



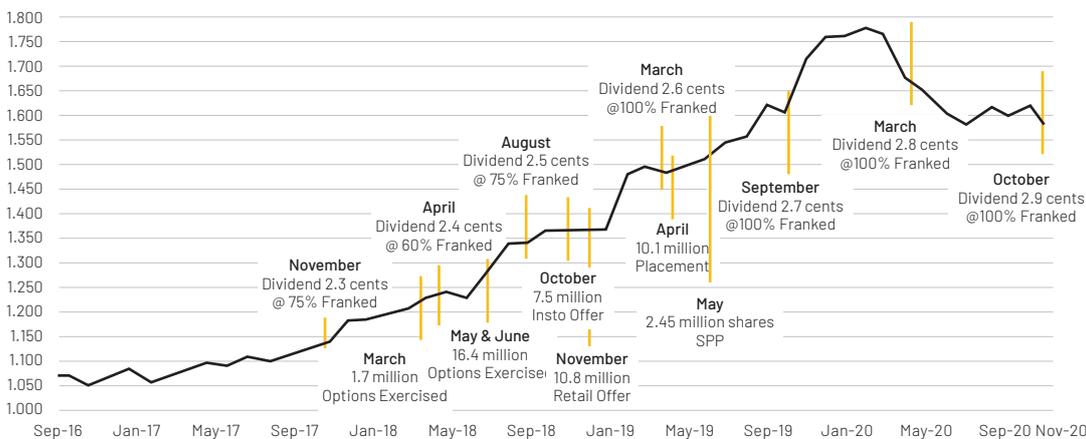
The primary investment objective of Duxton Water ("the Company") is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering Irrigators a range of supply solutions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

### NET ASSET VALUE PER SHARE

Duxton Water's NAV at 31 October 2020 was \$1.58 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. The Company does not expect to trigger these tax provisions through the turnover of these assets and expects to maintain its low entitlement turnover ratio. **The NAV excluding tax provisions for unrealised capital gain is \$1.74.** The Company's NAV is primarily the fair value of its water asset portfolio at the stated date. The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment.

### NET ASSET VALUE PER SHARE - SINCE INCEPTION



### PERFORMANCE\*

| 1 Month | 3 Months | 6 Months | 12 Months | Inception |
|---------|----------|----------|-----------|-----------|
| 0.10%   | 0.01%    | -1.78%   | -3.27%    | 71.12%    |

\*These figures are based on NAV movements and include franked dividends for the period.

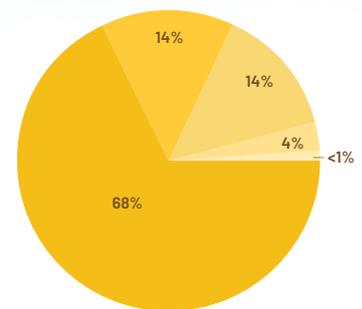
### INVESTMENT UPDATE

As of the 31 October 2020, Duxton Water is invested in approximately \$314.14 million of water assets with the remainder of the portfolio held in cash and net current assets. Having taken the opportunity to rebalance a portion of the portfolio recently, the Company is redeploying capital and currently has approximately 665ML (\$3.45 million) of water entitlements in its acquisition pipeline at 31 October 2020.

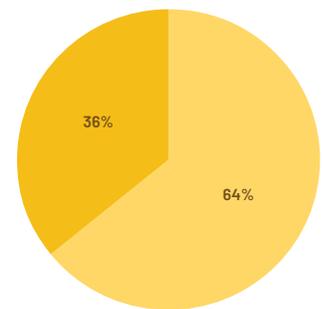
The 20/21 water year has seen reduced trading activity as Irrigators continue to wait for the forecasted wetter period to eventuate. The BOM have been projecting above average rainfalls for large parts of Australia since early April and while system inflows have improved since late June, levels remain below the long-term average.

After a 36-40 month period of below average rainfall and inflows drawing down on the safety net of the water storages within the Murray-Darling Basin (MDB), the 19/20 water year saw significant pressure on

### Entitlement Portfolio Value by Region

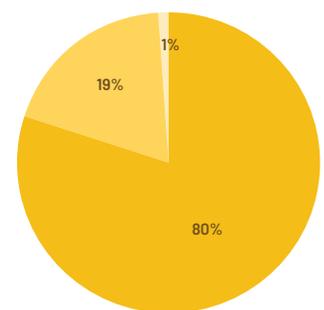


### Water Portfolio Diversification



● Unleased ● Leased

### Water Security Breakdown



● HS ● GS ● Bore



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**\$1.58**

**Net Asset Value per Share**

**ASX CODE (Shares) D20**

Shares on Issue (October) 119,597,578

available water supply. Prior to entering the 20/21 water year on the 1 July 2020, many Irrigators took advantage of water supply products such as leases and forward allocation contracts to assist them in the management of their water requirement. As Australia approaches the summer period, many Irrigators have or are in the process of finalising their summer cropping programs. With increased water resource available, the annual summer crop will be significantly higher than in the 19/20 water year.

