

KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.

Form N-Q

April 29, 2014

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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, 2014

Date of reporting period: February 28, 2014

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Description	No. of Shares/Units	Value
Long-Term Investments 139.3%		
Equity Investments⁽¹⁾ 123.7%		
United States 115.4%		
Midstream Company⁽²⁾ 53.2%		
Capital Product Partners L.P. ⁽³⁾	1,354	\$ 14,570
Capital Products Partners L.P. Class B Units ⁽³⁾⁽⁴⁾⁽⁵⁾	606	6,527
CenterPoint Energy, Inc.	577	13,637
Dynagas LNG Partners LP ⁽³⁾	862	18,794
Golar LNG Limited ⁽⁶⁾	30	1,098
Golar LNG Partners LP ⁽³⁾	1,158	34,983
Kinder Morgan, Inc. ⁽⁶⁾	1,436	45,740
KNOT Offshore Partners LP ⁽³⁾	609	17,481
National Fuel Gas Company ⁽⁶⁾	72	5,416
NiSource Inc. ⁽⁶⁾	454	15,805
ONEOK, Inc. ⁽⁶⁾	1,230	72,755
Plains GP Holdings, L.P. ⁽³⁾⁽⁷⁾	157	4,385
Plains GP Holdings, L.P. Unregistered ⁽³⁾⁽⁴⁾⁽⁷⁾⁽⁸⁾	1,836	47,776
Spectra Energy Corp. ⁽⁶⁾	584	21,768
Targa Resources Corp.	97	9,353
Teekay Corporation ⁽⁶⁾	50	2,987
Teekay Offshore Partners L.P. ⁽³⁾⁽⁶⁾	483	15,838
Teekay Offshore Partners L.P. Series A Preferred Unit ⁽³⁾	300	7,500
The Williams Companies, Inc.	2,083	86,021
		442,434
Midstream MLP⁽²⁾⁽⁹⁾ 51.2%		
Access Midstream Partners, L.P. ⁽⁶⁾	115	6,481
Arc Logistics Partners LP	82	1,654
Atlas Pipeline Partners, L.P.	75	2,296
Buckeye Partners, L.P. ⁽⁶⁾	328	24,008
Crestwood Midstream Partners LP	1,190	26,637
Crosstex Energy, L.P.	498	15,376
DCP Midstream Partners, LP	394	19,210
El Paso Pipeline Partners, L.P.	125	3,744
Enbridge Energy Management, L.L.C. ⁽¹⁰⁾⁽¹¹⁾	2,287	61,189
Energy Transfer Partners, L.P. ⁽⁶⁾⁽¹²⁾	289	16,021
Enterprise Products Partners L.P. ⁽⁶⁾⁽¹²⁾	339	22,776
Exterran Partners, L.P.	297	8,904
Global Partners LP	326	12,480
Kinder Morgan Management, LLC ⁽¹⁰⁾⁽¹¹⁾	1,171	81,747

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MarkWest Energy Partners, L.P. ⁽⁷⁾	248	15,862
Niska Gas Storage Partners LLC	107	1,422
ONEOK Partners, L.P.	243	12,879
Plains All American Pipeline, L.P. ⁽⁷⁾	459	24,859
PVR Partners, L.P. ⁽¹³⁾	340	9,138
Regency Energy Partners LP ⁽¹³⁾	719	18,866
Sprague Resources LP	26	475
Summit Midstream Partners, LP	90	3,664
Targa Resources Partners LP ⁽⁶⁾	62	3,334
Western Gas Partners, LP ⁽⁶⁾	148	9,335
Williams Partners L.P.	463	22,970
		425,327

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Description	No. of Shares/Units	Value
Other Energy 9.0%		
Enduro Royalty Trust	320	\$ 3,977
Enesco plc	123	6,451
HollyFrontier Corporation ⁽⁶⁾	117	5,323
Marathon Petroleum Corporation ⁽⁶⁾	113	9,509
NRG Yield, Inc. Class A	77	2,928
Pacific Coast Oil Trust	376	5,155
Phillips 66 ⁽⁶⁾	122	9,163
Seadrill Limited	246	9,103
Seadrill Partners LLC ⁽³⁾	238	7,482
The Southern Company ⁽⁶⁾	128	5,412
Transocean Ltd.	161	6,835
U.S. Silica Holdings, Inc. ⁽⁶⁾	26	840
VOC Energy Trust	150	2,304
		74,482
Other 1.5%		
Navios Maritime Partners L.P. ⁽³⁾	154	2,630
Seaspan Corporation 7.95% Series D Preferred Shares	200	5,004
Seaspan Corporation 8.25% Series E Preferred Shares	200	5,010
		12,644
Other MLP⁽⁹⁾ 0.5%		
BreitBurn Energy Partners L.P.	165	3,290
LRR Energy LP	16	270
Suncoke Energy Partners, L.P.	32	986
		4,546
Total United States (Cost \$707,551)		959,433
Canada 8.3%		
Midstream Company⁽²⁾ 7.0%		
AltaGas Ltd.	209	8,035
Enbridge Inc.	553	23,398
Gibson Energy Inc. ⁽¹²⁾	39	941
Inter Pipeline Ltd.	199	5,390
Keyera Corp. ⁽⁶⁾	83	4,988
Pembina Pipeline Corporation	327	11,772

