



**DUXTON**  
WATER

**\$1.72**

Net Asset Value per Share

ASX CODE: D20

Shares on Issue (September): 119,840,047

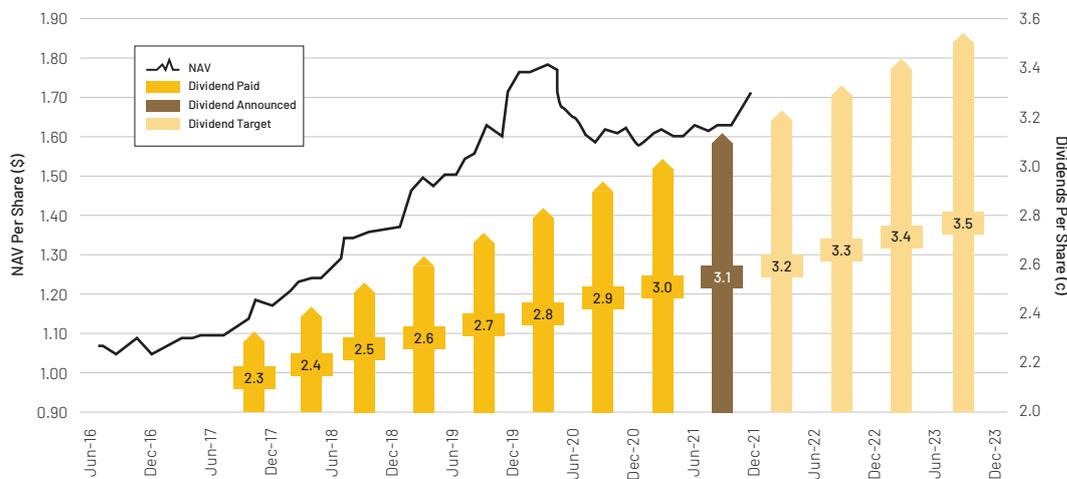
The primary investment objective of Duxton Water ("the Company") is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering Irrigators a range of supply solutions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

## NET ASSET VALUE PER SHARE

Duxton Water's NAV at 30 September 2021 was \$1.72 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 \$1.93 per share.** 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
0.58%	5.25%	8.62%	11.38%	88.19%

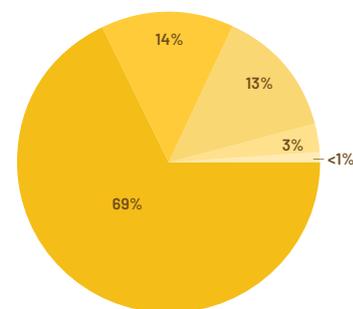
\*These figures are based on NAV movements and include franked dividends for the period.

## INVESTMENT UPDATE

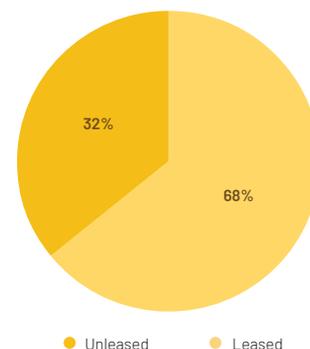
At 30 September 2021, Duxton Water is invested in approximately \$327 million of water assets, with the remainder of the portfolio held in cash and net current assets. This month, Duxton Water entered three permanent water purchase contracts in VIC Murray Zone 7 (high security) and SA Murray Zone 12 (high security). There are several transactions in the Company's acquisition pipeline.

Since December 2020, entitlement prices have continued to strengthen, with a notable uplift being seen both across the Company's high and general security assets. By December 2020, entitlement prices softened from their peak in January 2020. The 2021 year has seen entitlement pricing continue to strengthen for both high security and general security assets as general security assets receive an allocation and irrigators continue to increase their exposure to high security water. Permanent entitlement prices have increased 7.8% since the start of 2021.

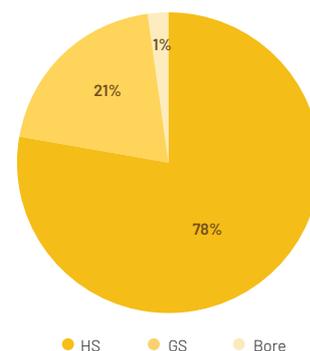
## Entitlement Portfolio Value by Region



## Water Portfolio Diversification



## Water Security Breakdown





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The Government has taken significant steps to return water to the environment with buy-backs. So far, the Government has bought back 31% of high security and 27% of general security entitlements from the consumptive pool. This constraint on supply combined with the significant increase in inelastic demand for water from permanent crop producers, has seen the value of permanent water assets continue to increase in 2021.

