



# Duxton Water Limited Monthly Update

31 May 2017

**DUXTON**  
WATER LTD

Net Asset Value per Share

\$1.09

Duxton Water	
ASX Code (Shares)	D20
ASX Code (Options)	D200
Shares on Issue	63,965,406
Options Outstanding	63,965,406
Options Exercise Price	\$1.10
Options Expiry	31 May 2018

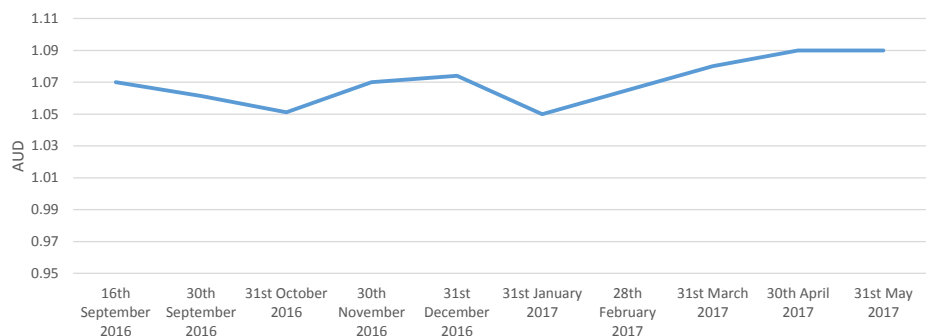
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

## Net Asset Value per Share

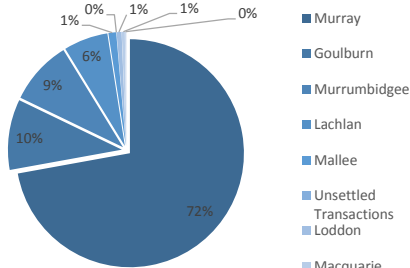
Duxton Water's NAV as at 31 May 2017 was \$1.09 per share.

These figures are not adjusted for any dilution due to the outstanding options which are exercisable at \$1.10. The after tax figure takes into account the provision for deferred tax on set-up costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date.

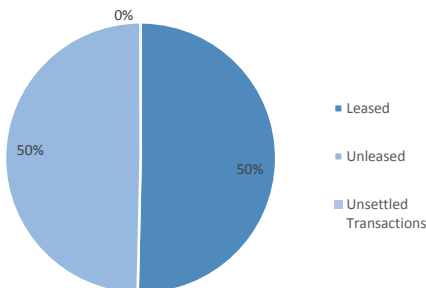
## Net Asset Value per Share - Since Inception



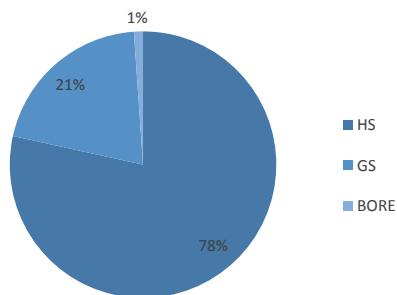
## Entitlement Portfolio Value by Region



## Water Portfolio Diversification



## Water Security Breakdown



Performance	Gain/Loss
1 Month	0.00%
3 Months	2.35%
6 Months	1.87%
12 Months	N/A
Inception	1.87%

## Market Update

### Market Summary

Major storages within the Murray Darling Basin (MDB) increased 1% over the past month. Total MDB storage remains 32% higher than May 2016. Rainfall across the MDB was below average for the month despite heavy rainfall occurring in the middle of May. Rainfall received in May ranged from 15-50mm in most areas with 90mm recorded in mid New South Wales.

Government Water Authorities released their updated outlook for opening allocations in the 2017/18 water year (commencing 1st July 2017). Indicative water allocations for Victoria Murray High Reliability, New South Wales Murray High Security and South Australia on the 1st of July are 50%, 97% and 100%, respectively. For NSW Murray General Security, an opening allocation of 4% is forecast (with 45% carryover). By 1st November 2017 allocations are forecast to be between 25% (very dry) and 100% (wet) with average inflows leading to a forecast of 53% allocation.

### Southern Basin

Total inflows into the Murray system were 168GL, compared to the 10 year average of 272GL. The Hume and Dartmouth reservoirs closed the month at 64.2% and 77.7% of capacity, respectively. To put this in context, the Hume reservoir was at 90.8% capacity in early January. During the month, the Hume Reservoir received total rainfall of 43.6mm, compared to the long-term average of 58.9mm.

Water entitlement prices varied in May. Substantial price increases were seen in SA Zone 3a and NSW Murray General Security water zones, increasing 7.5% and 8.9%, respectively. There was a decline in Victoria Murray Zone 7 and Victoria Goulburn 1A, decreasing 3.7% and 4.4%, respectively.