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TransCanada Corporation	82	3,615
		58,139
Other Energy 1.3%		
ARC Resources Ltd.	77	2,077
Baytex Energy Corp.	62	2,268
Bonavista Energy Corporation ⁽¹²⁾	150	2,158
Crescent Point Energy Corp.	123	4,302
		10,805
Total Canada (Cost \$62,585)		68,944
Total Equity Investments (Cost \$770,136)		1,028,377

Table of Contents**KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.****SCHEDULE OF INVESTMENTS****FEBRUARY 28, 2014**

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

(UNAUDITED)

Description	Interest Rate	Maturity Date	Principal Amount	Value
Debt Instruments 15.6%				
Upstream 13.0%				
BlackBrush Oil & Gas, L.P.	(14)	6/3/19	\$ 8,645	\$ 8,753
CrownRock, L.P.	7.125%	4/15/21	2,500	2,612
Diamondback Energy, Inc.	7.625	10/1/21	2,500	2,662
Goodrich Petroleum Corporation	8.875	3/15/19	5,500	5,692
Halcón Resources Corporation	9.750	7/15/20	15,250	16,127
Midstates Petroleum Company, Inc.	10.750	10/1/20	3,850	4,245
Midstates Petroleum Company, Inc.	9.250	6/1/21	7,800	8,288
Parsley Energy, LLC	7.500	2/15/22	4,325	4,552
Penn Virginia Corporation	8.500	5/1/20	11,300	12,430
Resolute Energy Corporation	8.500	5/1/20	3,775	4,020
Rex Energy Corporation	8.875	12/1/20	9,700	10,767
Sanchez Energy Corporation	7.750	6/15/21	7,750	8,138
RKI Exploration & Production, LLC	8.500	8/1/21	12,500	13,500
Vantage Energy, LLC	(15)	12/31/18	6,000	6,015
				107,801
Midstream Company⁽²⁾ 1.7%				
Kinder Morgan, Inc.	7.750	1/15/32	5,875	6,295
The Williams Companies, Inc.	8.750	3/15/32	6,500	7,778
				14,073
Coal 0.9%				
Arch Coal, Inc.	7.250	6/15/21	9,500	7,695
Total Debt Investments (Cost \$124,137)				129,569
Total Long-Term Investments (Cost \$894,273)				1,157,946

Liabilities	Strike Price	Expiration Date	No. of Contracts	Value
Call Option Contracts Written⁽¹⁶⁾				
United States				
Midstream Company				
Golar LNG Limited	\$ 35.00	4/18/14	150	(37)
Golar LNG Limited	40.00	4/18/14	150	(10)

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Kinder Morgan, Inc.	35.00	3/21/14	1,200	(10)
National Fuel Gas Company	75.00	3/21/14	320	(40)
NiSource Inc.	36.00	4/18/14	500	(22)
ONEOK, Inc.	60.00	4/18/14	500	(69)
Spectra Energy Corp.	37.00	4/18/14	600	(60)
Spectra Energy Corp.	38.00	3/21/14	1,200	(24)
Spectra Energy Corp.	38.00	4/18/14	500	(26)
Teekay Corporation	55.00	3/21/14	500	(238)
Teekay Offshore Partners L.P.	32.00	3/21/14	50	(6)
Teekay Offshore Partners L.P.	33.00	3/21/14	50	(3)
				(545)
Midstream MLP				
Access Midstream Partners, L.P.	60.00	3/21/14	250	(6)
Buckeye Partners, L.P.	75.00	3/21/14	600	(45)

