

Item 1 – Cover Page

KA Fund Advisors, LLC
717 Texas Avenue, Suite 3100
Houston, Texas 77002
(877) 657-3863
www.kaynefunds.com
March 30, 2012

This brochure on Form ADV (the “Brochure”) provides information about the qualifications and business practices of KA Fund Advisors, LLC (“KAFA, or “we”). If you have any questions about the contents of this Brochure, please contact us at (877) 308-6995 and/or moneil@kaynecapital.com. The information in the Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

KAFA is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about KAFA is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV”, which have the effect of requiring changes to the disclosure document that we provide to clients as required by SEC Rules.

Since the last annual update of the brochure, dated March 15, 2011, the following material changes have occurred in these categories:

Other Financial Industry Activities and Affiliations – Our sharing arrangement with Kayne Anderson Rudnick Management, LLC (“KAR”) ended in October 2011 as we separated our physical locations in Los Angeles. KACALP’s principal office address is, 1800 Avenue of the Stars, Third Floor, Los Angeles, CA 90067.

Our Code of Ethics has been reviewed and revised.

Our Insider Trading Policy has been reviewed and revised.

Our Security Valuation Policy has been reviewed and revised.

At the end of 2011, Judy Ridder, who served as our Chief Compliance Officer (CCO) and in the same role (on a shared basis) for KAR” (a former affiliate), became a full-time employee of KAR when we separated our physical locations. Our new CCO, Michael O’Neil joined KACALP on March 19, 2012.

In the past, we have offered or delivered information about our qualifications and business practices to clients on no less than an annual basis. Pursuant to new SEC Rules, you will receive a summary of any materials changes to the Brochure, and any subsequent versions of the Brochure within 120 days of the close of our fiscal year, which is December 31. We may further provide other ongoing disclosure information in the event of changes that are material to our clients.

Currently, you may request the Brochure free of charge by contacting Michael O’Neil, Chief Compliance Officer, at (310) 282-7905 or moneil@kaynecapital.com. The Brochure is also available on our web site, www.kaynefund.com, also free of charge.

Additional information about KAFA is available via the SEC’s web site, www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with KAFA who are registered, or are required to be registered, as investment adviser representatives of KAFA.

Item 3-Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 -Table of Contents.....	1
Item 4 – Advisory Business.....	2
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	2
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	3
Item 9 – Disciplinary Information.....	5
Item 10 – Other Financial Industry Activities and Affiliations.....	5
Item 11 – Code of Ethics.....	5
Item 12 – Brokerage Practices.....	9
Item 13 – Review of Accounts	11
Item 14 – Client Referrals and Other Compensation.....	11
Item 15 – Custody	11
Item 16 – Investment Discretion	12
Item 17 – Voting Client Securities	12
Item 18 – Financial Information.....	13
Item 19 – Privacy Notice	14

Item 4 – Advisory Business

KAFA serves as investment adviser to Kayne Anderson MLP Company (“KYN”), Kayne Anderson Energy Total Return Fund (“KYE”), Kayne Anderson Energy Development Company (“KED”) and Kayne Anderson Midstream/Energy Fund (“KMF”), each a closed-end fund registered as an investment management company under the Investment Company Act of 1940. These funds trade on the New York Stock Exchange under the symbols “KYN”, “KYE”, “KED” and “KMF”, respectively. KYN invests in public and private securities of master limited partnerships (“MLPs”) and other midstream energy companies. KYE invests in midstream energy companies, energy related income trusts and other energy companies. KED invests in midstream energy companies, upstream energy companies, and other energy companies. KMF invests in midstream MLPs, midstream companies, other MLPs, and other energy companies.

KAFA also serves as investment adviser to two related institutional separate accounts.

Assets under Management

As of December 31, 2011, the total assets under management amounted to \$ 7.2 billion.

Item 5 – Fees and Compensation

KAFA charges KYN a management fee at an annual rate of 1.375% of average total assets. KAFA charges KYE a management fee of 1.25% of average total assets. KAFA charges KED a management fee at an annual rate of 1.75% of average total assets. KAFA charges KMF a management fee of 1.25% of average total assets. Management fees are paid monthly or quarterly.

KAFA also serves as investment adviser to two related institutional separate accounts for which it charges a quarterly management fee at an annual rate of 1.25% of average total assets in one case, and a mix of 0.75% and 1.00% of average total assets, in the other case

Fees are subject to review and negotiation by the board of directors in the case of the closed-end funds and to negotiation by the separate account holder.

