

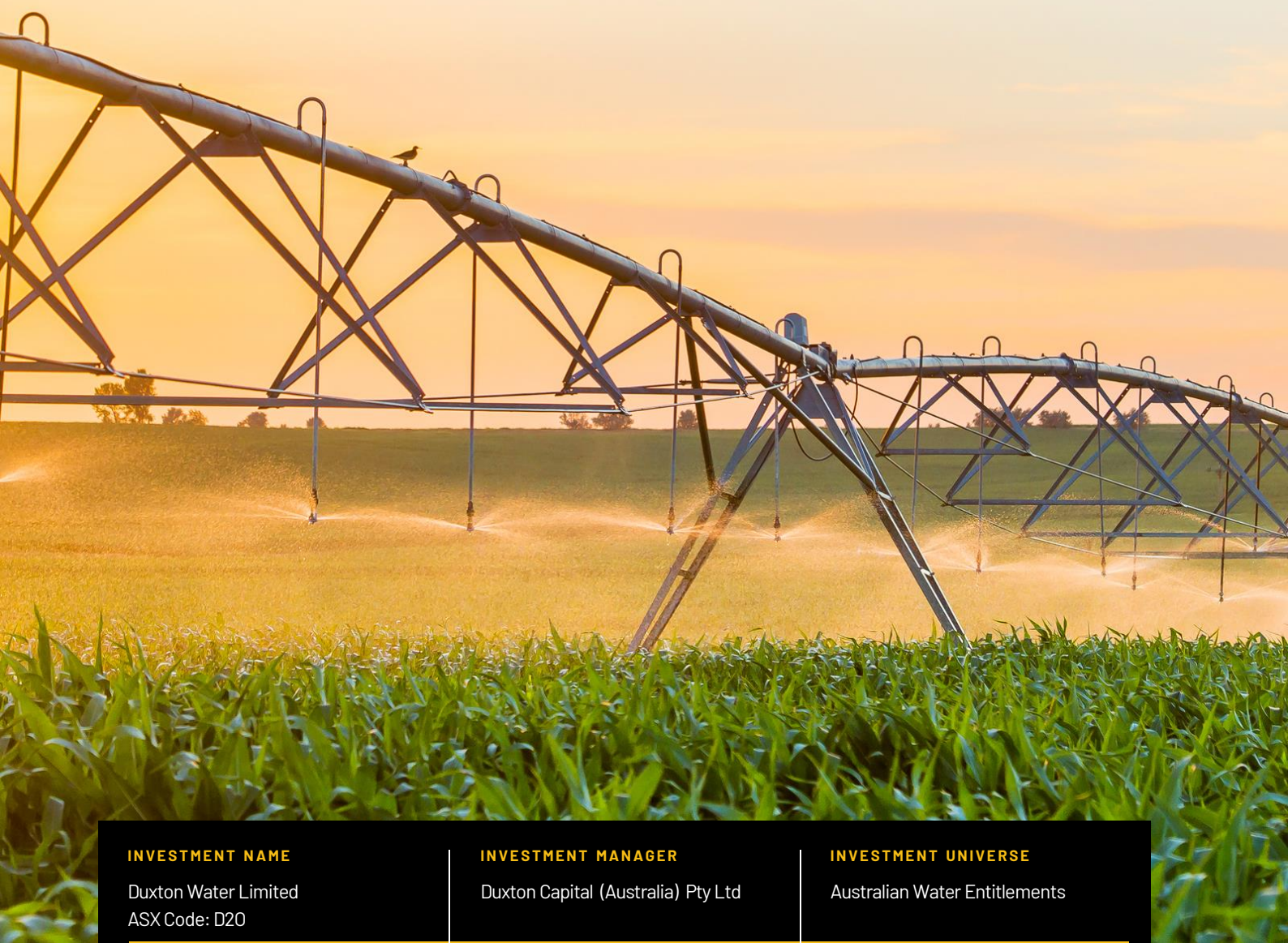
# Monthly Update



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NOVEMBER 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)

\$1.89 per share

#### SHARES ON ISSUE

119,211,355

#### WATER PORTFOLIO VALUE

\$383 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 Managers' Update

Throughout November, we have continued to see heavy rainfall and flood events cause challenges to both irrigators and regional communities, particularly throughout the Murray Darling Basin ("MDB") region. As this water makes its way downstream, it continues to flood towns and farms along the Murray River. Currently, western Victoria and South Australia are being affected the most. Our thoughts remain with those people located in all regional communities that have been affected by the floods. We will continue to work with our brokers and lessees through these unfortunate and extraordinary circumstances.