Since May 2020, entitlement prices have been relatively stable and have begun to increase in value again. This follows a 6% retracement in values from their peak in January 2020. For context since January 2014, water entitlement values have increased over 250%, reflective of the long-term structural drivers, rather than the short-term climatic conditions. Irrigators have over the last 10 years significantly enhanced their marginal return per megalitre through both more efficient use of water and conversion to higher value commodities. At the same time, we have seen significant steps taken to return water to the environment with Government purchases of between 20-22% of entitlements that were previously available to the consumptive pool. The combined impact has seen stronger demand for a reducing available water supply and subsequent increased asset prices. Irrigators themselves have been the greatest beneficiaries from this capital appreciation as they collectively own the majority of water entitlement on issue in the market.

October rainfall across the MDB was 26% above the long-term average. MDB Authority active storage levels are higher than they were 12 months ago, however they are still approximately 20% below long-term levels. Storages are now broadly past their accumulation phase and are entering the peak drawdown period for summer water use requirements. The current volume of water available within the Murray-Goulburn system is 64% of storage capacity levels; 21% higher than 12 months ago. Northern basin storage levels are currently 27%, 18% higher than 12 months ago.

Duxton Water continues to support its Irrigator partners as they prepare for peak water requirements through the 20/21 water year. This involves the provision of leases to over 70 family farming and corporate businesses. Through June we saw many Irrigators take advantage of seasonally low allocation pricing and acquire allocation to carry over into the new water year. The Company has further supported Irrigator water risk management through the provision of forward allocation contracts for the 20/21 water year. This provides Irrigators with clear water supply visibility and assists Duxton Water in hedging its allocation risk on unleased assets.

The Company actively manages its allocation holding in order to deliver on demand for spot allocation sales, meet its obligation for the provision of forward allocation sales and deliver on new entitlement lease arrangements. With lower storage levels, visible water supply through the provision of these products are a critical tool that Irrigators use to risk manage their water requirement. In the offering of these products, the Company supports market liquidity and risk management options for our Irrigator partners.

\* <https://waterregister.vic.gov.au/images/documents/Water-supply-and-horticulture-demand-in-the-sMDB-2020-Update.pdf>

## ENTITLEMENT MARKET

Duxton Water is engaged in building a targeted portfolio of water entitlements predominantly across the southern MDB. The Company has invested in both surface and ground water assets. At 31 October 2020, the Company holds approximately 81,232ML of water entitlements across 19 different asset types and classes. Recently the Company took the opportunity to rebalance a portion of the portfolio with the sale of some of its Lachlan General Security Entitlement and Victorian High Reliability Entitlement, and the acquisition of High Security Entitlement in South Australia and alternate regions in Victoria.

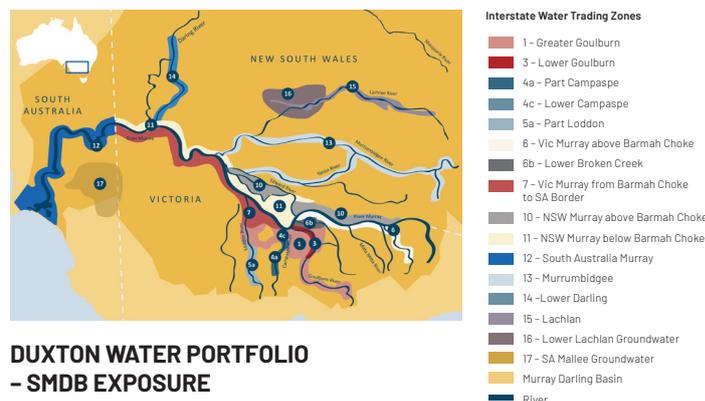
Entitlement pricing has remained relatively stable since May 2020 and through October we have seen approximately a 1% increase in value as transactional activity increases and demand build in the permanent entitlement market.

On the 27 June 2020, the Victorian Government released\* an update to their previous work on increasing horticulture demand within the southern MDB. This report reaffirmed, with a higher degree of accuracy, the previous findings, that the continued maturity of inelastic horticultural demand in the lower Murray will create a structural shortfall under extreme dry conditions. It remains the Company's view, that over the next 2-3 years, this demand pressure will become further evident, as a number of new projects come into full production and peak water use.

The Company uses an independent Fair Market Unit Value for allocations and dry entitlements (without allocation) provided by Aither to undertake the NAV assessment.

