

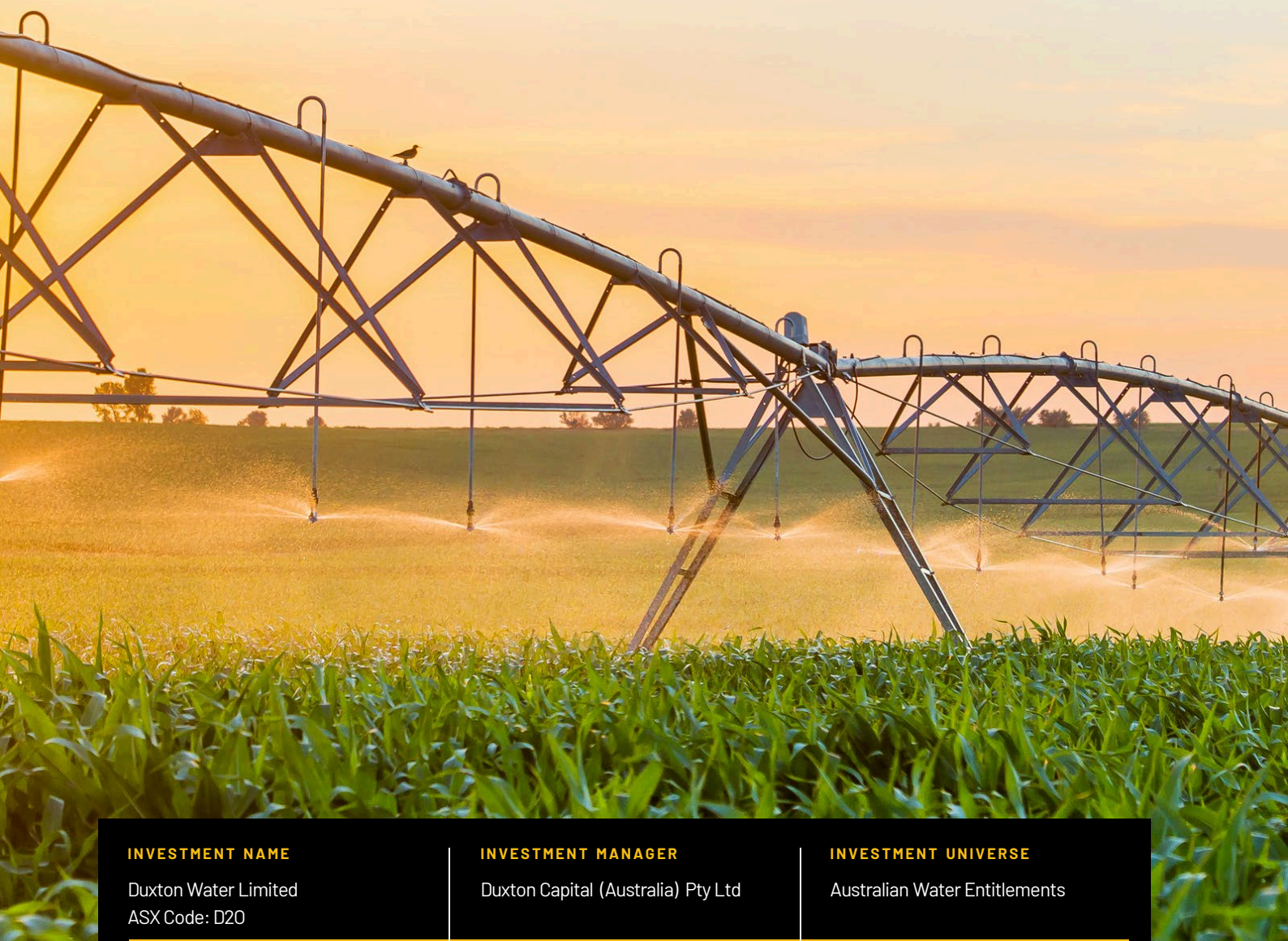
# Monthly Update



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JANUARY 2022

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#### INVESTMENT NAME

Duxton Water Limited  
ASX Code: D20

#### INVESTMENT MANAGER

Duxton Capital (Australia) Pty Ltd

#### INVESTMENT UNIVERSE

Australian Water Entitlements

#### NET ASSET VALUE (POST-TAX)

\$1.82 per share

#### SHARES ON ISSUE

120,015,982

#### WATER PORTFOLIO VALUE

\$350 million



The primary investment objective of Duxton Water ("the Company") 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.



