

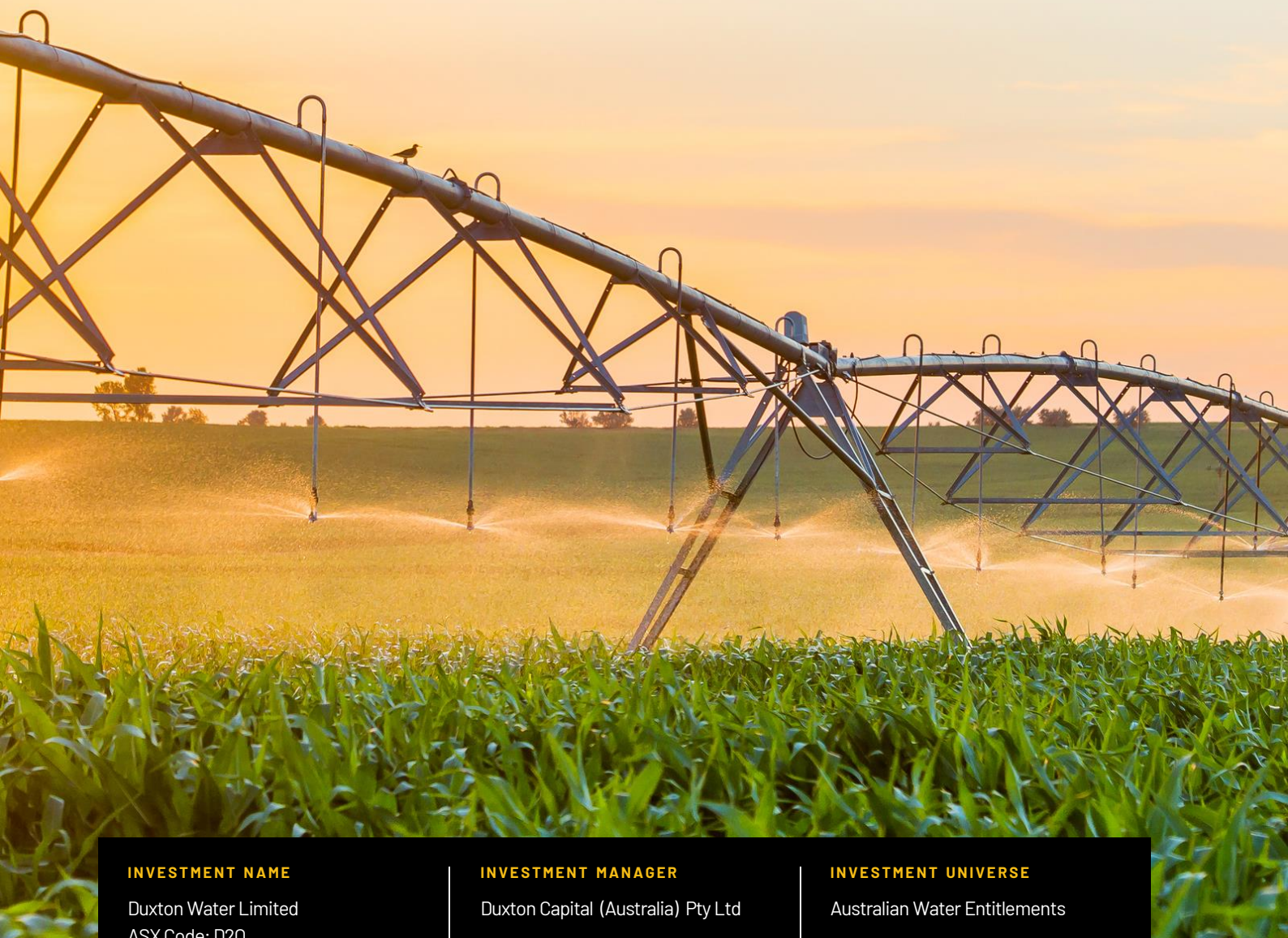
# Monthly Update



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SEPTEMBER 2023

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#### INVESTMENT NAME

Duxton Water Limited  
ASX Code: D20

#### INVESTMENT MANAGER

Duxton Capital (Australia) Pty Ltd

#### INVESTMENT UNIVERSE

Australian Water Entitlements

#### NET ASSET VALUE (POST-TAX)

\$1.68 per share

#### SHARES ON ISSUE

152,269,352

#### WATER PORTFOLIO VALUE

\$393 million



The primary investment objective of Duxton Water ("the Company") is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering irrigators a range of supply solutions including long-term entitlement leases, forward allocation contracts and spot allocation supply.