Entitlement pricing throughout November remained relatively consistent with October's valuations. We did, however, see some small fluctuations between zones and valleys throughout the month. We are continuing to monitor the market for any opportunities that fit in with our target portfolio composition.

Current weather conditions continue to support allocations to General Security/Low Reliability entitlements. This month, VIC Murray Low Reliability received a further 60% allocation, taking this to 100%. Goulburn Low Reliability entitlements also received a further 70% allocation. In NSW, Murrumbidgee General Security entitlements received a further 1% allocation, taking it to 55%. Further allocations to Murrumbidgee General Security entitlements will be reliant on water usage drawing down storages.

While allocation prices remained stable throughout November, prices tracked upwards in the first two weeks of December. This comes on the back of annual crop irrigators looking to secure water ahead of the summer months. It is, however, expected that these prices will continue to ease in the coming weeks.

Throughout November, we have continued to offer our forward allocation contracts and leasing products to the market. We are currently in discussions with several large irrigators interested in long-term leases with the view to future water security.

We have now sold the majority of our remaining allocation holdings. This leaves only water that is committed to leases/forwards in our accounts. The majority of our uncommitted allocation holdings were sold down earlier in the water year ("WY"), reducing exposure to current prices.

Finally, the Board wishes to advise shareholders that following the 24-month dividend guidance provided out to the end of FY24, the Company will return to a 12-month dividend guidance to better align with standard market practices.

Over the last 5 years, Duxton Water has proven its ability to pay a consistent and steady dividend stream to shareholders.

The Board remains confident in the long-term strategy and would like to reaffirm its intention to continue to provide shareholders with a bi-annual dividend, franked to the greatest extent possible.



**Lachlan Campbell**  
Portfolio Manager



**Lachlan Beech**  
Portfolio Manager

## COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
0.13%	0.43%	2.28%	11.42%	116.52%

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



## Water Lease & Forward Update

At 30 November 2022, Duxton Water had 55% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 70% of the Company's high-security portfolio (by value). The current Weighted Average Lease Expiry ("WALE") is 1.4 years. Inclusive of renewal options, this increases the WALE to 4.5 years.

During November, the Company continued to negotiate leases and forward contracts with both new and existing customers. The lease market, which remained quiet for the first 4-months of the new water year, has recently seen more activity from irrigators thinking strategically about water security for the coming seasons.

Further to this, most models are now predicting the current La Niña event to end by February 2023, which will likely result in the return to more normal rainfall patterns.

Interest towards forward contracts also continued throughout November. Like leases, forwards act as a hedging instrument with the additional benefit of certainty around water supply at an agreed price.

Duxton Water continues to work towards once again achieving its long-term leasing target of 70-80%. Long-term water leases provide farmers with access to water security at a fraction of the cost of owning the same water entitlements outright.



Irrigated Young Apple Orchard

## WATER FORWARD CASE STUDY: MURRUMBIDGEE

Earlier this year, Duxton Water provided a 1,000ML forward contract to a farming business in the Murrumbidgee area. This business has a farming rotation between irrigated wheat and rice. Using this type of water product, this customer was able to secure a guaranteed supply of water, at a predetermined price, for delivery on a specific date in the 22/23WY. This forward allocation contract has provided visibility for a key input into their business and has been used to produce 500Ha of rice this year.

*Through this type of partnership, Duxton Water continues to enable Australian farming businesses to take a multi-year approach to managing their annual water supply strategy.*



## QUICK FACTS SUMMARY

	October 2022	November 2022
Water Entitlements	85.0GL	85.0GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	55%	55%
Weighted Average Lease Expiry (WALE)	1.5 years	1.4 years
WALE (incl. renewal options)	4.6 years	4.5 years

## Entitlement Market Update

At 30 November 2022, Duxton Water holds 85.0GL of permanent water entitlements across 18 different asset types and classes. While there were no material changes to the portfolio in the month of November, the Portfolio Management Team continues to monitor the water markets for well-priced parcels that fit within its current target portfolio composition.

Throughout November, permanent water pricing across the southern MDB remained relatively stable, with price increases seen in some zones. Throughout the basin, entitlements saw a weighted average price increase of 0.01% for November.

The month of November saw an increase in entitlement trading activity when compared to previous months.

## Allocation Market Update

Allocation water has traded between \$20-\$30/ML in the Lower Murray, \$15-\$30/ML in the Goulburn, \$15-\$20/ML in the Murrumbidgee, and \$15-\$20/ML in the Upper Murray throughout November. Allocation prices increased over the first two weeks of December to \$30-\$40/ML in the Lower Murray and Goulburn. However, this is not expected to continue due to strong dam storage levels and a wet summer outlook.