## Portfolio Manager's Update

January marks the midpoint of the peak irrigation season for basin irrigators. While demand for allocation water over summer has been lower than previous years due to wetter conditions, demand for our leasing products has remained strong.

We continued to deploy capital into areas that we believe will provide us with an improved capability to deliver flexible water supply to our customers into the future. This month, we added 2GL of permanent entitlements to our portfolio. This consisted of both High and General Security assets.

On the back of recent price highs for permanent water, we have seen buy side pressure ease after a strong 4-5 months of activity. Permanent crop producers have continued to be active in the market with the goal of improving long term water security. Permanent crops have an inelastic demand for water, and we believe this to be a contributing factor to value appreciation in permanent water prices that we have seen over the last 4-5 years.

From a water allocation perspective, we have continued to sell down our allocation holdings that we receive from our unleased entitlements. This year we received a 100% allocation on our NSW Murray and Murrumbidgee General Security entitlements. The increase in supply of available resource has enabled annual producers to plant with confidence knowing that they can expect to pay less than previous years for allocation water. For permanent crop producers, lower allocation prices have given them an opportunity to be proactive when planning for the upcoming seasons. Conversations in relation to carry over and forwards for next season are likely to become more frequent as we head into Autumn.

We provide our range of water supply products to our customers in all months of the year and January was no exception.

As we look towards the end of the 2021/22 water year (30 June 2022), we've had a number of discussions with basin irrigators around improving their future water security. The main talking point of these conversations has been around leases and forward sales of allocation water. We've noted that permanent horticultural producers have shown an interest in longer term water leases (5 years+) due to the inelastic water demand profile of their assets. It is expected that conversations around carry over and additional forward sales will continue to progress as businesses look to finish the current season and look towards next.

The first outlook for next season in terms of allocations for next season (2022/23) are expected to be announced on 15 February 2022.



**Lachlan Campbell**  
Portfolio Manager



**Lachlan Beech**  
Portfolio Manager

## PERFORMANCE\*

1 Month	3 months	6 Months	12 Months	Inception
1.6%	5.7%	12.0%	18.9%	101.7%

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





## Water Lease Update

At 31 January 2022, Duxton Water has 70% of its permanent water portfolio (by value) leased to Australian farming businesses. This accounts for 90% of the Company's high security portfolio (by value).

The Company is currently in discussions with a number of existing lessees to renew their current leases as well as engaging with new potential lessees who are looking for long-term water security for their businesses.

The current Weighted Average Lease Expiry ("WALE") is 1.3 years. Inclusive of renewal options, this increases the WALE to 3.5 years. From 1 July 2022, the Company's WALE is expected to be 1.8 years or 6.1 years including renewal options. The Company's forecasted WALE is expected to increase between now and 1 July 2022 as new leases are finalised.

Through long-term leasing arrangements, Duxton Water is able to satisfy the water needs of its customers, enabling them to risk manage a key input into their business. Long-term water leases give irrigators reliable access to water at a fraction of the cost of owning the same water outright. The fixed cost nature of a long term water lease can assist with normalising water costs over the climatic cycle.



Hume Dam, New South Wales

## QUICK FACTS SUMMARY

	December 2021	January 2022
Water Entitlements	79.7GL	81.7GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	72%	70%
Weighted Average Lease Expiry (WALE)	1.3 years	1.3 years
WALE (incl. renewal options)	3.5 years	3.5 years

## Entitlements Market Update

At 31 January 2022, Duxton Water holds approximately 81.7GL of permanent water entitlements across 18 different asset types and classes.

Permanent water pricing across the southern MDB continued to strengthen during January, with a weighted average increase of 1%. Notable appreciation was seen in NSW Murray High and General Security entitlements. Duxton Water will continue to deploy capital into valleys and zones that fit its target portfolio composition, as well as those entitlements that provide greater flexibility when it comes to the delivery of water to irrigators.

## Allocation Market Update

On 17 January 2022, an additional 60% allocation was awarded to VIC Murray Low Reliability entitlements. Allocations have not been awarded to this entitlement since the last wet period in 2016.

Allocation prices softened during January as wetter conditions persisted across the basin. Irrigators held back from transacting in the market due to the continued rainfall and further allocation announcements. This increase in resource availability provides irrigators with a great opportunity to plan for upcoming seasons.

Allocations traded between \$65-\$75/ML in the Lower Murray and Goulburn systems, \$25-\$35/ML in the Murrumbidgee, and \$40-\$50/ML in the upper Murray throughout January.

