

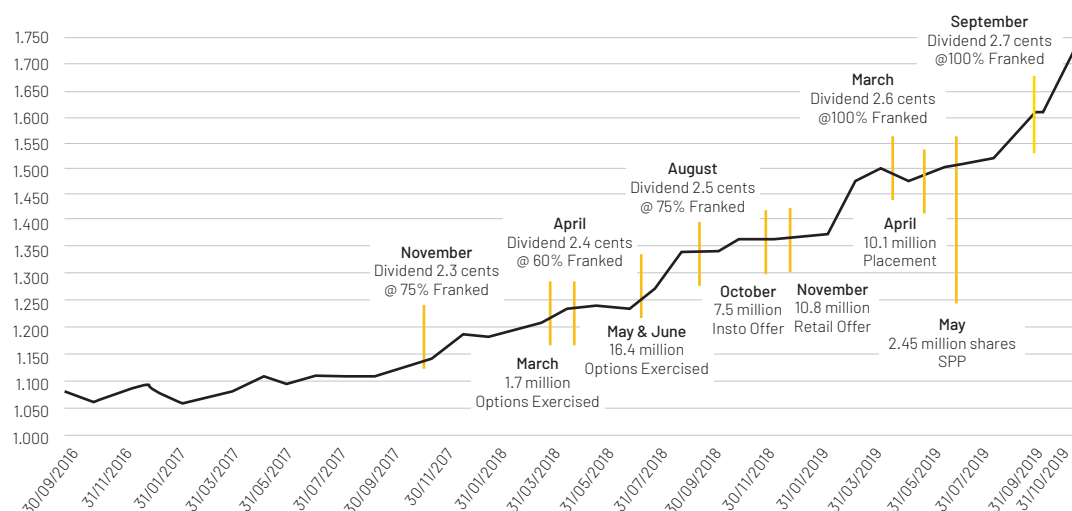
The primary investment objective of Duxton Water is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering irrigators a range of supply solutions including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

## NET ASSET VALUE PER SHARE

Duxton Water's NAV at 31 October 2019 was \$1.72 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 \$1.95.** 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
6.93%	12.59%	16.96%	31.55%	76.37%

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

## INVESTMENT UPDATE

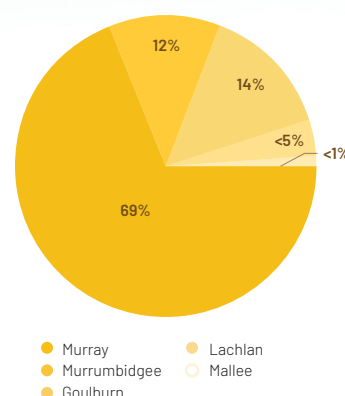
At 31 October 2019, Duxton Water Ltd is invested in approximately ~\$321.3 million of water assets with the remainder of the portfolio held in cash and net current assets. The Company has approximately 2,032ML (\$10.6 million) of water entitlements in its acquisition pipeline at 31 October 2019.

The uplift in the value of the Company's water assets portfolio is reflective of market pricing flowing through to the independent valuation of the portfolio and a number of strategic entitlement acquisitions through October. Irrigators collectively own the vast majority of entitlements on issue across the SMDB and as such continue to be the greatest beneficiaries of increases seen in water entitlement values.

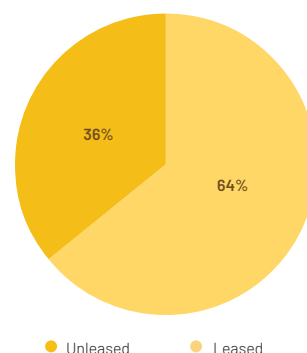
The Company funded these strategic acquisitions through an extension to its secure loan facility with NAB.

