our calculation of NDI.

NDI also includes recurring payments (or receipts) on interest rate swap contracts or the amortization of termination payments on interest rate swap contracts entered into in anticipation of an offering of unsecured notes (Notes) or mandatory redeemable preferred stock (MRP Shares). The termination payments on interest rate swap contracts are amortized over the term of the Notes or MRP Shares issued. For GAAP purposes, these amounts are included in the realized gains/losses section of the Statement of Operations.

Liquidity and Capital Resources

At November 30, 2018, we had total leverage outstanding of $1,132 million, which represented 32% of total assets. Our current policy is to utilize leverage in an amount that represents approximately 25%-30% of our total assets. As a result of adverse market conditions in the fourth quarter, we ended the year with leverage slightly above target levels. Total leverage was comprised of $716 million of Notes, $39 million of borrowings outstanding under our unsecured revolving credit facility (the Credit Facility), $60 million outstanding under our unsecured term loan (the Term Loan) and $317 million of MRP Shares. At November 30, 2018, we did not have any borrowings outstanding under our unsecured revolving term loan (the Revolving Term Loan). At November 30, 2018, we had $4 million of cash and cash equivalents. As of January 18, 2019, we had total leverage outstanding of $1,093 million, which represented 31% of total assets. As of this date, we had $60 million of borrowings outstanding under our Term Loan and we had $6 million of cash and cash equivalents.

Our Credit Facility has a 364-day term, maturing on February 15, 2019 and a total commitment amount of $150 million. The interest rate on outstanding loan balances may vary between LIBOR plus 1.30% and LIBOR plus 1.95%, depending on our asset coverage ratios. We pay a fee of 0.20% per annum on any unused amounts of the Credit Facility. We have initiated a process to renew this facility prior to its maturity date and expect to complete this renewal process in early February. As a part of this process, we intend to increase the size of this facility in connection with the maturity of our Revolving Term Loan.

KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Our Revolving Term Loan has a total commitment of $150 million and matures on February 18, 2019. Borrowings under the Revolving Term Loan bear interest at a rate of LIBOR plus 1.30%. Amounts borrowed under the Revolving Term Loan may be repaid and subsequently borrowed. We pay a fee of 0.25% per annum on any unused amounts of the Revolving Term Loan.

In connection with our merger with KED, we assumed KED s $60 million Term Loan. The Term Loan matures on August 11, 2021. The interest rate on $30 million of the Term Loan is fixed at a rate of 3.06% and the interest rate on the remaining $30 million is LIBOR plus 1.50%. Amounts repaid under the Term Loan cannot be reborrowed.

At November 30, 2018, we had $716 million of Notes outstanding that mature between 2019 and 2025 and we had $317 million of MRP Shares outstanding that are subject to mandatory redemption between 2020 and 2022. We have $75 million of Notes that mature in April 2019, $15 million of Notes that mature in May 2019, and $30 million of Notes that mature in July 2019. We expect to have sufficient capacity on our upsized credit facility to refinance these borrowings. We may also look to refinance these borrowings with the issuance of additional Notes at some point in the latter part of 2019 or in 2020. As a part of the merger, KED preferred stockholders were issued an equivalent number of new KYN Series K MRP Shares ($25 million liquidation value) with terms identical to their previously held KED Series A MRP Shares. Series K MRP Shares pay quarterly dividends at a rate of 3.37% per annum and mature on April 10, 2020.

At November 30, 2018, our asset coverage ratios under the Investment Company Act of 1940, as amended (the 1940 Act), were 392% for debt and 283% for total leverage (debt plus preferred stock). As of January 18, 2019, our asset coverage ratios were 413% for debt and 293% for total leverage. Our target asset coverage ratio with respect to our debt is 400%. At times we may be above or below this target depending on market conditions as well as certain other factors, including our target total leverage asset coverage ratio of 300% and the basic maintenance amount as stated in our rating agency guidelines.

As of November 30, 2018, our total leverage consisted 94% of fixed rate obligations and 6% of floating rate obligations. At such date, the weighted average interest/dividend rate on our total leverage was 3.60%.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

NOVEMBER 30, 2018

(amounts in 000 s)

Description	No. of Shares/Units	Value
Long-Term Investments 167.7%		
Equity Investments[(1)] 167.7%		
Midstream MLP[(2)] 122.8%		
Andeavor Logistics LP	919	$ 34,302
Antero Midstream Partners LP[(3)]	367	10,146
BP Midstream Partners LP	2,556	43,119
Buckeye Partners, L.P.[(4)]	5,852	172,980
CNX Midstream Partners LP	1,435	25,973
Cheniere Energy Partners, L.P.	1,552	58,484
Crestwood Equity Partners LP	1,387	41,197
DCP Midstream, LP	2,577	87,817
Dominion Midstream Partners, LP Convertible Preferred Units[(5)(6)(7)]	631	23,333
Enable Midstream Partners, LP	1,913	25,522
Enbridge Energy Management, L.L.C.[(8)(9)]	2,557	27,870
Enbridge Energy Partners, L.P[(9)]	266	2,894
Energy Transfer LP	25,132	366,166
EnLink Midstream Partners, LP[(10)]	4,888	64,668
Enterprise Products Partners L.P.	17,579	461,446
EQT Midstream Partners, LP	502	23,932
Global Partners LP	1,166	20,155
Hess Midstream Partners LP	115	2,223
Magellan Midstream Partners, L.P.	2,125	128,547
MPLX LP	5,096	168,828
MPLX LP Convertible Preferred Units[(5)(6)(11)]	2,255	83,585
Noble Midstream Partners LP	205	6,778
Phillips 66 Partners LP	965	45,247
Plains All American Pipeline, L.P.[(4)]	8,613	198,350
Plains GP Holdings, L.P.[(4)]	70	1,549
Plains GP Holdings, L.P. Plains AAP, L.P.[(4)(6)(12)]	1,622	37,361
Shell Midstream Partners, L.P.	4,958	93,409
Spectra Energy Partners, LP[(9)]	1,487	53,918
Sprague Resources LP	476	8,475
Summit Midstream Partners, LP	1,623	19,945
Western Gas Partners, LP[(13)]	4,471	198,700
		2,536,919
Midstream Company 43.0%		
Antero Midstream GP LP[(3)]	861	12,751
Kinder Morgan, Inc.	1,749	29,852
ONEOK, Inc.	4,936	303,244
SemGroup Corporation	625	10,143
Tallgrass Energy, LP	3,726	79,586
Targa Resources Corp.	3,844	171,545
The Williams Companies, Inc.	11,120	281,565