Temporary water prices continues to decline in most major water zones as we enter into the winter months. However, forecasted drier weather over the coming winter months should result in improved water prices in the 2017/2018 water year. Although temporary prices continued to fall, the overall impact on the portfolio was mitigated through our exposure to fixed long-term leases, as well as unleased allocations sold in prior months.

### Northern Basin

Lachlan Valley water entitlement prices increased 1.4% in May and have increased 26.9% since the start of the year. As noted in a number of our reports, we expected this increase to continue due to strong demand from large cotton growers.



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## Investment Update

### Permanent Water Acquisitions and Divestments

As at 31 May 2017, Duxton Water is invested in approximately \$68 million of water entitlements. This equates to 100% of the portfolio invested, in line with our deployment strategy.

### Temporary Water Sales

In May, 1,135ML of allocations were sold. YTD allocation sales amount to 12,900ML.

### Lease Yield

No new leases were entered into in May. The weighted average yield for long-term leases remains at 6.0%.

### Total Yield

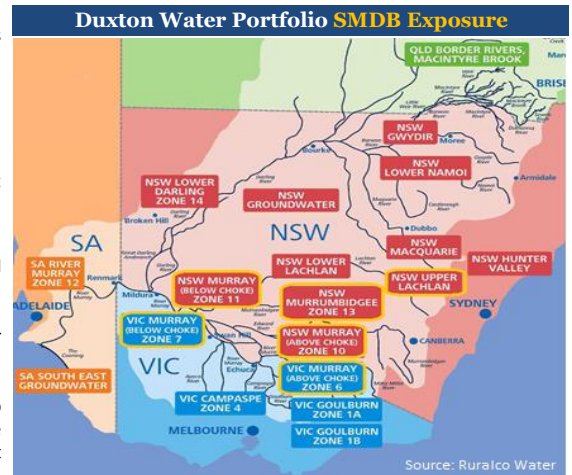
Duxton Water's yield is comprised of two streams of income: leased and unleased income. The leased income is currently at 6.0% (annualised) and the unleased income is 3.2% (running). The weighted average running yield of the two streams is 4.6%, equating to a forecast full year yield of 5.9%. It should be noted that the 2016/17 water year will end on 30 June 2017. On 1st July 2017, the new water year commences, meaning that the allocation balances reset (*as per market summary section above*). This will positively impact the unleased component of Duxton Water's income as we will have additional allocations to sell throughout the remainder of the Company's financial year (January-December). On top of the reset allocation balances, the Company will carry-over some NSW General Security water into the new water year. Part of the reason for this is due to the time delay in settlement for entitlement purchases which have rolled over into May when the majority of water brokers are closed. These carried-over allocations will be sold in the new water year at potentially higher water prices compared to today. As such, we expect the unleased income stream to steadily climb.

### Dividends

The Company currently plans to pay a dividend or capital return of approximately 3% to Shareholders in August 2017 with the second dividend or capital return of a similar amount expected to occur in February 2018. The Company will seek to make these distributions in the most tax efficient way for Shareholders. *The amount of the distribution will be at the discretion of the Board.*

### Valuation Methodology

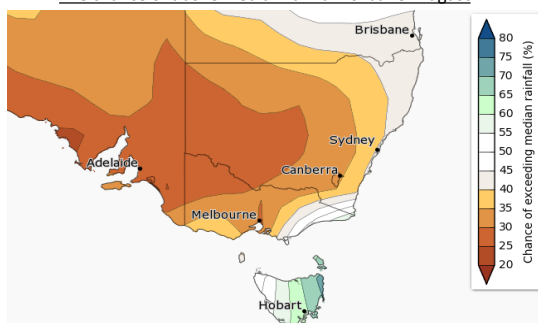
Total assets of the Company are valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from the respective state register, excluding outliers. Outliers are defined as a trade with greater than 10.0% variance from the last weighted average price and transactions that are less than 10ML (unless there are no applicable transactions greater than 10ML) less the total liabilities of the Company.



## Market Outlook

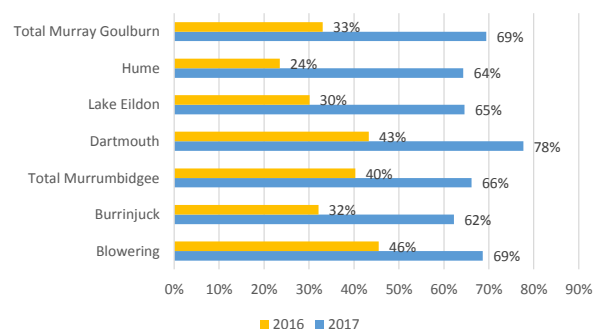
The latest Bureau of Meteorology outlooks are suggestive of further hot and dry conditions over the next three months for the Murray Darling Basin. Models are forecasting a 65%-75% chance of below average rainfall across the Southern Connected Basin (*see chart below*).

The chance of above median rainfall for June- August



Source: Bureau of Meteorology

Storage levels



### Disclaimer

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