



# Duxton Water Limited Monthly Update

30 September 2017

**DUXTON**  
WATER LTD

Net Asset Value per Share

\$1.12

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

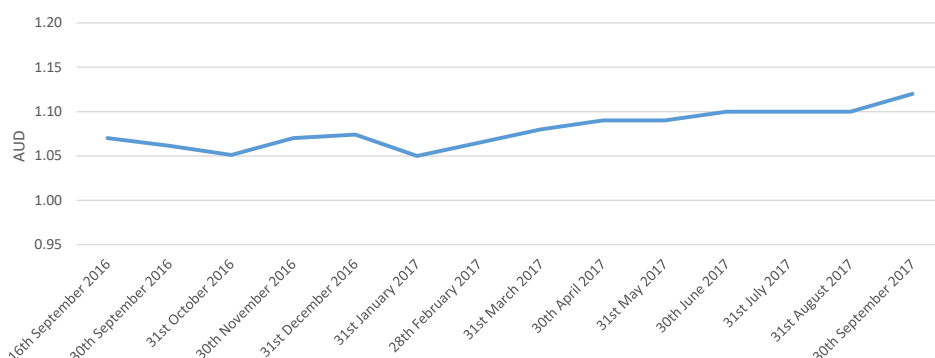
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

## Net Asset Value per Share

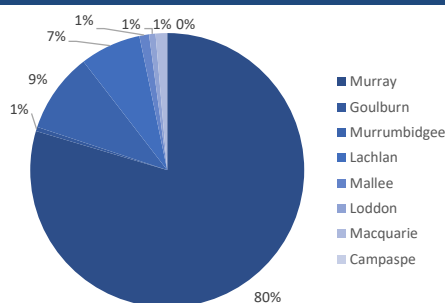
Duxton Water's NAV as at 30 September 2017 was \$1.12 per share.

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.

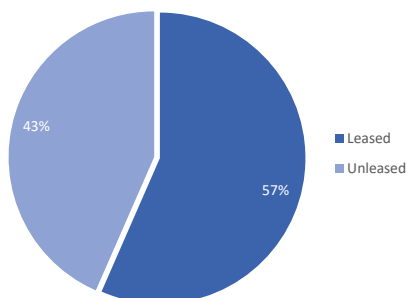
## Net Asset Value per Share - Since Inception



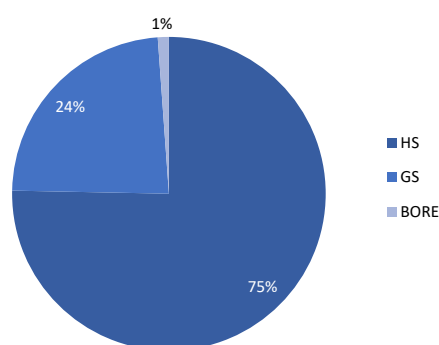
## Entitlement Portfolio Value by Region



## Water Portfolio Diversification



## Water Security Breakdown



Performance	Gain/Loss
1 Month	1.82%
3 Months	1.82%
6 Months	3.70%
12 Months	5.51%
Inception	4.67%

## Market Update

### Market Summary

Storage levels of the major dams within the Murray Darling Basin (MDB) increased 0.6% over the past month. Total MDB storage levels were 1.6% lower than September 2016. Rainfall in the MDB was substantially below average resulting in September 2017 being the driest September month on record.

Allocation levels rose throughout September 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 98%, 97% and 100% respectively as at 30 September. Murray General Security licenses have received allocations of 28%. Including carryover, Duxton Water presently has approximately 14GL of unleased water allocations available.

### Southern Basin

Total inflows into the Murray system for September were 640GL, compared to the 10-year average of 1,143GL. The Hume and Dartmouth reservoirs closed the month at 89.9% and 84.0% of capacity, respectively. Approximately 18.4% of the water held in these storages is carry over held by licence holders from the 16/17 water year. Across the MDB the Bureau of Meteorology reported that mean rainfall for September was 79% below average.

Water Entitlement prices displayed strong increases in the month of September. Price increases were seen in New South Wales Murray High Security and South Australia High Security water zones, both increasing 5.4%. Victoria Murray High Reliability Water Entitlements experienced a decrease in prices of 2.5% during the month.

Temporary water prices for the month increased back to the elevated levels observed in July as producers start to irrigate their crops. Lack of rainfall over the MDB during winter has provided upward pressure on prices in the major water zones with prices increasing from \$130/ML in August to \$150/ML at the end of the month.