## Portfolio Managers' Update

On 19 September 2023, the Bureau of Meteorology ("BoM") officially declared that El Niño was underway, along with the confirmation of a positive Indian Ocean Dipole ("IOD"). These two climate drivers usually lead to drier than usual conditions in eastern Australia, especially when they occur simultaneously. Climate models predict that the current positive IOD event will last until at least December 2023. El Niño is expected to persist until the end of summer.

Weather conditions in the Murray-Darling Basin ("MDB") were warm and dry in September, the same as for the rest of Australia. This, combined with the confirmation of the climate drivers mentioned above, caused a spike in spot allocation prices. This is the first month allocation prices traded above \$200 per megalitre since late 2020.

The allocation market was active in September. Irrigators relying on this market are proactively securing their water needs for the warmer months. Allocation prices opened the new water year on 1 July 2023 at around \$80/ML and have traded up to \$240/ML in some zones.

Irrigators are continuing to seek long-term water leases ahead of the drier outlook. These contracts provide farming businesses with water security and cost visibility. The Company has recently added a new 5-year lease into the lease portfolio.

The trading activity for permanent entitlements was lower than usual for the month. Despite the overall downward trend of water entitlement values seen over the last 6-9 months, several entitlements remained stable or even showed signs of pricing uplift. This, combined with the strengthening allocation market, resulted in a slight increase in the pre-and post-tax NAV per share for the month of September.

The Water Amendment (Restoring Our Rivers) Bill 2023, which was introduced to Parliament on 6 September 2023, is currently being considered by the House of Representatives. At a high level, this bill intends to extend the Basin Plan deadlines to allow more time to deliver the Basin Plan in full. In addition, the bill proposes changes in legislation that allow the use of water buybacks towards achieving the 450 GL target.

On 7 September 2023, the Senate referred the Bill to the Environmental and Communications Legislation Committee for enquiry. The Committee is expected to provide a report by 8 November 2023.

Lastly, Duxton Water is pleased to remind shareholders that a dividend of 3.5 cents per share will be paid on 27 October 2023. This is our 13<sup>th</sup> consecutive dividend paid since 2017. We continue offering shareholders the ability to participate in the Dividend Reinvestment Plan ("DRP").

As previously announced, the DRP discount has been increased to 5%, up from 3%. The new shares issued under the DRP will be entitled to the upcoming bonus option, provided that these shares are held until the bonus option record day on 3 November 2023. The prospectus for the bonus option will be lodged with the ASX no later than 27 October 2023, containing all relevant information.



**Lachlan Campbell**  
Portfolio Manager



**Lachlan Beech**  
Portfolio Manager

## COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
0.60%	-6.49%	-6.84%	-7.87%	102.03%

<sup>^</sup>These figures are based on NAV movements and include franked dividends for the period.



## Water Lease & Forward Update

At 30 September 2023, Duxton Water had 52% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 66% of the Company's high-security portfolio (by value). The current WALE is 3.0 years, and inclusive of renewal options, the WALE increases to 4.5 years.

Duxton Water recently finalised a 5-year water lease in NSW Upper Murray with a dairy producer. This lease provides certainty to the lessee over the lease term and adds diversity to our lease portfolio.

The demand for long-term leases remains strong, particularly for 2024-2025. Irrigators are looking for water security and cost visibility in the years ahead. The Company continues to offer these products to the market.

Similarly, there has been some interest from irrigators looking at forward contracts starting on 1 July 2024. Typically, demand for forward allocation contracts comes post-summer each year. However, on the back of the dry outlook, irrigators are seeking to secure water earlier.

Duxton Water continues to emphasise the importance of having a well-defined water strategy for agri-businesses that depend on irrigation, especially in anticipation of warmer months ahead.



Table Grape Vineyard

### ENTITLEMENT LEASE CASE STUDY:

Duxton Water recently entered into a 5-year lease for 300ML of high-security water entitlements with a potato grower in southern NSW. During the summer watering program, potatoes usually require an average of 6ML per hectare. Through this partnership, this grower now has cost and supply visibility for the next 5 years. By entering a long-term water lease, this customer has also hedged against potential future increases in allocation prices, especially during dry climate conditions.