The Murray Darling Basin Authority (MDBA) has continued the movement of stored water from the Dartmouth Dam through the Murray system to meet irrigation demands. As we move into November

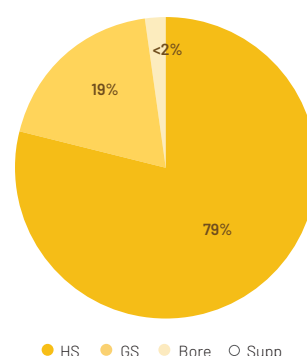
### Entitlement Portfolio Value by Region



### Water Portfolio Diversification



### Water Security Breakdown



we move out of the main inflow period and into summer storage drawdown. Current volume of water available within the Murray-Goulburn system is 42% of storage capacity levels; 14% lower than 12 months ago. Northern basin storage levels are currently 7%, 17% lower than 12 months ago.

Given the lower storages and winter/spring inflows levels, 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, carryover 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.

The Company continues to actively manage its allocation holding to be able to deliver on spot allocation sales, meet its obligation for the provision of forward allocation sales and to deliver on new entitlement leasing 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 offering these products, the Company supports market liquidity and risk management options for our irrigation partners.

## ENTITLEMENT MARKET

Duxton Water 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 and at 31 October 2019, the Company holds approximately 80,642 ML of water entitlements across 20 different asset types and classes. During the month of October, the Company contracted and settled a number of strategic acquisitions including 3,000ML

of NSW Murray high security entitlement. Having been previously used for industrial purpose, the acquisition of these assets will support Duxton Water's capability to deliver further water supply to the Company's agricultural partners.

Ongoing maturity of permanent plantings is continuing to increase 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 from 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:

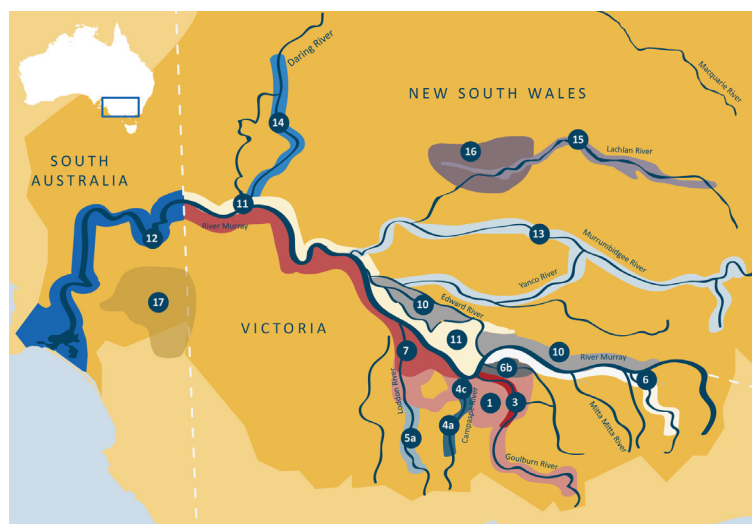
### SOUTHERN BASIN

- ↑19.4% in NSW Murray 11 HS (~20.7% of portfolio)
- ↑7.7% in NSW Murray 10 HS (~6.8% of portfolio)
- ↑7.5% in Vic 6 Murray HR (~11.0% of portfolio)
- ↑7.0% in Vic 1A Goulburn HR (~12.3% of portfolio)
- ↑6.9% in Vic 7 Murray HR (~11.4% of portfolio)
- ↑4.8% in SA 12 Murray HS (~8.2% of portfolio)

### NORTHERN BASIN

There was no change in northern pricing.

