

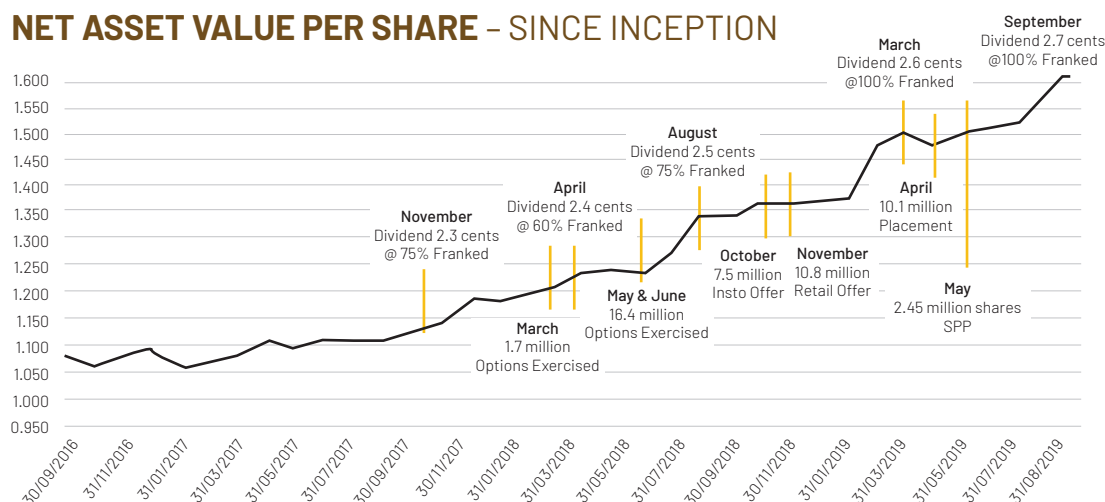
The primary investment objective of Duxton Water is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering irrigators a range of supply solutions including long term entitlement leases, forward allocation contracts and spot allocation supply.

## NET ASSET VALUE PER SHARE

**Duxton Water's NAV at 30 September 2019 was \$1.61 per share.**

The after tax NAV 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. The Company does not expect to trigger these tax provisions through the turnover of these assets and expects to maintain its low entitlement turnover ratio. **The NAV excluding tax provisions for unrealised capital gain is \$1.79.** NAV is calculated based on an independent monthly portfolio valuation performed by Aither Pty Ltd ("Aither").

## NET ASSET VALUE PER SHARE - SINCE INCEPTION



## PERFORMANCE\*

1 Month	3 Months	6 Months	12 Months	Inception
1.28%	6.98%	11.15%	23.66%	65.96%

\*These figures are based on NAV movements and include franked dividends for the period.

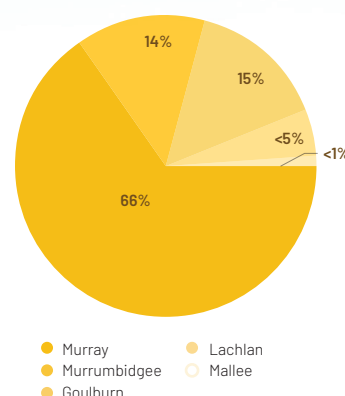
## INVESTMENT UPDATE

At 30 September 2019, Duxton Water Ltd is invested in approximately ~\$276.2 million of water assets with the remainder of the portfolio held in cash and net current assets. The Company has approximately 415.14ML (\$2.4 million) of water entitlements in its acquisition pipeline at 30 September 2019.

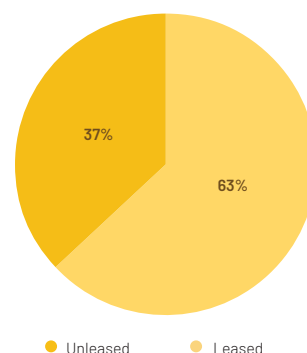
River Murray system inflows for the month were approximately 305 GL, which is 74% below the long term average for September.

The Murray Darling Basin Authority (MDBA) has continued the movement of stored water from Dartmouth Dam through the Murray system in preparation for summer irrigation demands. In what is normally a high inflow and capture month, storages in the Murray System fell by 120GL. The current volume of water available within the Murray-Goulburn system is 45% of storage capacity levels; 15% lower than 12 months ago. Northern basin storage levels are currently 9%, 19% lower than 12 months ago.

