



Duxton Water Limited Monthly Update

30 April 2017

DUXTON
WATER LTD

Net Asset Value per Share

\$1.09

Duxton Water	
ASX Code (Shares)	D20
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

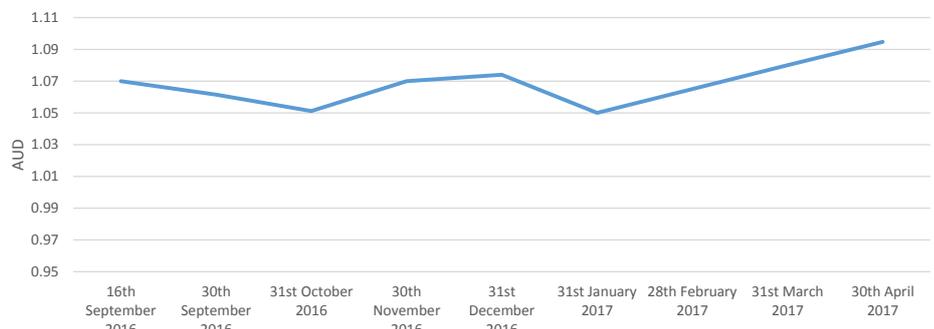
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

Net Asset Value per Share

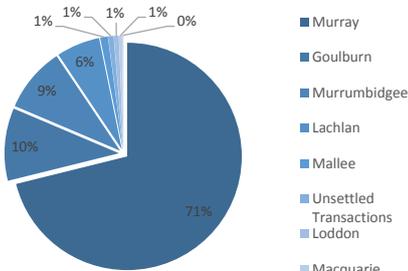
Duxton Water's NAV as at 30 April 2017 was \$1.09 per share.

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.

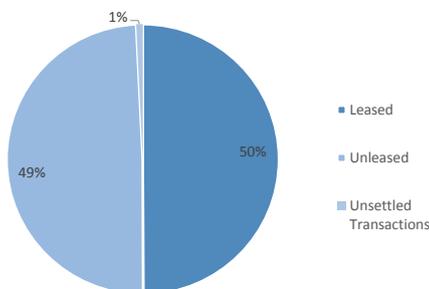
Net Asset Value per Share - Since Inception



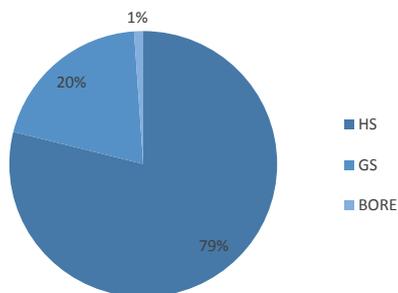
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



Performance	Gain/Loss
1 Month	1.36%
3 Months	4.26%
6 Months	4.15%
12 Months	N/A
Inception	2.31%

Market Update

Market Summary

Major storages within the Murray Darling Basin (MDB) decreased 1% over the past month. Total MDB storage remains 33% higher than April 2016. Large amounts of rainfall were recorded across the southern MDB in late April, with totals ranging from 25mm to 100mm. The northern MDB remained relatively dry with only light and sporadic rainfall occurring.

Government Water Authorities released their updated outlook for opening allocations in the 2017/18 water year (commencing 1st July 2017). Indicative water allocations for Victoria Murray High Reliability, New South Wales Murray High Security and South Australia on the 1st of July are 52%, 97% and 100%, respectively. For NSW Murray General Security, an opening allocation of 4% is forecast (with 45% carryover). By 1st November 2017 allocations are forecast to be between 25% (very dry) and 100% (wet) with average inflows leading to a forecast of 53% allocation.

Indicative water allocations for Victoria Murray High Reliability, New South Wales Murray High Security and South Australia on the 1st of July are 52%, 97% and 100% respectively.

Southern Basin

Total inflows into the Murray system were 209GL, compared to the 10 year average of 250GL. The Hume and Dartmouth reservoirs closed the month at 59.0% and 78.0% of capacity, respectively. To put this in context, the Hume reservoir was at 98.4% capacity in late November. During the month, the Hume Reservoir received total rainfall of 79.2mm, compared to the long-term average of 52.5mm.