		888,686
Shipping MLP — 1.6%		
Capital Product Partners L.P. — Class B Units[5][6][14]	3,636	32,727
Other — 0.3%		
Viper Energy Partners LP	239	7,183
Total Long-Term Investments (Cost — $2,956,328)		3,465,515

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

NOVEMBER 30, 2018

(amounts in 000 s)

Description	No. of Shares/Units	Value
Short-Term Investment 0.1%		
Money Market Fund 0.1%		
JPMorgan 100% U.S. Treasury Securities Money Market Fund - Capital Shares, 2.08%[15] (Cost $1,714)	1,714	$ 1,714
Total Investments United States 167.8% (Cost $2,958,042)		3,467,229
Debt		(815,000)
Mandatory Redeemable Preferred Stock at Liquidation Value		(317,000)
Current Income Tax Liability		(764)
Deferred Income Tax Liability		(260,142)
Other Liabilities in Excess of Other Assets		(8,054)
Net Assets Applicable to Common Stockholders		$ 2,066,269

(1) Unless otherwise noted, equity investments are common units/common shares.

(2) Includes limited liability companies and affiliates of master limited partnerships.

(3) On October 9, 2018, Antero Midstream GP LP (AMGP) and Antero Midstream Partners LP (AM) announced that they entered into a definitive agreement for AMGP to acquire all of the outstanding AM common units. In connection with the transaction, AMGP will convert into a corporation and the combined entity will be renamed Antero Midstream Corporation (New AM). Under the terms of the agreement, AM unitholders will receive a combination of $3.415 in cash and 1.635 shares of New AM stock per AM unit owned.

(4) The Company believes that it is an affiliate of Buckeye Partners, L.P. (BPL), Plains GP Holdings, L.P. (PAGP), Plains AAP, L.P. (PAGP-AAP) and Plains All American Pipeline, L.P. (PAA). See Note 5 Agreements and Affiliations.

(5) Fair valued security. See Notes 2 and 3 in Notes to Financial Statements.

(6) The Company s ability to sell this security is subject to certain legal or contractual restrictions. As of November 30, 2018, the aggregate value of restricted securities held by the Company was $177,006 (5.1% of total assets), which included $37,361 of Level 2 securities and $139,645 of Level 3 securities. See Note 7 Restricted Securities.

(7)

On December 1, 2016, the Company purchased, in a private placement, Series A Convertible Preferred Units (DM Convertible Preferred Units) from Dominion Midstream Partners, LP (DM). The DM Convertible Preferred Units are senior to the common units in terms of liquidation preference and priority of distributions. On November 26, 2018, Dominion Energy (D) announced it had entered into a definitive agreement to acquire all outstanding DM common units that are not already owned by D. In connection with this transaction, the DM Convertible Preferred Units will be converted into DM common units at a conversion ratio determined in accordance with the terms of the partnership agreement of DM and that will result in a value to the Company of 140% of the liquidation preference of $26.40 per unit. The transaction is expected to close in the first quarter of 2019.

(8) Dividends are paid-in-kind.

(9) On December 17, 2018, Enbridge Inc. (ENB) completed its previously announced acquisition of Spectra Energy Partners, LP (SEP) in a stock-for-unit merger. On December 20, 2018, ENB, completed its previously announced acquisition of Enbridge Energy Partners, L.P. (EEP) and Enbridge Energy Management, L.L.C. (EEQ) with unitholders of EEP and stockholders of EEQ receiving ENB stock. As of November 30, 2018, the Company s combined position in SEP, EEP and EEQ was $84,682.

See accompanying notes to financial statements.

KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

NOVEMBER 30, 2018

(amounts in 000 s)

(10) On October 22, 2018, EnLink Midstream, LLC (ENLC) and EnLink Midstream Partners, LP (ENLK) announced that they entered into an agreement for ENLC to acquire all of the outstanding common units of ENLK not already owned by ENLC in a unit-for-unit exchange. Under the terms of the agreement, ENLK unitholders will receive 1.15 common units of the pro forma company, which will retain the name EnLink Midstream, LLC, for each ENLK unit held. The transaction is expected to close in the first quarter of 2019.

(11) On May 13, 2016, the Company purchased, in a private placement, Series A Convertible Preferred Units (MPLX Convertible Preferred Units) from MPLX LP (MPLX). The MPLX Convertible Preferred Units are senior to the common units in terms of liquidation preference and priority of distributions and pay a quarterly distribution at the higher of (a) $0.528125 per unit or (b) the distribution that the MPLX Convertible Preferred Units would receive on an as converted basis. Holders of the MPLX Convertible Preferred Units may convert on a one-for-one basis to MPLX common units any time after May 13, 2019.

(12) The Company s ownership of PAGP-AAP is exchangeable on a one-for-one basis into either PAGP shares or PAA units at the Company s option. The Company values its PAGP-AAP investment on an as exchanged basis based on the higher public market value of either PAGP or PAA. As of November 30, 2018, the Company s PAGP-AAP investment is valued at PAA s closing price. See Notes 3 and 7 in Notes to Financial Statements.

(13) On November 8, 2018, Western Gas Partners, LP (WES) and Western Gas Equity Partners, LP (WGP) announced that they entered into an agreement for WGP to acquire all of the publicly held common units of WES in a unit-for-unit exchange. Under the terms of the agreement, WES unitholders will receive 1.525 WGP common units for each WES common unit held. The transaction is expected to close in the first quarter of 2019.

(14) Class B Units are convertible on a one-for-one basis into common units of Capital Product Partners L.P. (CPLP) and are senior to the common units in terms of liquidation preference and priority of distributions (liquidation preference of $9.00 per unit). On November 27, 2018, CPLP and DSS Holdings L.P. (DSS), entered into a definitive agreement pursuant to which CPLP has agreed to spin off its crude and product tanker business into a separate publicly listed company, which will merge with DSS. In connection with this transaction, all of the Company s CPLP Class B Units will be redeemed for cash at $9.00 per unit. The transaction is expected to close in the first quarter of 2019.

