



# Duxton Water Limited Monthly Update

31 January 2018

**DUXTON**  
WATER LTD

Net Asset Value per Share

**\$1.20**

Duxton Water	
ASX Code (Shares)	D20
ASX Code (Options)	D200
Shares on Issue	71,213,632
Options Outstanding	63,942,406
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.

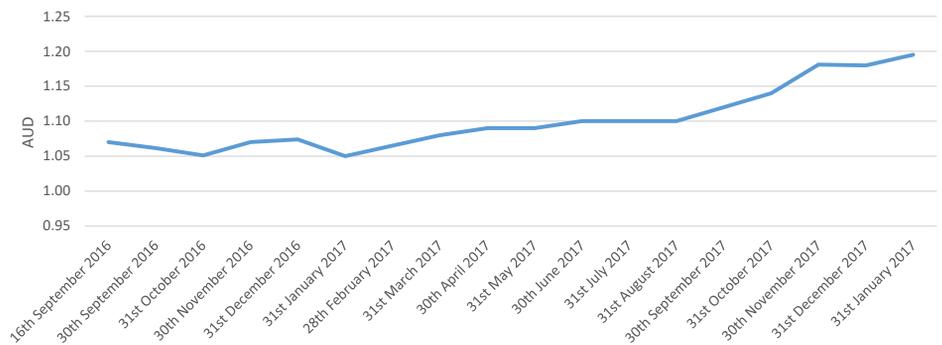
## Net Asset Value per Share

Duxton Water's NAV as at 31 January 2018 was **\$1.20** per share.

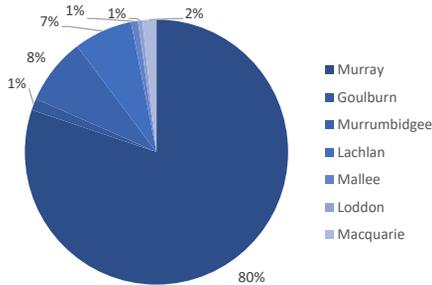
The after tax NAV figure takes into account the provision for deferred tax on set-up costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date. These figures are not adjusted for any dilution due to the outstanding options which are exercisable at \$1.10.

NAV is calculated based on an independent monthly portfolio valuation performed by Aither Pty Ltd (Aither).

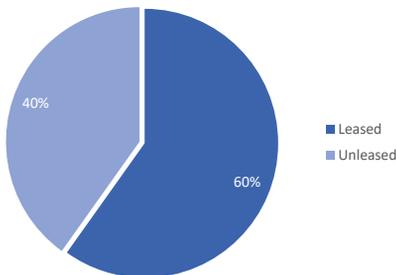
## Net Asset Value per Share - Since Inception



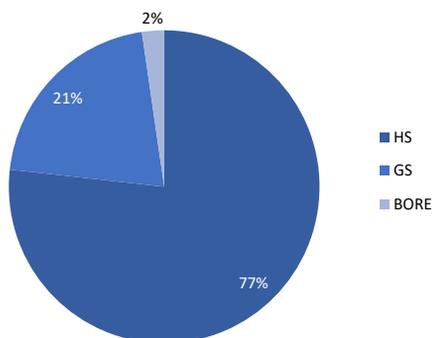
## Entitlement Portfolio Value by Region



## Water Portfolio Diversification



## Water Security Breakdown



Performance	Gain/Loss
<b>1 Month</b>	1.29%
<b>3 Months</b>	4.83%
<b>6 Months</b>	8.65%
<b>12 Months</b>	13.82%
<b>Inception</b>	11.69%
<b>Inception (plus franked distribution)</b>	14.32%

## Market Update

### Market Summary

Storage levels of the major dams within the Murray Darling Basin (MDB) decreased by 5% through January in line with summer water use expectations. Total MDB storage levels were 14% lower than at the end of January 2017.

As a result of the December rainfall event, a further allocation to NSW General Security Entitlement Holders was made on the 1st of January. The 3% increase took General security holders to 49%. Duxton Water benefited from this further allocation. No increases were made to other entitlements and the likelihood of further allocations prior to the start of the 18/19 Water year (1/7/2018) is low. Demand across the Murray and Murrumbidgee valleys for allocation has increased with allocation prices firming from December average.

Duxton Water presently has approximately 17.4GL of unleased water allocations available.

### Southern Basin

The Hume and Dartmouth reservoirs closed the month at 62% and 89% of capacity respectively. Hot dry conditions persisted through the middle of January with rainfall totals across the Basin 60% lower than the long term average. Entitlement demand remained strong. The NSW Murray High Security Entitlement pricing increased by 3% (33.5% of the portfolio) with NSW Zone 10 Murray General Security Entitlement increasing by 4% (10.6% of the portfolio). A 1% increase in entitlement value was also seen in NSW Murrumbidgee and South Australian High Security Entitlements. All other Water Entitlements prices remained relatively flat.

Temporary water prices rose through January as Summer demand strengthened after the lower demand through December.

### Northern Basin

Duxton Water took advantage of peak season allocation pricing in both the Macquarie and Lachlan to sell its unleased allocation. Northern Basin Water Entitlements remained flat through January.



