

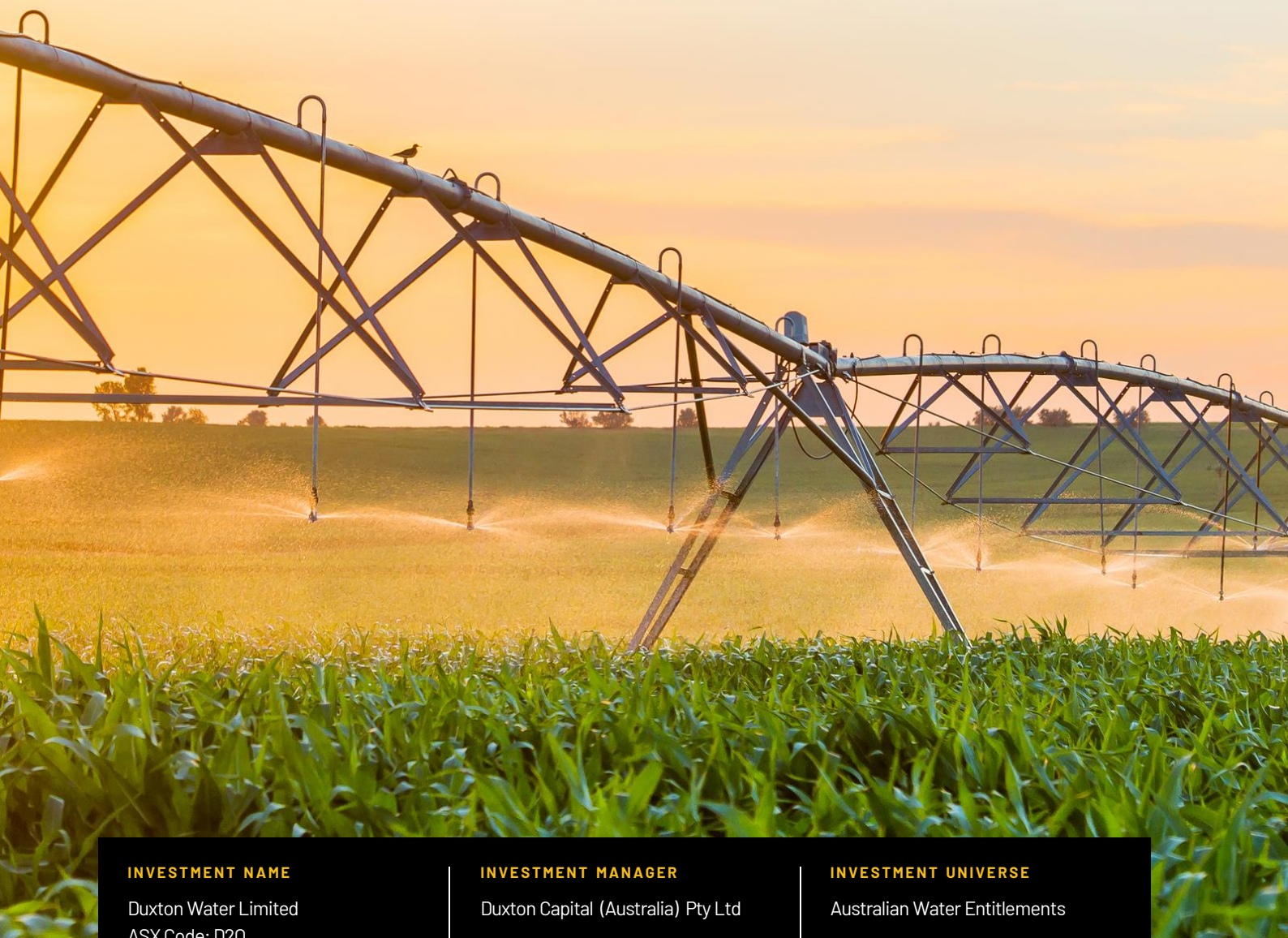
# Monthly Update



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AUGUST 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)

\$1.67 per share

#### SHARES ON ISSUE

152,269,352

#### WATER PORTFOLIO VALUE

\$391 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 August 2023, Duxton Water formally announced its 13<sup>th</sup> consecutive dividend of 3.5 cents per share (fully franked). The record date is 13 October 2023, and the payment date will be 27 October 2023. We are pleased to advise that the Board has decided to increase the Company's DRP discount to 5% (up from 3%), effective for the upcoming dividend.

