

# Quarterly Update



JUNE 2022

#### 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)

\$1.92 per share

#### SHARES ON ISSUE

119,695,944

#### WATER PORTFOLIO VALUE

\$381 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.



## Operational Update

The June quarter is typically a quieter quarter for irrigators as the water year (WY) comes to and end. Irrigators tend to focus on finalising any last-minute irrigation requirements, balancing water accounts and locking in water security for the next water year that commences 1 July.

The 21/22WY has been a wet year with a reduced demand for irrigation. It has however allowed the system to reset ahead of future water years. Rainfall and low allocation prices have helped replenish dam storages, while also providing irrigators with much needed rainfall in some areas. It has also allowed proactive irrigators to lock in water security at favourable prices for future water years.

During the quarter, the Company has continued to deploy capital into zones that will provide an improved capability to deliver flexible water supply solutions to its customers. It should be noted that this has been done in a strategic manner, to avoid bidding against water authorities that had acquisition budgets to meet by 30 June 2022.

Entitlement values continued to strengthen throughout the June quarter, with a weighted average increase of 2.4%. This appreciation in water prices was reflected in the Company’s post-tax NAV per share increasing 4 cents to \$1.92 per share during the quarter. The Company has been successful in adding an additional 2.4GL of water entitlements to the portfolio during the June quarter.

## Entitlements

At 30 June 2022, Duxton Water holds approximately 84.6GL of permanent water entitlements across 18 different asset types and classes. During the quarter, the Company’s portfolio increased by \$21 million, with \$13 million coming from new entitlement acquisitions and \$8 million coming from capital appreciation.

## COMPANY PERFORMANCE – JUNE 2022

1 Month	3 months	6 Months	12 Months	Inception
1.53%	4.34%	9.64%	22.93%	115.20%

## COMPANY SNAPSHOT

	March 2022	June 2022
Water Entitlements	82.2GL	84.6GL
Leased % of Portfolio	68%	67%
Weighted Average Lease Expiry (WALE)	1.1 years	0.9 years
WALE (incl. renewal options)	3.3 years	3.0 years
Shares on Issue	119.8m	119.7m
Market Capitalisation	\$186m	\$202m
Total Water Assets	\$360m	\$381m

## Leases

At 30 June 2022, Duxton Water had 67% of its permanent water portfolio (by value) leased to Australian farming businesses. This accounts for 86% of the Company’s high security portfolio (by value).

Throughout the June 2022 quarter, the Company executed 4 new leasing arrangements with its customers. These leases provide these customers with excellent visibility to water supply and cost for the next 3-5 years.

The Company’s Weighted Average lease Expiry commencing 1 July 2022, is 1.8 years or 4.9 years including renewal options.

## Allocation

Allocation pricing continued to soften towards the end of the 21/22WY. This had little impact on Duxton Water’s financial performance during the quarter as all allocation holdings from unleased entitlements (that weren’t carried over) were sold or hedged earlier in the irrigation season.

Opening spot allocation prices for the 22/23WY have been trading between \$80-\$85/ML in the Lower Murray, \$70-\$80/ML in the Goulburn, \$70-\$75/ML in the Murrumbidgee, and \$45-\$60/ML in the Upper Murray throughout July.

<sup>^</sup>These figures are based on NAV movements and include franked dividends for the period.



## Investment Update

At 30 June 2022, Duxton Water's share price closed at \$1.69, which resulted in the Company having a total market capitalisation of over \$200 million for the first time since inception. This is reflective of a 20% share price increase for shareholders from \$1.36, 12 months prior (30 June 2021).

This trend continued in early July when the share price reached a new high of \$1.76, representing a market capitalisation of \$210 million.

From an investment return perspective, Duxton Water generated a 12% return to shareholders during the quarter (combined share price and dividend return). In contrast, major market indices such as the ASX300 returned a -12%, over the same period.

Since inception, Duxton water has consistently outperformed the ASX300 (TR Index) in the months the index experienced a substantial loss (as can be seen from the table below). This is a testament to the defensive nature and low correlation that water as an asset class exhibits.

D20 vs ASX300 (Total Return Index)			
Period	S&P/ASX 300 Total Return	Total D20 Return	Difference
March 2020	-20.83%	-4.96%	+15.86%
June 2022	-8.97%	5.62%	+14.59%
February 2020	-7.76%	-3.42%	+4.34%
January 2022	-6.45%	-1.96%	+4.49%
October 2018	-6.16%	-3.30%	+2.86%
March 2018	-3.73%	-0.91%	+2.82%
September 2020	-3.59%	-0.38%	+3.22%
May 2022	-2.76%	4.58%	+7.33%

The table above details the **largest negative monthly returns to June 2022**, for the ASX 300 (TR) **since the inception of Duxton Water (September 2016)**. This is compared to Duxton Water's total performance over the same months.