KAFA’s fees are charged separately net of any of brokerage commissions, transaction fees, fund fees, or other fund or separate account related costs and expenses (which are incurred by the fund or separate account client, including legal and accounting costs.

Item 12 further describes brokerage commissions.

Item 6 – Performance-Based Fees and Side-By-Side Management

KAFA charges a performance-based fee to its two separate accounts as assets are liquidated. Such fees are

reduced after the fourth anniversary and do not apply after the seventh anniversary of the account's existence. If assets are sold to a Kayne Anderson Capital Advisors, L.P. managed fund, no performance fee would be paid. Our fee arrangements may create an incentive to favor higher potential fee paying accounts over other accounts in the allocation of investment opportunities. Similarly, KAFA or its affiliates or employees may have a significant proprietary investment in a fund or account, and KACALP may have an incentive to favor such fund or account to the detriment of other funds or accounts. KAFA's procedures are designed to ensure that all investment decisions are made without consideration of KAFA's (or its affiliates' or employees') pecuniary interest but, instead, in accordance with KACALP's fiduciary duties to its clients.

Item 7 – Types of Clients

Adviser serves as investment adviser to KYN, KYE, KED and KMF, each a registered investment company under the Investment Company Act of 1940. KAFA also serves as investment adviser to two related institutional separate accounts.

There is no minimum investment requirement for KYN, KYE, KED, or KMF. The separate accounts managed by KAFA for an institutional client are of very substantial size, but there is not stated minimum investment amount.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

KAFA relies primarily on internally generated research when making investment decisions. KAFA's principal sources of information include the public filings of issuers with governmental authorities; issuers' annual reports to stockholders; industry data; interactions with management via the telephone or the web; and where appropriate and feasible, company visits and conversations with suppliers and competitors. In addition, trade publications, charts and other statistical material are furnished by outside vendors. KAFA also considers research furnished by broker-dealers and other industry members.

KAFA engages in various alternative investment strategies. The methods of analysis and sources of information used in determining portfolio decisions vary among strategies, but in each case they are based on considerable fundamental research (and in some cases, technical analysis as well) to determine the expected values, risks and timing associated with each anticipated strategy. Options, where appropriate, are employed to take advantage of premium deviations from "normal" value relationships. For some pooled investment vehicles and separate accounts, strategies involving short selling and leverage (i.e., utilization of margin) are employed.

Investment Risk

An investment in our securities is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in our securities represents an indirect investment in the securities owned by us, some of which will be traded on a national securities exchange or in the over-the-counter markets. An investment in our securities is not intended to constitute a complete investment program and should not be viewed as such. The value of these publicly traded securities, like other market investments, may move up or down, sometimes rapidly and

unpredictably. The value of the securities in which we invest may affect the value of our securities. Your securities at any point in time may be worth less than your original investment, even after taking into account the reinvestment of our distributions. It is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held. Clients should be aware that while KAFA does not limit its advice to particular types of investments, mandates may be limited to certain types of securities and may not be diversified. The accounts managed by KAFA are generally not intended to provide a complete investment program for a client or investor. Clients are responsible for appropriately diversifying their assets to guard against the risk of loss. We are primarily a long-term investment vehicle and should not be used for short-term trading.

Energy Sector Risk

Certain risks inherent in investing in MLPs and other Midstream Energy Companies include the following:

Supply and Demand Risk. A decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities or a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution may adversely impact the financial performance of MLPs and other Midstream Energy Companies. Production declines and volume decreases could be caused by various factors, including catastrophic events affecting production, depletion of resources, labor difficulties, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, import supply disruption, increased competition from alternative energy sources or curtailed drilling activity due to low commodity prices.

Economic Risks. A sustained decline in demand for natural gas, natural gas liquids, crude oil, coal or other energy commodities could also adversely affect the financial performance of MLPs and other Midstream Energy Companies. Factors which could lead to a decline in demand include economic recession or other adverse economic conditions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, changes in commodity prices, or weather.

Depletion and Exploration Risk. Most MLPs and other Midstream Energy Companies are engaged in the transporting, storing, distributing and processing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal on behalf of shippers. In addition, some MLPs and Midstream Energy Companies are engaged in the production of such commodities. To maintain or grow their revenues, these companies need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions, or through long-term contracts to acquire reserves. The financial performance of MLPs and other Midstream Energy Companies may be adversely affected if they, or the companies to whom they provide the service, are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline.