On the 25<sup>th</sup> of August, Duxton Water released its half-year 2023 results. The Company was pleased to report a \$2.8 million net profit after tax as well as an increase in the annualised leasing revenue for the 2023-2024 Water Year.

The allocation market was active in August. Irrigators are being proactive in securing their water needs for summer irrigation, given the anticipated dry conditions. Since 1 July 2023, allocation prices have been trending upward and have more than doubled in value in some zones (from \$80/ML to \$200/ML).

The weather outlook remains warmer and drier than usual for much of Australia and the Murray-Darling Basin ("MDB"). The Bureau of Meteorology ("BOM") maintains the El Niño Southern Oscillation ("ENSO") outlook to "El Niño Alert", with three of the four indicators already being satisfied. In the past, El Niño has developed 70% of the time when El Niño Alert has been declared.

The Indian Ocean Dipole ("IOD") has been above the positive threshold for several weeks, which indicates an event is very likely. All climatic models suggest a positive IOD will be underway and stay at least until the end of Spring. A positive IOD can increase the drying effects of El Niño.

The Post-tax NAV decreased by 9 cents during the month of August. This was largely driven by the issuance of 29.5 million new shares at \$1.50 per share as part of the Company's recent Entitlement Offer.

Entitlement values continued to soften due to the economic challenges being faced by certain agricultural sectors and farmers electing to sell water entitlements ahead of the upcoming farming season. We continue to see well-priced opportunities in the water markets, and we remain confident in the long-term fundamentals of the asset class.

In early September, The Federal Government introduced the Water Amendment (Restoring Our Rivers) Bill 2023. This Bill proposes to remove the current cap on water buybacks and allow more time for the states to deliver on their respective supply and constraint projects (31 December 2026). In addition to this, the bill proposes to extend the deadline to achieve the additional 450 GL of environmental water recovery to 31 December 2027 while allowing this to be done with buybacks. The Federal Government will require the support of the Coalition or the Greens for the bill to be passed.

Lastly, we would like to remind our shareholders that the Company will issue a 1 free Bonus Option to eligible shareholders for every 4 ordinary shares held in D20 at the record date of 3 November 2023. The Bonus Option will allow shareholders to buy shares at \$1.92 until the expiry date of 10 May 2025. Further information will be provided in the Bonus Option prospectus, expected to be lodged with the ASX before 27 October 2023.



**Lachlan Campbell**  
Portfolio Manager



**Lachlan Beech**  
Portfolio Manager

## COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
-4.98%	-7.16%	-9.15%	-8.15%	101.09%

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



## Water Lease & Forward Update

At 31 August 2023, Duxton Water had 52% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 66% of the Company's high-security portfolio (by value).

The current WALE is 3.2 years, and inclusive of renewal options, the WALE increases to 4.6 years.

In comparison to July, there has been a 1% decrease in the portfolio's leased percentage. This is due to a change in portfolio valuations as opposed to leases rolling off.

The demand for leases continues to be strong due to the drier and warmer outlook. There remains a higher-than-average likelihood of El Niño and positive IOD events developing in the coming months.

This has resulted in irrigators seeking long-term water contracts ahead of anticipated drier conditions. We are working with irrigators to provide water security and visibility over this part of the climatic cycle.

Duxton Water continues to emphasise the importance of having a well-defined water strategy for agri-businesses that depend on irrigation, especially in anticipation of changing weather conditions.



Table Grape Vineyard

## ENTITLEMENT LEASE CASE STUDY:

Duxton Water recently entered into a 5-year lease for 300ML of high-security water entitlements with a potato grower in southern NSW. During the summer watering program, potatoes usually require an average of 6ML per hectare. Through this partnership, this grower now has cost and supply visibility for the next 5 years. By entering a long-term water lease, this customer has also hedged against potential future increases in allocation prices, especially during dry climate conditions.

