



Duxton Water Limited Monthly Update

31 December 2017

DUXTON
WATER LTD

Net Asset Value per Share

\$1.18

Duxton Water	
ASX Code (Shares)	D20
ASX Code (Options)	D200
Shares on Issue	71,213,632
Options Outstanding	63,942,406
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.

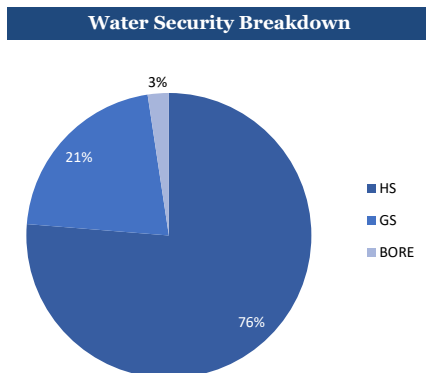
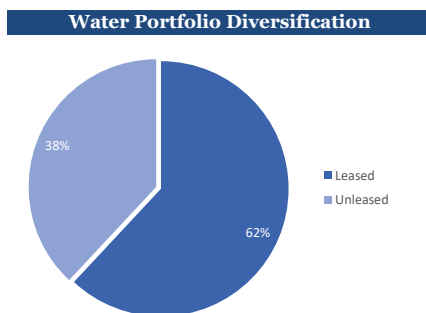
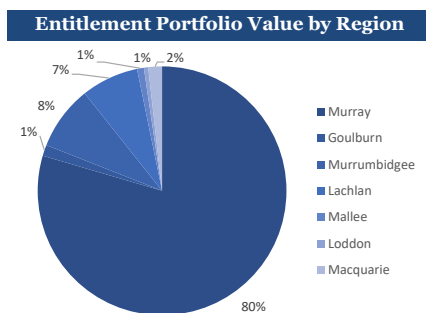
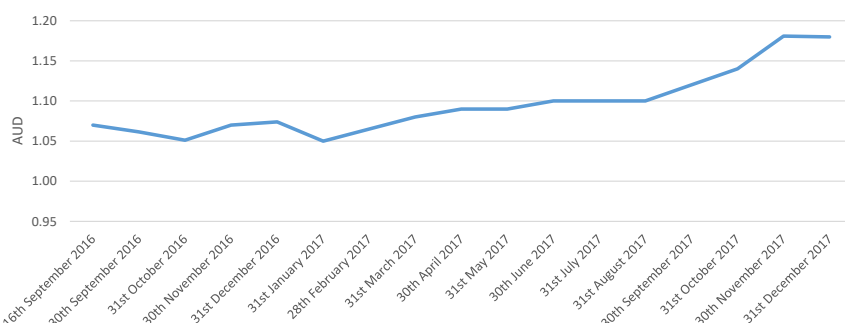
Net Asset Value per Share

Duxton Water's NAV as at 31 December 2017 was \$1.18 per share.

NAV achieved an increase through December, however this was offset by end of year performance fee and tax provisions.

The after tax NAV figure takes into account the provision for deferred tax on setup costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date. These figures are not adjusted for any dilution due to the outstanding options which are exercisable at \$1.10. 20,000 Options were taken up in December. NAV is calculated based on an independent monthly portfolio valuation performed by Aither Pty Ltd (Aither).

Net Asset Value per Share - Since Inception



Performance	Gain/Loss
1 Month	-0.08%
3 Months	5.35%
6 Months	7.26%
12 Months	9.86%
Inception	10.27%
Inception (plus franked distribution)	12.90%

Duxton Water has delivered shareholders a **12 month return of 12.64%** (inclusive of the franked distribution in November 2017)

Market Summary

Storage levels of the major dams within the Murray Darling Basin (MDB) increased by 2.7% in early December as a result of the large trough that moved through Victoria and NSW at the end of November. This system, whilst significant, did not deliver to the levels forecasted. By the end of December MDB storages had decreased by 3.68%. Total MDB storage levels were 19% lower than at the end of December 2016.