*Through this type of partnership, Duxton Water offers Australian farming businesses a flexible and cost-effective way to fulfil their irrigation requirements without having to purchase water entitlements outright.*



## QUICK FACTS SUMMARY

	August 2023	September 2023
Water Entitlements	88.8GL	88.8GL
Portfolio Diversification (types)	19	19
Leased % of Portfolio	52%	52%
Weighted Average Lease Expiry (WALE)	3.2 years	3.0 years
WALE (incl. renewal options)	4.6 years	4.5 years

## Entitlement Market Update

At 30 September 2023, Duxton Water's portfolio had 88.8GL of water entitlements across 19 different entitlement types and classes.

Entitlement values in the sMDB remained steady during September, with a slight 0.2% increase following consecutive months of softening. While some water zones, particularly across high-security entitlements, continued to decrease in price, others such as Murrumbidgee General Security entitlements experienced an increase.

Trading activity in September was generally low, with only small parcels being traded.

## Allocation Market Update

The combination of warmer and drier conditions in September in the sMDB, along with the declaration of El Niño and a positive IOD, continued to increase allocation prices.

In September, spot prices traded between \$150-\$170/ML in the Goulburn, \$190-\$245/ML in Murrumbidgee, \$180-\$225/ML in the Lower Murray and \$100-\$180/ML in the Upper Murray.

Notably, allocation in the Murrumbidgee traded at a premium compared to other water zones. This is believed to be driven by strong demand from annual summer crops and relatively lower water availability.





## Finance Update

At 30 September 2023, Duxton Water's post-tax NAV closed at \$1.68 per share, increasing by 1 cent compared to last month.

The Company's pre-tax NAV, which excludes tax provisions, closed at \$1.86 per share, increasing by 2 cents during the month.

The increase in NAV in September is due to an improvement in the valuation of the Company's water holdings, primarily from recent increases in water allocation prices.

At the end of September, the Net Debt to Water Assets Ratio (LVR) was 28%, which is below the maximum LVR of 40%.

NAV (post-tax)	NAV (pre-tax)
\$1.68 per Share	\$1.86 per Share

## Bonus Option

As previously communicated, eligible Shareholders will receive one (1) free Bonus Option for every four (4) Ordinary Shares held in the Company at the bonus option record date of 3 November 2023.

Bonus options will provide shareholders with the ability to acquire additional shares in the Company at a strike price of \$1.92 per share prior to the expiry date of 10 May 2025.

Further information on the bonus option will be provided in the bonus option prospectus, which is expected to be lodged with the ASX on 27 October 2023.

## Dividends

Duxton Water will pay a 3.5 cent dividend per share on Friday, 27 October 2023. This will mark the 13<sup>th</sup> consecutive dividend paid to shareholders. The record date for the upcoming dividend is Friday, 13 October 2023.

This dividend is in line with the previously stated dividend target and will be fully franked (30% tax rate) for Australian taxation purposes.