Duxton Water's post-tax NAV increased 4 cents during the June quarter to \$1.92 per share. The Company's NAV excluding tax provisions for unrealised capital gain increased 12 cents during the quarter to \$2.21 per share.

At 30 June 2022, the Company has bought back a total of 1 million shares at an average price of \$1.56 per share since November 2021. The Board believes buying back shares at the current discount to NAV is in the interest of all shareholders.

March 2022 NAV (post tax)	June 2022 NAV (post tax)
\$1.88 per Share	\$1.92 per Share

## Dividends

During the quarter, Duxton Water paid its tenth consecutive and increasing dividend to shareholders of 3.2 cents per share (franked to 100%). This takes total dividends paid to shareholders since the Company's maiden dividend in November 2017, to 27.5 cents per share.

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:

	Cents Per Share	Franking Target
Interim 2022	3.3 cps	Fully Franked
Final 2022	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked

## Finance Update

Duxton Water continues to meet its financial objectives. The Company will continue to use sensible debt funding to enhance shareholders returns. The Company has \$130 million of debt facilities available with \$116 million drawn at the end of the quarter. Of this, \$55 million is fixed at 1.2% + facility and margin fees. Full facility details are outlined in the Appendix 4C attached to this report. The Company's loan to value ratio at the end of the quarter was 31% which is well within the bank's current loan to value limit of 40%.

## Payments to Associates/Related Parties

During the June 2022 quarter, the following payments to Associates and Related Parties occurred (GST Inclusive):

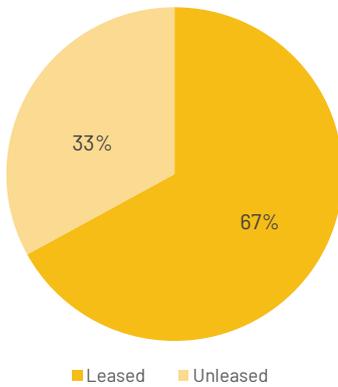
	June 2022	YTD
<b>Duxton Capital - Administration Fees</b> <i>(Admin &amp; Accounting Services)</i>	\$66k	\$138K
<b>Duxton Capital - Management Fees</b> <i>(As per the Management Agreement)</i>	\$628k	\$1,383k
<b>Duxton Capital - Reimbursements</b> <i>(On-charged Reimbursements)</i>	\$17k	\$37k

## VALUATION METHODOLOGY

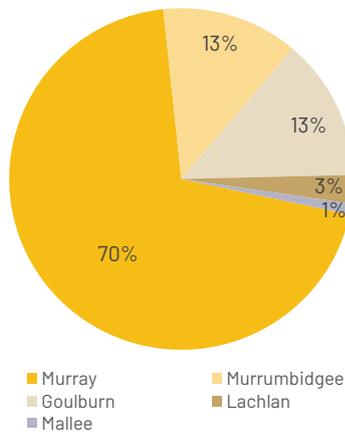
The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd (Aither) to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. 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)