(15) The rate indicated is the current yield as of November 30, 2018.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 30, 2018

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

ASSETS	
Investments at fair value:	
Non-affiliated (Cost $2,619,931)	$ 3,055,275
Affiliated (Cost $336,397)	410,240
Short-term investments (Cost $1,714)	1,714
Total investments (Cost $2,958,042)	3,467,229
Cash	2,000
Deposits with brokers	252
Receivable for securities sold	12,888
Dividends and distributions receivable	519
Deferred credit facilities offering costs and other assets	1,005
Total Assets	3,483,893
LIABILITIES	
Payable for securities purchased	1,254
Investment management fee payable	12,692
Accrued directors fees and expenses	188
Accrued expenses and other liabilities	14,588
Current income tax liability	764
Deferred income tax liability	260,142
Credit facility	39,000
Term loan	60,000
Unamortized term loan issuance costs	(326)
Notes	716,000
Unamortized notes issuance costs	(2,117)
Mandatory redeemable preferred stock, $25.00 liquidation value per share (12,680,000 shares issued and outstanding)	317,000
Unamortized mandatory redeemable preferred stock issuance costs	(1,561)
Total Liabilities	1,417,624
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$ 2,066,269
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF	
Common stock, $0.001 par value (126,202,954 shares issued and outstanding, 187,320,000 shares authorized)	$ 126
Paid-in capital	2,180,922
Accumulated net investment loss, net of income taxes, less dividends	(1,919,924)
Accumulated realized gains, net of income taxes	1,291,365

Net unrealized gains, net of income taxes		513,780
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS	$	2,066,269
NET ASSET VALUE PER COMMON SHARE	$	16.37

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

STATEMENT OF OPERATIONS

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

(amounts in 000 s)

INVESTMENT INCOME	
Income	
Dividends and distributions:	
Non-affiliated investments	$ 227,807
Affiliated investments	29,823
Money market mutual funds	240
Total dividends and distributions	257,870
Return of capital	(214,298)
Distributions in excess of cost basis	(18,167)
Total Investment Income	25,405
Expenses	
Investment management fees, before fee waiver	49,211
Administration fees	1,131
Directors fees and expenses	566
Professional fees	533
Reports to stockholders	295
Merger expenses	209
Custodian fees	186
Insurance	144
Other expenses	519
Total Expenses before fee waiver, interest expense, preferred distributions and taxes	52,794
Investment management fee waiver	(72)
Interest expense including amortization of offering costs	29,038
Distributions on mandatory redeemable preferred stock including amortization of offering costs	12,266
Total Expenses before taxes	94,026
Net Investment Loss Before Taxes	(68,621)
Current income tax benefit	31,829
Deferred income tax expense	(16,353)
Net Investment Loss	(53,145)
REALIZED AND UNREALIZED GAINS (LOSSES)	
Net Realized Gains (Losses)	
Investments non-affiliated	217,360
Investments affiliated	7,459
Current income tax expense	(115,684)
Deferred income tax benefit	59,435
Net Realized Gains	168,570

Net Change in Unrealized Gains (Losses)	
Investments non-affiliated	(73,586)
Investments affiliated	(29,640)
Deferred income tax benefit	216,600
Net Change in Unrealized Gains	113,374
Net Realized and Unrealized Gains	281,944
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	$ 228,799

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS

(amounts in 000 s, except share amounts)

	For the Fiscal Year Ended November 30, 2018	For the Fiscal Year Ended November 30, 2017
OPERATIONS		
Net investment loss, net of tax[1]	$ (53,145)	$ (51,378)
Net realized gains, net of tax	168,570	206,024
Net change in unrealized gains (losses), net of tax	113,374	(313,771)
Net Increase (Decrease) in Net Assets Resulting from Operations	228,799	(159,125)
DIVIDENDS AND DISTRIBUTIONS TO COMMON STOCKHOLDERS[2]		
Dividends	(212,192)	(60,863)
Distributions return of capital		(155,955)
Dividends and Distributions to Common Stockholders	(212,192)	(216,818)
CAPITAL STOCK TRANSACTIONS		
Issuance of 10,384,958 shares of common stock in connection with the merger of Kayne Anderson Energy Development Company	207,925	
Offering expenses associated with the issuance of common stock in merger	(603)[3]	
Issuance of 940,916 and 1,189,571 shares of common stock from reinvestment of dividends and distributions, respectively	16,167	21,335
Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions	223,489	21,335
Total Increase (Decrease) in Net Assets Applicable to Common Stockholders	240,096	(354,608)
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS		
Beginning of year	1,826,173	2,180,781
End of year	$ 2,066,269	$ 1,826,173

(1) Distributions on the Company s mandatory redeemable preferred stock (MRP Shares) are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 Significant Accounting Policies. Distributions in the amount of $11,513 and $11,400 paid to holders of MRP Shares for the fiscal years ended November 30, 2018 and 2017 were characterized as dividends (eligible to be treated as qualified dividend income). This characterization is based on the Company s earnings and profits.

(2) Distributions paid to common stockholders for the fiscal years ended November 30, 2018 and 2017 were characterized as either dividends (eligible to be treated as qualified dividend income) or distributions (return of capital). This characterization is based on the Company s earnings and profits.