Duxton Water has minimal exposure to current allocation prices, with only a small portion of the allocation received on the unleased portfolio still being held.





## Finance Update

Duxton Water's post-tax NAV increased by 1 cent to \$1.89 per share during November, primarily due to a strengthening in entitlement values across some zones.

The Company's post-tax NAV has seen a 6.2% annual increase since November 2021 and provided a total return of 11.4% when including fully franked dividends.

The Company's NAV, excluding tax provisions for unrealised capital gain, increased by 1 cent during the month to \$2.18 per share.

Duxton Water's share price softened slightly in November to close at \$1.62, representing a decrease of 1 cent from the end of October. In the first two weeks of December 2022, the Company's share price has traded consistently between \$1.62-\$1.64.

Over the last 12 months, the share price has increased 7% since November 2021, providing a total return of 13%, including fully franked dividends.

At 30 November 2022, the Company's Net Debt to Water Assets is 32% (with a maximum Net Debt covenant of 40% in place).

With the recent interest rate rises, the Company is closely observing interest rate markets and actively monitoring its interest rate swap portfolio and debt position.

NAV (post tax)	NAV (pre tax)
\$1.89 per Share	\$2.18 per Share

## Share Buyback

At 30 November 2022, Duxton Water bought back a total of 1.7 million shares (equivalent to 1.4% of the Company's shares), at an average price of \$1.60 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

The Board wishes to advise shareholders that following the 24-month dividend guidance provided out to the end of FY24, the Company will return to a 12-month dividend guidance to better align with standard market practices.

Over the last 5 years, Duxton Water has proven its ability to pay a consistent and increasing dividend stream to shareholders.

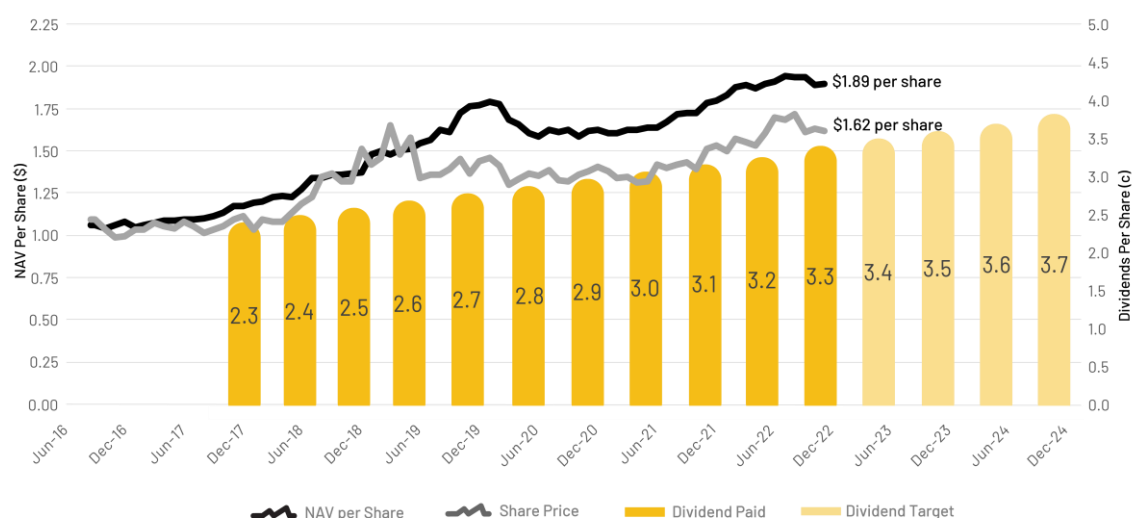
The Board would like to reaffirm its intention to continue to provide shareholders with a bi-annual dividend, franked to the greatest extent possible.

The Board is pleased to reassure shareholders that the following four dividend targets remain unchanged:

### DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Final 2022	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked
Interim 2024	3.7 cps	Fully Franked

## NET ASSET VALUE PER SHARE - SINCE INCEPTION

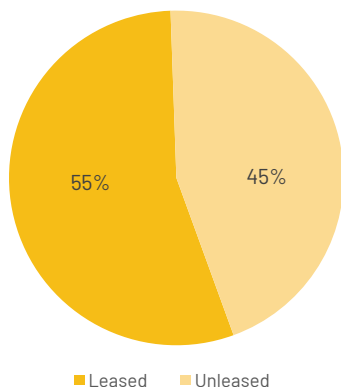


### VALUATION METHODOLOGY

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)