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## Investment Update

### Permanent Water Acquisitions and Divestments

At 31 January 2018, Duxton Water is invested in approximately \$88 million of water entitlements with the remainder of the portfolio held in cash and net current assets. Duxton Water holds contracts over a further \$4.36 million of water entitlements at the 31st January 2018.

### Temporary Water Sales

3468.3ML of allocation were sold through January marking the beginning of the Company's sales for the 2018 financial year. Higher levels of allocation were carried through from December and will be sold through the remainder of the Summer irrigation period.

In 2017, allocation sales amounted to 20,792ML, with a final running yield of 4.65%. As of the 31st of January 2018, the Company has sold a total of 3,468.3ML, deriving a current yield on the unleased portion of the portfolio of 1.15%.

The Company tracks the return from its unleased entitlements in the form of a Running Yield, from start of the financial year (1 Jan) to date, based on the current annual income on the investment divided by its current market value. **This yield will increase through the Company's financial year as we divest the remainder of held allocation and derive returns from the next water year's allocation from 1st of July.**

### Lease Yield

No new leases were entered into in December.

60% of the Company's portfolio is leased with a weighted average yield of 6.20% and a weighted average lease duration of 5.40 years.

### Total Yield

Duxton Water's yield is comprised of two streams of income: leased and unleased income. The leased income is currently at 6.20% (annualised) and the unleased income is 1.15% (running).

The 2018 weighted average running yield of the two streams is 4.18%. This will increase as unleased allocation is sold through the year.

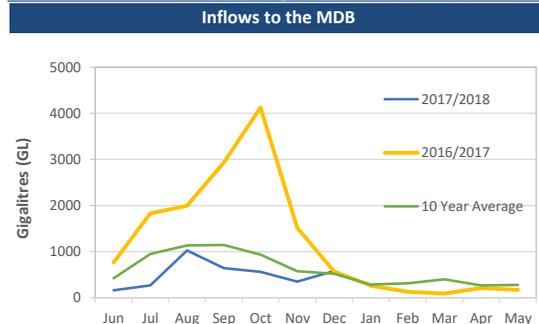
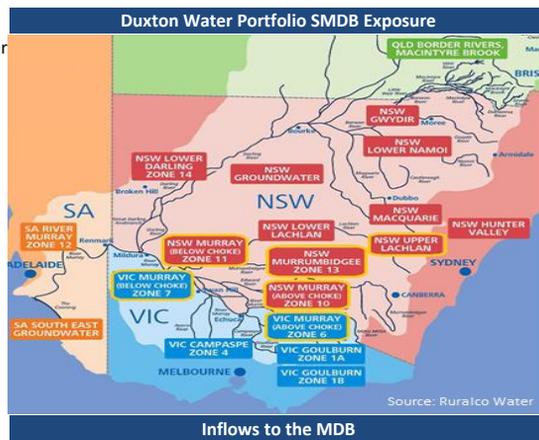
### Dividends

The Company paid its maiden dividend of 2.3 cents per share franked at 75% to investors on 16 November 2017.

The Company aims to pay biannual dividends moving forwards.

### Valuation Methodology

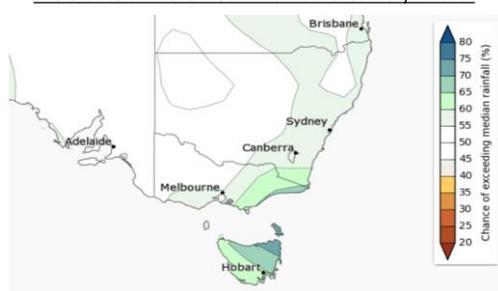
Aither undertake a monthly valuation of the Duxton Water portfolio. Total assets of the Company are valued based on an assessment of fair market value. Aither has adopted the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement definition of fair value. Further information can be found on [www.duxtonwater.com.au](http://www.duxtonwater.com.au).



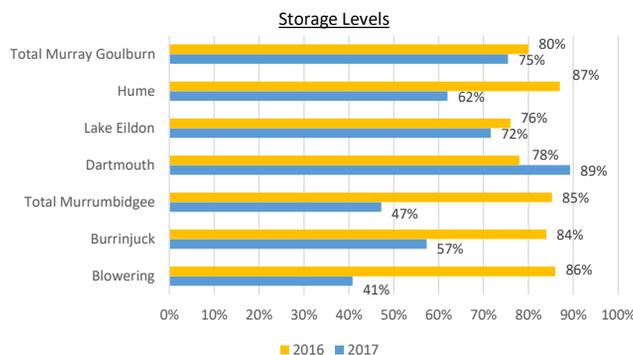
## Market Outlook

The latest Bureau of Meteorology outlooks are suggestive of a 50% chance of median rainfall over the next quarter however the median itself is low over this period therefore no significant inflows into the Murray Darling Basin are to be expected for this period (see chart below). Water resource managers will begin providing 2018/2019 allocation forecasts on the 15th of February.

The Chance of Above Median Rainfall for January - March



Source: Bureau of Meteorology



### Disclaimer

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