(3) Represents offering costs incurred in connection with the merger of Kayne Anderson Energy Development Company.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

(amounts in 000 s)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	$ 228,799
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Return of capital distributions	214,298
Distributions in excess of cost basis	18,167
Net realized gains	(224,819)
Net change in unrealized gains	103,226
Purchase of long-term investments	(913,547)
Proceeds from sale of long-term investments	965,818
Proceeds from sale of short-term investments, net	73,591
Increase in deposits with brokers	(2)
Increase in receivable for securities sold	(5,996)
Decrease in dividends and distributions receivable	4,704
Amortization of deferred debt offering costs	1,652
Amortization of mandatory redeemable preferred stock offering costs	752
Decrease in other assets	103
Decrease in payable for securities purchased	(3,029)
Increase in investment management fee payable	107
Increase in accrued directors fees and expenses	84
Decrease in accrued expenses and other liabilities	(2,121)
Decrease in current income tax liability	(12,739)
Decrease in deferred income tax liability	(259,682)
Net Cash Provided by Operating Activities	189,366
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in borrowings under credit facilities	39,000
Offering expenses associated with the merger of KED	(603)
Redemption of notes	(31,000)
Costs associated with renewal of credit facility	(653)
Costs associated with term loan	(85)
Cash distributions paid to common stockholders	(196,025)
Net Cash Used in Financing Activities	(189,366)
NET CHANGE IN CASH	
CASH BEGINNING OF YEAR	2,000
CASH END OF YEAR	$ 2,000

Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consisted of (1) the issuance of $207,925 of common shares in connection with the merger of Kayne Anderson Energy Development Company (KED) (see Note 1) and (2) reinvestment of distributions pursuant to the Company s dividend reinvestment plan of $16,167.

During the fiscal year ended November 30, 2018, interest paid related to debt obligations was $27,974 and income tax paid was $96,594 (net of refunds).

The Company received $9,311 of paid-in-kind dividends during the fiscal year ended November 30, 2018. See Note 2 Significant Accounting Policies.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

FINANCIAL HIGHLIGHTS

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

	For the Fiscal Year Ended November 30,			
	2018	**2017**	**2016**	**2015**
Per Share of Common Stock[1]				
Net asset value, beginning of period	$ 15.90	$ 19.18	$ 19.20	$ 36.71
Net investment income (loss)[2]	(0.45)	(0.45)	(0.61)	(0.53)
Net realized and unrealized gain (loss)	2.74	(0.92)	2.80	(14.39)
Total income (loss) from operations	2.29	(1.37)	2.19	(14.92)
Dividends and distributions auction rate preferred[2][3]				
Common dividends[3]	(1.80)	(0.53)		(2.15)
Common distributions return of capital[3]		(1.37)	(2.20)	(0.48)
Total dividends and distributions common	(1.80)	(1.90)	(2.20)	(2.63)
Offering expenses associated with the issuance of common stock	(0.01)[4]			
Effect of issuance of common stock				0.03
Effect of shares issued in reinvestment of distributions	(0.01)	(0.01)	(0.01)	0.01
Total capital stock transactions	(0.02)	(0.01)	(0.01)	0.04
Net asset value, end of period	$ 16.37	$ 15.90	$ 19.18	$ 19.20
Market value per share of common stock, end of period	$ 15.85	$ 15.32	$ 19.72	$ 18.23
Total investment return based on common stock market value[5]	14.8%	(13.8)%	24.1%	(47.7)%
Total investment return based on net asset value[6]	14.2%	(8.0)%	14.6%	(42.8)%
Supplemental Data and Ratios[7]				
Net assets applicable to common stockholders, end of period	$ 2,066,269	$ 1,826,173	$ 2,180,781	$ 2,141,602
Ratio of expenses to average net assets				
Management fees (net of fee waiver)	2.3%	2.5%	2.5%	2.6%
Other expenses	0.2	0.1	0.2	0.1
Subtotal	2.5	2.6	2.7	2.7
Interest expense and distributions on mandatory redeemable preferred stock[2]	1.9	2.0	2.8	2.4
Income tax expense[8]			7.9	
Total expenses	4.4%	4.6%	13.4%	5.1%
Ratio of net investment income (loss) to average net assets[2]	(2.5)%	(2.4)%	(3.4)%	(1.8)%
Net increase (decrease) in net assets to common stockholders resulting from operations to average net assets	10.8%	(7.5)%	12.5%	(51.7)%
Portfolio turnover rate	25.8%	17.6%	14.5%	17.1%
Average net assets	$ 2,127,407	$ 2,128,965	$ 2,031,206	$ 3,195,445
Notes outstanding, end of period[9]	$ 716,000	$ 747,000	$ 767,000	$ 1,031,000

Borrowings under credit facilities, end of period[9]	$ 39,000	$	$ 43,000	$
Term loan outstanding, end of period[9]	$ 60,000	$	$	$
Auction rate preferred stock, end of period[9]	$	$	$	$
Mandatory redeemable preferred stock, end of period[9]	$ 317,000	$ 292,000	$ 300,000	$ 464,000
Average shares of common stock outstanding	118,725,060	114,292,056	112,967,480	110,809,350
Asset coverage of total debt[10]	392.4%	383.6%	406.3%	352.7%
Asset coverage of total leverage (debt and preferred stock)[11]	282.5%	275.8%	296.5%	243.3%
Average amount of borrowings per share of common stock during the period[1]	$ 6.52	$ 7.03	$ 7.06	$ 11.95

See accompanying notes to financial statements.

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(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	$ 34.30	$ 28.51	$ 27.01
Net investment income (loss)[2]	(0.76)	(0.73)	(0.71)
Net realized and unrealized gain (loss)	5.64	8.72	4.27
Total income (loss) from operations	4.88	7.99	3.56
Dividends and distributions auction rate preferred[2][3]			
Common dividends[3]	(2.28)	(1.54)	(1.54)
Common distributions return of capital[3]	(0.25)	(0.75)	(0.55)
Total dividends and distributions common	(2.53)	(2.29)	(2.09)
Offering expenses associated with the issuance of common stock			
Effect of issuance of common stock	0.06	0.09	0.02
Effect of shares issued in reinvestment of distributions			0.01
Total capital stock transactions	0.06	0.09	0.03
Net asset value, end of period	$ 36.71	$ 34.30	$ 28.51
Market value per share of common stock, end of period	$ 38.14	$ 37.23	$ 31.13
Total investment return based on common stock market value[5]	9.9%	28.2%	19.3%
Total investment return based on net asset value[6]	14.8%	29.0%	13.4%
Supplemental Data and Ratios[7]			
Net assets applicable to common stockholders, end of period	$ 4,026,822	$ 3,443,916	$ 2,520,821
Ratio of expenses to average net assets			
Management fees (net of fee waiver)	2.4%	2.4%	2.4%
Other expenses	0.1	0.1	0.2
Subtotal	2.5	2.5	2.6
Interest expense and distributions on mandatory redeemable preferred stock[2]	1.8	2.1	2.4
Income tax expense[8]	8.3	14.4	7.2
Total expenses	12.6%	19.0%	12.2%
Ratio of net investment income (loss) to average net assets[2]	(2.0)%	(2.3)%	(2.5)%
Net increase (decrease) in net assets to common stockholders resulting from operations to average net assets	13.2%	24.3%	11.6%
Portfolio turnover rate	17.6%	21.2%	20.4%
Average net assets	$ 3,967,458	$ 3,027,563	$ 2,346,249
Notes outstanding, end of period[9]	$ 1,435,000	$ 1,175,000	$ 890,000
Borrowings under credit facilities, end of period[9]	$ 51,000	$ 69,000	$ 19,000