Notable Entitlement pricing movements through September:

- ↑ 2.6% in NSW Below Choke Murray GS (~4.6% of portfolio)
- ↑ 2.5% in NSW Murrumbidgee GS (~5.3% of portfolio)
- ↑ 1.5% in SA Murray (~8.7% of portfolio)
- ↓ 2.5% in NSW Murrumbidgee HS (~8.5% of portfolio)





## ALLOCATION MARKET

Prices through October have fallen in most regions as above average rainfalls across the MDB which has led to improved water resource availability and issuance of increased allocations to entitlements. Whilst allocation prices have fallen, the Company's balanced approach to its permanent entitlement portfolio and its exposure to general security entitlements mean that it benefits with the increased allocation availability.

The closure of trading limits from the upper Murray, Goulburn and Murrumbidgee has seen price fragmentation from the lower Murray. Through October lower Murray water prices traded between \$180-\$200/ML. Prices in the upper Murray, Goulburn and Murrumbidgee at the end of October range from \$100-\$150/ML.

## LEASES

The leased portion of the water entitlement portfolio is ~64%. This represents ~76.28% of the Company's High Security Entitlement holding.

The current weighted average lease expiry (WALE) remains at 2.4 years. Inclusive of renewal options this pushes the WALE to 4.7 years. The Company continues to work towards its long-term goal of having 70-80% of the portfolio under lease.

## DIVIDENDS

The Company paid a fully franked dividend of 2.9 cents on the 30 October 2020, with 222k shares issued under the Dividend Reinvestment Plan at a VWAP of \$1.3401/Share.

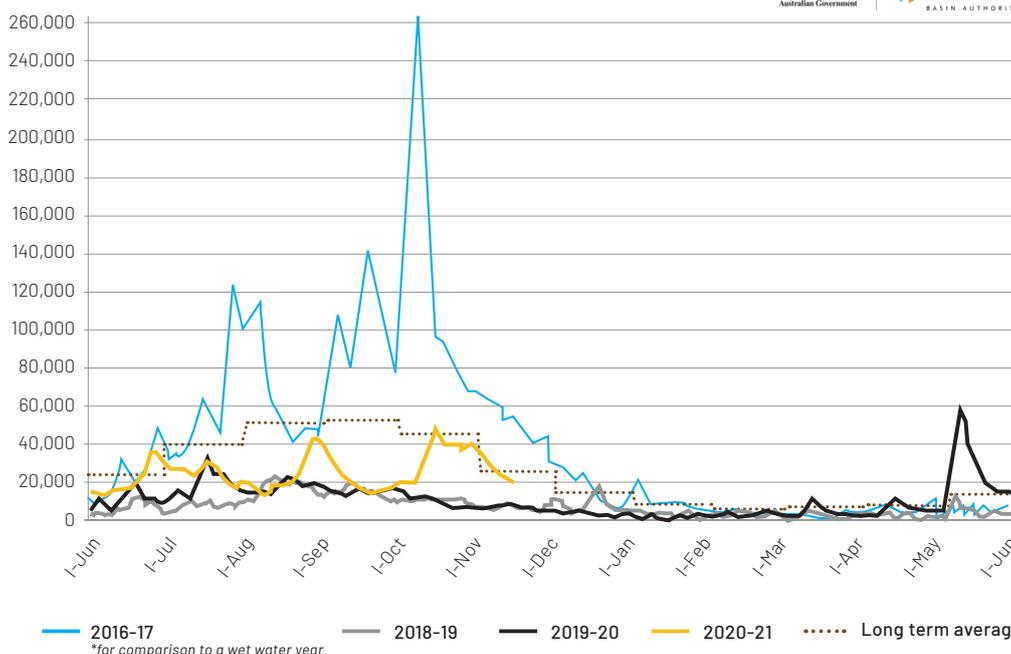
The Board maintains its commitment to providing shareholders with a bi-annual dividend franked to the maximum extent possible. With the Company's high percentage of leased entitlements, the Directors reaffirm its target for the next four dividends.

The Company has targeted fully franked payments of:

- 3.0 cents (\$0.030) as the final 2020 dividend;
- 3.1 cents (\$0.031) as the interim 2021 dividend;
- 3.2 cents (\$0.032) as the final 2021 dividend; and
- 3.3 cents (\$0.033) as the interim 2022 dividend.

The dividend targets are to be paid in the following reporting periods.

