

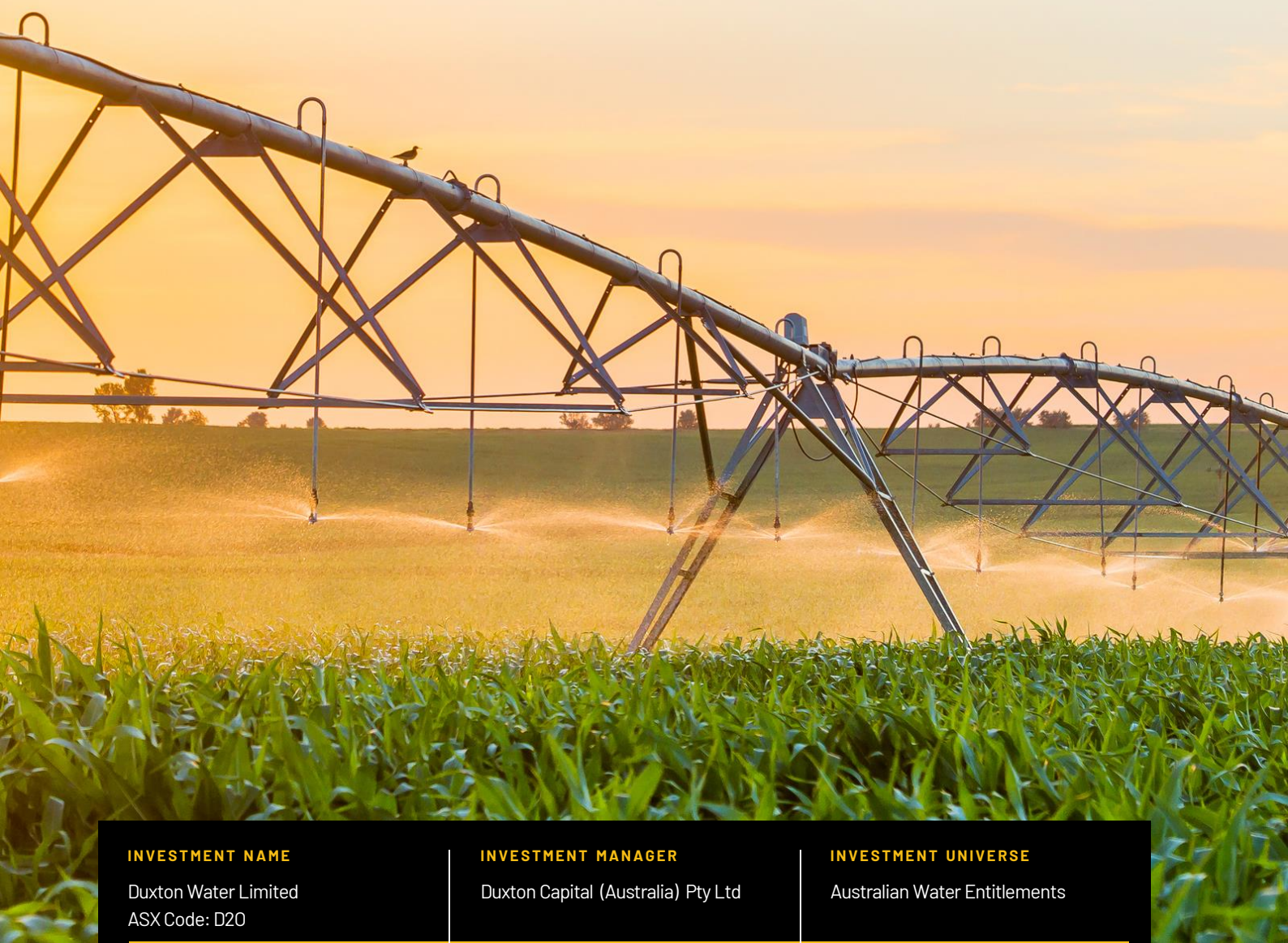
# Monthly Update



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FEBRUARY 2023

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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

117,784,269

#### WATER PORTFOLIO VALUE

\$376 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

On 28 February 2023, Duxton Water released its 2022 Annual Financial Report to the market, posting a 12% total portfolio return in the 12 months to 31 December 2022. This is a strong result in one of the wettest periods in Australia's recorded history. A testament to the defensive nature of the asset class.

Further to this, the Board was pleased to formally declare the Company's 12th consecutive and increasing dividend of 3.4 cents per share (fully franked). The upcoming dividend has a record date of 14 April 2023 and a payment date of 28 April 2023.

