



DUXTON
WATER LTD

Duxton Water Limited Monthly Update

31 January 2017

Net Asset Value per Share

\$1.05

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

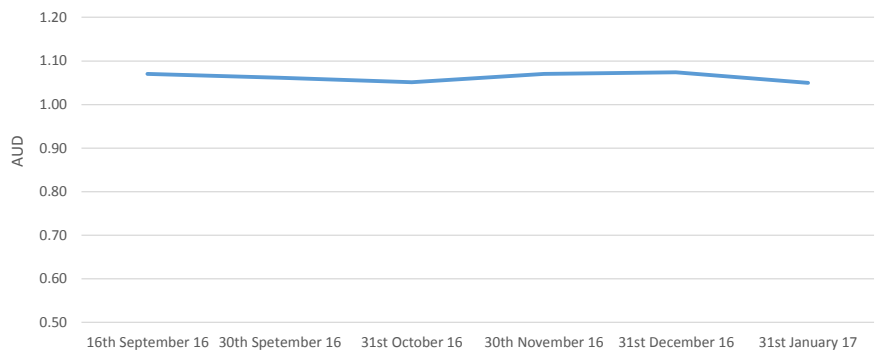
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

Net Asset Value per Share

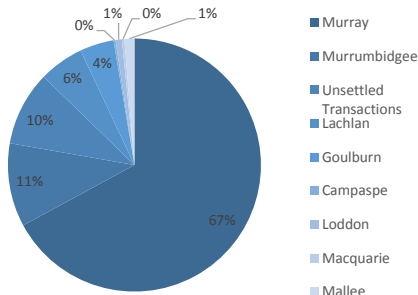
Duxton Water's NAV as at 31 January 2017 was \$1.05 per share.

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.

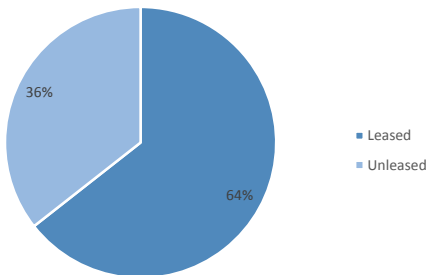
Net Asset Value per Share - Since Inception



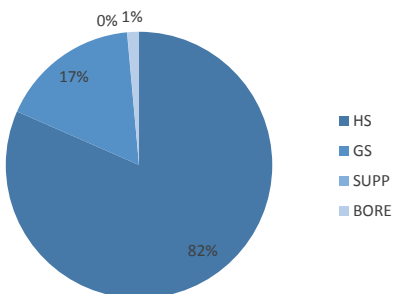
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



Performance	Gain/Loss
1 Month	-2.23%
3 Months	-0.11%
6 Months	N/A
12 Months	N/A
Inception	-1.87%

Market Update

Market Summary

Warm to hot conditions prevailed across most of the Murray-Darling Basin (MDB) throughout January with brief reprieves of rainfall. Current weather models suggest neutral weather conditions will continue to be present from now into autumn within the major southern irrigation farming areas. Current inflows remain above average which is assisting to build momentum towards higher water availability for next season. Deliveries of Goulburn Inter Valley Transfers (IVT) commenced in January. These IVT deliveries reopened the opportunities for temporary allocation trade out of the Goulburn valleys into the Murray system. This has been the catalyst for the temporary price decline. However, if dry conditions persist and current maturation of crops and/or carryover demand improves, a new price floor may emerge.

Very early grape varieties are now being harvested in the Sunraysia region. Commentary out of several industries indicate average to above average yields are on the horizon for most growers with a two to three week delay in this season's crop growth primarily caused by the 'wetter' past six months. Prices for grapes across the region look to be 10-20% higher compared to 2016. Cotton prices throughout January also increased circa 6%.

Contrary to the reduction in the temporary market, permanent entitlement prices remained steady throughout January. In part, this is because irrigators are placing value on the long term positive attributes of entitlement ownership.

Murray System

Total inflows into the Murray system were 260GL, in line with the 10 year average of 260GL. The Hume and Dartmouth reservoirs remain at high storage levels of 83.8% and 78%, respectively. The Hume Reservoir received total rainfall of 50mm, compared to the long-term average of 46.3mm.