\* [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)



Interstate Water Trading Zones

- 1 - Greater Goulburn
- 3 - Lower Goulburn
- 4a - Part Campaspe
- 4c - Lower Campaspe
- 5a - Part Loddon
- 6 - Vic Murray above Barmah Choke
- 6b - Lower Broken Creek
- 7 - Vic Murray from Barmah Choke to SA Border
- 10 - NSW Murray above Barmah Choke
- 11 - NSW Murray below Barmah Choke
- 12 - South Australia Murray
- 13 - Murrumbidgee
- 14 - Lower Darling
- 15 - Lachlan
- 16 - Lower Lachlan Groundwater
- 17 - SA Mallee Groundwater
- Murray Darling Basin
- River

## DUXTON WATER PORTFOLIO - SMDB EXPOSURE

## ALLOCATION MARKET

Allocation market pricing rose through October on the back of increased irrigation demand and a deteriorating allocation supply outlook. Inflows into the southern Murray Darling Basin have been significantly below average through the 2019 winter and spring. With the fragmentation of the southern Murray Darling allocation market, pricing remains significantly higher in the below choke Murray at \$950-\$990/ML with pricing across the Murrumbidgee, Goulburn and above choke Murray trading at \$650-\$750/ML.

## LEASES

Duxton Water executed three further lease agreements through October, backdated to commence on 1 July 2019. This saw the leased portion of the water entitlement portfolio increase to ~64%. This represents ~80% of the Company's high security entitlement holding. The current weighted average lease expiry

(WALE) remains at 3.45 years and the company continues to work towards its long-term goal of having 70-80% of the portfolio under lease.

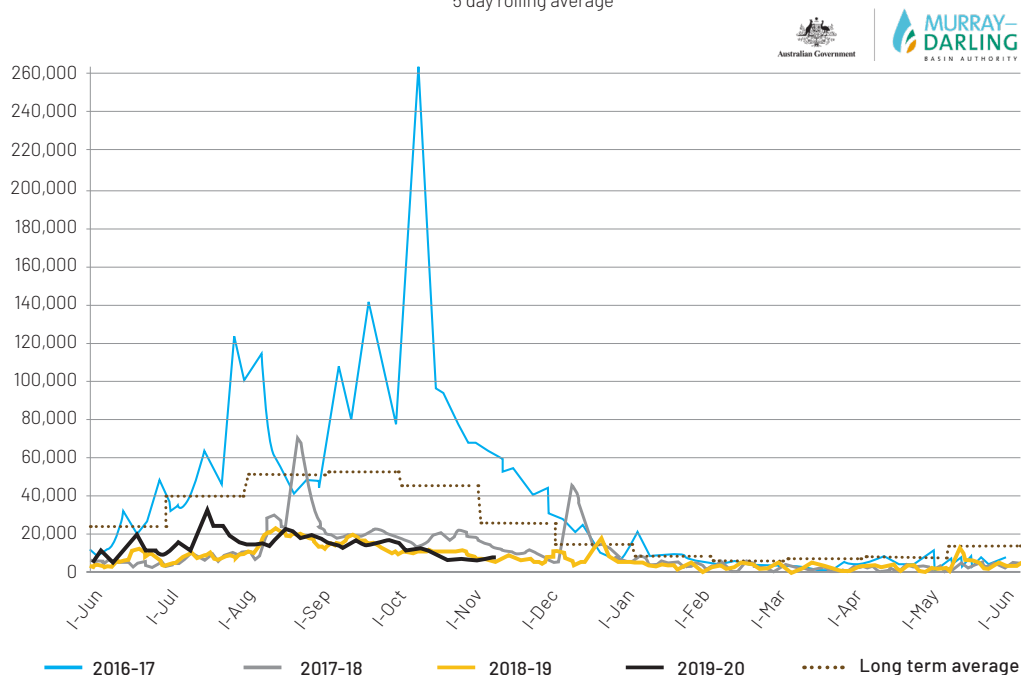
## DIVIDENDS & BUY BACK

On 10 September 2019, the Company announced a share buyback. As of 31 October 2019, the Company has purchased 762,805 shares at an average price of \$1.40/share. The Board believes the purchase of the Company's shares at the current discount to NAV is in the interest of all shareholders.