*Through this type of partnership, Duxton Water offers Australian farming businesses a flexible and cost-effective way to fulfil their irrigation requirements without having to purchase water entitlements outright.*



## QUICK FACTS SUMMARY

	July 2023	August 2023
Water Entitlements	88.8GL	88.8GL
Portfolio Diversification (types)	19	19
Leased % of Portfolio	53%	52%
Weighted Average Lease Expiry (WALE)	3.2 years	3.2 years
WALE (incl. renewal options)	4.7 years	4.6 years

## Entitlement Market Update

At 31 August 2023, Duxton Water's portfolio had 88.8GL of water entitlements across 19 different entitlement types and classes.

During August, entitlement values across the sMDB continued to soften by a further 2.1%. The largest decline was seen across Lower Murray high security entitlements.

Farming businesses continue to face difficult economic conditions due to higher interest rates, higher input costs, and in some cases, lower commodity prices. As a result, irrigators are continuing to sell their water entitlements to generate cash ahead of the upcoming farming season.

## Allocation Market Update

Allocation prices increased across most water regions in August 2023. Irrigators are securing their allocation requirements for the year ahead of potential dry conditions over spring and summer.

In the month of August, allocation water traded between \$100-\$120/ML in the Goulburn, \$140-\$150/ML in the Lower Murray, \$85-\$120/ML in the Upper Murray, and \$140-\$160/ML in the Murrumbidgee. Prices have continued to increase in the first two weeks of September.

### Allocations awarded to entitlements (31 August 2023):

Entitlement Zone	High Security	General Security
NSW Murray	100%	110%
VIC Murray	100%	0%
SA Murray	100%	n/a
Murrumbidgee	95%	39%
Goulburn	100%	0%



## Finance Update

At 31 August 2023, Duxton Water's post-tax NAV closed at \$1.67 per share, decreasing by 9 cents compared to last month.

The Company's Pre-Tax NAV, which excludes tax provisions, closed at \$1.84 per share, decreasing by 16 cents.

The drop in both Pre-tax and Post-tax NAV is primarily due to dilution from the issue of 29.5 million new shares at \$1.50 per share as part of the Company's recently completed partially underwritten Entitlement Offer. In addition, several water entitlements in the sMDB experienced a price softening during the month.

The Company's Net Debt to Water Assets Ratio (LVR) at 31 August 2023 is 28%, decreasing by 3% compared to last month due to new equity issued as part of the recent Entitlement Offer. The current LVR sits below the Company's maximum LVR of 40%.

NAV (post-tax)	NAV (pre-tax)
\$1.67 per Share	\$1.84 per Share

## Bonus Option

Eligible Shareholders will receive one (1) free Bonus Option for every four (4) Ordinary Shares held in the Company at the Bonus Option Record Date of 3 November 2023.

Bonus Options will provide shareholders with the ability to acquire additional shares in the Company at \$1.92 per share prior to the Bonus Option Expiry Date of 10 May 2025.

## Dividends

As previously stated, Duxton Water announced its upcoming dividend of 3.5 cents per share, marking the 13th consecutive dividend paid to Shareholders.

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 the upcoming dividend is Friday, 13 October 2023, with the Payment Date of Friday, 27 October 2023.