Murray Darling Basin (MDB) active storage levels are now 17% higher than long term averages. Above average rainfall and inflows to catchments have significantly improved major storages over the last 3-4 months. The Hume dam, one of Murray Goulburn's main water storages, is currently at 97% capacity. The MDB authority has continued to manage Hume by releasing water to help mitigate the impacts of future spill events. On 1 October 2021, the resource manager announced, "A first deduction of 89GL will be made with today's announcement, this is about 31% of the current volume held in spillable accounts". Storage capacity at Burrinjuck and Blowering dam, Murrumbidgee's main storages, are currently at 99% and 95% respectively, with current air space management and supplementary events taking place.

Duxton Water has continued to work alongside its farming partners throughout September. Although storages have significantly improved, the Company has continued to provide its range of water supply products to the market. Duxton Water is committed to supporting irrigators through these conditions by offering long-term water leases, spot allocation sales, forward contracts and carry over products.

## ENTITLEMENT MARKET

Duxton Water is engaged in building a targeted portfolio of water entitlements predominantly located across the southern MDB. The Company has invested in both surface and groundwater assets. At 30 September 2021, the Company holds approximately 80 GL of water entitlements across 18 different asset types and classes.

Entitlement pricing across the southern MDB strengthened during September 2021, with a weighted average increase of 2.1%. Increased demand has come from an array of larger permanent crop producers entering the market with the view to improving their long-term water security. Small to medium-sized irrigators have also been active in the market to prepare for future water years. Australian irrigators continue to be the greatest beneficiaries from water entitlement price increases, as they collectively own the majority of water entitlements on issue.

On 20 November 2020, the Victorian Government released a report\* on water market trends and drivers in the southern MDB. This report delivered further analysis on the future market pricing impacts on allocation prices of both the increased horticulture development as well as past and future government water recovery.

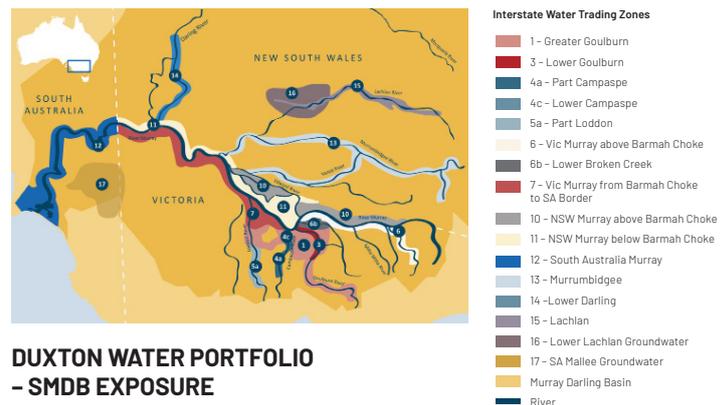
\* <https://waterregister.vic.gov.au/about/news/330-new-analysis-on-trends-and-drivers-of-marker-prices-for-allocation>

The key findings of this report indicated that with the impact of these structural demand and supply shifts, and a repeat of the last 15 years of resource availability, it is likely the weighted average price of water will be significantly above what has been experienced over the last 15 years.

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 2021:

- ↑ 6.7% in NSW Murrumbidgee HS (7.8% of portfolio)
- ↑ 4.9% in VIC Murray (below choke) HR (10.9% of portfolio)
- ↑ 2.4% in NSW Murray (below choke) HS (19.6% of portfolio)
- ↑ 1.5% in SA Murray (below choke) HS (10.0% of portfolio)
- ↓ 1.2% in VIC Goulburn HR (12.6% of portfolio)



## DUXTON WATER PORTFOLIO - SMDB EXPOSURE

## ALLOCATION MARKET

Allocation pricing softened throughout September. This comes on the back of above average rainfalls experienced throughout the month (21% above average across the MDB), improved dam storage levels and improved allocations awarded by the respective resource managers. As a result, prices traded between \$110-\$120/ML in the Lower Murray, \$95-\$105/ML in the Goulburn and between \$90-\$100/ML in the Murrumbidgee and Above Choke Murray market.