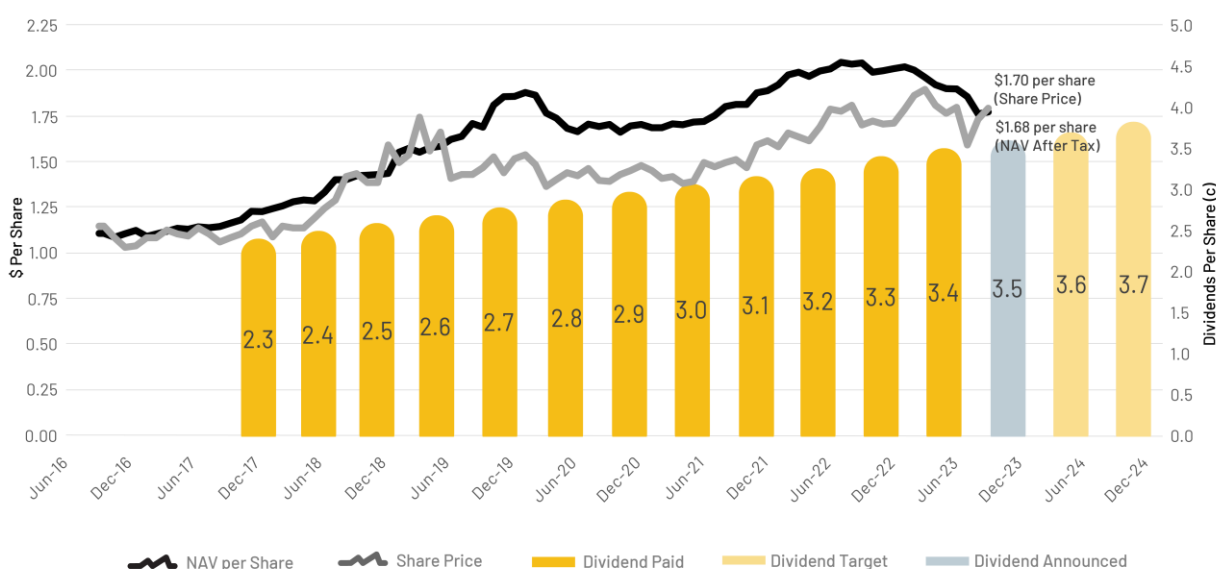
Duxton Water is once again pleased to offer shareholders the ability to participate in the Company's Dividend Reinvestment Plan (DRP). As previously advised, the Company's DRP discount will be increased from 3% to 5% for the upcoming dividend. The discount is based on a 5-day VWAP prior to and inclusive of the record date, as determined in accordance with the DRP Rules.

New shares issued through the DRP, as part of the upcoming dividend, will be entitled to receive free bonus options, providing these new shares are still held at the bonus option record date of 3 November 2023.

In addition to this dividend announcement, the Board would like to reaffirm the Company's dividend guidance out to the end of 2024:

	Cents Per Share	Franking Target
<b>Final 2023</b>	3.6 cps	Fully Franked
<b>Interim 2024</b>	3.7 cps	Fully Franked

## HISTORICAL PERFORMANCE - SINCE INCEPTION

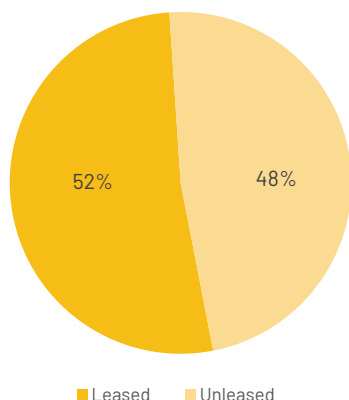


## VALUATION METHODOLOGY

The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. It is a non IFRS measure that is not reviewed or audited by the Company's auditor. Further information can be found at [www.duxtonwater.com.au](http://www.duxtonwater.com.au)

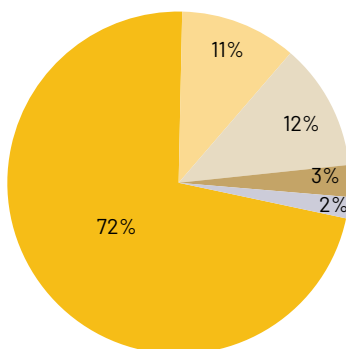


## WATER PORTFOLIO DIVERSIFICATION



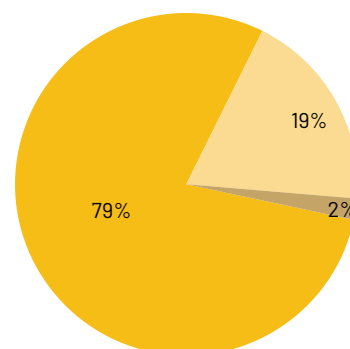
■ Leased ■ Unleased

## ENTITLEMENT VALUE BY REGION



■ Murray ■ Murrumbidgee  
■ Goulburn ■ Lachlan  
■ Mallee

## WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

## Weather Update

National rainfall for September 2023 was 70.8% below the 1961-1990 average for September, resulting in the driest September on record.

For Victoria, it was the driest September on record, with New South Wales experiencing its second driest September on record. The rest of the country experienced below or very much below-average rainfall. Exceptions include parts of Western Australia and coastal Queensland.

September was an exceptionally dry month for the MDB, with rainfall being 84% below the long-term average. Many catchments received significantly less rainfall, resulting in soil moisture levels dropping well below the historical average.