Additional information specific to each closed-end fund can be found in their respective annual reports and prospectuses.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KAFA or the integrity of KAFA's management. KAFA has no disciplinary information to report.

Item 10 – Other Financial Industry Activities and Affiliations

KAFA is affiliated with KA Associates, Inc. ("KAA"), a FINRA registered broker-dealer, through common ownership (via KACALP). KAFA does not direct any client portfolio transactions to KAA.

KAFA serves as the contractually appointed investment adviser to KYN, KYE, KED, and KMF, each a closed-end fund registered as a management investment company under the Investment Company Act of 1940, as amended.

Kayne Anderson Capital Advisors, LP, a registered investment adviser ("KACALP") is the sole managing member of KAFA.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Conduct and Ethics

As a fiduciary, KAFA owes its clients undivided loyalty – our clients trust us to act on their behalf, and we hold ourselves to the highest standards of fairness in all such matters. This is predicated on the principle that KAFA owes a fiduciary duty to its clients. As a fiduciary, KAFA must serve in its clients' best interests. In other words, employees may not benefit at the expense of advisory clients and must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients.

We expect all employees to:

- act with integrity, competence, dignity, and in an ethical manner when dealing with the public, clients, prospects, their employer, and their fellow employees.
- adhere to the highest standards with respect to any potential conflicts of interest with client accounts – simply stated, no officer or employee should ever enjoy an actual or apparent benefit over the account of any client.
- preserve the confidentiality of information that they may obtain in the course of our business and to use such information properly and not in any way adverse to our clients' interests, subject to the legality of such information.
- conduct their personal financial affairs in a prudent manner, avoiding any action that could compromise in any way their ability to deal objectively with our clients.

Violations of this Code of Conduct may warrant sanctions which may include suspension or dismissal, at the discretion

of management.

Personal Trading

KAFA participates in (purchases) private placements of equity and debt securities on behalf of its clients. KAFA, its partners, officers and employees may participate alongside KAFA's clients in such placements. Moreover, because issuers may, over time, engage in a series of private placements, it is possible that KAFA, its partners, officers and employees may participate in one or more of such placements in which its clients do not also participate for various reasons. Such participation could cause conflicts of interest affecting clients. For example, there may be a conflict as to which offerings should be purchased for clients. There may also be situations where KAFA or its partners, officers and employees have already acquired securities at a lower cost in an earlier private placement and would therefore benefit from a subsequent client investment. KAFA's investment decisions in such situations are made in good faith in the client's interest and without regard to the impact on KAFA or its partners, officers or employees.

KAFA and its partners, officers and employees may participate alongside KAFA's clients in the purchase and/or sale of registered securities, but only if such participation, in KAFA's good faith determination, would not adversely impact the pricing and availability of the transaction for clients or otherwise operate to the detriment of clients. In addition, employees may sell such holdings prior to the 90-day holding period only after client accounts and/or funds have sold their positions.

Generally, KAFA's employees are not permitted to purchase and sell for their own accounts marketable securities in the industry sectors in which KAFA's funds primarily invest. Policies and procedures have been designed to ensure that any employee personal securities transactions do not disadvantage KAFA's clients. These procedures require pre-clearance of all personal trades by employees in securities (other than open-end mutual funds, U.S. government securities, exchange trade funds, and various money market instruments) and require employees to represent an intent to hold the securities for at least 90 days. Neither KACALP nor its employees may enter trades on behalf of their own account or any account over which they have control or in which they have a beneficial interest if, in KAFA's judgment, such trade would cause them or any such account to benefit from any trade entered into or being contemplated on behalf of any client of KAFA or cause the accounts of any such clients to be harmed.

Clients may request a copy of KAFA's Code of Conduct and Code of Ethics by contacting Michael O'Neil, Chief Compliance Officer, at 310-282-7905 or David Shladovsky, General Counsel, at 310-284-6438.

Political Contributions

It is the policy of KAFA to not make, and to prohibit its employees from making, any political or charitable contributions for the purpose of influencing a KAFA client, a public official or his or her agency. However, employees may make personal or charitable contributions in accordance with the requirements and restrictions of applicable law and KAFA's policies. To help ensure compliance with SEC rules and the many state and local and local pay-to-play rules, all KAFA employees must obtain prior approval from the Chief Compliance Officer or General Counsel before they (or their spouse or dependents) make contributions to a political candidate, government official, political party or political action committee in accordance with KAFA's policies and procedures.