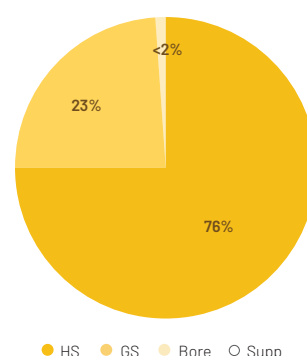
## Entitlement Portfolio Value by Region



## Water Portfolio Diversification



## Water Security Breakdown



With lower storages and current observed inflows, the 19/20 water year is shaping up to be one of collective constrained supply. Even with resource improvements and the potential to see increased allocation in SA and VIC, carry over levels were significantly lower than seen in the 18/19 water year.

Duxton Water continues to support its irrigation farming partners into the 19/20 water year. This involves the provision of leases to over 50 family farming and corporate businesses.

In light of recent claims in the media that the Company is holding significant volumes of allocation back from the market, it advises that as of the 14 October 2019, it held approximately 16GL of allocation in the connected Southern Murray Darling. The Company actively manages its allocation holding in order to deliver on demand for spot allocation sales, meet its obligation for the provision of forward allocation sales and deliver on new entitlement leased arrangements. With the continuing dry conditions, visible water supply through the provision of these products is a critical tool that irrigators use to risk manage their water requirement. In the offering of these products, the Company supports market liquidity and risk management options for our irrigation partners. The Company does not intend to provide an update to its allocation holding on a continuous basis.

## ENTITLEMENT MARKET

Duxton Water Ltd is engaged in building a targeted portfolio of water entitlements predominantly across the southern Murray-Darling Basin. The Company has invested in both surface and ground water assets. At 30 September 2019, the Company holds approximately 75,817 ML of water entitlements across 20 different asset types and classes.

Ongoing maturity of permanent plantings has seen greater water demand from high value crop industries such as almonds and citrus. Demand for long-term water security such as high security entitlement ownership and long-term leases continues to increase. The Company's view in this regard has been further supported by a new report released by the Victorian Government ([www.waterregister.vic.gov.au/](http://www.waterregister.vic.gov.au/)) which indicates that demand by the horticultural industries is estimated to be 55% greater at crop maturity than ABARES have previously estimated\*.

Aither Pty Ltd values the Duxton Water Ltd portfolio on a monthly basis on a dry (without allocation) equivalent basis. There were notable movements in values and are shown below:

### SOUTHERN BASIN

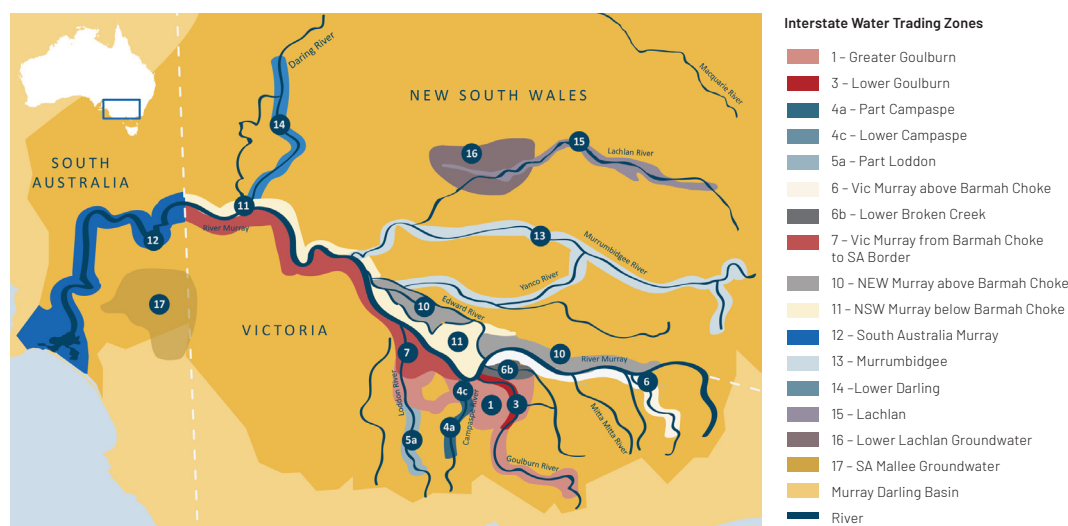
- ↑ 2.4% in Vic 1A Goulburn HR (~13.7% of portfolio)
- ↑ 0.9% in Vic 7 Murray HR (~12.3% of portfolio)
- ↓ 5.0% in NSW Murrumbidgee 13 GS (~5.7% of portfolio)
- ↓ 3.1% in NSW Murray 10 GS (~8.3% of portfolio)
- ↓ 3.0% in NSW Murray 11 GS (~4.3% of portfolio)

### NORTHERN BASIN

- ↑ 9.1% in NSW Lachlan GS (~4.2% of portfolio)

With the ongoing dry conditions and low prospect of increased allocations, the market has seen increasing levels of Murrumbidgee and Murray general security entitlements offered. This has resulted in lower market pricing and values, however this has been countered by strengthening high security entitlement values.

