



Duxton Water Limited Monthly Update

31 October 2017

DUXTON
WATER LTD

Net Asset Value per Share

\$1.14

Duxton Water	
ASX Code (Shares)	D2O
ASX Code (Options)	D200
Shares on Issue	63,968,406
Options Outstanding	63,962,406
Options Exercise Price	\$1.10
Options Expiry	31 May 2018

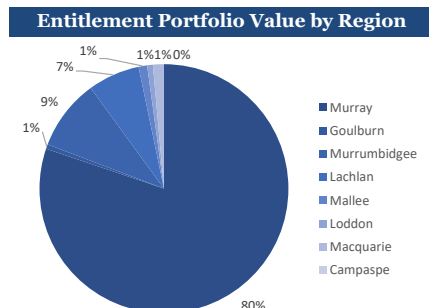
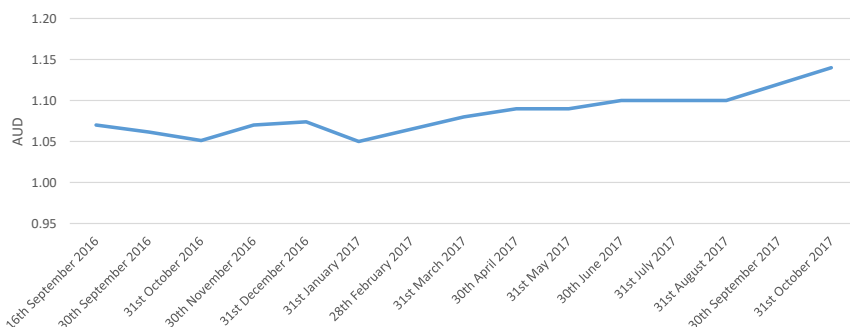
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

Net Asset Value per Share

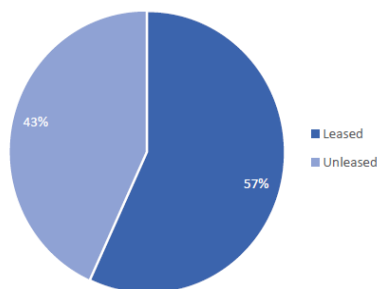
Duxton Water's NAV as at 31 October 2017 was \$1.14 per share.

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.

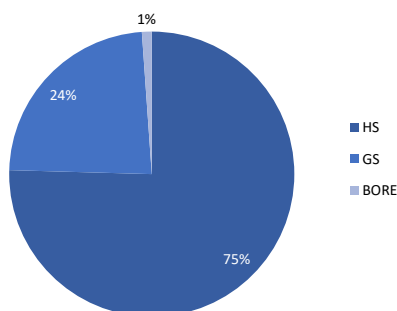
Net Asset Value per Share - Since Inception



Water Portfolio Diversification



Water Security Breakdown



Performance	Gain/Loss
1 Month	1.79%
3 Months	3.64%
6 Months	4.59%
12 Months	8.45%
Inception	6.54%

Market Update

Market Summary

Storage levels of the major dams within the Murray Darling Basin (MDB) decreased 2.2% over the past month. Total MDB storage levels were 9.9% lower than October 2016.

Allocation levels rose throughout October as Government Water Authorities increased allocations available to Water Entitlement holders. Allocations for Victoria Murray High Reliability, New South Wales Murray High Security and South Australia High Security were 100%, 97% and 100% respectively as at 31 October. Murray General Security licenses have received allocations of 30%. Including carryover, Duxton Water presently has approximately 16GL of unleased water allocations available.

Southern Basin

Total inflows into the Murray system for October were 560GL, compared to the 10-year average of 937GL. The Hume and Dartmouth reservoirs closed the month at 86.2% and 86.5% of capacity, respectively. Approximately 18% of the water held in these storages is carry over held by licence holders from the 16/17 water year. Across the MDB the Bureau of Meteorology reported that mean rainfall for October was 36% above average. Rainfall in the MDB since July remains 9% below the long term average.

Water Entitlement prices displayed continued strong increases in the month of October. Price increases were seen in Victoria Murray High Reliability, New South Wales Murray General Security and Victoria Goulburn High Reliability water zones, increasing 12.2%, 7.9% and 5.7% respectively.

Temporary water prices for the month fell back from their highs as rainfall was observed throughout the MDB. Rainfall over the past winter months remain below the long-term average and will provide upward pressure on prices in the upcoming summer months. The major water zones prices range from \$130/ML in August to \$140/ML at the end of the month.

