



Duxton Water Limited Monthly Update

31 August 2017

DUXTON
WATER LTD

Net Asset Value per Share

\$1.10

Duxton Water	
ASX Code (Shares)	D2O
ASX Code (Options)	D200
Shares on Issue	63,968,406
Options Outstanding	63,962,406
Options Exercise Price	\$1.10
Options Expiry	31 May 2018

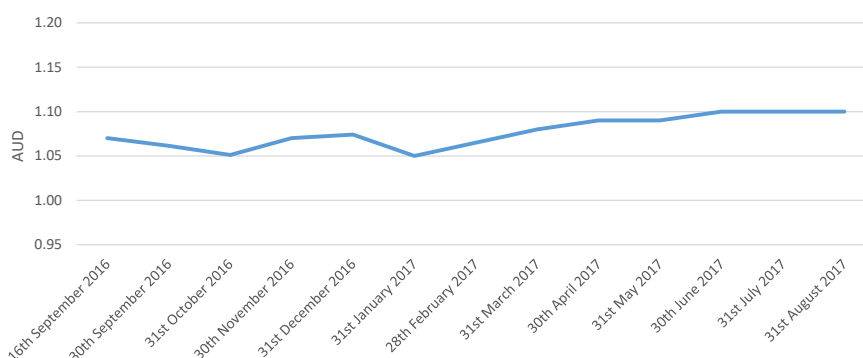
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

Net Asset Value per Share

Duxton Water's NAV as at 31 August 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



Performance	Gain/Loss
1 Month	0.00%
3 Months	0.92%
6 Months	3.29%
12 Months	N/A
Inception	2.80%

Market Update

Market Summary

Storage levels within the major dams within the Murray Darling Basin (MDB) increased 3.5% over the past month. Total MDB storage remains 7% higher than August 2016. Rainfall in the MDB improved slightly when compared to the past two months which saw significant below average rainfall. Monthly rainfall since June has been below average throughout most of the Basin.

Allocation levels rose throughout August as Government Water Authorities increased allocations available to water entitlement holders. Allocations for Victoria Murray High Reliability, New South Wales Murray High Security and South Australia High Security were 70%, 97% and 100% respectively as at 31 August. Murray General Security licenses have received allocations of 13%. Including carryover, Duxton Water presently has approximately 13GL of water allocations available for sale.

Southern Basin

Total inflows into the Murray system for the month of August were 1,025GL, compared to the 10-year average of 1,136GL. The Hume and Dartmouth reservoirs closed the month at 88.3% and 81.7% of capacity, respectively. Across the MDB the Bureau of Meteorology reported that mean rainfall for August was 30% below average.

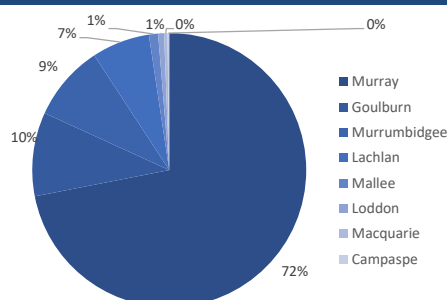
Water entitlement prices displayed varied movements in the month of August. Price increases were seen in NSW Murray General Security and Victoria Murray water zones, increasing 2.9% and 2.0%, respectively. NSW High Security and South Australia High Security water zones experienced a decrease in prices of 2.0% and 4.8%, respectively.

Temporary water prices for the month displayed a slight pullback from the highs seen in July. Rainfall over the MDB has provided downward pressure on prices in the major water zones with prices decreasing from \$150/ML in July to \$130/ML at the end of the month.

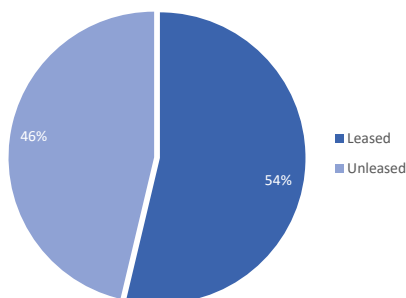
Northern Basin

Lachlan Valley water entitlement prices increased 7.3% in August and have increased 39.8% 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.

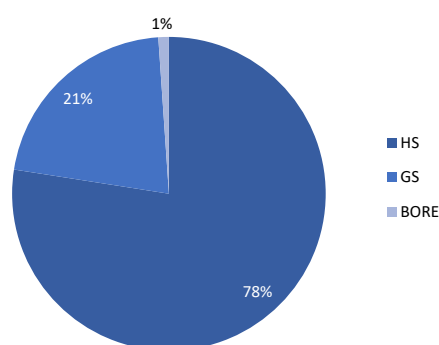
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown





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Investment Update

Permanent Water Acquisitions and Divestments

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

Temporary Water Sales

In August, 610ML of allocations were sold. YTD allocation sales amount to 14,450ML.

Lease Yield

No new leases were entered into in August. The weighted average yield for long-term leases remains at 6.04% p.a.

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 2.72% (running). The weighted average running yield of the two streams is 4.52%.

Dividends

As noted in the July report, the Company intends to pay a partially franked dividend in November 2017. It is the Board's intention that the dividend will be franked to as high a level as possible. The final size of this dividend and the franking percentage are yet to be determined by the Board.

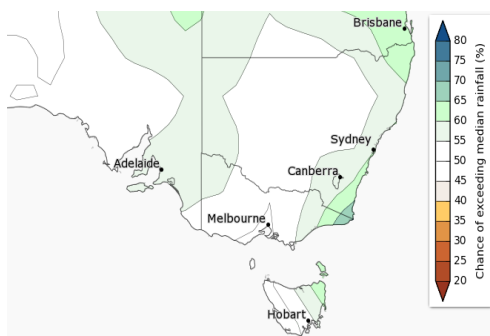
Valuation Methodology

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. The unleased income portion of the portfolio is calculated by dividing the gross value of allocation sales by the gross value of unleased Water Entitlements for each water zone and security type.

Market Outlook

The latest Bureau of Meteorology outlooks are suggestive of moderate climatic conditions over the next three months for the Murray Darling Basin. Models are forecasting a 45%-55% chance of below average rainfall across the Southern Connected Basin (see chart below).

The Chance of Above Median Rainfall for September- November



Source: Bureau of Meteorology

Disclaimer

This factsheet is prepared by Duxton Capital (Australia) Pty Ltd [ACN: 164 225 647; AFSL no. 450218] ("Duxton Capital (Australia)"). Duxton Capital (Australia) is the Investment Manager of Duxton Water Limited [ACN 611 976 517] ("Duxton Water").

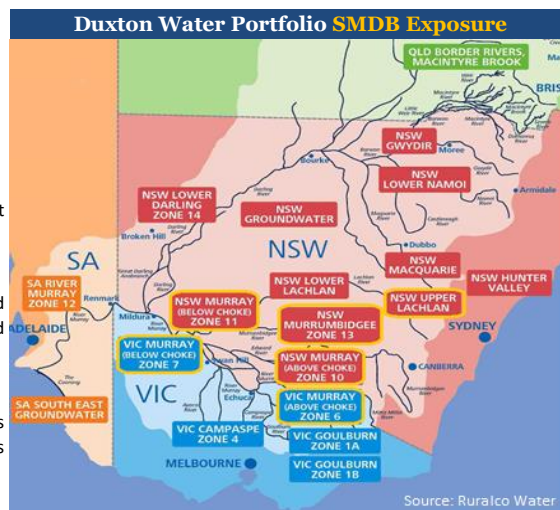
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Storage Levels