Term loan outstanding, end of period[9]	$	$	$
Auction rate preferred stock, end of period[9]	$	$	$
Mandatory redeemable preferred stock, end of period[9]	$ 524,000	$ 449,000	$ 374,000
Average shares of common stock outstanding	107,305,514	94,658,194	82,809,687
Asset coverage of total debt[10]	406.2%	412.9%	418.5%
Asset coverage of total leverage (debt and preferred stock)[11]	300.3%	303.4%	296.5%
Average amount of borrowings per share of common stock during the period[1]	$ 13.23	$ 11.70	$ 10.80

See accompanying notes to financial statements.

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

	For the Fiscal Year Ended November 30, 2011	2010	2009
Per Share of Common Stock[1]			
Net asset value, beginning of period	$ 26.67	$ 20.13	$ 14.74
Net investment income (loss)[2]	(0.69)	(0.44)	(0.33)
Net realized and unrealized gain (loss)	2.91	8.72	7.50
Total income (loss) from operations	2.22	8.28	7.17
Dividends and distributions auction rate preferred[2][3]			(0.01)
Common dividends[3]	(1.26)	(0.84)	
Common distributions return of capital[3]	(0.72)	(1.08)	(1.94)
Total dividends and distributions common	(1.98)	(1.92)	(1.94)
Offering expenses associated with the issuance of common stock			
Effect of issuance of common stock	0.09	0.16	0.12
Effect of shares issued in reinvestment of distributions	0.01	0.02	0.05
Total capital stock transactions	0.10	0.18	0.17
Net asset value, end of period	$ 27.01	$ 26.67	$ 20.13
Market value per share of common stock, end of period	$ 28.03	$ 28.49	$ 24.43
Total investment return based on common stock market value[5]	5.6%	26.0%	103.0%
Total investment return based on net asset value[6]	8.7%	43.2%	51.7%
Supplemental Data and Ratios[7]			
Net assets applicable to common stockholders, end of period	$ 2,029,603	$ 1,825,891	$ 1,038,277
Ratio of expenses to average net assets			
Management fees (net of fee waiver)	2.4%	2.1%	2.1%
Other expenses	0.2	0.2	0.4
Subtotal	2.6	2.3	2.5
Interest expense and distributions on mandatory redeemable preferred stock[2]	2.3	1.9	2.5
Income tax expense[8]	4.8	20.5	25.4
Total expenses	9.7%	24.7%	30.4%
Ratio of net investment income (loss) to average net assets[2]	(2.5)%	(1.8)%	(2.0)%
Net increase (decrease) in net assets to common stockholders resulting from operations to average net assets	7.7%	34.6%	43.2%
Portfolio turnover rate	22.3%	18.7%	28.9%
Average net assets	$ 1,971,469	$ 1,432,266	$ 774,999
Notes outstanding, end of period[9]	$ 775,000	$ 620,000	$ 370,000

Borrowings under credit facilities, end of period[9]	$	$	$
Term loan outstanding, end of period[9]	$	$	$
Auction rate preferred stock, end of period[9]	$	$	$ 75,000
Mandatory redeemable preferred stock, end of period[9]	$ 260,000	$ 160,000	$
Average shares of common stock outstanding	72,661,162	60,762,952	46,894,632
Asset coverage of total debt[10]	395.4%	420.3%	400.9%
Asset coverage of total leverage (debt and preferred stock)[11]	296.1%	334.1%	333.3%
Average amount of borrowings per share of common stock during the period[1]	$ 10.09	$ 7.70	$ 6.79

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

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 Company s MRP Shares are treated as an operating expense under GAAP and are included in the calculation of net investment income (loss). See Note 2 Significant Accounting Policies.

(3) The information presented for each period is a characterization of the total distributions paid to preferred stockholders and common stockholders as either a dividend (eligible to be treated as qualified dividend income) or a distribution (return of capital) and is based on the Company s earnings and profits.

(4) Represents offering costs incurred in connection with the merger of Kayne Anderson Energy Development Company (see Note 1).

(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 Company 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 Company s dividend reinvestment plan.

(7) Unless otherwise noted, ratios are annualized.

(8) For the fiscal year ended November 30, 2018, the Company reported an income tax benefit of $175,827 (8.3% of average net assets), primarily related to the reduction in deferred tax liabilities as a result of 2017 tax reform. For the fiscal years ended November 30, 2017, November 30, 2015 and November 30, 2008, the Company reported an income tax benefit of $86,746 (4.1% of average net assets), $980,647 (30.7% of average net assets) and $339,991 (29.7% of average net assets), respectively, primarily related to unrealized losses on investments. The income tax expense is assumed to be 0% because the Company reported a net deferred income tax benefit during the period.

(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 Company 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, the Revolving Term Loan 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 (liquidation value) divided by the aggregate amount of Notes, any other senior securities representing indebtedness and MRP Shares. Under the 1940 Act, the Company 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 Company, 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 tests, the Credit Facility, the Revolving Term Loan and the Term Loan are considered senior securities representing indebtedness.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

(amounts in 000 s, except number of option contracts, share and per share amounts)

1. Organization

Kayne Anderson MLP/Midstream Investment Company (the Company or KYN) was organized as a Maryland corporation on June 4, 2004, and is a non-diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Company s investment objective is to obtain a high after-tax total return by investing at least 85% of its total assets in energy-related partnerships and their affiliates (collectively, master limited partnerships or MLPs), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). In this report, the term Midstream Companies refers to companies that own and operate midstream assets and are not treated as partnerships for federal income tax purposes. The Company commenced operations on September 28, 2004. The Company s shares of common stock are listed on the New York Stock Exchange, Inc. (NYSE) under the symbol KYN.