The opening of the Goulburn/Murray IVT was the catalyst for the temporary price decline in both water systems. Although temporary prices for zones 1A, 6 and 7 fell substantially, the overall impact on the portfolio was mitigated through the long-term leases. Entitlement prices in the Murray system were mixed throughout January. In NSW, zone 11 general security saw an increase of 4.6%, however zone 11 high security decreased 4.8%. This significantly impacted the NAV for the month as 33% of the portfolio is invested in zone 11 high security water entitlements. In Victoria, zone 6 decreased 2.4% and zone 1A increased 2.7%.

Central and Northern NSW (Murrumbidgee and Lachlan Valley)

The central and northern NSW water assets held firm in January, although this was due to the illiquidity of the assets. As discussed in the previous factsheet, there still remains significant demand for Lachlan Valley entitlements at a 20% premium to our weighted average price. These transactions will eventually be filled and reflected in our Lachlan Valley valuations.



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Investment Update

Permanent Water Acquisitions and Divestments

As at 31 January 2016, Duxton Water is invested in approximately \$54 million of water entitlements, equating to 81% 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 \$10.2 million worth of water entitlements. These additional contracts will result in 96% of the portfolio being invested.

Temporary Water Sales

In January, 6,130ML of allocations were sold at a weighted average yield of 4.0%. This comprised of water allocations in zones 1A, 4, 6, 7 and 10. Of the total allocations sold, 3,250ML related to forward contracts which had a weighted average yield of 5.83%. Prices received for these forwards were significantly higher than the spot price at delivery. As an example, a 700ML zone 6 contract was sold forward in January at \$110/ML. The spot price for zone 6 at the delivery date was \$50/ML. This represents a 120% premium to the market price.

Lease Yield

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

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

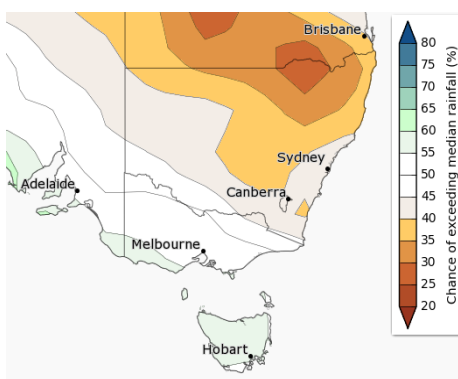
Total assets of the Company are valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from the respective state register, excluding outliers. Outliers are defined as a trade with 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.

Please note: Due to a rounding error, the Duxton Water December 2016 reported NAV was incorrect. The correct NAV for 31 December 2016 was \$1.07 per share. This equates to a revised monthly performance as at 31 December 2016 of 0.37%, a three month performance of 1.18% and a performance of 0.37% since inception.

Market Outlook

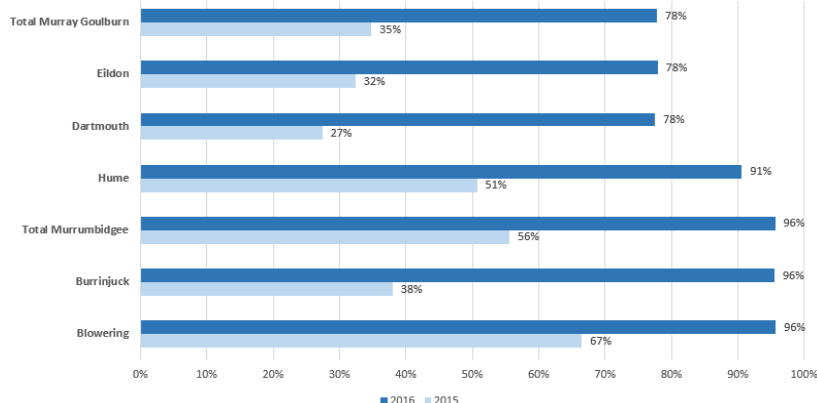
The latest Bureau of Meteorology outlooks are suggestive of further hot and dry conditions over the next three months for the Murray Darling Basin. Models are forecasting a 50%-65% chance of below average rainfall across the Basin (see chart below). There are forecasts for above average pressure which will likely bring clear skies and warmer than average daytime temperatures to parts of the southeast.

The chance of above median rainfall for February



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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