

# Duxton Water Limited Monthly Update

28 February 2018

Net Asset Value per Share

\$1.21

## Duxton Water

ASX Code (Shares)	D2O
ASX Code (Options)	D2OO
Shares on Issue	71,243,632
Options Outstanding	63,912,406
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.

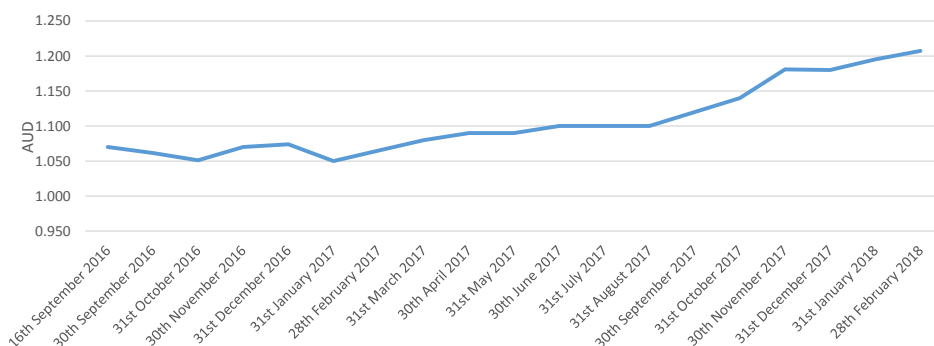
## Net Asset Value per Share

Duxton Water's NAV as at 28 February 2018 was **\$1.21** per share.

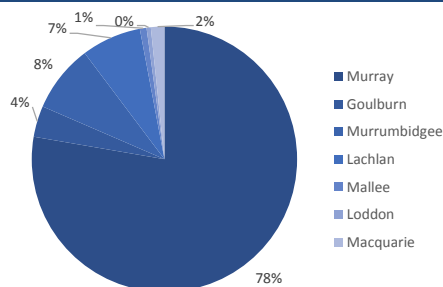
The after tax NAV figure takes into account the provision for deferred tax on set-up costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date. These figures are not adjusted for any dilution due to the outstanding options which are exercisable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

NAV is calculated based on an independent monthly portfolio valuation performed by Aither Pty Ltd (Aither).

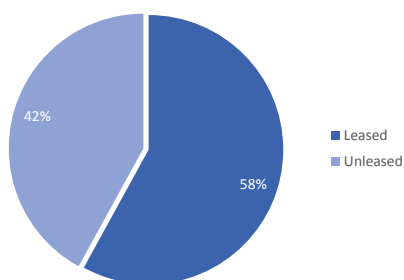
## Net Asset Value per Share - Since Inception



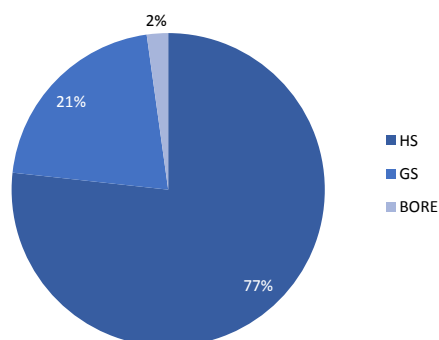
## Entitlement Portfolio Value by Region



## Water Portfolio Diversification



## Water Security Breakdown



<b>3 Months</b>	2.24%
<b>6 Months</b>	9.75%
<b>12 Months</b>	13.36%
<b>Inception</b>	12.83%
<b>Inception (plus franked distribution)</b>	15.46%

## Market Summary

Storage levels of the major dams within the Murray Darling Basin (MDB) decreased by 5% through February in line with summer water use expectations. Total MDB storage levels were 17% lower than at the end of February 2017.

No allocation increases were made through the month and we believe the likelihood of further allocations prior to the start of the 18/19 Water year (1/7/2018) July is low.

Duxton Water at the end of February had approximately 12.2GL of unleased water allocations available.

## Southern Basin

The Hume and Dartmouth reservoirs closed the month at 53% and 89% of capacity, respectively. February rainfall totals across the Basin were 27% lower than the long term average.