On August 6, 2018, KYN completed its merger with Kayne Anderson Energy Development Company (KED). Pursuant to the terms of the merger agreement approved by stockholders of KED, KYN acquired all of the net assets of KED ($207,925) in exchange for an equal net asset value of newly issued KYN common stock. A total of 10,808,425 shares of KED were exchanged for 10,384,958 new common shares of KYN. The merger qualified as a tax-free reorganization under Section 368(a) of the Internal Revenue Code. KED s net assets prior to merger included $117,709 of accumulated net realized gains and $48,448 of net unrealized appreciation on investments. The aggregate net assets of the Company prior to merger totaled $2,316,776 and following the merger the combined net assets of the Company was $2,524,701.

As a part of the merger, KED preferred stockholders received an equivalent number of newly issued KYN Series K mandatory redeemable preferred stock (MRP Shares) with terms identical to their previously held KED Series A MRP Shares. See Note 12 Preferred Stock. The company also assumed KED s $60,000 unsecured term loan (the Term Loan). See Note 10 Credit Facility, Revolving Term Loan and Term Loan.

The Company s results of operations for the fiscal year ended November 30, 2018 are not directly comparable to prior periods as these results include income and earnings associated with assets acquired in connection with the merger (included as of the date such merger was completed). Assuming the merger had been completed on December 1, 2017, the beginning of the annual reporting period for the Company, the pro forma results in the Statement of Operations for the fiscal year ended November 30, 2018 would be as follows.

	Pro Forma For the Fiscal Year Ended November 30, 2018
Net investment loss, net of tax	$ (57,384)
Net realized gains, net of tax	168,419
Net change in unrealized gains (losses), net of tax	164,029
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 275,064

Because the combined entity has been managed as a single integrated entity since the merger was completed, it is not practicable to separate the amounts of income and earnings of KED that have been included in the Company s Statement of Operations since the merger.

2. Significant Accounting Policies

The following is a summary of the significant accounting policies that the Company uses to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America

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(GAAP). The Company is an investment company and follows accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946 Financial Services Investment Companies.

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

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

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

D. *Investment Valuation* Readily marketable portfolio securities listed on any exchange 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 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 Company 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.

The Company 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, each shall be valued in a manner that most fairly reflects fair value of the security on the valuation date. Unless otherwise determined by the Board of Directors, the following valuation process is used for such securities:

Investment Team Valuation. The applicable investments are valued by senior professionals of KAFA who are responsible for the portfolio investments. The investments will be valued monthly with new investments valued at the time such investment was made.

KAYNE ANDERSON MLP/MIDSTREAM INVESTMENT COMPANY

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(amounts in 000 s, except number of option contracts, share and per share amounts)

Investment Team Valuation Documentation. Preliminary valuation conclusions will be determined by senior management of KAFA. Such valuations and supporting documentation are submitted to the Valuation Committee (a committee of the Company s Board of Directors) and the Board of Directors on a quarterly basis.

Valuation Committee. The Valuation Committee meets to consider the valuations submitted by KAFA at the end of each quarter. Between meetings of the Valuation Committee, a senior officer of KAFA is authorized to make valuation determinations. All valuation determinations of the Valuation Committee are subject to ratification by the Board of Directors at its next regular meeting.

Valuation Firm. Quarterly, a third-party valuation firm engaged by the Board of Directors reviews the valuation methodologies and calculations employed for these securities, unless the aggregate fair value of such security is less than 0.1% of total assets.

Board of Directors Determination. The Board of Directors meets quarterly to consider the valuations provided by KAFA and the Valuation Committee and ratify valuations for the applicable securities. The Board of Directors considers the report provided by the third-party valuation firm in reviewing and determining in good faith the fair value of the applicable portfolio securities.

At November 30, 2018, the Company held 6.8% of its net assets applicable to common stockholders (4.0% of total assets) in securities that were fair valued pursuant to procedures adopted by the Board of Directors (Level 3 securities). The aggregate fair value of these securities at November 30, 2018 was $139,645. See Note 3 Fair Value and Note 7 Restricted Securities.

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

F. *Return of Capital Estimates* Dividends and distributions received from the Company s investments in MLPs and other Midstream Energy Companies generally are comprised of income and return of capital. Payments made by MLPs are categorized as distributions and payments made by corporations are categorized as dividends. At the time such dividends and distributions are received, the Company estimates the amount of such payments that is considered investment income and the amount that is considered a return of capital. The Company estimates the return of capital portion of distributions received from its MLP investments based on historical information available from the investments. The Company estimates the return of capital portion of dividends received from other Midstream Energy Companies based on information provided by each investment. These estimates are adjusted to actual in the subsequent fiscal year when final tax reporting information related to the Company s investments is received.

On December 22, 2017, the Tax Cuts and Jobs Act (the Tax Reform Bill) was signed into law. The Tax Reform Bill permits immediate expensing of qualified capital expenditures for the next five years, and as a result, the Company s portfolio companies may pass through more deductions which may result in a higher portion of distributions received to be characterized as return of capital.

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

The Company includes all distributions received on its Statement of Operations and reduces its investment income by (i) the estimated return of capital and (ii) the distributions in excess of cost basis, if any. For the fiscal

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year ended November 30, 2018, the Company estimated $214,298 of return of capital and $18,167 of distributions that were in excess of cost basis. The distributions that were in excess of cost basis were treated as realized gains.

In accordance with GAAP, the return of capital cost basis reductions for the Company s MLP investments are limited to the total amount of the cash distributions received from such investments. For income tax purposes, the cost basis reductions for the Company s MLP investments typically exceed cash distributions received from such investments due to allocated losses from these investments. See Note 6 Income Taxes.

The following table sets forth the Company s estimated return of capital portion of the dividends and distributions received from its investments that were not treated as distributions in excess of cost basis.