Potential Conflicts Relating to Advisory Clients

The results of the investment activities of a KAFA client may differ significantly from the results achieved by KAFA for other current or future clients. KAFA will manage the assets of a client in accordance with the investment mandate of the applicable fund or, if a separate account, as selected by such client. However, because of differing guidelines, risk profiles, timing issues and other possible considerations, KAFA may give advice, and take action, with respect to a client account (including its own account), that may differ from the advice KAFA may give to, or an investment action KAFA may take on behalf of, another client account. In particular, KAFA or one or more clients may buy or sell positions while another KAFA client is undertaking the same or a differing, including potentially opposite, strategy. The purchase, holding and sale, as well as voting of investments by KAFA clients may enhance the profitability or increase or decrease the value of a KAFA or KAFA clients' own investments in such companies. This gives rise to certain potential conflicts of interest.

Under certain circumstances, a KAFA client (or group of clients) may invest in a transaction in which one or more other KACALP clients are expected to participate, or already have made or will seek to make, an investment. Such clients may have conflicting interests and objectives in connection with such investments, including with respect to views on the operations or activities of the portfolio companies involved, the targeted returns from the investment, the timeframe for, and method of exiting the investment. Conflicts will also arise in cases where different clients (or group of clients) invest in different parts of an issuer's capital structure, including circumstances in which one or more clients may own private securities or obligations of an issuer and other clients may own public securities of the same issuer.

Principal Transactions with Clients

KAFA's practice (and that of its principals) is to avoid engaging in securities transactions with its managed accounts. However, KAFA believes that there may be circumstances from time to time where it is beneficial to its clients for KAFA (or its principals) to engage in a securities transaction with such clients. This would most likely involve the sale by an investor to KAFA of such investor's limited partnership interest in a lock-up fund. It may also involve the sale of thinly traded portfolio holdings by a liquidating redeemable fund. Under such circumstances, provided informed prior written consent is given by the affected client(s), KAFA may engage in a principal transaction. However, KAFA will not engage in a principal transaction with any of its closed-end fund clients.

Cross Trades

KAFA may cause a security to be traded between two clients (other than an ERISA client) where it believes such trade to be in the interest of each client. KAFA generally has such authority under the general grant of investment discretion given to it by its clients. KAFA's practice is to engage in cross trades in limited circumstances where the purchase and sale of the same security at the same time by different clients helps to achieve on favorable terms to each client through separate transactions not involving a cross trade. These circumstances can arise when a client wishes to sell a security to generate cash or to realign such client's asset allocation at a time when KAFA would like to purchase the security for other clients. In some cases, KAFA may determine to reallocate assets (which may involve generating cash to fund withdrawals or investing new capital) within its managed partnerships and thereby create a need to sell the security from one partnership account and a need to purchase the same security in another partnership account. The lower the liquidity for a given security, the more likely there will be a benefit to effecting a

cross transaction. For this reason, cross transactions are more likely in stocks of smaller companies than stocks of larger companies.

KAFA's duty to be unbiased and fair to clients on both sides of a cross transaction may pose an inherent conflict of interests. To ensure that it fulfills its duty to each client that is party to a cross transaction, KAFA seeks to ensure the appropriateness of the transaction for each client and that it is fair to both sides of the transaction. It does so by (i) confirming that the security is under-represented in the purchasing client's portfolio based on KAFA's model portfolio weightings at the time, (ii) confirming that the security is over-represented in the selling client's portfolio based on model portfolio weighting or that client does not have been options for generating needed cash or reallocating assets as desired, (iii) determining current market prices based on current market quotes, and (iv) for less liquid securities, contacting market participants to determine if the security could be purchased or sold at a better price notwithstanding market quotes. Cross trades between clients are normally priced at the mid-point between the best bid and offer prices known to be available at the relevant size order.

In causing cross trades to be effected between clients, KAFA may utilize KAA or an unaffiliated broker-dealer at normal commission rates. In cases where it uses KAA for commissions, KAFA will obtain the written informed consent of the participating client prior to trade settlement or it will cancel the trade at no cost to the client(s).