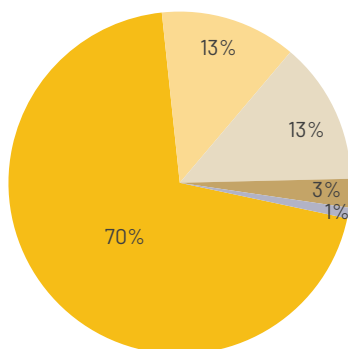


## WATER PORTFOLIO DIVERSIFICATION



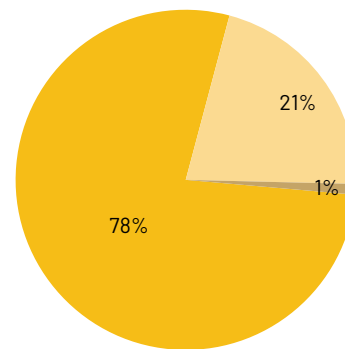
■ Leased ■ Unleased

## WATER SECURITY BREAKDOWN



■ Murray ■ Murrumbidgee ■ Goulburn ■ Lachlan ■ Mallee

## ENTITLEMENT VALUE BY REGION



■ High Security ■ General Security ■ Groundwater

## Weather Update

Rainfall in November was the tenth-highest on record for Australia as a whole. The national average was 76% above the long-term 1961-1990 average. For most of Australia, rainfall was above or very much above average, with significant flooding affecting extensive areas of eastern Australia.

Across the MDB, November rainfall was 79% above the long-term average. For the MDB, this has been the wettest spring on record since 1900.

The national mean temperature for November was 1.17 °C, cooler than the long-term average for Australia. The mean maximum temperature was 1.65 °C below average, the eighth-lowest on record for November, while the mean minimum was 0.71 °C above average.

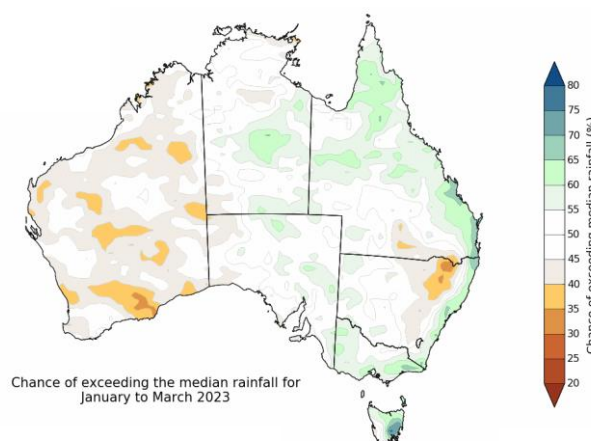
La Niña continues to be active in the Pacific Ocean, with atmospheric and oceanic indicators reflecting a mature La Niña. All models indicate a return to neutral conditions towards January-February 2023. La Niña events increase the chances of above-average rainfall for northern and eastern Australia during spring and summer.

The 2022 negative Indian Ocean Dipole (IOD) event that started in June has now ended, with IOD index values remaining within neutral bounds for consecutive weeks. A negative IOD phase increases the chance of above-average winter-spring rainfall for much of Australia. The Bureau of Meteorology anticipates neutral values throughout December and January. The IOD typically has little influence on the Australian climate from December to April.

The Southern Annular Mode (SAM) is in a weakly positive phase and is likely to be neutral to positive through December. During summer, a positive SAM increases the chance of above-average rainfall for parts of eastern Australia and below-average rainfall for western Tasmania.

## CHANCE OF ABOVE-AVERAGE RAINFALL

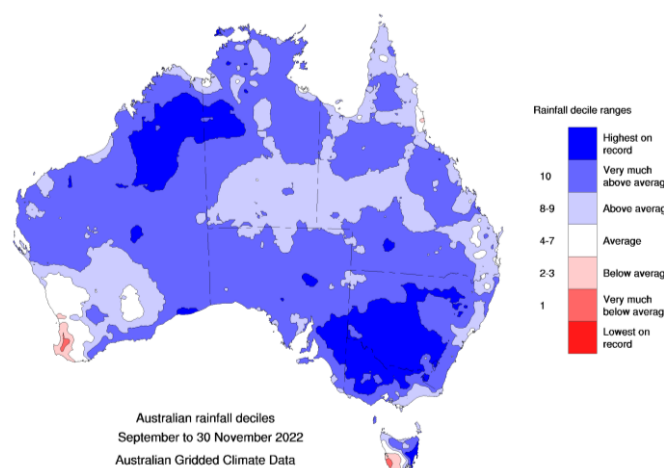
JANUARY 2023 - MARCH 2023



Source: Bureau of Meteorology

## RAINFALL DECILE CHART (SPRING)

SEPTEMBER 2022 - NOVEMBER 2022



Source: Bureau of Meteorology



## Outlook & Storages

The January to March outlook suggests an equal chance of above-average or below-average rainfall for most of Australia. Wetter than average conditions are likely along parts of the New South Wales and Queensland coast. Below-average rainfall is expected for southern parts of South Australia and Western Australia.