Water entitlement prices increased in April. Substantial price increases were seen in NSW Murray High Security and NSW Murray General Security water zones, increasing 4.1% and 2.1%, respectively. There was a marginal decline in Victoria Murray Zone 7, decreasing 1.4%.

Temporary water prices in most major water zones have decreased over the past month. Forecasted dry weather for the remainder of the water year should hold prices at current levels. Although temporary prices continued to fall, the overall impact on the portfolio was mitigated through our exposure to fixed long-term leases. Furthermore, most of the unleased allocations were sold in prior months, meaning any temporary price falls will have minimal impact on the portfolio value.

Northern Basin

Lachlan Valley water entitlement prices increased 13.2% in April and have increased 25.0% since the start of the year. As noted in a number of our reports, we expected this increase to continue due to strong demand from large cotton growers.



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Investment Update

Permanent Water Acquisitions and Divestments

As at 30 April 2017, Duxton Water is invested in approximately \$68 million of water entitlements, equating to 99% of the portfolio, with the remainder of the portfolio held in cash and net current assets. Duxton Water has entered into contracts, agreed terms for contracts or has pending offers for contracts on an additional \$0.5 million worth of water entitlements. These additional contracts will result in 100% of the portfolio being invested, in-line with our deployment strategy. See the graph to the right showing the monthly deployment of IPO proceeds.

Temporary Water Sales

In April, 862ML of allocations were sold. YTD allocation sales amount to 12,220ML.

Lease Yield

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

Total Yield

Duxton Water's yield is comprised of two streams of income: leased and unleased income. The leased income is currently at 6.0% (annualised) and the unleased income is 3.2% (running). The weighted average yield of the two streams is 4.6%. It should be noted that the 2016/17 water year will end on 30 June 2017. On 1st July 2017, the new water year commences, meaning that the allocation balances reset (as per market summary section above). This will positively impact the unleased component of Duxton Water's income as we will have additional allocations to sell throughout the remainder of the Company's financial year (January-December). On top of the reset allocation balances, the Company will carry-over some NSW General Security into the new water year. Part of the reason for this is due to the time delay in settlement for entitlement purchases which has rolled over into May when the majority of water brokers are closed. These carried-over allocations will be sold in the new water year at potentially higher water prices compared to today. As such, we expect the unleased income stream to steadily climb.

Dividends

The Company currently plans to pay a dividend or capital return of approximately 3% to Shareholders in August 2017 with the second dividend or capital return of a similar amount expected to occur in February 2018. The Company will seek to make these distributions in the most tax efficient way for Shareholders. The amount of the distribution will be at the discretion of the Board.

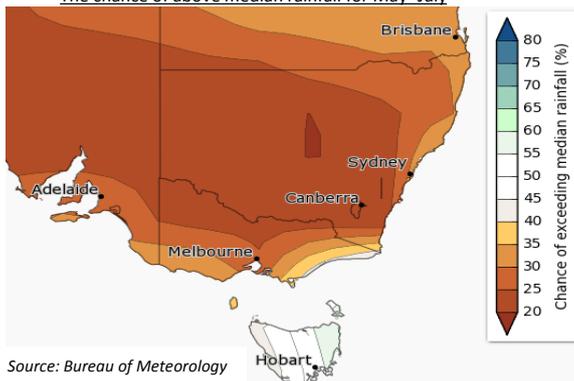
Valuation Methodology

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.

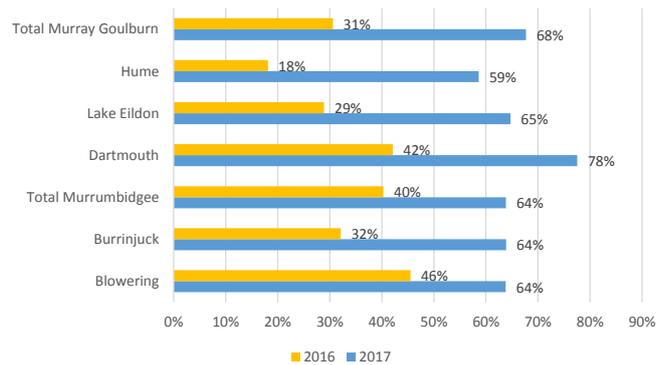
Market Outlook

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).

The chance of above median rainfall for May- July



Storage levels



Disclaimer

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