Material Non-Public Information/Insider Trading

From time to time, KAFA personnel may obtain, either voluntarily or involuntarily, material non-public information (that is not available to other investors) or other confidential information which, if disclosed, would likely affect an investor's decision to buy, sell or hold a security. Accordingly, should KAFA personnel obtain such information with respect to an issuer, it may be prohibited from communicating such information to, or using such information for the benefit of, KAFA clients, which could limit the ability of KACALP clients to buy, sell, or hold investments. KAFA has adopted an Insider Trading Policy, which establishes procedures reasonably designed to prevent the misuse of material non-public information by KAFA and its personnel. Under the Insider Trading Policy, KAFA is generally not permitted to use material non-public information obtained by any department or related person in the course of its business activities or otherwise, in effecting purchases and sales in securities transactions for KAFA clients. To further mitigate the risks associated with insider trading, when KAFA personnel become aware of non-public information, but no transaction is likely to occur, the issuer will be placed on a Gray List and trading will be monitored accordingly.

Related Financial Interests

Senior personnel of the KAFA serve as directors of some of the publicly and privately held companies whose securities are purchased for KAFA's clients. In such capacities, these individuals, each of whom may make investment decisions on behalf of KAFA, may learn material, non-public information concerning a company's operations or securities. KAFA has established so-called "chinese wall" procedures to guard against the use of non-public information by it to benefit client accounts. KAFA's clients may be disadvantaged because KAFA may not be able to effect transactions in

the securities of these companies when officers of its general partner possess material, non-public information.

Pricing and Valuation of Securities and Other Investments

In many cases, KAFA's fees are based on the value and performance of assets held in the client account. KAFA generally does not price securities or other assets for purposes of determining fees. However, to the extent permitted by applicable laws, including ERISA, KAFA or an affiliate may be charged with the responsibility of, or have a role in, determining asset values with respect to KAFA products or accounts from time to time and KAFA, or such an affiliate, may be required to price a portfolio holding when a market price is not readily available or when KAFA has reason to believe that the market price is unreliable. To the extent that KAFA's fees are based on the value or performance of client accounts, KAFA would benefit by receiving a fee based on the impact, if any, of the increased value of assets in an account. When pricing a security, KAFA attempts, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets in question. KAFA generally relies on prices provided by a custodian, a broker-dealer or another third-party pricing service for valuation purposes. When market quotations are not readily available or are believed by KAFA to be unreliable, the security or other assets are valued by KAFA in accordance with KAFA's valuation procedures.

Item 12 – Brokerage Practices

Investment Discretion

KAFA has full discretion with respect to securities transactions effected for its closed-end funds. In addition, with limited exception, KAFA also has full discretion under its separate accounts investment advisory contract to buy and sell securities without prior client approval. KAFA exercises its investment discretion consistent with the applicable investment strategy, as well as any separate account investment guidelines or restrictions imposed by client and accepted by KAFA. KAFA does not advise clients concerning holdings outside their respective accounts with KAFA.

Brokerage Discretion

KAFA has full authority to determine broker-dealers to be utilized and commissions to be paid with respect to securities transactions effected for its closed-end funds. Similarly, unless a separate account client directs the use of a particular broker-dealer, KAFA has the authority to select broker-dealers to be used to effect trades and the commission rates to be paid. KAFA's policy is to not effect trades through its affiliated broker-dealer, KAA.

The overriding consideration in allocating client orders for execution is the maximization of client profits (or minimization of losses) through a combination of controlling transaction costs and seeking the most effective uses of a broker's capabilities. When KAFA has the authority to select brokers or dealers to execute transactions for its clients, it seeks the best execution reasonably available under the circumstances (which may or may not result in paying the lowest available brokerage commissions or spread). In doing so, KAFA considers all factors it deems relevant. Such factors may include, but are not limited to: (i) the nature and character of the security or instrument being traded and the markets on which it is purchased or sold; (ii) the desired timing of the transaction; (iii) KAFA's knowledge of negotiated commission rates and spreads currently available; (iv) the activity existing and expected in the market for the particular security or interest; (v) the full range of brokerage services provided; (vi) the broker's or dealer's capital

strength and stability, as well as its execution, clearance, and settlement capabilities; (vii) if applicable, the quality of the research and services provided (See “Soft Dollars” below); (viii) the reasonableness of the commission or its equivalent for the specific transaction; and (ix) KAFA’s knowledge of any actual or apparent operational problems or a broker or dealer.

