

KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.

Form N-Q

April 27, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-22467

Kayne Anderson Midstream/Energy Fund, Inc.

(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: February 28, 2018

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Description	No. of Shares/Units	Value
Long-Term Investments 142.5%		
Equity Investments⁽¹⁾ 132.3%		
United States 119.6%		
Midstream Companies⁽²⁾ 81.1%		
Capital Product Partners L.P. Class B Units ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	606	\$ 4,770
Cheniere Energy Partners LP Holdings, LLC	208	5,598
Enbridge Energy Management, L.L.C. ⁽⁷⁾	1,872	22,058
EnLink Midstream, LLC	160	2,354
GasLog Partners LP ⁽⁵⁾	709	16,654
Golar LNG Partners LP ⁽⁵⁾	752	13,895
Höegh LNG Partners LP ⁽⁵⁾	635	11,054
Kinder Morgan, Inc.	421	6,819
KNOT Offshore Partners LP ⁽⁵⁾	802	15,953
ONEOK, Inc.	688	38,756
Plains GP Holdings, L.P. ⁽⁵⁾⁽⁸⁾	703	14,613
Plains GP Holdings, L.P. Plains AAP, L.P. ⁽⁵⁾⁽⁸⁾⁽⁹⁾	690	14,550
SemGroup Corporation	246	5,458
Tallgrass Energy GP, LP ⁽⁵⁾⁽¹⁰⁾	514	10,361
Targa Resources Corp.	714	31,890
The Williams Companies, Inc.	900	24,981
		239,764
Midstream MLPs⁽²⁾⁽¹¹⁾ 35.1%		
Andeavor Logistics LP	143	6,633
BP Midstream Partners LP	155	2,956
Buckeye Partners, L.P.	164	7,340
Crestwood Equity Partners LP	147	3,930
DCP Midstream, LP	234	8,373
Energy Transfer Partners, L.P.	986	17,958
Enterprise Products Partners L.P.	378	9,613
EQT Midstream Partners, LP	47	2,904
Genesis Energy, L.P.	15	301
Global Partners LP	284	4,651
Magellan Midstream Partners, L.P.	45	2,823
MPLX LP	439	15,165
Noble Midstream Partners LP	35	1,668
Oasis Midstream Partners LP	103	1,697
Phillips 66 Partners LP	39	1,898
Shell Midstream Partners, L.P.	27	640
Summit Midstream Partners, LP	234	3,935

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TC PipeLines, LP	115	5,630	
Western Gas Partners, LP	124	5,779	
			103,894
Other Energy Companies 3.4%			
Macquarie Infrastructure Corporation	181	7,314	
NextEra Energy Partners, LP	73	2,849	
			10,163
Total United States (Cost \$362,201)			353,821

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

(UNAUDITED)

Description	No. of Shares/Units	Value		
Canada 12.7%				
Midstream Companies⁽²⁾ 12.7%				
Enbridge Inc.	429	\$ 13,651		
Pembina Pipeline Corporation	394	12,666		
TransCanada Corporation	259	11,198		
Total Canada (Cost \$38,741)		37,515		
Total Equity Investments (Cost \$400,942)		391,336		
	Interest Rate	Maturity Date	Principal Amount	Value
Debt Instruments 10.2%				
United States 6.3%				
Upstream 6.3%				
California Resources Corporation ⁽³⁾⁽⁸⁾	8.000%	12/15/22	\$ 9,525	7,584
Eclipse Resources Corporation	8.875	7/15/23	9,100	9,191
Jones Energy Holdings, LLC	9.250	3/15/23	2,600	1,755
Total United States (Cost \$18,696)				18,530
Canada 3.9%				
Upstream 3.9%				
Athabasca Oil Corporation ⁽³⁾	9.875	2/24/22	6,000	6,030
Jupiter Resources Inc. ⁽³⁾	8.500	10/1/22	11,480	5,482
Total Canada (Cost \$15,310)				11,512
Total Debt Investments (Cost \$34,006)				30,042
Total Long-Term Investments (Cost \$434,948)				421,378