Northern Basin

Northern Basin Water Entitlement prices showed little change in October. Allocation prices have shown strong increases as water users start to prepare for the upcoming summer growing season.

Investment Update

Permanent Water Acquisitions and Divestments

As at 31 October 2017, Duxton Water is invested in approximately \$64.5 million of Water Entitlements, equating to 90% of the portfolio, with the remainder of the portfolio held in cash and net current assets. Duxton Water has entered into contracts for an additional \$4.4 million worth of Water Entitlements which once settled completes the reinvestment of proceeds from entitlement disposal in August.

Additionally, with the approval at the EGM on the 18th of October of the Duxton Vineyards Sale and Lease back transaction, Duxton Water has contracted and will settle the purchase of a further \$7.3 million worth of Water Entitlements in November.

Temporary Water Sales

In October, 300ML of allocations were sold. YTD allocation sales amount to 16,050ML.

Lease Yield

The Company entered into a four-year lease contract for 400ML of Zone 7 High Reliability at a rate of 6.6%. This brings the weighted average yield for long-term leases to 6.06% (compared to 6.04% previously).

Total Yield

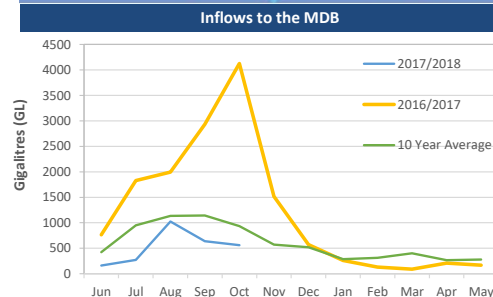
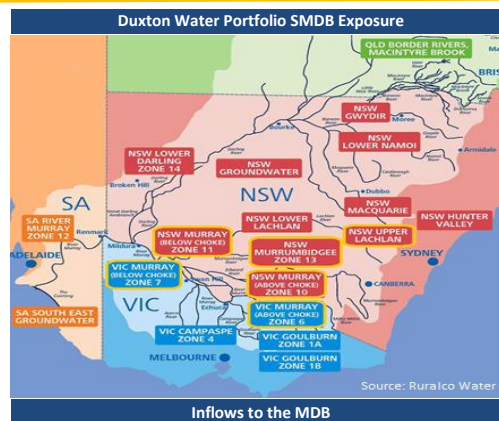
Duxton Water's yield is comprised of two streams of income: leased and unleased income. The leased income is currently at 6.06% (annualised) and the unleased income is 3.56% (running). The weighted average running yield of the two streams is 5.04%.

Dividends

As announced in September, the Company will pay a 2.3 cent dividend per share franked at 75% distributed to investors on the 16th of November. The company's shares went ex-dividend on the 1st of November. The Company aims to pay biannual dividends moving forward.

Valuation Methodology

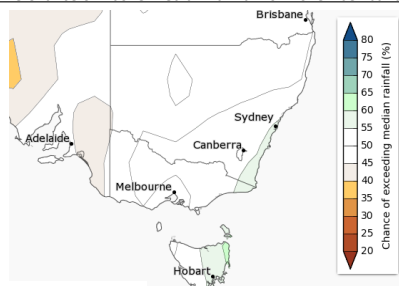
Total assets of the Company are valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from the respective state register, excluding outliers. Outliers are defined as a trade with 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. The unleased income portion of the portfolio is calculated by dividing the gross value of allocation sales by the gross value of unleased Water



Market Outlook

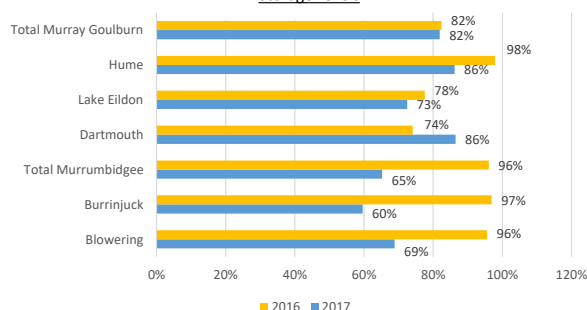
The latest Bureau of Meteorology outlooks are suggestive of moderate climatic conditions over the next three months for the Murray Darling Basin. Models are forecasting a 45%-55% chance of below average rainfall across the Southern Connected Basin (see chart below).

The Chance of Above Median Rainfall for November- January



Source: Bureau of Meteorology

Storage Levels



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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