\* [https://waterregister.vic.gov.au/images/documents/Water-Supply-and-Demand-Report\\_Aither\\_FINAL.pdf](https://waterregister.vic.gov.au/images/documents/Water-Supply-and-Demand-Report_Aither_FINAL.pdf)



DUXTON WATER PORTFOLIO - SMDB EXPOSURE

## ALLOCATION MARKET

The allocation market remained stable through September. With the fragmentation of the Southern Murray Darling allocation market, pricing remains significantly higher in the below choke Murray at \$770-\$800/ML with pricing across the Murrumbidgee, Goulburn and above choke Murray trading at \$550-\$610/ML.

## LEASES

Duxton Water executed a further lease agreement through September, backdated to commence on the 1 July 2019. Entitlement acquisition counted the impact of the new lease with leased proportion of the portfolio remaining at ~63%. This represents ~80% of the Company's high security entitlement holding. The Company has several further leases in negotiation. The current weighted average lease expiry remains at 3.40 years and the company continues to work towards its long-term goal of having 70-80% of the portfolio under lease.

## DIVIDENDS & BUY BACK

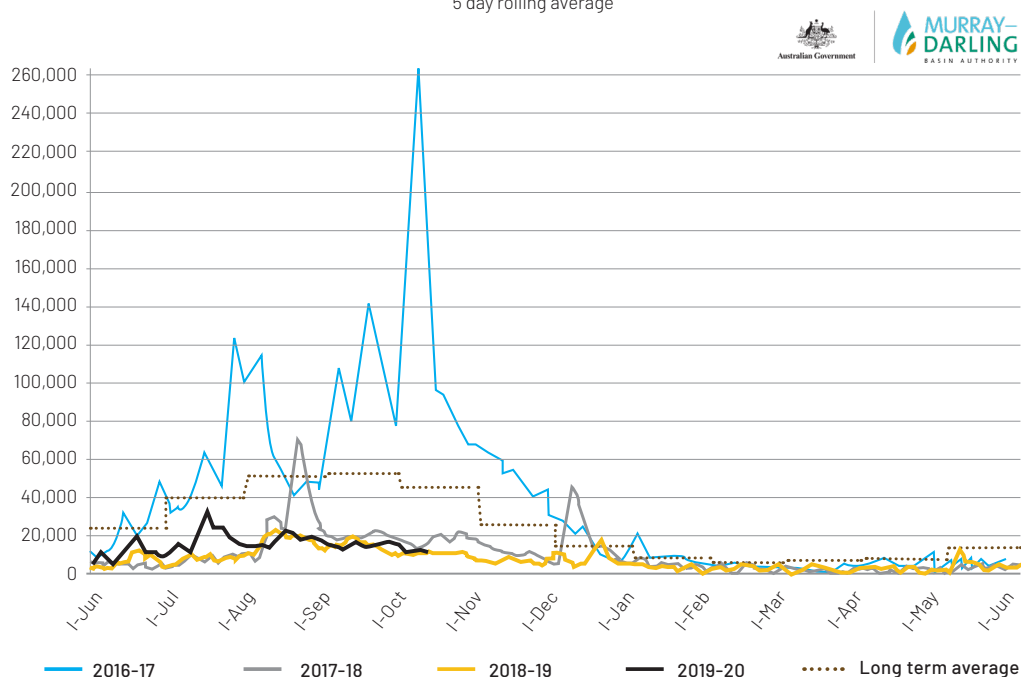
The Company issued 183,922 shares at \$1.3483/share as part of the DRP for the 2.7 cent per share (fully franked) dividend paid on the 18 September 2019.

On 10 September 2019, the Company announced a share buyback. As of 30 September 2019, the Company had purchased 66,761 shares at an average price of \$1.3878/share. The Board believes the purchase of the Company's shares at the current discount to NAV is in the interest of all shareholders.