## WATER LEASE CASE STUDY: MALLEE

Duxton Water recently finalised a 500ML water lease to a family farming business located in the Mallee region, South Australia. This lease has enabled the owners of this business to expand their production into irrigated agriculture without the need for owning water entitlements outright. This allows them to produce a higher value commodity that has a greater economic benefit for their business. This is a long-term lease arrangement that will provide a guaranteed supply of water for years to come.

*Through this type of partnership, Duxton Water continues to build a stronger Australian economy by supporting Australian farming businesses.*





## Finance Update

Duxton Water's post-tax NAV increased 3 cents during the month of January 2022 to \$1.82 per share. This was largely due to the appreciation in value of NSW Murray High and General Security entitlements. The portfolio increased in value by c.\$10m during the month due to both value appreciation of the underlying assets as well as the acquisition of several permanent water parcels.

The Company's NAV excluding tax provisions for unrealised capital gain increased 4 cents during the month to \$2.08 per share. The NAV primarily consists of the fair value of its water asset portfolio, cash and net current assets. The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment on a monthly basis.

Duxton Water's debt position continues to be diluted by asset appreciation. At 31 January 2022, the Company's LVR (Net Debt to Water Assets) is 27%.

NAV (post tax)	NAV (pre tax)
\$1.82 per Share	\$2.08 per Share

## Share Buyback

At 31 January 2022, the Company has bought back a total of 211k shares at an average price of \$1.48 per share since November 2021. The Board believes buying back shares at the current discount to NAV is in the interest of all shareholders.

## Dividends

On 29 October 2021, Duxton Water paid its ninth successive and increasing dividend to shareholders of 3.1 cents per share (franked to 100%).

The Board of Duxton Water is pleased to see continued support from shareholders who elect to participate the Company's Dividend Re-investment Plan (DRP).

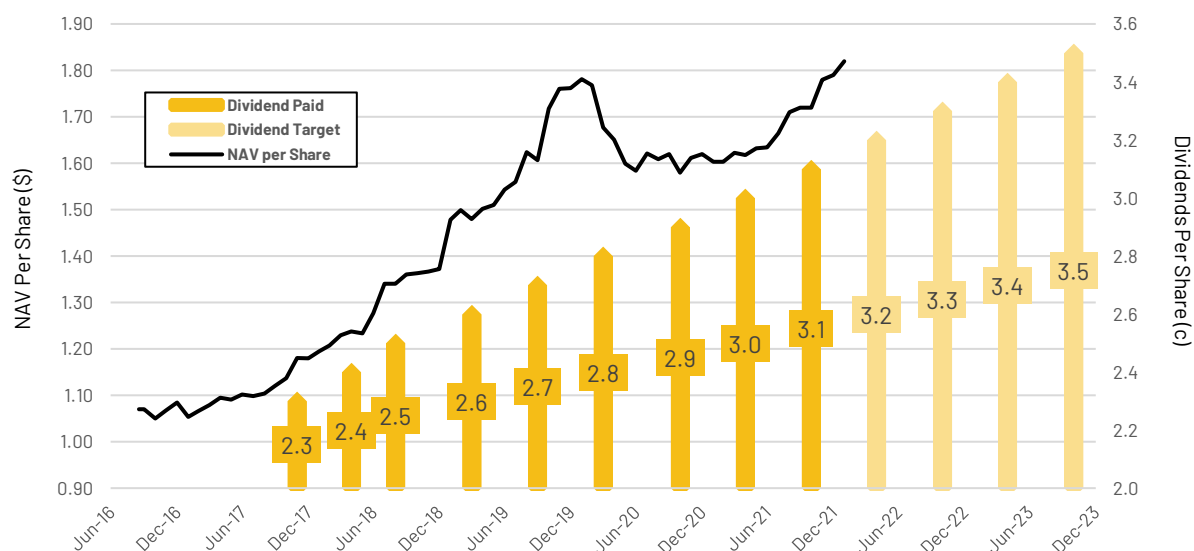
The Board maintains its commitment to providing shareholders with a bi-annual dividend, franked to the maximum extent possible.