The national mean temperature was 2.43 °C above the long-term average. This September was the third hottest on record since the BoM started keeping records in 1910. Western Australia experienced its hottest September on record. Every state except the Northern Territory had average temperatures that ranked among the top ten.

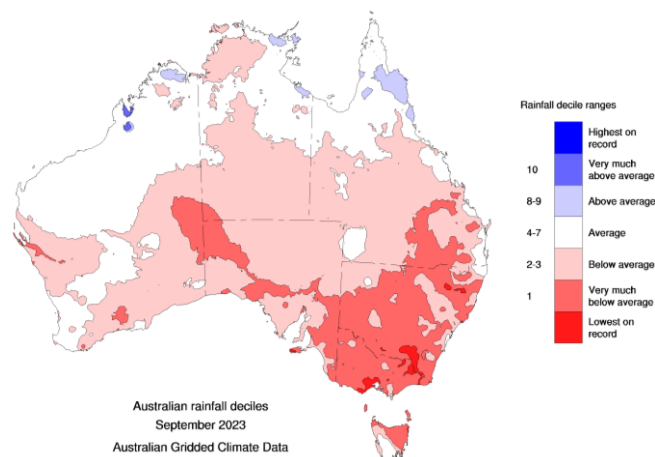
The BoM declared El Niño on 19 September 2023. El Niño typically reduces spring and early summer rainfall across eastern parts of Australia while bringing warmer days to the southern two-thirds of the country.

The positive IOD was also confirmed in September. Since then, it has continued to strengthen. A positive IOD typically results in reduced spring rainfall for central and south-east Australia. When both positive IOD and El Niño coincide, their drying effect is intensified and spreads across Australia.

The Southern Annular Mode ("SAM") index is currently neutral and is expected to remain neutral over the coming weeks. During spring, a neutral SAM is associated with typical climate conditions for Australia.

## RAINFALL DECILE CHART (SPRING)

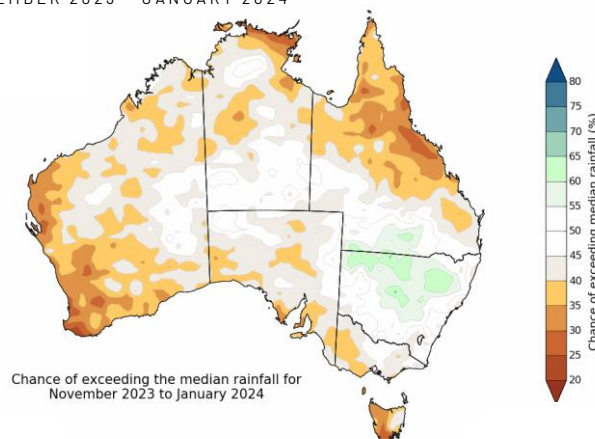
SEPTEMBER 2023



Source: Bureau of Meteorology

## CHANCE OF ABOVE-AVERAGE RAINFALL

NOVEMBER 2023 - JANUARY 2024



Source: Bureau of Meteorology



## Outlook & Storages

The 3-month forecast for November to January indicates below-average rainfall is likely for much of western, northern and southern Australia. Only some areas of NSW have an increased chance of above-average rain.

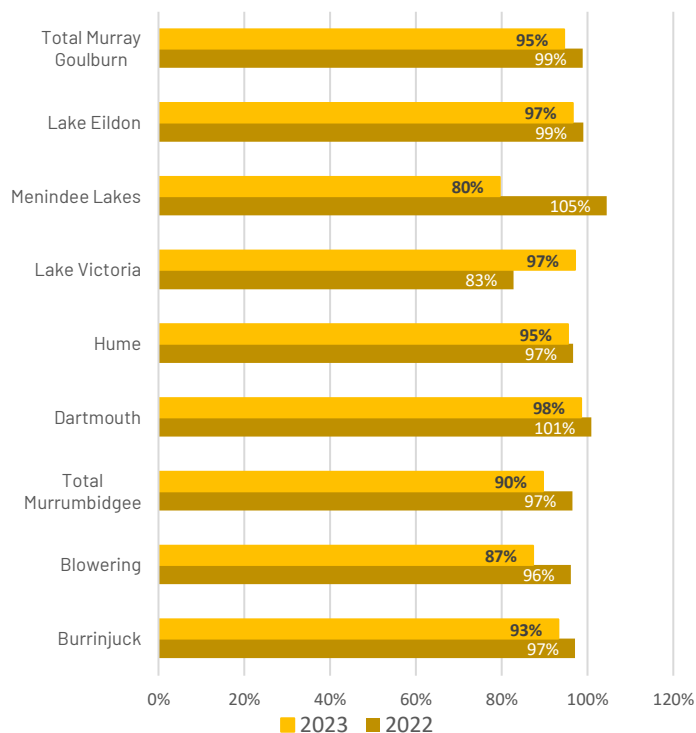
During the same period, almost all of Australia can expect warmer temperatures, with minimum temperatures likely to be unusually high.