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Description	Strike Price	Expiration Date	No. of Contracts	Value
Midstream MLP (continued)				
Energy Transfer Partners, L.P.	\$ 55.00	4/18/14	1,000	\$ (150)
Enterprise Products Partners L.P.	67.50	3/21/14	500	(35)
Targa Resources Partners LP	55.00	3/21/14	300	(13)
Western Gas Partners, LP	65.00	4/18/14	400	(40)
				(289)
Other Energy				
HollyFrontier Corporation	47.00	4/18/14	200	(24)
HollyFrontier Corporation	48.00	4/18/14	200	(17)
Marathon Petroleum Corporation	87.50	3/21/14	550	(79)
Marathon Petroleum Corporation	95.00	3/21/14	280	(8)
Marathon Petroleum Corporation	95.00	4/18/14	150	(13)
Marathon Petroleum Corporation	97.50	4/18/14	150	(9)
Phillips 66	77.50	3/21/14	250	(17)
Phillips 66	80.00	3/21/14	22	(1)
The Southern Company	42.00	4/18/14	400	(36)
The Southern Company	43.00	4/18/14	560	(24)
U.S. Silica Holdings, Inc.	33.00	3/21/14	250	(24)
				(252)
Total United States (Premium Received \$1,182)				(1,086)
Canada				
Midstream Company				
Keyera Corp. (Premium Received \$19)	68.00	3/21/14	400	(13)
Total Call Option Contracts Written (Premiums Received \$1,201)				(1,099)
Credit Facility				(33,000)
Notes				(205,000)
Mandatory Redeemable Preferred Stock at Liquidation Value				(65,000)
Other Liabilities				(39,862)
Total Liabilities				(343,961)
Other Assets				17,347
Total Liabilities in Excess of Other Assets				(326,614)

Net Assets Applicable to Common Stockholders

\$ 831,332

- (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) This company is structured like an MLP, but is not treated as a publicly-traded partnership for RIC qualification purposes.
- (4) Fair valued security, restricted from public sale.
- (5) 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. The Class B Units pay quarterly cash distributions of \$0.21375 per unit and are convertible at any time at the option of the holder. If CPLP increases the quarterly cash distribution per common unit, the distribution per Class B Unit will increase by an equal amount. If CPLP does not redeem the Class B Units by May 2022, then the distribution increases by 25% per quarter to a maximum of \$0.33345 per unit. CPLP may require that the Class B Units convert into common units after May 2015 if the common unit price exceeds \$11.70 per unit, and the Class B Units are callable after May 2017 at a price of \$9.27 per unit and after May 2019 at \$9.00 per unit.
- (6) Security or a portion thereof is segregated as collateral on option contracts written.
- (7) The Fund believes that it is an affiliate of MarkWest Energy Partners, L.P., Plains All American Pipeline, L.P. and Plains GP Holdings, L.P. (Plains GP).
- (8) The Fund holds an interest in Plains All American GP LLC (PAA GP), which controls the general partner of Plains All

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KAYNE ANDERSON MIDSTREAM/ENERGY FUND, INC.

SCHEDULE OF INVESTMENTS

FEBRUARY 28, 2014

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

(UNAUDITED)

American, L.P. The Fund's ownership of PAA GP is exchangeable into shares of Plains GP (which trades on the NYSE under the ticker PAGP) on a one-for-one basis at the Fund's option.

- (9) Unless otherwise noted, securities are treated as a publicly-traded partnership for regulated investment company (RIC) qualification purposes. To qualify as a RIC for tax purposes, the Fund may directly invest up to 25% of its total assets in equity and debt securities of entities treated as publicly-traded partnerships. The Fund had 24.4% of its total assets invested in publicly-traded partnerships at February 28, 2014. It is the Fund's intention to be treated as a RIC for tax purposes.
- (10) Dividends are paid-in-kind.
- (11) Security is not treated as a publicly-traded partnership for RIC qualification purposes.
- (12) In lieu of cash distributions, the Fund has elected to receive distributions in additional units/stock through the issuer's dividend reinvestment program.
- (13) On March 21, 2014, PVR Partners, L.P. completed its merger with Regency Energy Partners LP.
- (14) Floating rate first lien secured term loan. Security pays interest at a rate of LIBOR + 650 basis points with a 1.25% LIBOR floor (7.75% as of February 28, 2014).
- (15) Floating rate second lien secured term loan. Security pays interest at a rate of LIBOR + 750 basis points with a 1.00% LIBOR floor (8.50% as of February 28, 2014).
- (16) Security is non-income producing.

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From time to time, certain of the Fund's investments may be restricted as to resale. 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, 2014, the Fund held the following restricted investments:

Investment	Acquisition Date	Type of Restriction	Number of Units, Principal (\$ (in 000s)	Cost Basis	Fair Value	Fair Value Per Unit	Percent of Net Assets	Percent of Total Assets
Level 3 Investments⁽¹⁾								
Capital Products Partners L.P.								