### Northern Basin

Northern Basin water entitlement prices showed little to movement in September. Allocation prices have shown strong increases as water users start to prepare for the upcoming summer growing season.



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### Investment Update

#### Permanent Water Acquisitions and Divestments

Duxton Water will actively manage and rebalance its portfolio as required over time. Opportunities for higher short term yield coupled with stronger long term leasing opportunities have lead to the sale of approximately \$7 Million of Goulburn and Campaspe Water Entitlements. Water Entitlements were sold at a premium to current Water Entitlement valuations in the Goulburn and Campaspe water zones.

The proceeds from the sale of Water Entitlements have been redeployed with the settlement or contracting of approximately \$5m of Water Entitlements to date. The remainder of the proceeds from the sale will be used to purchase additional targeted Water Entitlements in the coming months. The rebalancing of the portfolio is expected to deliver higher unleased returns in the 17/18 water year and stronger leasing opportunities moving forward.

As at 30 September, Duxton Water is currently invested in \$64 million of water entitlements with further under contract.

#### Temporary Water Sales

In September, 1,300ML of allocations were sold. YTD allocation sales amount to 15,750ML.

#### Lease Yield

No new leases were entered into in September. The weighted average yield for long-term leases remains at 6.04% p.a. Shareholders will vote on the Duxton Vineyards acquisition and lease at the D20 EGM on the 18th of October, which if approved will increase the weighted average yield for long-term leases to 6.19%.

#### Total Yield

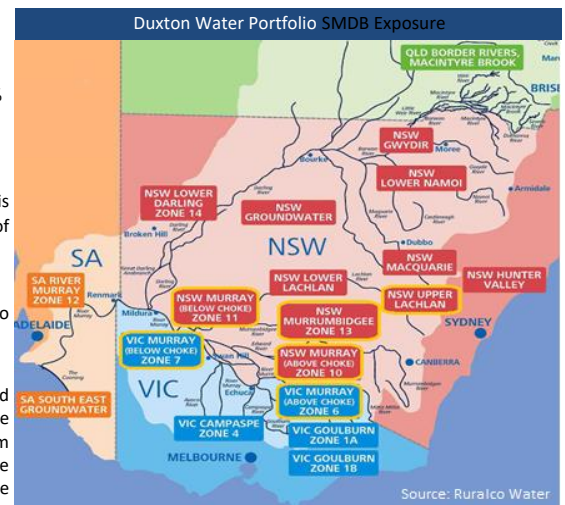
Duxton Water's yield is comprised of two streams of income: leased and unleased income. The leased income is currently at 6.04% (annualised) and the unleased income is 3.11% (running). The weighted average running yield of the two streams is 4.81%.

#### Dividends

As announced in September, the Company will pay a 2.3 cent dividend per share franked at 75% distributed to investors in November. The Company aims to pay biannual dividends moving forward.

#### Valuation Methodology

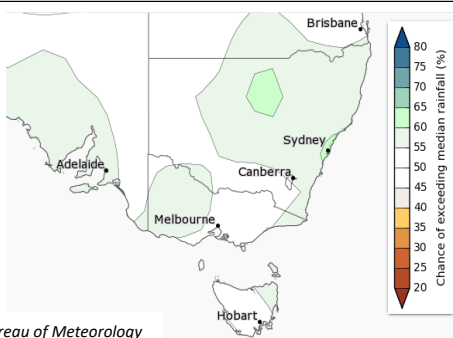
Total assets of the Company are valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from the respective state register, excluding outliers. Outliers are defined as a trade with 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

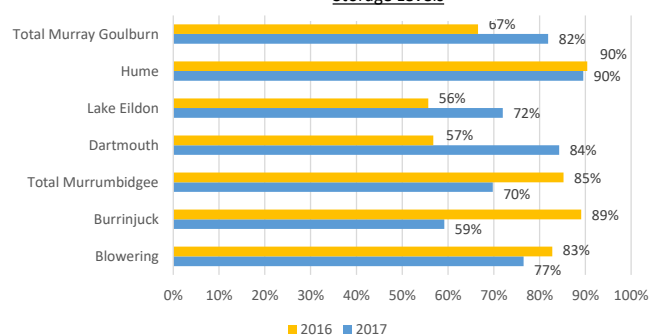
The latest Bureau of Meteorology outlooks are suggestive of moderate climatic conditions over the next three months for the Murray Darling Basin. Models are forecasting a 45%-55% chance of below average rainfall across the Southern Connected Basin (see chart below).

The Chance of Above Median Rainfall for October- December



Source: Bureau of Meteorology

Storage Levels



#### Disclaimer

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