



Duxton Water Limited Monthly Update

31 March 2017

DUXTON
WATER LTD

Net Asset Value per Share

\$1.08

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

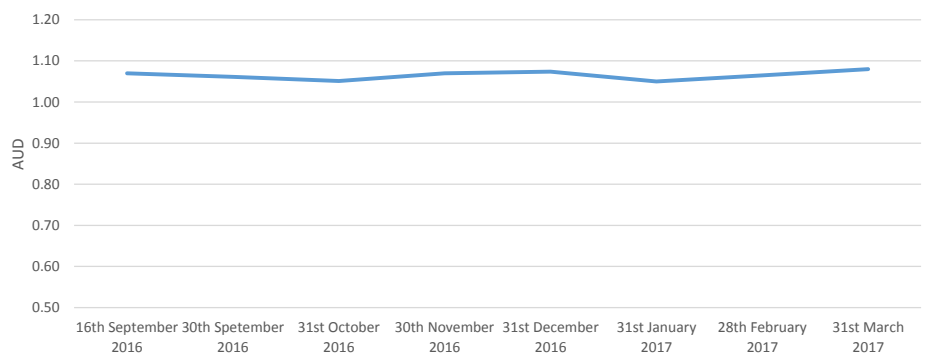
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

Net Asset Value per Share

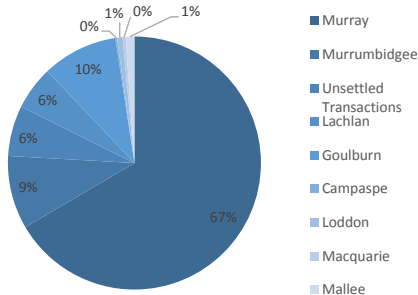
Duxton Water's NAV as at 31 March 2017 was \$1.08 per share.

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.

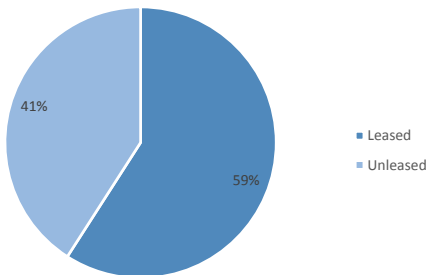
Net Asset Value per Share - Since Inception



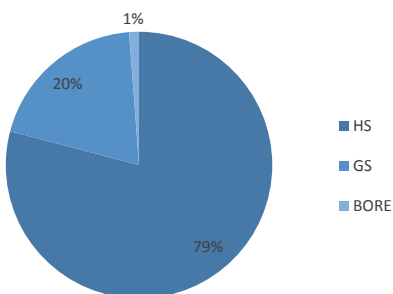
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



Performance	Gain/Loss
1 Month	1.41%
3 Months	0.56%
6 Months	1.75%
12 Months	N/A
Inception	0.93%

Market Update

Market summary

Major storages within the Murray Darling Basin (MDB) decreased 4% over the past month although the total MDB storage is still 33% higher than March 2016. Heavy rain along Australia's east coast pushed further inland in late March with humid and unstable conditions affecting large parts of the MDB. Conditions in the far west of New South Wales and South Australia were mostly dry. The Murrumbidgee Inter-Valley Trade (IVT) opened for the second time in 2017 with a further 15GL of allocation available for trade out of the Murrumbidgee into the Murray.

The Bureau of Meteorology (BoM) updated their El Nino-Southern Oscillation (ENSO) outlook late March to show an 85% chance of an El Nino forming by October 2017. Following this, the Department of Primary Industries NSW Water released its preliminary outlook for opening allocations in the 2017/18 water year (commencing 1st July 2017). In the NSW Murray, an opening allocation of 3% is forecast (with 45% carryover). By 1 November 2017 allocations are forecast to be between 25% (very dry) and 100% (wet) with average inflows leading to a forecast of 51%.

Southern Basin

Total inflows into the Murray system were 90GL, compared to the 10 year average of 396GL. The Hume and Dartmouth reservoirs closed the month at 65% and 77%, respectively. The Hume Reservoir received total rainfall of 71.2mm, compared to the long-term average of 45.8mm.

Overall, water entitlement prices increased in March. The major price increases were Zone 1A and Zone 7, increasing 13.0% and 5.3%, respectively.

Prices for temporary water have been variable over the past month. Continued dry weather has seen an increase in demand for Autumn irrigation. The opening of the Murrumbidgee/Murray IVT was the catalyst for the temporary price decline in the Murray water systems. Although temporary prices for Zones 1A, Macquarie and Murrumbidgee continued to fall, the overall impact on the portfolio was mitigated through our exposure to fixed long-term leases.