	For the Fiscal Year Ended November 30, 2018
Distributions from investments	$ 199,439
Dividends from investments	40,264
Total dividends and distributions from investments (excluding distributions in excess of cost basis)	$ 239,703
Distributions % return of capital	91%
Dividends % return of capital	80%
Total dividends and distributions % return of capital	89%
Return of capital attributable to net realized gains (losses)	$ 33,980
Return of capital attributable to net change in unrealized gains (losses)	180,318
Total return of capital	$ 214,298

For the fiscal year ended November 30, 2018, the Company estimated the return of capital portion of dividends and distributions received to be $207,340 (87%). During the second quarter of fiscal 2018, the Company increased its return of capital estimate for the year by $6,958 due to 2017 tax reporting information received by the Company in fiscal 2018. As a result, the return of capital percentage for the fiscal year ended November 30, 2018 was 89%. In addition, for the fiscal year ended November 30, 2018, the Company estimated the cash distributions received that were in excess of cost basis to be $18,311. Distributions in excess of cost basis for the fiscal year ended November 30, 2018 were decreased by $144 due to 2017 tax reporting information received by the Company in fiscal 2018.

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

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

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The Company may receive paid-in-kind and non-cash dividends and distributions in the form of additional units or shares from its investments. For paid-in-kind dividends, the additional units are not reflected in investment income during the period received, but are recorded as unrealized gains upon receipt. Non-cash distributions are reflected in investment income because the Company has the option to receive its distributions in cash or in additional units of the security. During the fiscal year ended November 30, 2018, the Company received the following paid-in-kind dividends.

	For the Fiscal Year Ended November 30, 2018
Buckeye Partners, L.P. Class C Units	$ 5,916
Enbridge Energy Management, L.L.C.	3,395
Total paid-in-kind dividends	$ 9,311

H. *Distributions to Stockholders* Distributions to common stockholders are recorded on the ex-dividend date. Distributions to holders of MRP Shares are accrued on a daily basis as described in Note 12 Preferred Stock. As required by the Distinguishing Liabilities from Equity topic of the FASB Accounting Standards Codification (ASC 480), the Company includes the accrued distributions on its MRP Shares as an operating expense due to the fixed term of this obligation. For tax purposes, payments made to the holders of the Company s MRP Shares are treated as dividends or distributions.

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

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

J. *Federal and State Income Taxation* The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. The Company invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company includes its allocable share of the MLP s taxable income or loss in computing its own taxable income. Deferred income taxes reflect (i) taxes on unrealized gains (losses), which are attributable to the difference between fair value and tax cost basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating and capital losses. To the extent the Company has a deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The need to establish a valuation allowance for deferred tax assets is assessed periodically by the Company based on the Income Tax Topic of the FASB Accounting Standards Codification (ASC 740), that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In the assessment for a valuation allowance, consideration is given to all positive and negative evidence related to the realization of the deferred tax asset. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability (which are highly dependent on future cash distributions from the Company s MLP holdings), the duration of statutory carryforward periods and the associated risk that certain operating and capital loss carryforwards may expire unused.

The Company may 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

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deferred tax liability. Such estimates are made in good faith. From time to time, as new information becomes available, the Company modifies its estimates or assumptions regarding the deferred tax liability. See Note 6 Income Taxes.

The Company utilizes the average cost method to compute the adjusted tax cost basis of its MLP securities.

The Company s policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. Tax years subsequent to fiscal year 2014 remain open and subject to examination by the federal and state tax authorities.

K. *Derivative Financial Instruments* The Company may utilize derivative financial instruments in its operations.

As of November 30, 2018, the Company did not have any open option contracts.

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

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

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

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

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

When the Company writes a call option, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. If the Company repurchases a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized

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gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss. The Company, as the writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. See Note 8 Derivative Financial Instruments.

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

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

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

3. Fair Value

The Fair Value Measurement Topic of the FASB Accounting Standards Codification (ASC 820) defines fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants under current market conditions at the measurement date. As required by ASC 820, the Company has performed an analysis of all assets and liabilities (other than deferred taxes) measured at fair value to determine the significance and character of all inputs to their fair value determination. Inputs are the assumptions, along with considerations of risk, that a market participant would use to value an asset or a liability. In general, observable inputs are based on market data that is readily available, regularly distributed and verifiable that the Company obtains from independent, third-party sources. Unobservable inputs are developed by the Company based on its own assumptions of how market participants would value an asset or a liability.

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

Level 1 Valuations based on quoted unadjusted prices for identical instruments in active markets traded on a national exchange to which the Company has access at the date of measurement.

Level 2 Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

Level 3 Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company s own assumptions that market participants would use to price the asset or liability based on the best available information.

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The following table presents the Company s assets measured at fair value on a recurring basis at November 30, 2018, and the Company presents these assets by security type and description on its Schedule of Investments. Note that the valuation levels below are not necessarily an indication of the risk or liquidity associated with the underlying investment.

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets at Fair Value				
Equity investments	$ 3,465,515	$ 3,288,509	$ 37,361[(1)]	$ 139,645
Short-term investments	1,714	1,714		
Total assets at fair value	$ 3,467,229	$ 3,290,223	$ 37,361	$ 139,645

(1) The Company s investment in Plains AAP, L.P. (PAGP-AAP) is exchangeable on a one-for-one basis into either Plains GP Holdings, L.P. (PAGP) shares or Plains All American Pipeline, L.P. (PAA) units at the Company s option. The Company values its PAGP-AAP investment on an as exchanged basis based on the higher public market value of either PAGP or PAA. As of November 30, 2018, the Company s PAGP-AAP investment is valued at PAA s closing price. The Company categorizes its investment as a Level 2 security for fair value reporting purposes.

The Company did not have any liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at November 30, 2018. For the fiscal year ended November 30, 2018, there were no transfers between Level 1 and Level 2.

As of November 30, 2018, the Company had Notes outstanding with aggregate principal amount of $716,000 and 12,680,000 shares of MRP Shares outstanding with a total liquidation value of $317,000. See Note 11 Notes and Note 12 Preferred Stock.

