



# Duxton Water Limited Monthly Update

30 June 2017

**DUXTON**  
WATER LTD

Net Asset Value per Share

\$1.10

Duxton Water	
ASX Code (Shares)	D2O
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

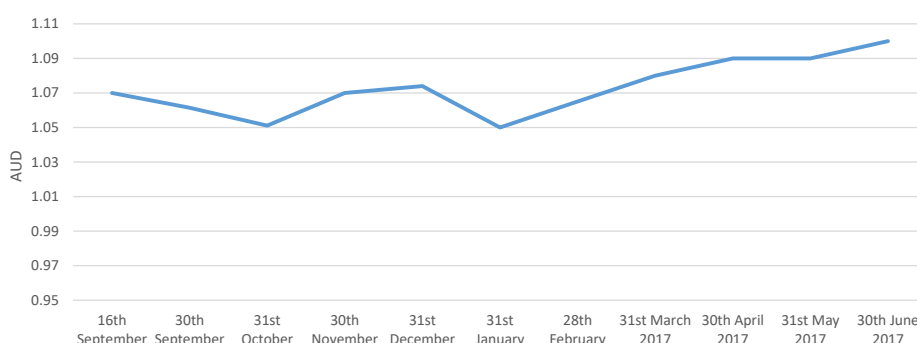
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

## Net Asset Value per Share

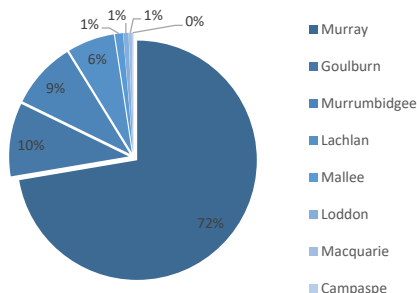
Duxton Water's NAV as at 30 June 2017 was \$1.10 per share.

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.

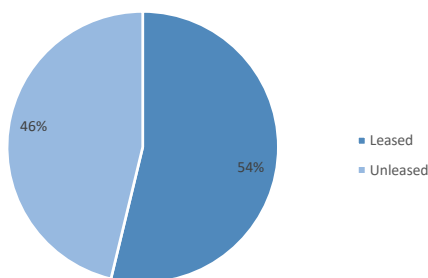
## Net Asset Value per Share - Since Inception



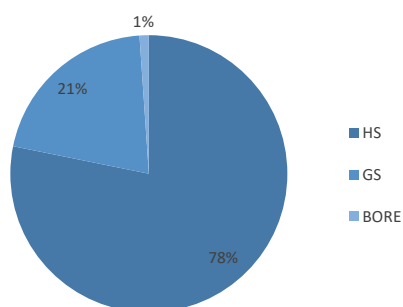
## Entitlement Portfolio Value by Region



## Water Portfolio Diversification



## Water Security Breakdown



Performance	Gain/Loss
1 Month	0.92%
3 Months	1.85%
6 Months	2.42%
12 Months	N/A
Inception	1.87%

## Market Update

### Market Summary

Major storages within the Murray Darling Basin (MDB) increased 0.2% over the past month. Total MDB storage remains 26% higher than June 2016. Very little rainfall was recorded across the MDB for the month despite moderate rainfall occurring at the start of June. Rainfall received in June ranged from 0-10mm in the Southern Murray Basin and 5-25mm in the Northern Murray Darling Basin.

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 for the month of June were 161GL, compared to the 10 year average of 423GL. The Hume and Dartmouth reservoirs closed the month at 69.5% and 77.8% 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 7.2mm, compared to the long-term average of 67.3mm. The lack of rainfall equates to the driest June on record.

Water entitlement prices varied in June. Substantial price increases were seen in NSW Murray High Security and NSW Murray General Security water zones, increasing 2.3% and 3.0%, respectively. There was a decline in Victoria Murray and South Australia Zone 3a, decreasing 1.6% and 2.4%, respectively.

Temporary water prices continue to decline in most major water zones as the water year ends. 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 2.7% in June and have increased 30.3% 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

No new permanent water acquisitions or divestments occurred in June. Duxton Water is currently invested in approximately \$69 million of water entitlements.

### Temporary Water Sales

In June, 287ML of allocations were sold. YTD allocation sales amount to 14,000ML.

### Lease Yield

The Company entered into three lease contracts totalling 1,000ML of Zone 7 High Reliability at a rate of 6.5%. This brings the weighted average yield for long-term leases to 6.04% (compared to 6.0% previously).

### Total Yield

Duxton Water's yield is comprised of two streams of income: leased and unleased income. The leased income is currently at 6.04% (annualised) and the unleased income is 3.13% (running). The weighted average running yield of the two streams is 4.71%, equating to a forecast full year yield of 5.94%. It should be noted that the 2016/17 water year ended on 30 June 2017. On 1st July 2017, the new water year commenced, meaning that the allocation balances reset. 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). In addition to the reset allocation balances, the Company will carry-over some NSW General Security water into the new water year. This is partly due to the time delay in settlement for entitlement purchases which 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

A dividend or capital return of approximately 3% was planned to be paid in August 2017, the Company now expects, that given the lead time to obtain shareholder approval, to pay a return of capital of approximately 3 cents per share in late October/early November 2017. 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.*

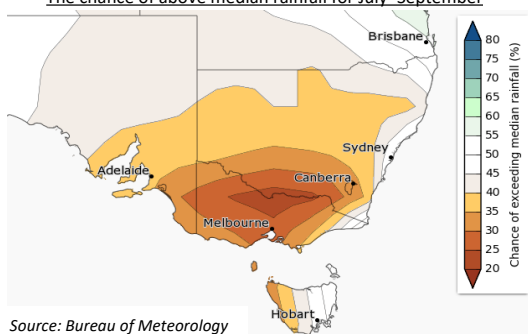
### Valuation Methodology

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.

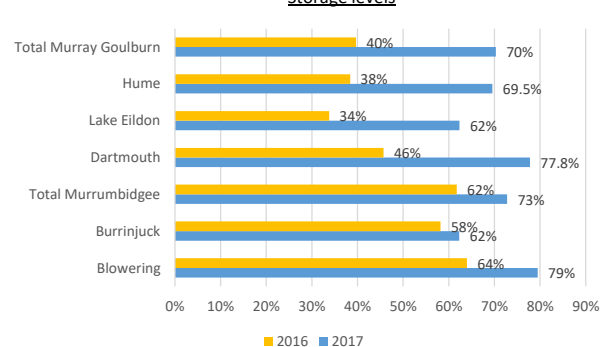
## Market Outlook

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 60%-75% chance of below average rainfall across the Southern Connected Basin (see chart below).

The chance of above median rainfall for July- September



Storage levels



### Disclaimer

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