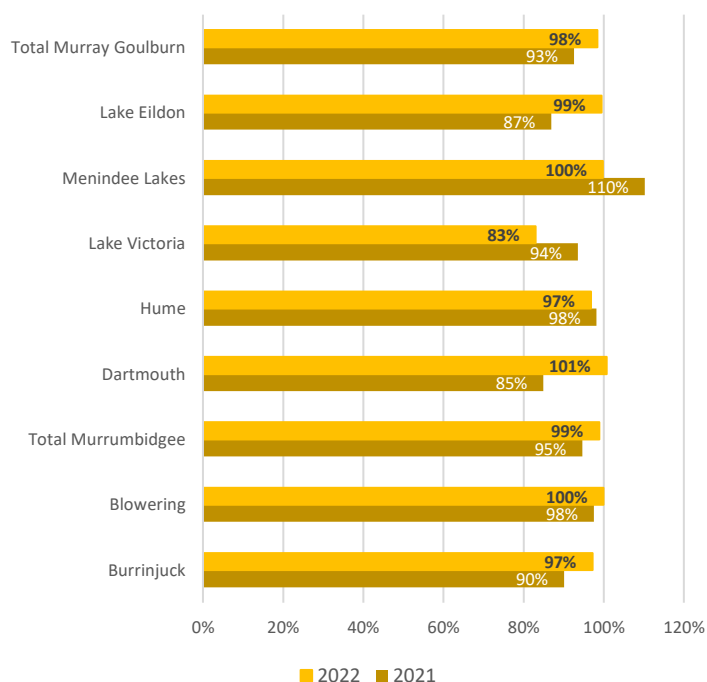
The wet outlook for northern and eastern Australia is consistent with La Niña, and the record warm waters surrounding Australia. La Niña is likely to continue until early 2023, which will likely result in the return to more normal rainfall patterns.

Warmer days are likely for most of Australia, with cooler days expected for eastern New South Wales and south-eastern Queensland for January–March 2023.

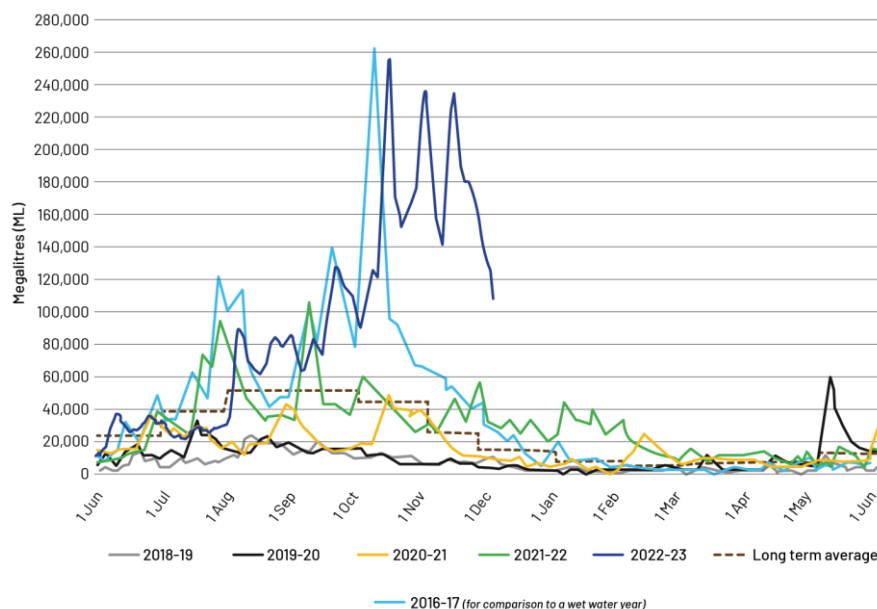
Flows were high at 80% of locations in November for most of Australia. High streamflows are likely for December 2022 to February 2023.

In the northern and southern MDB, storages are now at 103% and 98%, respectively, compared to 97% and 92% at the same time last year. Most dam storages are now at (or above) 100%.

## 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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