KAFA endeavors to be aware of current charges assessed by relevant broker-dealers and to minimize the expense incurred for effecting portfolio transactions, to the extent consistent with the interests and policies of the client account. However, KAFA will not select broker-dealers solely on the basis of “posted” commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction. Although KAFA generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent as transactions that involve specialized services on the part of a broker-dealer generally result in higher commission rates or equivalents than would be the case with more routine transactions. KAFA may pay higher commission rates to those brokers whose execution capabilities, brokerage or research services or other legitimate and appropriate services are particularly helpful in seeking good investment results.

The reasonableness of the commissions is based on KAFA’s view of the broker’s ability to provide professional services, competitive commission rates, research and other services which will help KAFA in providing investment advisory services to its clients, viewed in terms of either the particular transaction or KAFA’s overall responsibility to its clients, as the extent to which the commission rate or net price associated with a particular transaction reflects the value of services provided often cannot readily be determined. In making these determinations, KAFA recognizes that some firms are better at executing some types of orders than others and it may be in the clients’ best interests to use a broker whose commission rates are not the lowest but whose executions and other services KAFA believes may result in lower overall transaction costs or more favorable or more certain results.

Research and Other Soft Dollar Benefits

Research services include economic forecasts, investment strategy advice, fundamental and technical advice, market analysis, statistical services and analyses of particular securities and investment situations. Some of these services would be considered “soft dollars”. Where these services are provided by the executing broker-dealer, KAFA may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction if KAFA determines in good faith that the amount of commission is reasonable in relation to their value of the brokerage and research services provided by the broker-dealer, viewed in terms of either the particular transaction or KAFA’s overall responsibilities with respect to the account over which it exercises investment discretion. KAFA does not have any third party soft dollar arrangements.

It is possible that accounts which may not directly benefit from the ancillary service provided by a particular broker-dealer will enter occasional transactions through such broker-dealer, but KAFA believes that the overall effect of such occasional transactions on all accounts, when the ancillary services furnished to all accounts are considered in totality, will be beneficial to all accounts considered in totality.

KAFA is aware of its fiduciary obligation to seek the “best execution” on securities transactions. Best execution entails the efficient placement of orders, clearance settlement and overall execution quality as well as the price obtained in the transaction. As part of its efforts to obtain best execution, KAFA may aggregate orders or “block trade” for several clients. Each client that participates in a block trade will receive the average share price and a pro rata portion of the transaction cost on a trade. Because clients have different brokerage relationships, some clients’ accounts may

not be eligible to participate in block trades.

Directed Brokerage

A separate account client may direct KAFA to use a specified broker-dealer. In such cases, (1) a higher commission rate may be paid to such client, in part because of additional services which may be available from such broker-dealer as well as KAFA's inability to negotiate the commission rate and/or obtain volume discount when the client's transaction is combined with those of other clients in a block trade; (2) such client's trades may be regularly executed at times different from those at which trades are executed for clients who do not direct KAFA to use a specific broker-dealer; and (3) execution of all trades for the client by the designated broker-dealer could result in failure to receive the best execution in some transactions. A client who directs KAFA to use a particular broker-dealer, including a client who directs use of a broker-dealer that will also serve as a custodian (whether or not recommended by KAFA), should consider whether commissions expenses, execution, clearance and settlement charges, and custodial fees, if applicable, will be comparable to those otherwise obtainable by KAFA.

Item 13 – Review of Accounts

All accounts are reviewed on a continuous basis to determine their conformity with investment objectives and guidelines. Each Portfolio Manager receives daily updates of portfolio positions and transactions for which such Portfolio Manager is responsible. The Chief Investment Officer and Portfolio Managers regularly review and discuss portfolio status, potential investments and related issues.

The investment companies managed by KAFA issue and file reports as required under the Investment Company Act of 1940, and other applicable rules and regulations (such as the NYSE rules for listed closed-end investment companies).

The institutional separate account client receives quarterly (weekly, if requested) reports showing positions, dividend and interest income, realized gains and losses, and performance for the period.

Item 14 – Client Referrals and Other Compensation

KAFA does not compensate any person for client referrals.