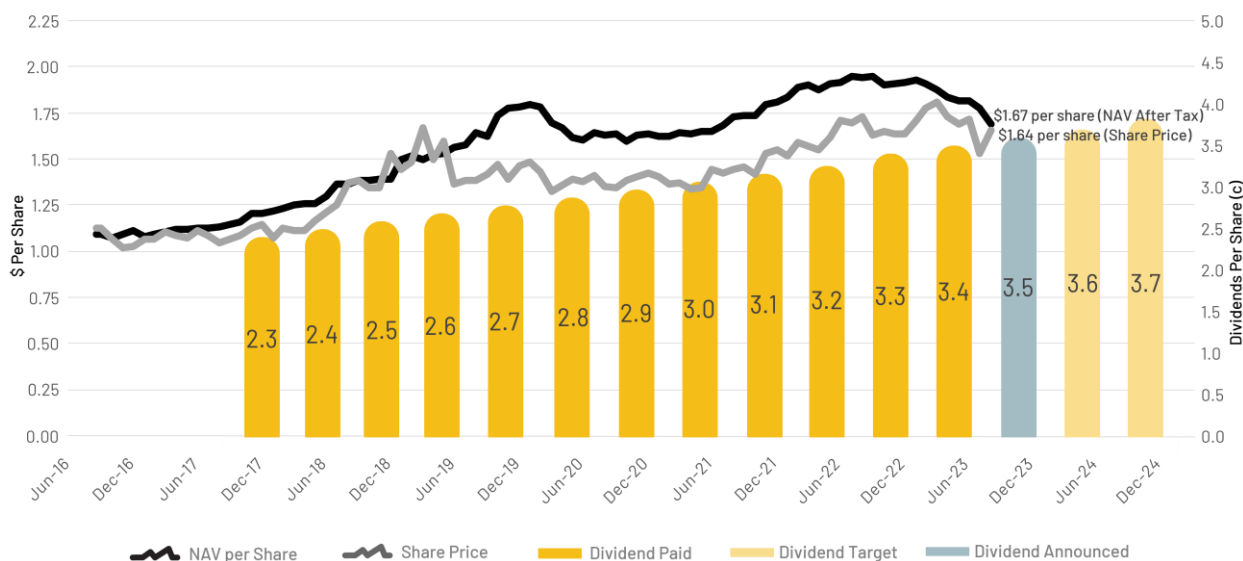
Duxton Water is once again pleased to offer shareholders the ability to participate in the Company's Dividend Reinvestment Plan ("DRP"). The Board is pleased to advise that it will increase the Company's DRP discount to 5% (up from 3%). The discount is based on a 5-day VWAP prior to and inclusive of the record date, as determined in accordance with the DRP Rules.

The Board would like to remind eligible shareholders that new shares issued through the DRP, as part of the upcoming dividend, will be entitled to receive free Bonus Options, providing these new shares are still held at the Bonus Option Record Date of 3 November 2023.

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

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

## HISTORICAL PERFORMANCE - SINCE INCEPTION



## VALUATION METHODOLOGY

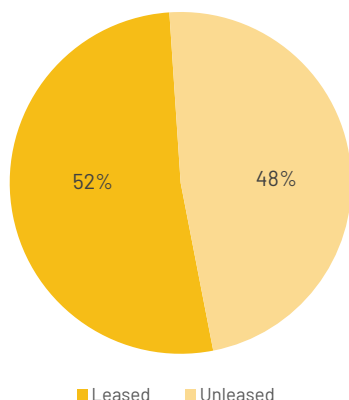
The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement.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

AUGUST 2023

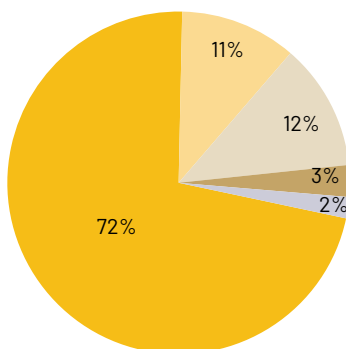


### WATER PORTFOLIO DIVERSIFICATION



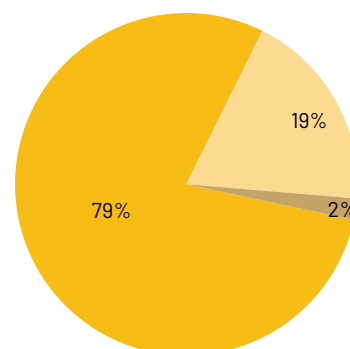
■ Leased ■ Unleased

### ENTITLEMENT VALUE BY REGION



■ Murray ■ Murrumbidgee  
■ Goulburn ■ Lachlan  
■ Mallee

### WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

## Weather Update

National rainfall for August 2023 was 49.5% below the long-term average, representing Australia's tenth-driest August on record since 1900.

August rainfall was below average for most of New South Wales, Victoria, Tasmania, and large areas of South Australia. The rest of the country received varying levels of rainfall.