In early 2023, one of our key focus areas has been to continue to grow and diversify the lease portfolio. We executed two new leasing arrangements in the month of February. One of these new leases was backdated to commence on 1 July 2022. This increases the Company's current year leasing revenue and leased percentage from February onwards.

From a trading perspective, both spot allocation and entitlement markets were quieter than usual in February. Spot prices continued to soften as we moved past the peak irrigation season. We expect below-average allocation prices for the remainder of the current season until they reset on 1 July 2023 (start of the new water year).

Entitlement values remained broadly steady across the southern Murray Darling Basin ("MDB") during February, with several zones experiencing a slight pull back in valuations. Some zones, on the other hand, reached new all-time highs, particularly in the Murrumbidgee region.

The current La Niña event has officially ended and is not expected to return later this year, as it has done so for the last 3 years. The Bureau of Meteorology ("BOM") expects El Niño Southern Oscillation ("ENSO") neutral conditions to remain throughout Autumn, however as with most other global weather models, they are predicting a return to El Niño conditions by mid-2023. El Niño conditions typically result in below-average rainfall for the eastern half of Australia.

The Australian Government has also released its strategic water purchasing framework. This relates to the acquisition of 49.2GL of permanent entitlements (via voluntary buybacks) to help deliver on Basin Plan targets. The open tender process will commence on 23 March 2023 and close on 26 April 2023.

The Murray-Darling Ministerial Council met during the month in what was another highly anticipated event for water market participants. Their key discussions were focused on the progress of the supply and efficiency projects responsible for delivering the remaining Basin Plan targets. The Ministers have requested officials to prepare a package outlining how to deliver the Basin plan in full. This package will be presented in the mid-year meeting.



**Lachlan Campbell**  
Portfolio Manager



**Lachlan Beech**  
Portfolio Manager

## COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
-0.88%	0.44%	0.86%	6.32%	117.29%

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



## Water Lease & Forward Update

At 28 February 2023, Duxton Water had 58% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 74% 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 takes the WALE to 4.3 years.

Duxton Water successfully executed two new leases during the month of February. One of these is a 6-year lease that was backdated to start on 1 July 2022. This was done to provide a guaranteed supply of water to the lessee in the current water year. This resulted in a 4% increase in the Company's leased percentage during the month. The second lease will commence on 1 July 2023. Both new leases will contribute to the lease portfolio from 1 July 2023 to 30 June 2028.

The Company has also been advised by one of its current leasing counterparties, Duxton Farms Ltd, that it will take up its option to extend its current lease, which is due for expiry on 30 June 2023. Terms of the renewal option include a lease price reset and are outlined in more detail in the Company's 2016 IPO prospectus.

In early 2023, there has been a significant increase in demand for long-term water leases and forwards contracts. With a drier-than-average weather outlook, irrigators are looking to improve their flexibility and water security ahead of the upcoming seasons.



*Irrigated vegetables*

## QUICK FACTS SUMMARY

	January 2023	February 2023
Water Entitlements	83.6GL	83.6GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	54%	58%
Weighted Average Lease Expiry (WALE)	1.3 years	1.4 years
WALE (incl. renewal options)	4.3 years	4.3 years

## Entitlement Market Update

At 28 February 2023, Duxton Water holds 83.6GL of permanent water entitlements across 18 different asset types and classes.

There were no material movements in the portfolio in February. That being said, the portfolio management team continues to monitor the water markets for well-priced parcels that fit within its current target portfolio.

During February, entitlement markets were quieter than usual, with a reduced level of trading activity seen across the Basin.

From a valuation point of view, several zones experienced an uplift during the month, while other zones experienced a slight softening in valuations. Overall, the weighted average value for entitlements in the southern MDB remained flat when compared to last month.

## Allocation Market Update

The allocation market was relatively quiet during February, with prices continuing to soften across all zones. The Company sold several small parcels during the month with the view to clearing out any minor holdings that have not been earmarked for carry-over into the new water year.

Allocation water in February traded between \$10-\$15/ML in the Lower Murray, \$10-\$15/ML in the Goulburn, \$8-\$12/ML in the Murrumbidgee, and \$5-\$10/ML in the Upper Murray.

## WATER CARRY-OVER CONTRACT CASE STUDY: MURRAY

Duxton Water recently executed a carry-over parking contract with an almond grower. Carry-over products allow irrigators to park allocation water against D20's entitlement holdings in any given year. This allows allocation water to be carried from one water year to the next. The risk of spill can either sit with the irrigator or the Company, depending on how the contract is structured. This transaction has allowed the counterparty to take well-priced allocation from this water year into next water 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.*





## Finance Update

Duxton Water's post-tax NAV was \$1.89 per share at 28 February 2023, decreasing by 2 cents during the month due to a slight softening in entitlement values seen throughout the MDB.