Northern Basin

The Lachlan Valley water assets increased by 6.6% in March. There is still demand for Lachlan Valley entitlements at a 22% premium to our weighted average price.



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Investment Update

Permanent Water Acquisitions and Divestments

As at 31 March 2017, Duxton Water is invested in approximately \$63 million of water entitlements, equating to 94% of the portfolio, with the remainder of the portfolio held in cash and net current assets. Duxton Water has additionally entered into contracts, agreed terms for contracts or has pending offers for contracts on an additional \$4.4 million worth of water entitlements. These additional contracts will result in 100% of the portfolio being invested, in-line with our 6 month deployment strategy. See the graph to the right showing the monthly deployment of IPO proceeds.

Temporary Water Sales

In March, 2,104ML of allocations were sold. YTD allocation sales amount to 11,358ML.

Lease Yield

No new leases were entered into in March. The weighted average yield for long-term leases remains at 6.0%.

Total Yield

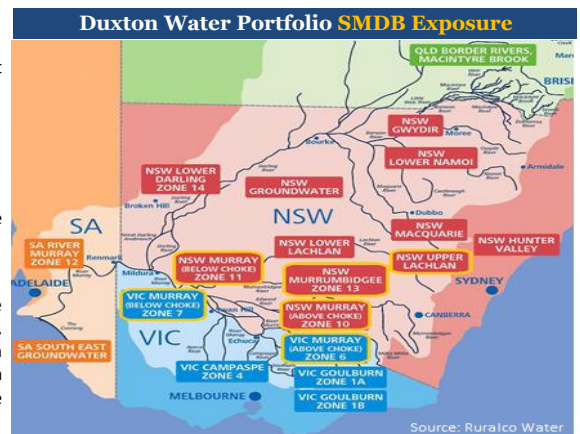
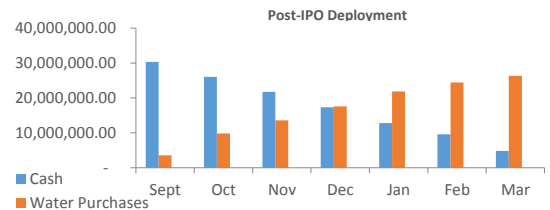
The combined (temporary sales plus lease) annualised yield YTD is 4.84%.

Dividends

The Company intends to pay dividends twice yearly. We currently anticipate the first dividend will be paid to Shareholders in August 2017.

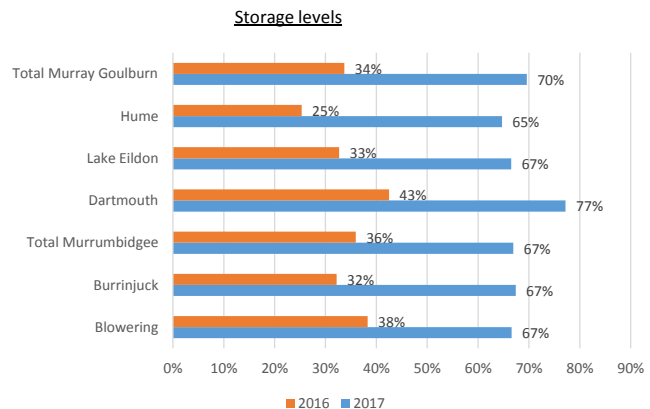
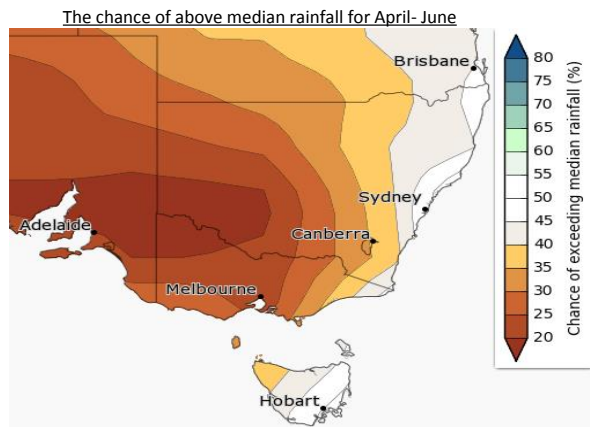
Valuation Methodology

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 10.0% 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.



Market Outlook

The latest Bureau of Meteorology outlooks are suggestive of further hot and dry conditions over the next three months for the Murray Darling Basin. Models are forecasting a 65%-80% chance of below average rainfall across the Southern Connected Basin (see chart below).



Disclaimer

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