August was a dry month for the MDB, with rainfall being 62% below the long-term average. Many catchments received significantly less rainfall, decreasing soil moisture levels.

Australia experienced its warmest winter on record. The temperature in August was 2.28 °C higher than the long-term average. This is the second-highest temperature for the month of August since 1910. Additionally, national maximum and minimum temperatures were 3.08 °C and 1.49 °C above the average, respectively.

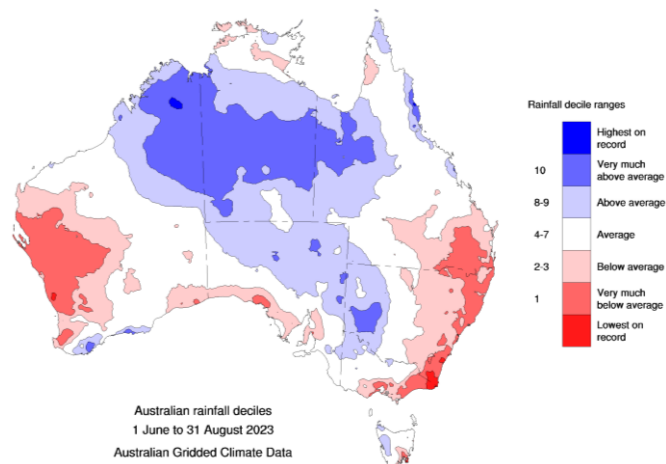
The BOM maintains the ENSO outlook at "El Niño Alert". This indicates a 70% chance of El Niño occurring this year. El Niño typically reduces spring rainfall across eastern parts of Australia and increases the chance of above-average temperatures for the southern two-thirds of the country.

The IOD index has exceeded the positive threshold of +0.40°C for three consecutive weeks. However, to confirm that a positive IOD event is underway, several more weeks above the threshold are needed. All climate models suggest a positive IOD is likely in Spring. A positive IOD typically decreases spring rainfall for much of Australia.

In early September, the Southern Annular Mode (SAM) index was negative and is expected to return to neutral at the end of the month. During spring, a negative SAM is associated with decreased rainfall across parts of eastern NSW and eastern Victoria.

### RAINFALL DECILE CHART (WINTER)

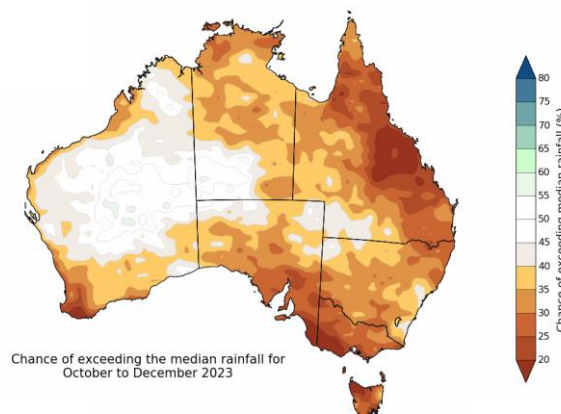
JUNE 2023 - AUGUST 2023



Source: Bureau of Meteorology

### CHANCE OF ABOVE-AVERAGE RAINFALL

OCTOBER 2023 - DECEMBER 2023



Source: Bureau of Meteorology



## Outlook & Storages

Spring 2023 is expected to be drier and warmer than usual. This is a very different outlook from last year's Spring, which was the second wettest on record.

The October to December forecast indicates below-average rainfall for most of Australia, except for central Australia and some parts of Western Australia. During this period, most of Australia can also expect above-average maximum and minimum temperatures.