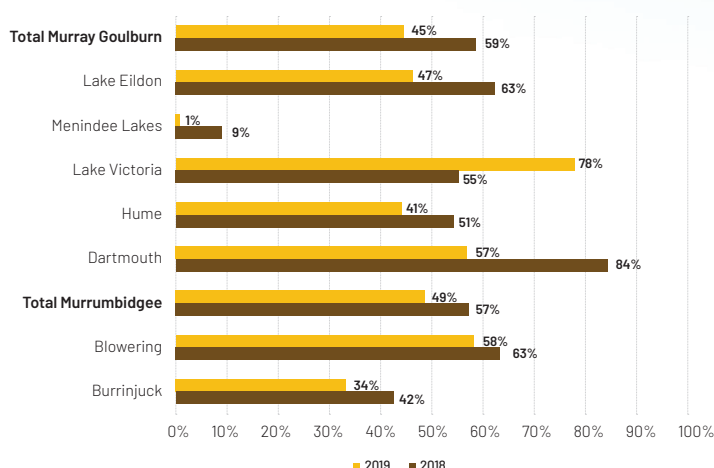
The Board maintains its commitment to providing our shareholders with a bi-annual dividend and has reaffirmed a target of paying a fully franked final dividend of 2.8 cents (\$0.028) in March 2020.

## DAILY INFLOWS TO THE MDB

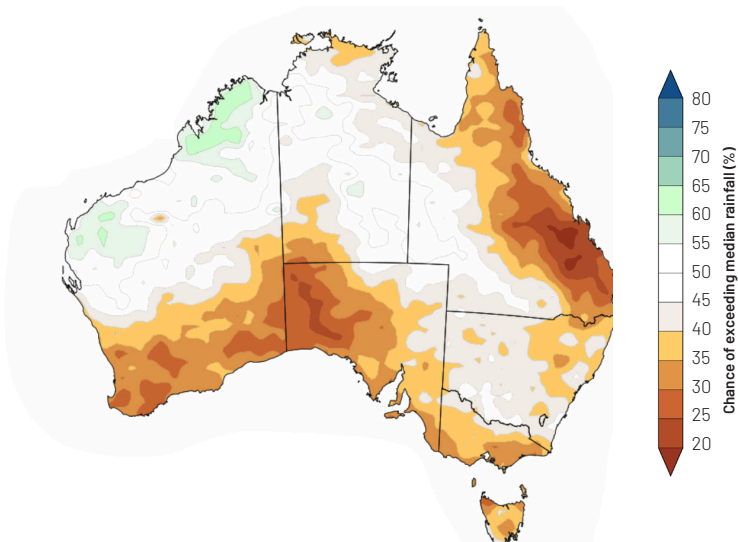
**Murray System Daily Inflows (excl. Snowy Darling, inter-valley trade and environmental inflows) - 5 day rolling average**



## STORAGE LEVELS IN MAJOR DAMS



## CHANCE OF ABOVE-AVERAGE RAINFALL NOVEMBER – JANUARY



## MARKET UPDATE & OUTLOOK

Daytime temperatures are very likely to be above average across Australia over the next 3 months. Key agricultural regions through the Basin received below average rainfall and soil moisture has further dried and sits between average and very much below average. Inflows into the MDB storages over the month were 305GL which was 74% below the 10 year average of 1,161GL. Storages in the northern and southern MDB are now 9% and 45%, compared to 28% and 59% this time last year.

The respective state natural resource managers have released further allocations through September and early October with SA Murray moving to 87% up from 74%, Victorian Murray HR to 38% and Goulburn HR to 48%, both up from 33% and 37% allocation respectively. NSW Murrumbidgee HS entitlements remain at 95% allocation, while NSW Murray HS remains at 97%. Murrumbidgee and Murray General security entitlements, which are currently 6% and 0% respectively, look likely to deliver no further allocation for the 19/20 water year.

The BoM's recent outlook forecast indicates average to drier than average conditions for much of Australia, with a 50-70% chance of not exceeding the median rainfall in November through to January across the key agricultural regions of the MDB. Commencing October, this marks the end of the peak inflow period and storages are beginning to be drawn down. The temperature outlook is forecasting a 70-80% chance of higher than average daytime temperatures.

The Southern Oscillation (ENSO) remains neutral, with climate models forecasting a neutral ENSO for the remainder of 2019 and into early 2020. Whilst we have seen better in-valley rainfall conditions through Victoria and southern NSW in Winter than for the previous 2 years, rainfall has still tracked well below average. It has also not translated into the type of in-catchment rainfall and corresponding inflow to dams needed to reset the system from a water storage perspective. The ongoing positive Indian Ocean Dipole (IOD) has strengthened to its strongest level since 2001. A positive IOD often results in below average winter-spring rainfall over southern and central Australia. It also typically means warmer than average winter-spring days for the southern two-thirds of Australia. Australia is also likely to continue to be affected by a negative Southern Annular Mode (SAM) with South Eastern Australia likely to see more dry and warm air from the inland and less cool air off the Tasman sea, leading to a lower chance of rainfall and increased chances of spring heatwaves in Southern Australia.

## 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 can be found on [www.duxtonwater.com.au](http://www.duxtonwater.com.au)

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