With the Company's high percentage of leased entitlements and visible revenue streams, the Board is pleased to reaffirm targets for the following four dividends:

### DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Final 2021	3.2 cps	Fully Franked
Interim 2022	3.3 cps	Fully Franked
Final 2022	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked

### NET ASSET VALUE PER SHARE - SINCE INCEPTION

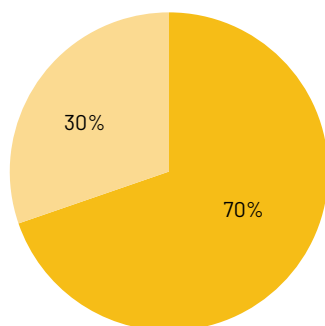


### VALUATION METHODOLOGY

The Company uses an independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. It is a non IFRS measure that is not reviewed or audited by the Company's auditor. Further information can be found at [www.duxtonwater.com.au](http://www.duxtonwater.com.au)

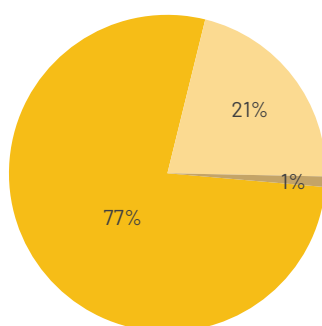


## WATER PORTFOLIO DIVERSIFICATION



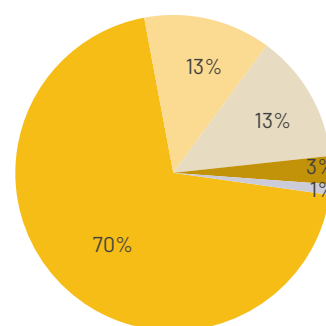
■ Leased ■ Unleased

## WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

## ENTITLEMENT VALUE BY REGION



■ Murray ■ Murrumbidgee ■ Lachlan  
■ Goulburn ■ Mallee

## Weather Update

January rainfall was 22% above average for Australia as a whole, with significant rainfalls seen over most of the southeastern mainland. January rainfall for South Australia was the 4<sup>th</sup> highest rainfall on record. Downpours over the states northwest resulted in flooding, destruction of property and isolation to some towns.

Rainfall over the MDB area was 30% above average, resulting in improved soil moistures and dam storage levels.

The La Nina event in the tropical Pacific Ocean remains active, however it is expected this has now reached its peak. The Bureau of Meteorology (BOM) suggest the current La Nina will remain active until Autumn 2022. A La Nina event typically increases the chance of above average rainfall across the north and east of Australia during summer.

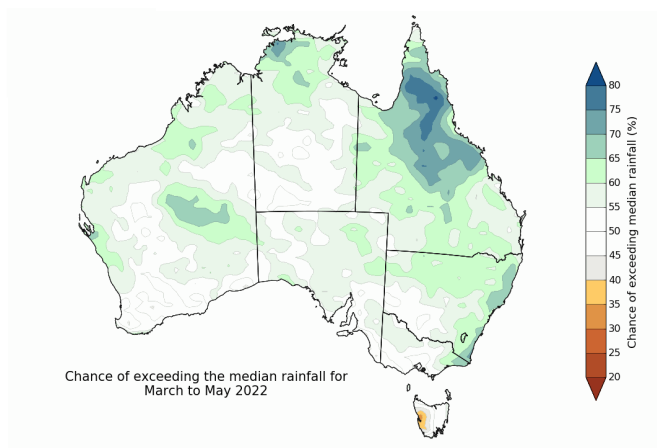
The Southern Annular Mode (SAM) is currently positive. A positive SAM during summer months typically brings wetter weather conditions to the eastern parts of Australia.

The Indian Ocean Dipole (IOD) event that influenced our climate throughout winter and spring remains neutral. The IOD has had little impact on global weather conditions since December 2021, with little influence expected to April 2022.

In the northern and southern MDB, storages are now at 97% and 92%, compared to 28% and 54% the same time last year.

