



Duxton Water Limited Monthly Update

31 October 2016

DUXTON
WATER LTD

Net Asset Value per Share

\$1.05

Duxton Water	
ASX Code (Shares)	D2O
ASX Code (Options)	D200
Shares on Issue	63,965,406
Options Outstanding	63,965,406
Options Exercise Price	\$1.10
Options Expiry	31 May 2018

The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

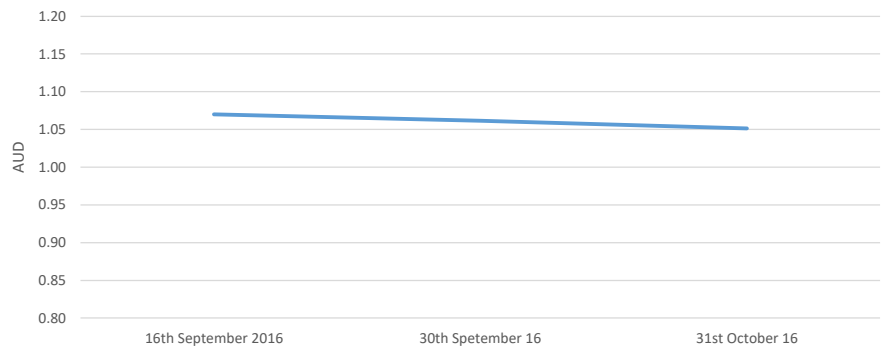
Net Asset Value per Share

Duxton Water's NAV as at 31 October 2016 was \$1.05 per share.

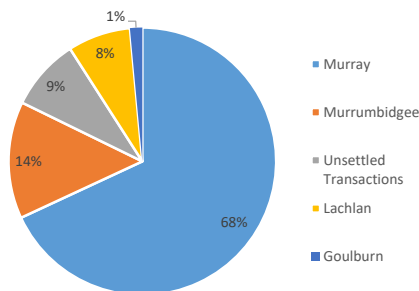
These figures are not adjusted for any dilution due to the outstanding options which are exercisable at \$1.10. The after tax figure takes into account the provision for deferred tax on set-up costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date.

Note: NAV per Share is now shown in the graph below (compared to NAV as previously reported) as this is more relevant to investors. Also note that the inception date used is the date in which D2O listed on the ASX, not the date the company commenced operating as indicated in last month's report.

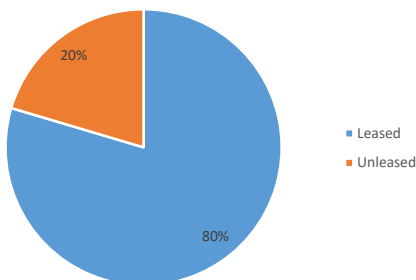
Net Asset Value per Share - Since Inception



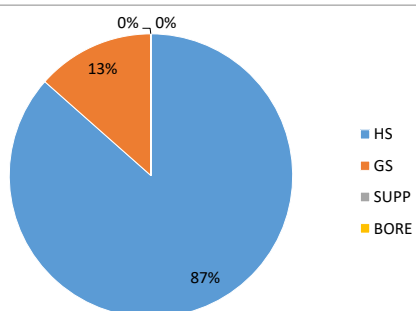
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



Performance	Gain/Loss
1 Month	-0.97%
3 Months	N/A
6 Months	N/A
12 Months	N/A
Inception	-1.76%

Market Update

Market Summary

Early October saw significant rain, thunderstorms and damaging winds which prolonged inflows and tributary flooding. Rainfall eased throughout mid-late October, offering reprieve from months of high rainfalls and inflows. Improved storage inflows have allowed increased water availability for both Victorian Murray and Goulburn High Reliability, NSW Murray and Lower Darling General Security.

Murray System

Continued rainfall across the southern Murray Darling Basin throughout September has added further moisture to an already saturated basin. Total inflows into the Murray system were 25,514,160ML, compared to the 10 year average of 5,192,481ML, resulting in the Hume and Dartmouth reservoirs increasing storage levels to 98% and 74%, respectively. Although rainfall eased throughout October, the record rainfall received in September caused temporary prices to decline substantially. However, as Duxton Water is still in the process of deploying capital, this impact is minimal as we have a large quantity of allocations to sell. The September weather had a lag effect on permanent prices, causing a slight decline in October. In Victoria, Zone 6 and Zone 7 decreased by 3.15% and 4.42%, respectively. In NSW, Zone 11 high security saw a decrease of 4.55%. However, prices gained momentum in the last week of October and we expect temporary prices to increase substantially in November.

Central and Northern NSW (Murrumbidgee and Lachlan Valleys)

The Bureau of Meteorology has labelled the past five months as the wettest period on record in New South Wales. The bureau's figures have been highlighted in the NSW Department of Primary Industries' latest conditions report, showing above-average rainfall of up to more than 400 per cent on average for the state's western region. Despite this, and after significant flooding events throughout September, the central and northern NSW water assets held firm in October, reversing some of the declines made in the previous month.