The current El Niño event is expected to persist until at least the end of summer. Additionally, all models predict that the positive IOD is likely to persist through December.

In September, river inflows into the Murray system were well below the long-term average. Low streamflows are likely for October to December.

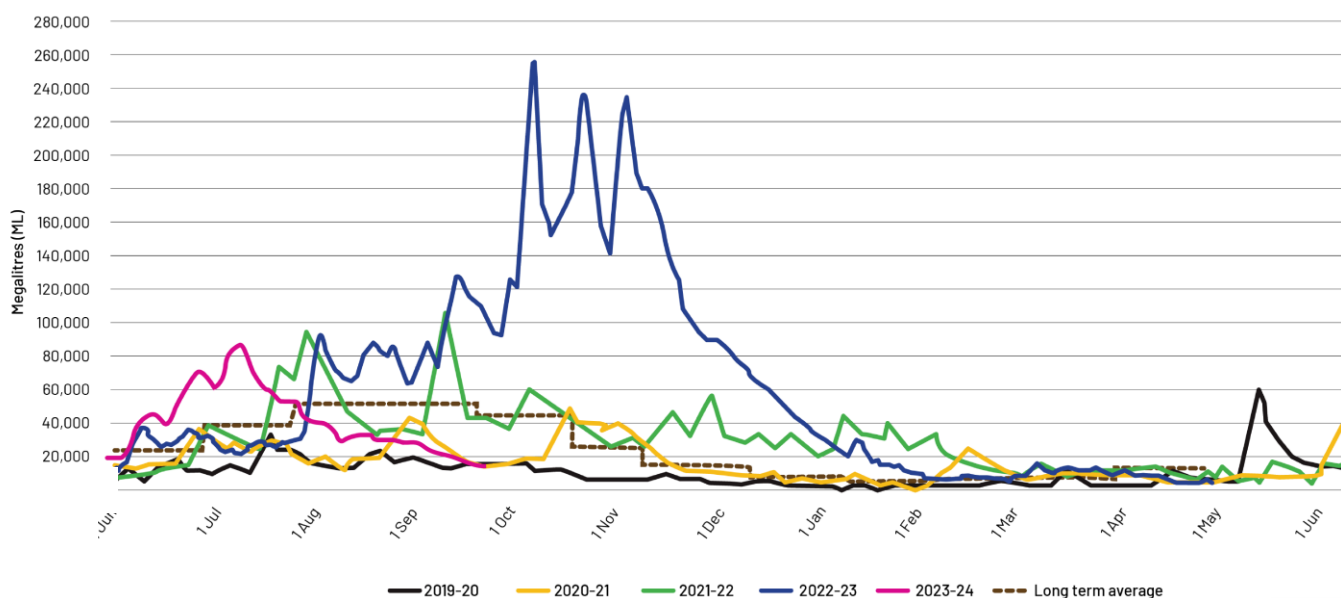
As of the end of September, water availability in the MDB remained high. The overall storage levels were at 93%, with the northern and southern basins at 90% and 94%, respectively. In comparison to last year, at this time, the overall storage levels were at full capacity, with the northern basin being at 106% and the southern basin at 98%.

## STORAGE LEVELS IN MAJOR DAMS



## DAILY INFLOWS TO THE MURRAY DARLING BASIN

Murray System Daily Inflows (excl. Snowy Darling, inter-valley trade and environmental inflows) - 5 day rolling average



This announcement has been authorised for release by the Chairman of Duxton Water Limited

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