Entitlement demand remained strong. The NSW Murrumbidgee High Security Entitlement pricing increased by 3% (8.24% of the portfolio), with NSW Zone 10 Murray General Security Entitlement increasing by a further 4% through February (10.6% of the portfolio), and NSW Zone 11 General Security increasing by 3% (3% of Portfolio).

Temporary water demand across the Murray and Murrumbidgee valleys has increased as irrigators complete their summer watering programs and begin to address their requirements for winter crop pre-watering and Carry Over for the 18/19 Water Year.

Duxton Water took advantage of these pricing peaks to continue to sell down allocations from its unleased entitlements.

## Northern Basin

Northern Basin Water Entitlements saw an 8% increase in New South Wales Lachlan General Security Water Entitlement prices. These entitlements represent 5.91% of the portfolio. Allocation prices remain firm as irrigators source water for summer annual crop requirements.



## 28 February 2018

### Permanent Water Acquisitions and Divestments

### Temporary Water Sales

The allocation sales to date for 2018 amount to 11,838ML.

### Lease Yield

No new leases were entered into in February.

58% of the Company's portfolio is leased with a weighted average yield of 6.20% and a weighted average lease duration of 5.34 years.

## Total Yield

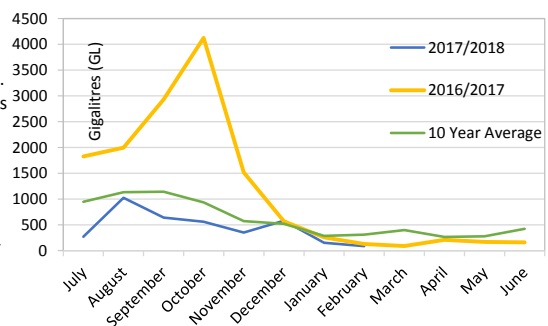
Duxton Water's yield is comprised of two streams of income: leased and unleased income. Assuming a steady state basis, the forecast annual gross yield to the end of 2018 will be 6.1%. (This is a forecast and actual results may vary).

## Dividends

In line with the Company's goals of paying a dividend to shareholders biannually, the Company announced on the 7 March 2018 that it will pay its second dividend to its shareholders of 2.4cents per share payable in Australian dollars. The dividend will be franked to 60% for Australian taxation purposes. The Company currently has 63,902,906 options on issue as at the 7th of March 2018. The 2.4c equates to a total dividend pool of \$1,710,075. Should further Duxton Water Options be exercised prior to the Record Date, this will dilute the dividend pool and may result in a lower dividend per share. (Please refer to Dividend Announcement Statement for further details).

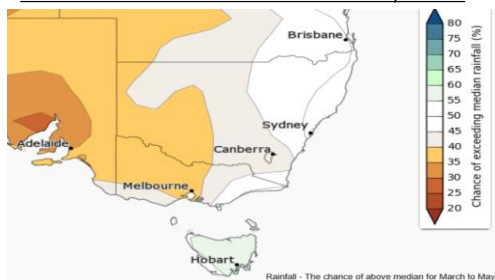
## Valuation Methodology

Aither undertake a monthly valuation of the Duxton Water portfolio. Total assets of the Company are valued based on an assessment of fair market value. Aither has adopted the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement definition of fair value. Further information regarding the valuation methodology can be found on [www.duxtonwater.com.au](http://www.duxtonwater.com.au).



The latest Bureau of Meteorology outlooks suggest that the MDB may receive < 50% of median rainfall over the next quarter (*see chart below*). Natural Resource Managers are beginning to provide allocation forecasts with Victoria currently expecting Ave to Dry Conditions. NSW and SA will report over the next month on their estimated opening allocations based on held storage volumes and historic inflows projections. Based on these early indications the market is currently pricing forward contracts for 18/19 allocation at \$170-180/ML in the Murrumbidgee and \$160-165/ML in the Murray; these prices are above what was generally seen the 2017 water year (approximately 40% higher).

### The Chance of Above Median Rainfall for January - March



Source: Bureau of Meteorology

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