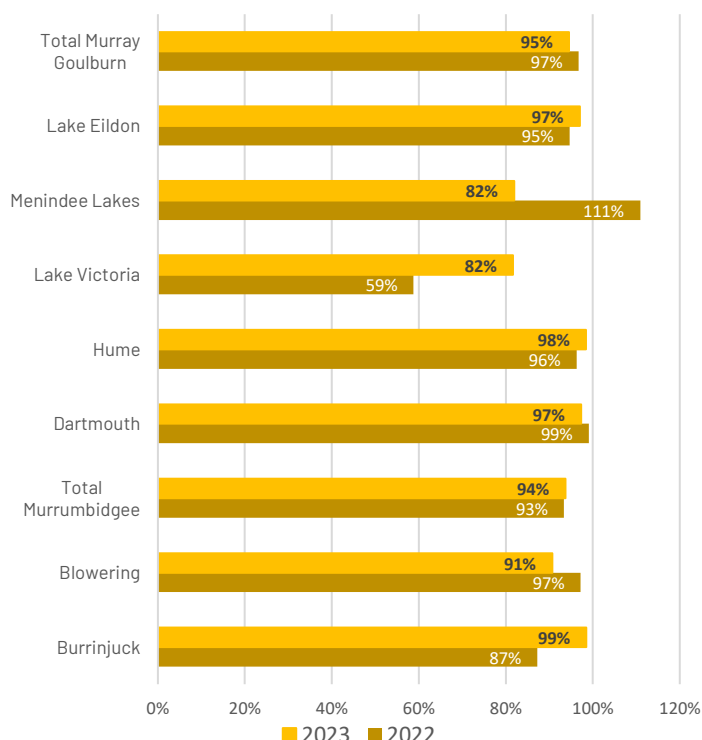
This drier and warmer outlook is influenced by the increased likelihood of both El Niño and positive IOD events occurring in 2023. Sea surface temperatures are indicating that a positive IOD is likely to form during Spring this year.

The above conditions are also increasing the fire risk for large areas of NSW, Queensland, and the Northern Territory, as well as some parts of Victoria and South Australia.

In August, river inflows into the Murray system were below the long-term average. Low streamflows are likely for September to November.

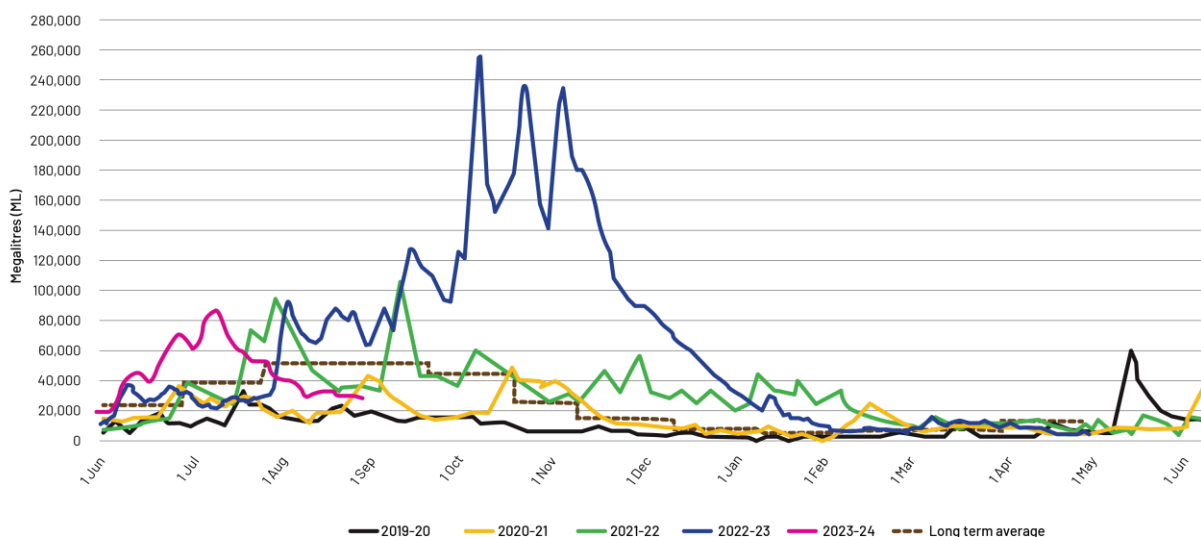
At the end of August, storage levels in the MDB remain high. The basin as a whole was at 95% capacity. Northern Basin storages were at 93%, while Southern Basin storages were at 95%, which is similar to the levels observed at this time last year.

## 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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