Liabilities	Strike Price	Expiration Date	No. of Contracts	Notional Amount ⁽¹²⁾	Value

Call Option Contracts Written⁽¹³⁾

United States

Midstream Company

ONEOK, Inc. (Premiums Received	\$41)	\$ 60.00	3/16/18	460	\$ 2,591	(14)
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Debt	(92,000)
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Mandatory Redeemable Preferred Stock at Liquidation Value	(35,000)
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Other Assets in Excess of Other Liabilities	1,379
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Net Assets Applicable to Common Stockholders	\$ 295,743
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- (1) Unless otherwise noted, equity investments are common units/common shares.
- (2) Securities are categorized as Midstream if they (i) derive at least 50% of their revenues or operating income from operating Midstream Assets or (ii) have Midstream Assets that represent the majority of their assets.
- (3) The Fund's ability to sell this security is subject to certain legal or contractual restrictions. As of February 28, 2018, the aggregate value of restricted securities held by the Fund was \$38,416 (9.0% of total assets), which included \$33,646 of Level 2 securities and \$4,770 of Level 3 securities.
- (4) Fair valued security.

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KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.

SCHEDULE OF INVESTMENTS

FEBRUARY 28, 2018

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

(UNAUDITED)

- (5) This company is structured like an MLP, but is not treated as a publicly-traded partnership for regulated investment company (RIC) qualification purposes.
- (6) 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). The Class B Units pay quarterly cash distributions and are convertible at any time at the option of the holder. The Class B Units paid a distribution of \$0.21375 per unit for the first quarter.
- (7) Dividends are paid-in-kind.
- (8) The Fund believes that it is an affiliate of Plains AAP, L.P. (PAGP-AAP) and Plains GP Holdings, L.P. (PAGP). The Fund does not believe that it is an affiliate of California Resources Corporation.
- (9) The Fund s ownership of PAGP-AAP is exchangeable on a one-for-one basis into either PAGP shares or Plains All American Pipeline, L.P. (PAA) units at the Fund s option. The Fund values its PAGP-AAP investment on an as exchanged basis based on the higher public market value of either PAGP or PAA. As of February 28, 2018, the Fund s PAGP-AAP investment is valued at PAA s closing price.
- (10) On March 26, 2018, Tallgrass Energy GP, LP (TEGP) and Tallgrass Energy Partners, LP (TEP) announced an agreement under which TEGP will acquire all TEP common units in a stock-for-unit merger.
- (11) Unless otherwise noted, securities are treated as a publicly-traded partnership for RIC qualification purposes. To qualify as a RIC for tax purposes, the Fund may directly invest up to 25% of its total assets in equity and debt securities of entities treated as publicly-traded partnerships. The Fund had 24.4% of its total assets invested in publicly-traded partnerships at February 28, 2018. It is the Fund s intention to be treated as a RIC for tax purposes.
- (12) The notional amount of call option contracts written is the product of (a) the number of contracts written, (b) 100 (each contract entitles the option holder to 100 units/shares) and (c) the market price of the underlying security as of February 28, 2018.
- (13) Security is non-income producing.

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

At February 28, 2018, the Fund held the following restricted investments:

Investment	Acquisition Date	Type of Restriction	Number of Units, Principal (\$) (in 000s)	Cost Basis (GAAP)	Fair Value	Fair Value Per Unit	Percent of Net Assets	Percent of Total Assets
Level 2 Investments								
<u>Equity Investments</u>								
Plains GP Holdings, L.P. Plains AAP, L.P. ⁽¹⁾	(2)	(3)	690	\$ 3,487	\$ 14,550	\$ 21.10	4.9%	3.4%
<u>Senior Notes⁽⁴⁾</u>								
Athabasca Oil Corporation	(2)	(5)	6,000	5,777	6,030	n/a	2.0	1.4
California Resources Corporation	(2)	(5)	9,525	7,051	7,584	n/a	2.6	1.8
Jupiter Resources, Inc.	(2)							