The Company's NAV, excluding tax provisions for unrealised capital gain, also decreased by 2 cents during February to \$2.18 per share.

The Company's Net Debt to Water Assets sits at 32% at the end of February, which is below the Company's maximum Net Debt covenant of 40%.

Finally, Duxton Water's share price closed the month at \$1.79.

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

## Share Buyback

At 28 February 2023, Duxton Water has bought back a total of 3.1 million shares (equivalent to 2.7% of the Company's shares), at an average price of \$1.62 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 1 March 2023, Duxton Water announced its 12th consecutive and increasing dividend to shareholders of 3.4 cents per share.

This dividend is in line with the previously stated dividend target and will be fully franked (30% tax rate) for Australian taxation purposes.

The record date for this dividend is Friday, 14 April 2023, with the payment date being Friday, 28 April 2023.

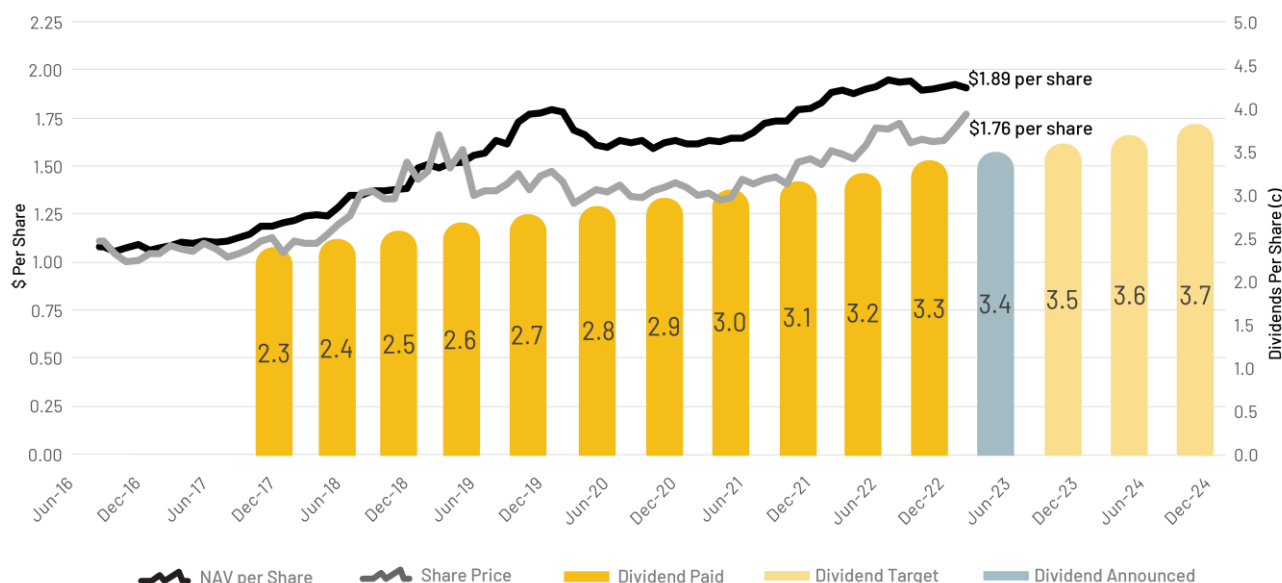
Duxton Water is once again pleased to offer shareholders the ability to participate in the Company's Dividend Reinvestment Plan.

In addition to this dividend announcement, the Board would like to reaffirm the Company's dividend guidance out to the end of 2024:

### DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Final 2022 (Announced)	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

## HISTORICAL PERFORMANCE - SINCE INCEPTION



### VALUATION METHODOLOGY

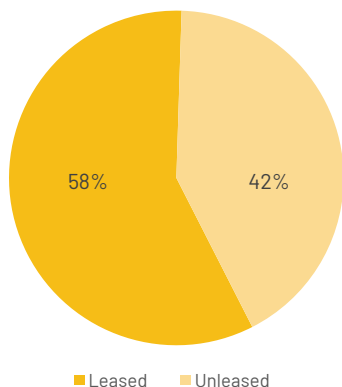
The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement.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