Of the $317,000 of MRP Shares, Series F ($125,000 liquidation value) is publicly traded on the NYSE. As a result, the Company categorizes this series of MRP Shares as Level 1. The remaining series of MRP Shares and all of the Notes were issued in private placements to institutional investors and are not listed on any exchange or automated quotation system. As such, the Company categorizes all of the Notes ($716,000 aggregate principal amount) and the remaining MRP Shares ($192,000 aggregate liquidation value) as Level 3 and determines the fair value of these instruments based on estimated market yields and credit spreads for comparable instruments with similar maturity, terms and structure.

The Company records these Notes and MRP Shares on its Statement of Assets and Liabilities at principal amount or liquidation value. As of November 30, 2018, the estimated fair values of these leverage instruments are as follows.

Instrument	**Principal Amount/ Liquidation Value**	**Fair Value**
Notes (Series Z through GG and II through OO)	$ 716,000	$ 716,000
MRP Shares (Series C, H, I, J and K)	$ 192,000	$ 188,300
MRP Shares (Series F)	$ 125,000	$ 125,000

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The following table presents the Company s assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the fiscal year ended November 30, 2018.

	Equity Investments
Balance November 30, 2017	$ 132,520
Purchases	93,003
Issuances	5,916
Acquired through merger with KED (see Note 1)	15,057
Transfers out to Level 1 and 2	(106,881)
Realized gains (losses)	
Unrealized gains (losses), net	30
Balance November 30, 2018	$ 139,645

The purchase of $93,003 relates to the Company s investment in Buckeye Partners, L.P. (BPL) Class C Units that was made in March 2018. The issuances of $5,916 relate to paid-in-kind BPL Class C Units received.

In connection with its merger with KED (see Note 1), the Company acquired $15,057 of securities that were measured at fair value using significant unobservable inputs. The following table presents the securities that were acquired based on their fair value as measured at the time of the merger.

Investment	Fair Value Acquired
Buckeye Partners, L.P. Class C Units	$ 7,962
Capital Product Partners L.P. Class B Units	4,855
Dominion Midstream Partners, LP Convertible Preferred Units	2,240
	$ 15,057

The transfers out of $106,881 relate to the Company s investment in BPL Class C Units that were converted to common units during the fourth quarter of 2018. The $30 of net unrealized gains relate to investments that were still held at the end of the reporting period. The Company includes these unrealized gains and losses on the Statement of Operations Net Change in Unrealized Gains (Losses).

Valuation Techniques and Unobservable Inputs

Unless otherwise determined by the Board of Directors, the Company values its private investments in public equity (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. This discount is initially equal to the discount negotiated at the time the Company 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.

The Company owns convertible preferred units of Capital Product Partners L.P. (CPLP) and Dominion Midstream Partners, LP (DM). The convertible preferred units are convertible on a one-for-one basis into common units and are senior to the underlying common units in terms of liquidation preference and priority of distributions.

On November 27, 2018, CPLP and DSS Holdings L.P. (DSS), entered into a definitive agreement pursuant to which CPLP has agreed to spin off its crude and product tanker business into a separate publicly listed company which will merge with DSS. In connection with this transaction, all of the Company s CPLP

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Class B Units will be redeemed for cash at $9.00 per unit. The transaction is subject to customary closing conditions, does not require a unitholder vote and is expected to close in the first quarter of 2019. As a result of the announced transaction, the Company values its investment in CPLP Class B Units at $9.00 per unit.

On November 26, 2018, Dominion Energy (D) announced it had entered into a definitive agreement to acquire all outstanding DM common units that are not already owned by D. In connection with this transaction, the DM Convertible Preferred Units will be converted into DM common units at a conversion ratio determined in accordance with the terms of the partnership agreement of DM and that will result in a value to the Company of 140% of the liquidation preference of $26.40 per unit. The transaction is subject to customary closing conditions and will require a unitholder vote (although this vote is a matter of formality because D is the controlling unitholder). The transaction is expected to close in the first quarter of 2019. As a result of the announced transaction, the Company values its investment in DM convertible preferred units at 140% of the liquidation preference of $26.40 per unit.

The Company also owns convertible preferred units of MPLX LP (MPLX). The convertible preferred units will be convertible on a one-for-one basis into common units and are senior to the underlying common units in terms of liquidation preference and priority of distributions. The Company s Board of Directors has determined that it is appropriate to value these convertible preferred units 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, the Company estimates (i) the credit spread for the convertible preferred units, which is based on the credit spread of the partnership s unsecured notes, and (ii) the expected volatility for the underlying common units, which is based on historical volatility, as well as implied volatility derived from traded options. For this security, if the resulting price for the convertible preferred units is less than the public market price for the underlying common units at such time, the public market price for the common units will be used to value the convertible preferred units.

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

The following table summarizes the significant unobservable inputs that the Company used to value its portfolio investments categorized as Level 3 as of November 30, 2018:

Quantitative Table for Valuation Techniques

				Range		
Assets at Fair Value	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Low**	**High**	**Average**
MPLX	$ 83,585	- Convertible pricing model	- Credit spread	3.8%	4.3%	4.0%
				22.5%	27.5%	25.0%
Convertible Preferred Units			- Volatility			
CPLP	32,727	- Redemption price	- Redemption price per unit	$ 9.00	$ 9.00	$ 9.00
Class B Units						
DM	23,333	- Premium to liquidation preference	- Liquidation preference per unit	$ 26.40	$ 26.40	$ 26.40
Convertible Preferred Units			- Premium to liquidation preference	140%	140%	140%

Total	$ 139,645

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4. Concentration of Risk

The Company s investments are concentrated in the energy sector. The focus of the Company s portfolio within the energy sector may present more risks than if the Company s portfolio were broadly diversified across numerous sectors of the economy. A downturn in the energy sector would have a larger impact on the Company than on an investment company that does not focus on the energy sector. The performance of securities in the energy sector may lag the performance of other industries or the broader market as a whole. Additionally, to the extent that the Company invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Company may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence. At November 30, 2018, the Company had the following investment concentrations:

Category	Percent of Long-Term Investments
Securities of energy companies	100.0%
Equity securities	100.0%
Midstream Energy Companies(1)	99.8%
Largest single issuer	13.3%
Restricted securities	5.1%

(1) Comprised of ener