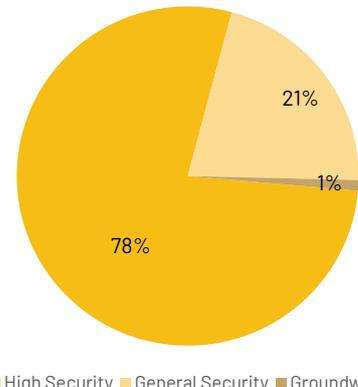
**WATER PORTFOLIO DIVERSIFICATION**



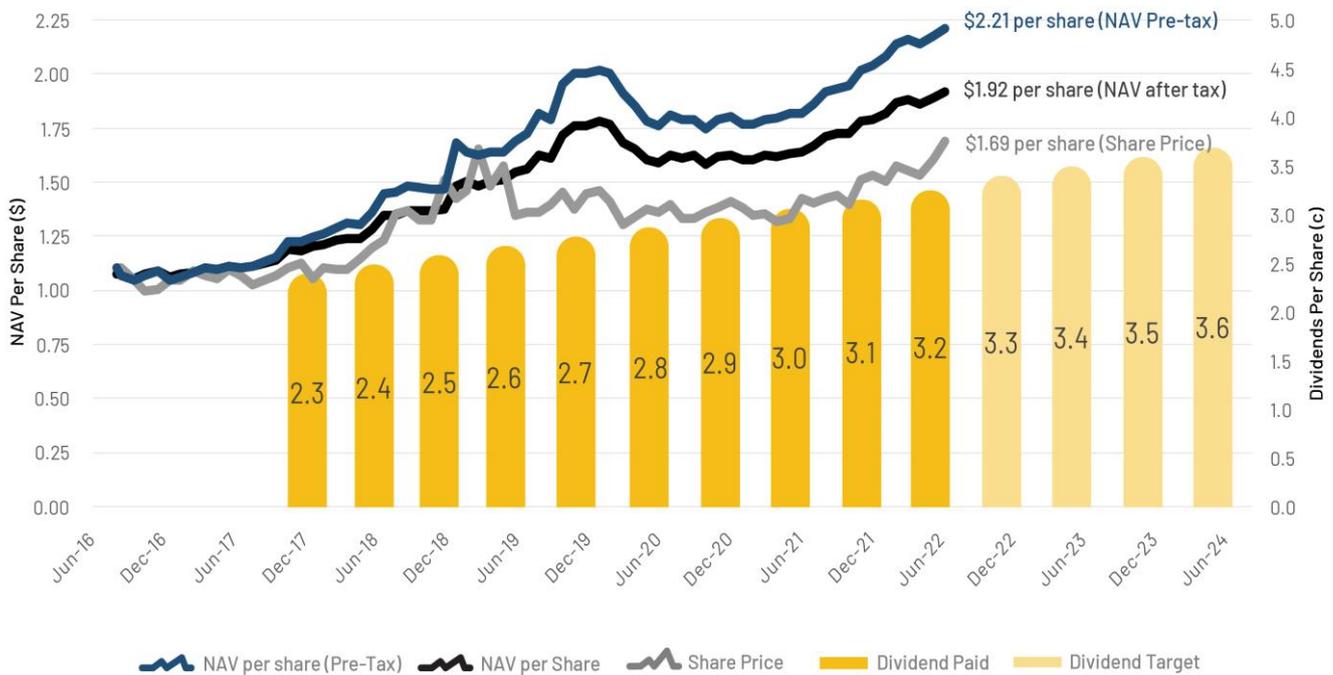
**WATER SECURITY BREAKDOWN**



**ENTITLEMENT VALUE BY REGION**



**NET ASSET VALUE PER SHARE - SINCE INCEPTION**



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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Duxton Water Limited

**ABN**

53 611 976 517

**Quarter ended ("current quarter")**

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,622	5,403
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(161)	(324)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs	(227)	(450)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(549)	(1,131)
1.6 Income taxes paid	(454)	(1,848)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
- Management Fees	(557)	(1,243)
- Performance Fee	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>674</b>	<b>407</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(11,697)	(18,579)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	3,887	9,996
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	- Net Deposits (Paid)/Received	36	3
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(7,774)</b>	<b>(8,580)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(188)	(678)
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(3)
3.5	Proceeds from borrowings	10,000	10,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(3,837)	(3,837)
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>5,973</b>	<b>5,482</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,656	6,220
4.2	Net cash from / (used in) operating activities (item 1.9 above)	674	407

**Appendix 4C**  
**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,774)	(8,580)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,973	5,482
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,529</b>	<b>3,529</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,529	4,656
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,529</b>	<b>4,656</b>

**6. Payments to related parties of the entity and their associates**

- |     |   | <b>Current quarter<br/>\$A'000</b> |
|-----|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 710                                |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 |                                    |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	130,000	116,000
	<b>130,000</b>	<b>116,000</b>

7.5 **Unused financing facilities available at quarter end**

**14,000,000**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

In early 2022, the Company opened Facility B. During this time, Facility A was granted a 3-month facility extension out until 31 March 2024 as highlighted below. This was done to align the expiry dates of both Facility A & B.

**Debt Facility A**

**Lender:** National Australia Bank

**Max Debt:** \$106,000,000

**Variable Interest Rate:** BBSY plus 0.65% p.a. + Facility Fee of 0.65%

**Maturity Date:** 31 March 2024

**Secured:** Yes

On 23<sup>rd</sup> March 2022, the Company reopened Facility B with a tranche of \$24m. Facility B operates with the following features:

**Debt Facility B**

**Lender:** National Australia Bank

**Max Debt:** \$24,000,000

**Variable Interest Rate:** BBSY plus 0.725% p.a. + Facility Fee of 0.725%

**Maturity Date:** 31 March 2024

**Secured:** Yes

While the maturity date of the Company's debt facility is set out above, the Company's interest rate swap arrangements remain unchanged. The Company has locked a portion of its debt into 5-year and 10-year interest rate swap arrangements, providing a level of hedging against future interest rate movements.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	674
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,529
8.3 Unused finance facilities available at quarter end (Item 7.5)	14,000
8.4 Total available funding (Item 8.2 + Item 8.3)	17,529
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>26</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

### Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2022

Authorised by: the Board of Duxton Water Limited  
(Name of body or officer authorising release – see note 4)

### Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and*

**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

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*Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.