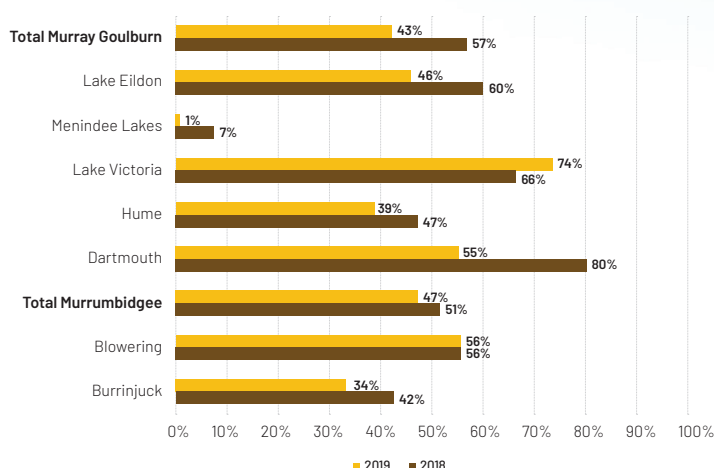
The Board maintains its commitment to providing our shareholders with a bi-annual dividend and has reaffirmed a target of paying a fully franked final dividend of 2.8 cents (\$0.028) in March 2020. With the increase in forward-looking lease revenue, the Company is now targeting a fully franked interim dividend of 2.9 cents (\$0.029), payable in September 2020.

## DAILY INFLOWS TO THE MDB

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

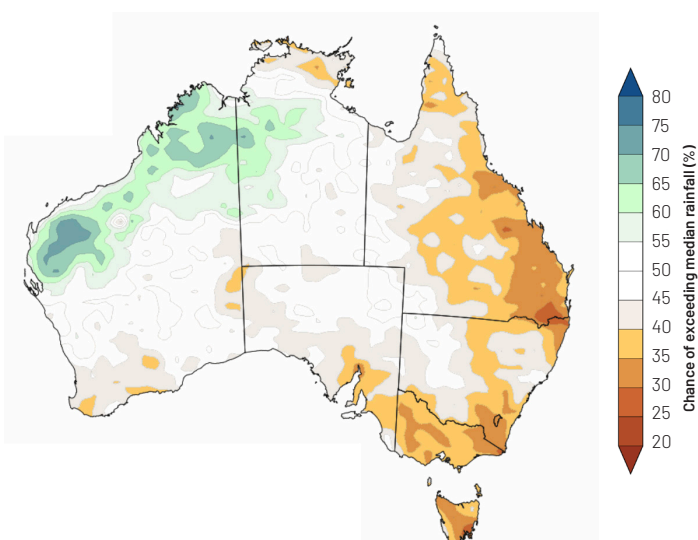


## STORAGE LEVELS IN MAJOR DAMS



## CHANCE OF ABOVE-AVERAGE RAINFALL

DECEMBER 2019 - FEBRUARY 2020



## MARKET UPDATE & OUTLOOK

Daytime temperatures are very likely to be above average across Australia over the next 3 months. Soil moisture remains significantly below average across key agricultural regions through the Basin as a result of below average rainfall and high temperatures.

The respective state natural resource managers have released further allocations through October and early November with SA Murray moving to 94% up from 87%, Victorian Murray HR to 42% and Goulburn HR to 53%, both up from 38% and 48% 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 remainder of the 19/20 water year.

The BoM's recent outlook forecast indicates average to drier than average conditions for much of Australia, with a 65-75% chance of not exceeding the median rainfall in November through to January across the key agricultural regions of the MDB. The SMDB is now beyond the peak inflow period with storages at a much lower level compared to this time last year.

A very strong positive Indian Ocean Dipole (IOD) is likely to continue well into December, several weeks longer than normal. A positive IOD typically means a hotter and drier spring over Central and Southern Australia. Australia is also likely to continue to be affected by a negative Southern Annular Mode 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.

## 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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