## Monthly Update

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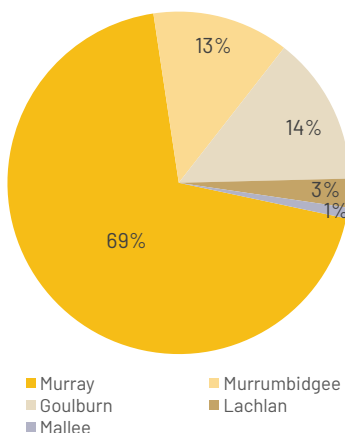


### WATER PORTFOLIO DIVERSIFICATION



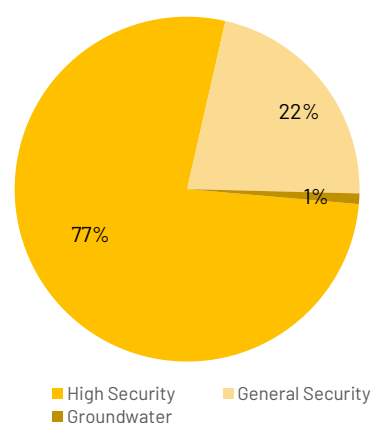
■ Leased ■ Unleased

### ENTITLEMENT VALUE BY REGION



■ Murray ■ Murrumbidgee ■ Goulburn ■ Lachlan ■ Mallee

### WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

## Weather Update

Rainfall in February was close to the average for Australia as a whole, with high levels of rain in the north and less rainfall occurring across southern parts of the country.

Rainfall was above average for most of the Northern Territory, north-western Queensland, and parts of Western Australia. Below-average or very much below-average rainfall was registered for much of New South Wales, Queensland, north and east Victoria, and for the south of Western Australia.

Across the MDB, February rainfall was 63% below the long-term average and 40% below average for summer. Soil moistures remain strong but are rapidly drying across parts of the northern MDB.

The national mean temperature for February was 0.41 °C above the long-term average. The mean maximum temperature was 0.75°C above average, while the mean minimum was above average by 0.07°C.

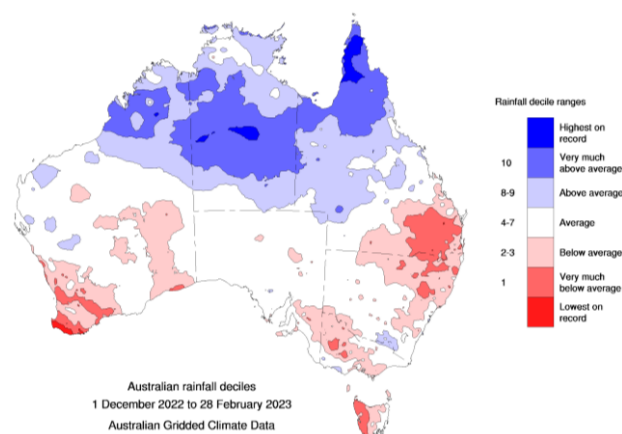
The Indian Ocean Dipole ("IOD") indicator is currently neutral and typically has little influence on the Australian climate from December to April.

As of 14 March 2023, the current La Niña has officially ended, with the ENSO indicator returning to neutral. The BOM (along with most other major global weather models) are predicting a return to El Niño and positive IOD events by mid-2023. These events typically cause below average rainfall in the eastern half of Australia.

The Southern Annular Mode (SAM) index is positive but is expected to return and remain neutral in the coming months. A positive SAM increases the chance of above-average rainfall for parts of eastern Australia and below-average rainfall for western Tasmania. A neutral SAM has little influence on the rainfall and temperature outlook for Australia.

## RAINFALL DECILE CHART (SUMMER)

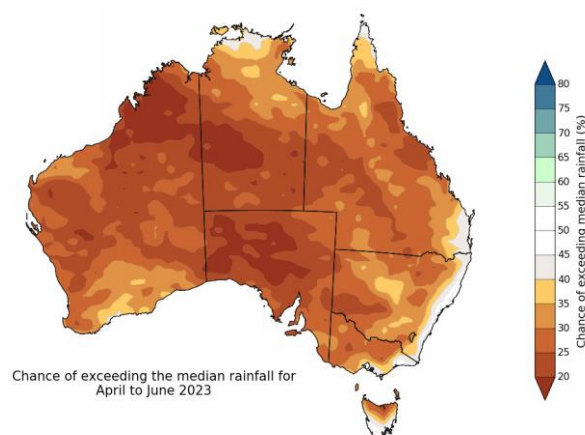
DECEMBER 2022 - FEBRUARY 2023



Source: Bureau of Meteorology

## CHANCE OF ABOVE-AVERAGE RAINFALL

APRIL 2023 - JUNE 2023



Source: Bureau of Meteorology



## Outlook & Storages

The April to June outlook suggests the coming months are likely to be drier and warmer than usual for most of Australia, including the MDB, which has a high chance of below-median rainfall.