The early December inflows enabled further allocation to NSW General Security Entitlement Holders who have now received an allocation of 46%, a 13% increase on November, but well below the 100% allocation received last water year. Noticeably there was no increases in the Murrumbidgee Valley where General Security Holders have received only a 33% allocation. Demand within the Murrumbidgee is likely to remain strong to support significant annual summer crop commitments. All High Security Entitlement Holders across the Southern Murray Darling have likely received their final allocation. Allocations for New South Wales Murray High Security, Victoria Murray High Reliability and South Australia High Security remained at 97%, 100% and 100% respectively as at 31 December.

Including carryover, Duxton Water presently has approximately 15.8GL of unleased water allocations available.

Southern Basin

The Hume and Dartmouth reservoirs closed the month at 71% and 89% of capacity, respectively. Across the MDB the Bureau of Meteorology reported that mean rainfall for December was 23% above average, however as December is historically a low inflow and high water use month, storages decreased. Widespread hot weather affected all States following the early rainfall event with maximum temperatures well above average across most of eastern Australia.

Entitlement demand remained strong. Price increases of 1.5% to 2% were seen in Victorian High Reliability and South Australian High Security Entitlements. All other Water Entitlements prices remaining relatively flat.

Temporary water prices for the month fell back from their highs as above average rainfall was observed throughout the MDB. The major water zones prices range from \$125/ML at the start of December to \$110/ML at the end of the month.

Northern Basin

Northern Basin Water Entitlements saw a 4% increase in New South Wales Macquarie General Security Water Entitlements. Allocation prices remain firm as irrigators source water for summer annual crop requirements.

Investment Update

Permanent Water Acquisitions and Divestments

As advised in December 2017, Duxton Water engaged Aither Pty Ltd (Aither) to undertake ongoing monthly independent valuations of the portfolio.

At 31 December 2017, Duxton Water is invested in approximately \$84.6 million of water entitlements with the remainder of the portfolio held in cash and net current assets. Duxton Water holds contracts over a further \$2.1 million of water entitlements at the 31st December 2017.

Temporary Water Sales

In December, 3289ML of allocation were sold. Sales were lower than anticipated due to early month rainfall and softened demand, deferring some allocation sales to 2018. Total 2017 allocation sales amounted to 20,792ML, with a final yield of 4.65% on the unleased portion of the portfolio.

Lease Yield

No new leases were entered into in December.

62% of the Company's portfolio is leased with a weighted average yield of 6.20% and a weighted average lease duration of 5.48 years.

Total Yield

Duxton Water's yield is comprised of two streams of income: leased and unleased income. The leased income is currently at 6.20% (annualised) and the unleased income is 4.65% (running).

The 2017 weighted average running yield of the two streams is 5.61%.

Dividends

The Company paid its maiden dividend of 2.3 cents per share franked at 75% to investors on 16 November 2017. The Company aims to pay biannual dividends moving forwards.

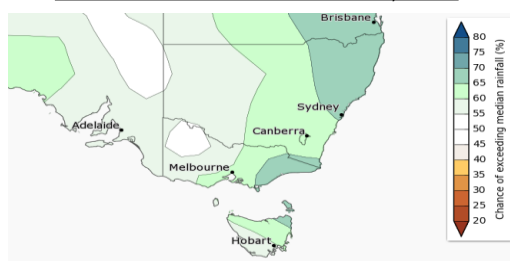
Valuation Methodology

Aither undertake a monthly valuation of the Duxton Water portfolio. Total assets of the Company are valued based on an assessment of fair market value. Aither has adopted the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement definition of fair value. Further information regarding the valuation methodology can be found on www.duxtonwater.com.au.

Market Outlook

The latest Bureau of Meteorology outlooks are suggestive of a >50% chance of median rainfall over the next quarter however the median itself is low over this period therefore no significant inflows into the Murray Darling Basin are to be expected for this period (see chart below). The continued warmer weather may be a catalyst for temporary water prices to further increase due to higher rates of crop water usage over the summer.

The Chance of Above Median Rainfall for January - March



Source: Bureau of Meteorology

Disclaimer

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