## CHANCE OF ABOVE-AVERAGE RAINFALL

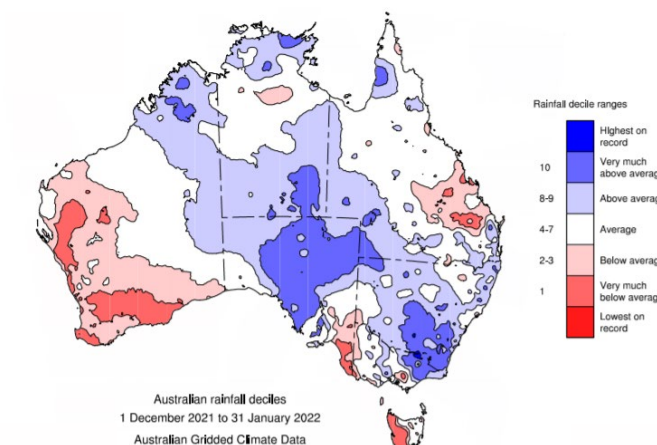
MARCH 2022 - MAY 2022



Source: Bureau of Meteorology

## RAINFALL DECILE CHART (SUMMER)

DECEMBER 2021 - JANUARY 2022



Source: Bureau of Meteorology

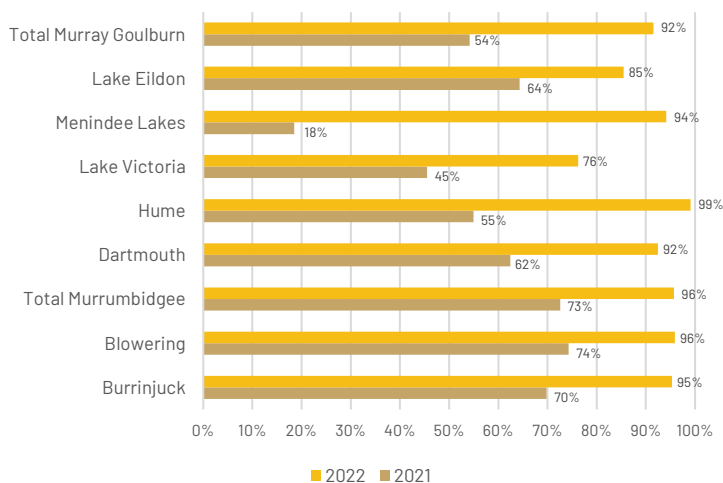


## Outlook & Storages

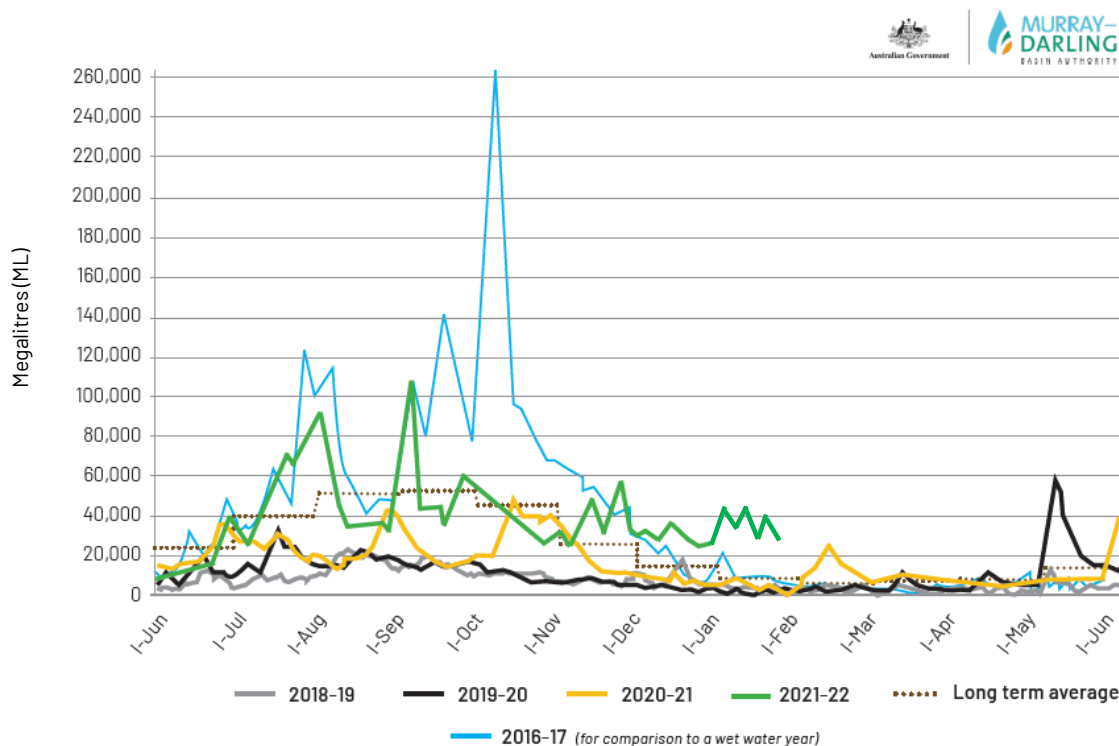
The March to May outlook suggests that wetter than average conditions can be expected for the north, west and southeast coast of Australia, but average over the MDB area.

The La Nina event will continue to influence weather outlooks until Autumn 2022 as expected by the BOM. High streamflow's are likely at most forecast locations between February to April 2022. Day time temperatures are likely to be warmer than average for parts of the country, with some warmer weather expected across the MDB area. Warmer than average night time temperatures can be expected nationwide.

## STORAGE LEVELS IN MAJOR DAMS



## DAILY INFLOWS TO THE MURRAY DARLING BASIN



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

This announcement has been authorised for release by the Chairman of Duxton Water Limited

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