An allocation tender offered by a Victorian urban and rural water authority in the Goulburn Valley, caused Goulburn irrigators to pull back from the market in the hope of securing water through this process.

Duxton Water has continued to deliver on forward allocation sale contracts throughout September that were contracted earlier in the 20/21 water year. These forward allocation sale contracts benefit irrigators by providing a guaranteed supply of water at a predetermined price. They also provide Duxton Water with a visible revenue stream that hedges the Company's unleased portion of the portfolio against future allocation pricing movements.



## DIVIDENDS

The Board of Duxton Water is committed to providing shareholders with a bi-annual dividend. On 22 September 2021, Duxton Water announced it would pay its ninth successive and increasing dividend to Shareholders of 3.1 cents per share (franked to 100%). The payment for this dividend is 29 October 2021.

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 and visible revenue streams, the Board is pleased to reaffirm targets for the following four dividends.

**The Company has provided the following fully franked dividend targets:**

- 3.2 cents (\$0.032) as the final 2021 dividend;
- 3.3 cents (\$0.033) as the interim 2022 dividend; and
- 3.4 cents (\$0.034) as the final 2022 dividend.
- 3.5 cents (\$0.035) as the interim 2023 dividend.

Dividend targets are to be paid in the following reporting periods.

## LEASES

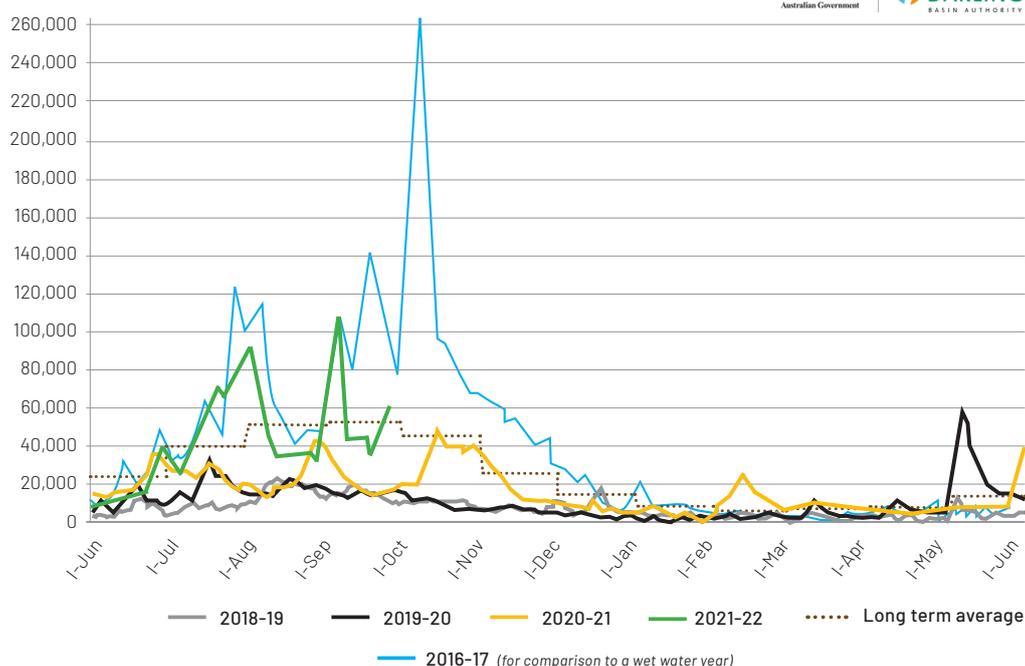
Through long-term leasing arrangements, Duxton Water is able to satisfy the water requirements of its irrigator partners, enabling them to risk manage a key input into their business. Long-term water leases give irrigators a cost-effective way to access water and provide water security as they can be guaranteed a water allocation every year at a fixed cost.

At 30 September 2021, Duxton Water has 68% of its permanent water portfolio leased to Australian farming businesses. This represents 78% of the Company's high security entitlement holding.

The Company is in discussions with a number of existing lessees to renew their current leases as well as engaging with new potential lessees looking for long term water security for their businesses.