Item 15 – Custody

Investment and cash are held by third- party custodians. Nonetheless, by virtue of its ability to deduct fees from the institutional separate accounts, KAFA is deemed under applicable rules to have custody of such institutional client accounts. The institutional accounts receive quarterly statements from KAFA. The Institutional accounts audited financials are completed within 120 days following the end of their fiscal year. Audited financial statements are

prepared by an independent accounting firm, which is registered and subject to the inspection by the Public Company Accounting Oversight Board.

Item 16 – Investment Discretion

KAFA has full discretion with respect to securities transactions effected for its closed-end funds. KAFA has limited discretion in the institutional accounts to buy and sell securities set forth on a list approved by the client, which discretion is generally subject to the oversight of a board of managers controlled by the client. With respect to certain securities, KAFA does not have discretion to transact without specific client approval. Where KAFA exercises its investment discretion, it does so consistent with the applicable investment strategy, as well as any separate account investment guidelines or restrictions imposed by client and accepted by KAFA. KAFA does not advise clients concerning holdings outside their respective accounts with KAFA.

Item 17 – Voting Client Securities

KAFA acknowledges its fiduciary responsibility to vote proxies consistent with its fiduciary obligations, in the best interests of the clients and to prevent conflicts of interest from influencing proxy voting decisions made on behalf of clients. The principles for voting proxies are as follows:

1. The firm votes all proxies to, in its opinion, maximize shareholder value, which is defined as long-term value through price appreciation. The firm tends to vote non-shareholder-value issues in alignment with management's recommendations if there is no conflict with shareholder value. For example, "poison pills" and other anti-takeover measures are not supported, even if recommended by management.
2. Reasonable efforts are made to inform the relevant portfolio manager and research analyst of the proxy material. If a portfolio manager, in consultation with supporting research analysts, as applicable, believes that it is in the best interest of the client or beneficiaries to vote in a manner contrary to the established Proxy Voting Guidelines, the portfolio manager will so instruct the individual responsible for communicating votes.
3. Absent any special circumstance, the Proxy Voting Guidelines are followed when voting proxies.
4. KAFA may occasionally be subject to conflicts of interest in the voting of proxies because of business or personal relationships it maintains with persons having an interest in the outcome of specific votes. The firm and its employees may also occasionally have business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships. If at any time, the responsible voting parties become aware of any type of potential conflict of interest relating to a particular proxy proposal, they will promptly report such conflict to the director of Compliance. Conflicts of interest are handled in various ways depending on the nature of the conflict and its perceived materiality.

The Proxy Voting Policy and Guidelines are posted on the firm's Web site, <http://www.kaynecapital.com>. For inquiries regarding how a specific proxy proposal was voted, please contact Michael O'Neil at 310-282-7905.

Item 18 – Financial Information

KAFA has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Privacy Policy

FACTS	WHAT DOES KA FUND ADVISORS, LLC DO WITH YOUR PERSONAL INFORMATION?	
WHY?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.	
WHAT?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> • Social Security Number and Investment Experience • Account Balances and Assets • Wire Transfer Instructions and Transaction History <p>When you are no longer our customer, we continue to share your information as described in this notice.</p>	
HOW?	All financial companies need to share customer’s personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customer’s personal information; the reasons KA Fund Advisors, LLC(“KAFA”) chooses to share; and whether you can limit this sharing.	
Reasons we can share your personal information	Does KAFA Share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don’t share
For joint marketing with other financial companies	No	We don’t share

For our affiliates' everyday business purposes – information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call (310) 712-2909 or go to WWW.Kaynecapital.Com	
Who we are		
Who is providing this notice?	KA Fund Advisors, LLC	
What we do		
How does KAFA protect my personal information	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.	
How does KAFA collect my personal information?	We collect your personal information, for example, when you <ul style="list-style-type: none">• Open an account;• Give us income information;• Make a wire transfer;• Give us your employment information;• Give us your contact information.	
Why can't I limit all sharing?	Federal law gives you the right to limit only <ul style="list-style-type: none">• Sharing for affiliates' everyday business purposes- information about your creditworthiness• Affiliates from using your information to market to you• Sharing for nonaffiliates to market to you	

Definitions	
Affiliates	<p>Companies related by common ownership or control they can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> • Our affiliates include financial companies such as Kayne Anderson Capital Advisors, LLC and KA Associates, Inc.
Nonaffiliates	KAFA does not share with nonaffiliates so they can market to you.
Joint Marketing	KAFA does not jointly market