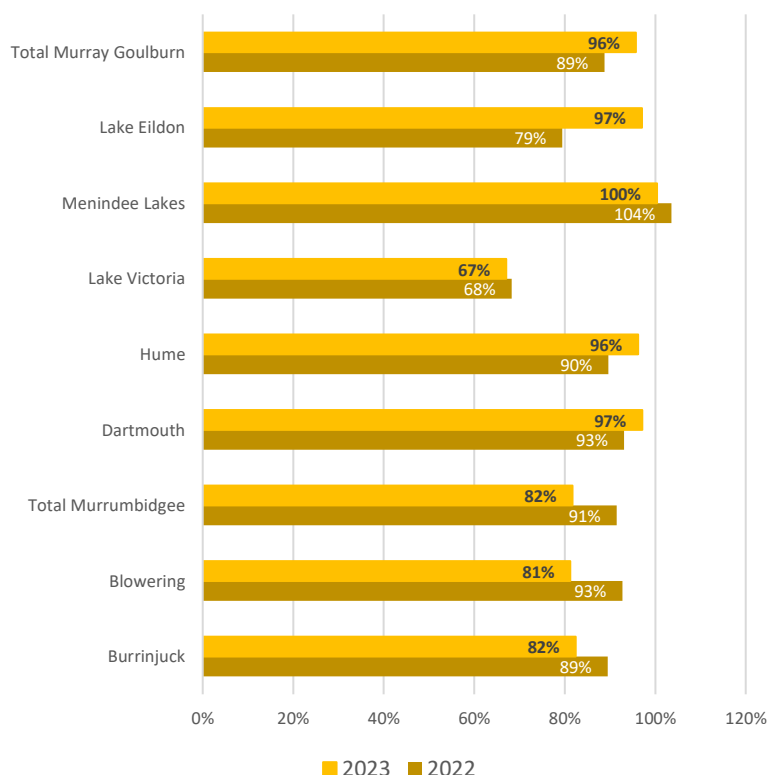
Maximum temperatures are very likely to be above the median for most of the country, while minimum temperatures are also likely to be above median except for areas of northern and central Australia.

Murray River inflows remained above the long-term average during February and moved back towards average by early March. Nationally, high river flows were recorded in the north, south and south-east of the country.

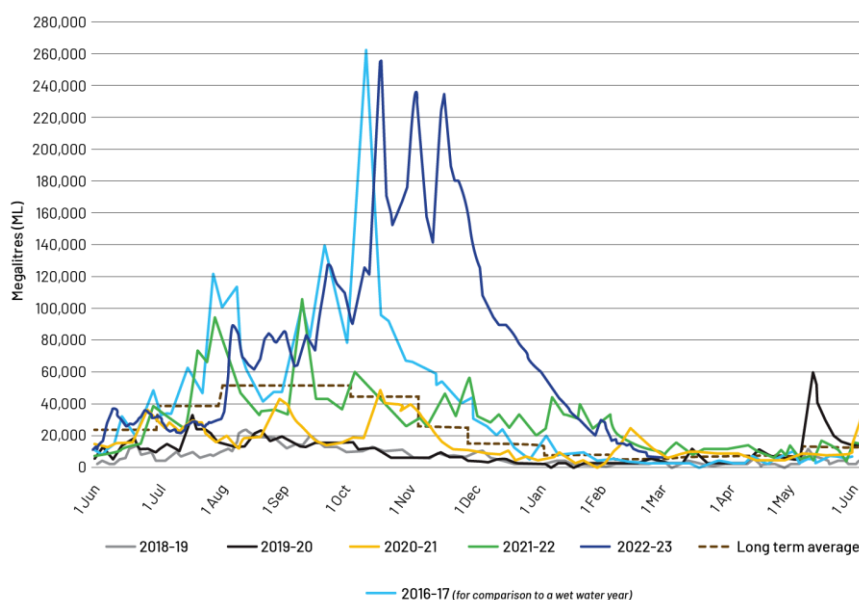
High streamflows are likely for March to May, primarily in northern Australia, south-east Australia, and the north-east of Tasmania.

Storages are now at 90% in the northern Basin and 93% in the southern Basin, compared to 94% and 91% at the same time last year.

## 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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