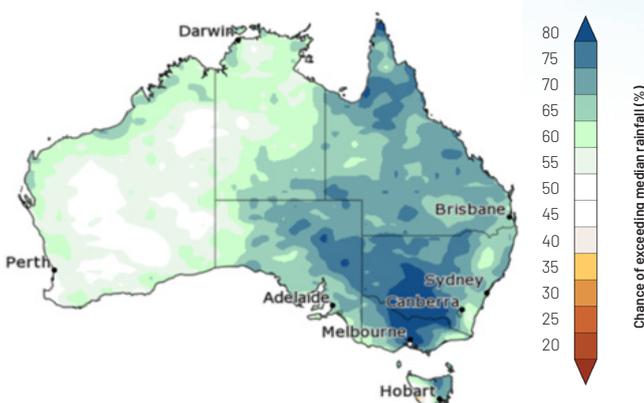
The current weighted average lease expiry ("WALE") is 1.6 years. Inclusive of renewal options this increases the WALE to 4.2 years. The Company continues to work towards its long-term goal of having 70-80% of the portfolio under lease.

## DAILY INFLOWS TO THE MDB



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

## CHANCE OF ABOVE-AVERAGE RAINFALL November - January 2021

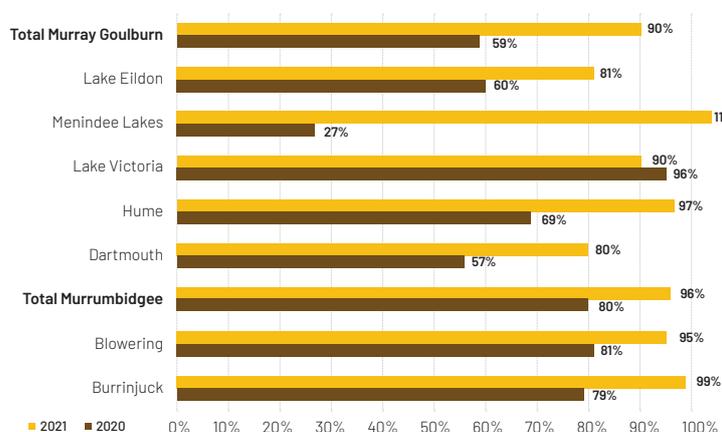


## MARKET UPDATE & OUTLOOK

Following the wettest winter since 2016, rainfall was average-above for September for the north and south of Australia. Water storages across southern Australia continued to fill throughout the month. For the first time in a decade, the Menindee lakes are now at full capacity. The largest increase to storages throughout September was to the MDB storages.

The Bureau of Meteorology ("BOM") has confirmed that recent cooling in the tropical Pacific Ocean has raised the chance of a La Niña threshold being met within the 2021 year. As a result of this and the current weather forecasts, the BOM has now increased its ENSO outlook radar to "Watch". La Niña typically increases the chances of above average rainfall for northern and eastern Australia during spring and summer.

## STORAGE LEVELS IN MAJOR DAMS



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

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The Bureau of Meteorology ("BOM") has confirmed the current negative Indian Ocean Dipole (IOD) event has continued to diminish as oceans to the north of Australia cool.

As a result, these two patterns in the Pacific and Indian Ocean suggest wetter than average conditions for eastern Australia may persist into the new year. Near median-high stream flows can be expected for most forecasted locations up until November. November to January daytime temperatures are likely to be warmer than average across the north and south-east of Australia. Night-time temperatures are likely to be warmer than average across the country.

Rainfall for the MDB during September was 21% above the long-term average. In the northern and southern MDB, storages are now at 82% and 90%, compared to 27% and 59% at the same time last year.

## ACCC

On 26 March 2021, the ACCC released the final report into the Murray Darling Basin Water Markets. The ACCC 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.

Duxton Water actively participated in the ACCC inquiry and supports any efforts to provide further transparency and benefits to participants of the Australian water market. Duxton Water believes the report is a thorough and well-balanced report.

The Final Report has identified opportunities to improve the governance, regulatory and operational frameworks that support the Australian water markets. We believe that a consistent and committed focus in these areas will benefit all stakeholders.

### We note the ACCC stated that:

"Investors provide benefits to water markets. They provide new sources of capital to irrigated agriculture, increase water market liquidity and provide a range of water products which help irrigators to manage water supply risks".

The ACCC also stated it does not support a return to the system where water ownership was tied to land.

Duxton Water is managed by the Australian owned Duxton Group, which actively manages farms throughout Australia, producing a variety of agricultural commodities including wine grapes, dairy, walnuts, dried fruit, apples and grain. As an agricultural producer, irrigator and water product supplier, the Duxton Group understands the importance of water in the development of the Australian agricultural sector.

## 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)