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Investment Update

Permanent Water Acquisitions and Divestments

As at 31 October 2016, Duxton Water's cash position was \$26,017,470. Duxton Water signed contracts to purchase \$1,881,335 in October. This brings the total contract value of contracts entered into since listing to \$8,143,747 comprising of 72% high security and 28% general security water. We have verbally agreed to an additional \$3,433,163 of permanent water purchases that are awaiting contracts to be signed.

Temporary Water Yield

Temporary price targets for unsold allocations are targeted for sale in the warmer months, especially considering the wet season we're currently experiencing. We expect general security allocations to be high, and remain confident at achieving budgeted yields.

Lease Yield

No new leases were signed this month, with the weighted average yield for long-term leases remaining at 5.94% (cost base: \$33,664,332). We are in advanced negotiations with another lessee which will have a higher yield than our current weighted average yield.

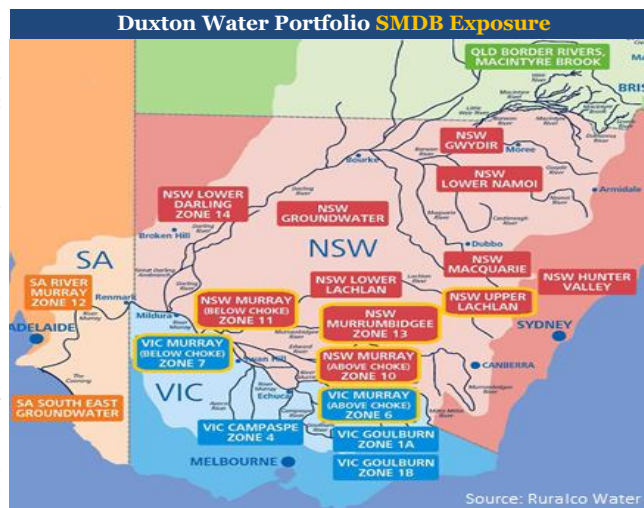
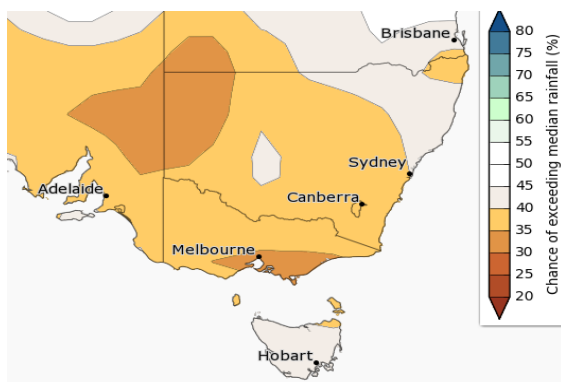
Valuation Methodology

Total assets of the Company are valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from the respective state register, excluding outliers. Outliers are defined as a trade with greater than 10% variance from the last weighted average price and transactions that are less than 10ML (unless there are no applicable transactions greater than 10ML) less the total liabilities of the Company excluding provisions for tax payable and Performance Fee.

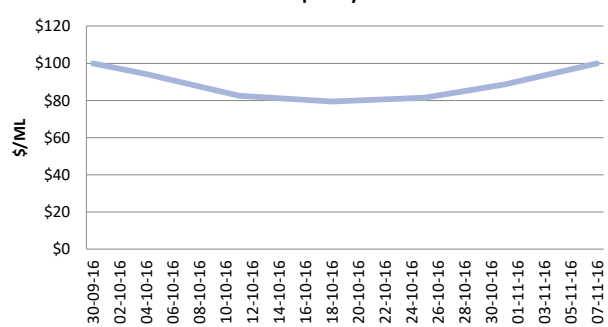
Market Outlook

Despite several trade limitations currently in place, market commentary is attributing the high rainfall and high level of water availability as a key factor behind the fall in temporary prices this season. Warmer weather increased plantings and a drier outlook from the Bureau of Meteorology have resulted in recent price rises in the temporary water market. Temporary prices bottomed out over the past fortnight and are now rallying into the peak demand period over summer (see the chart below for zone 6 temporary prices which shows a 25% gain in the first week of November). The current negative Indian Ocean Dipole (IOD) is weakening and is expected to end by the end of November. This indicator has contributed towards above average rainfall across much of Australia since May, and cooler daytime temperatures. The decline in the IOD is the main reason why the chance of rainfall is reverting to a drier outlook.

The chance of above median rainfall for November



Zone 6 Temporary Price



Disclaimer

This factsheet is prepared by Duxton Capital (Australia) Pty Ltd [ACN: 164 225 647; AFSL no. 450218] ("Duxton Capital (Australia)"). Duxton Capital (Australia) is the Investment Manager of Duxton Water Limited [ACN 611 976 517] ("Duxton Water").

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