## DAILY INFLOWS TO THE MDB



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



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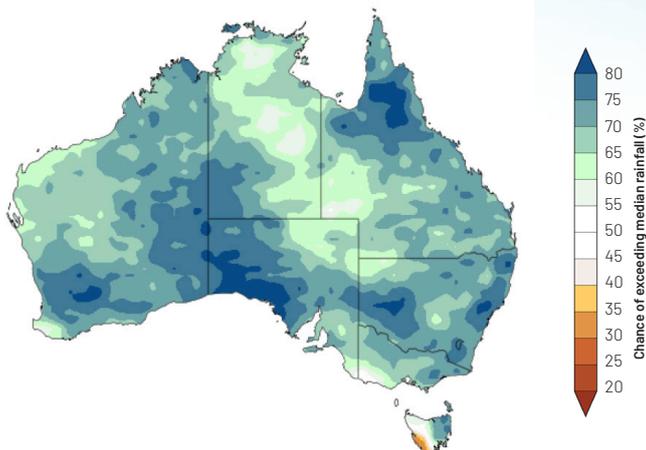
**\$1.58**

**Net Asset Value per Share**

**ASX CODE (Shares) D20**

**Shares on Issue (October) 119,597,578**

## CHANCE OF ABOVE-AVERAGE RAINFALL NOVEMBER 2020 - JANUARY 2021



## MARKET UPDATE & OUTLOOK

With a La Nina event well established, above average rainfall for large parts of Australia is likely through to the end of January. In recent months the Southern Annular Mode has tended towards more positive values, which also tends to lead to higher rainfall across the MDB. It should be noted however that for the southern parts of Australia and particularly the southern MDB, summer is not a high rainfall period and requires only small increases of received precipitation to breach the average rainfall thresholds. The BOM noted in their recent outlook that: 'While the outlooks indicate wetter than average conditions, southern parts of Australia are entering into their drier season, so rainfall is not likely to be sufficient to relieve long-term rainfall deficits.'

Rainfall for the MDB for October was 26% above the average and has been a welcome change compared to the previous 36-40 months of drier conditions.

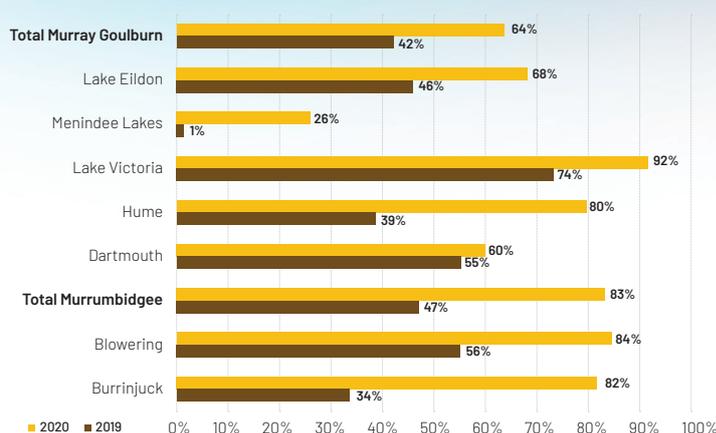
In the northern and southern MDB, storages are now at 27% and 64%, compared to 9% and 40% this time last year.

As of the 13 November, Victorian Murray and Goulburn HS entitlement holders received 77% and 93% respectively. NSW Murray and Murrumbidgee HS licences received 95% and 97% respectively on 1 July 2020 with their GS counterparts receiving 36% and 66% to date respectively. SA entitlements had received 100% allocation by 17 August 2020.

### 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)

## STORAGE LEVELS IN MAJOR DAMS



## ACCC

On 30 July 2020, the ACCC released the interim report into the Southern Murray Darling Basin Water Market.

The ACCC has spent almost a year reviewing the markets operation and engaging with key stakeholders. The Commission has had an ongoing role in monitoring the Australian Water Markets, having issued reports on its operation since 2012. Whilst the Company will review the in-depth report, on a first read we believe it is a thorough and well-balanced report.

We note the ACCC has stated that:

"Water trading has brought substantial benefits to water users across the Basin. Water markets allow Irrigators to increase their water supplies, to earn income by selling their water rights when they are more valuable to someone else, to expand production, or to release capital for investment in their businesses. The benefit of water markets is demonstrated by the fact that, despite tough and volatile climatic conditions, the value of production from irrigated agriculture in the Southern Basin has trended upwards in real terms since 2010-11."

"Water investors, meanwhile, can help Irrigators free up capital by buying and leasing out water; they can increase water market liquidity; and they can help Irrigators manage water-supply risks, by providing water products such as leases and forward contracts."

We note the report has identified opportunities to improve governance, regulatory and operational frameworks that support Australian water markets. We believe that a focus in these areas will benefit all stakeholders and Duxton will actively engage in that process.

The interim report can be found at:

<https://www.accc.gov.au/focus-areas/inquiries-ongoing/murray-darling-basin-water-markets-inquiry/interim-report>

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

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