



Duxton Water Limited Monthly Update

31 July 2017

DUXTON
WATER LTD

Net Asset Value per Share

\$1.10

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

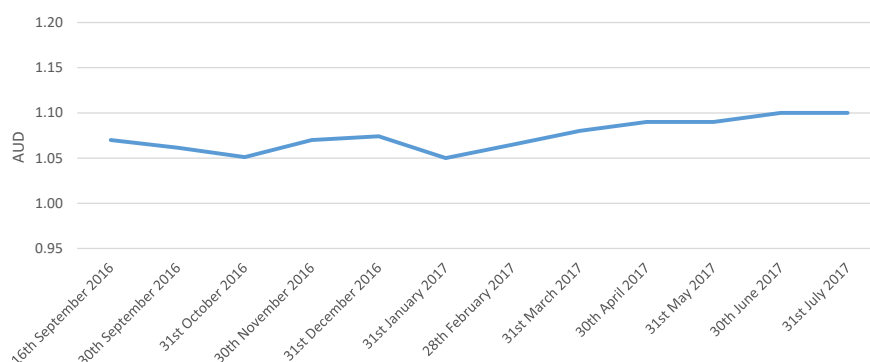
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

Net Asset Value per Share

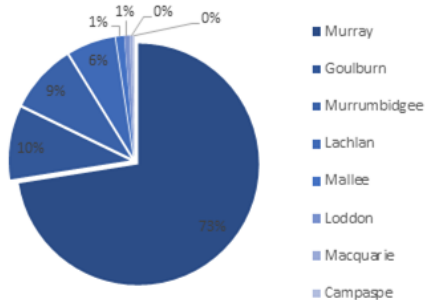
Duxton Water's NAV as at 31 July 2017 was \$1.10 per share.

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.

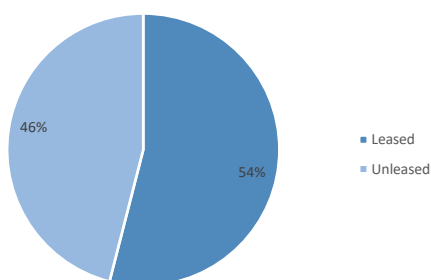
Net Asset Value per Share - Since Inception



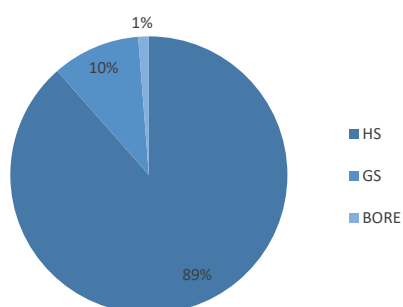
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



Performance	Gain/Loss
1 Month	0.00%
3 Months	0.92%
6 Months	4.76%
12 Months	N/A
Inception	2.80%

Market Update

Market Summary

Storage levels within the major dams within the Murray Darling Basin (MDB) decreased 0.1% over the past month. Total MDB storage remains 12% higher than July 2016. Very little inflows were recorded across the MDB for the month despite moderate rainfall occurring towards the end of the month.

Government Water Authorities for Victoria, New South Wales and South Australia announced opening allocations for the 2017/18 water year in early July. Water allocations for Victoria Murray High Reliability, New South Wales Murray High Security and South Australia High Security for the start of July were 66%, 97% and 100%, respectively. An opening allocation of 11% was received for NSW Murray General Security licenses. Including carryover, Duxton Water has approximately 12GL of water allocations available for sale.

Southern Basin

Total inflows into the Murray system for the month of July were 270GL, compared to the 10-year average of 949GL. The Hume and Dartmouth reservoirs closed the month at 75.1% and 78.2% of capacity, respectively. During the month, the Hume Reservoir received total rainfall of 73.0mm, compared to the long-term average of 76.9mm. However as advised in the June update the Hume received only 7.2mm which equated to the driest June on record. Across the Murray Darling Basin the Bureau of Meteorology reported that rainfall for July was 54% below average, with the month being the 17th driest on record.

Water entitlement prices displayed little movement in the month of July. Price increases were seen in NSW Murray General Security and Victoria Murray water zones, increasing 3.0% and 1.6%, respectively. Victorian Goulburn and New South Wales High Security water zones experienced a decrease in prices 2.3% and 1.3%, respectively.

Since the commencement of the new water year, temporary water prices have increased substantially when compared to prices at the end of the last water year. Dry conditions in June and July have provided upward pressure on allocation prices in the major water zone with prices rising from \$90/ML in early July to \$150/ML at the end of the month.

Northern Basin

Lachlan Valley water entitlement prices remained the same in July but have increased 30.3% since the start of the year. As noted in a number of our reports, we expected this increase to continue due to strong demand from large cotton growers.



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Investment Update

Permanent Water Acquisitions and Divestments

No new permanent water acquisitions or divestments occurred in July. Duxton Water is currently invested in \$69 million of water entitlements.

Temporary Water Sales

In July, no allocations were sold. YTD allocation sales amount to 14,000ML.

Lease Yield

No new leases were entered into in July. The weighted average yield for long-term leases remains at 6.04% p.a.

Total Yield

Duxton Water's yield is comprised of two streams of income: leased and unleased income. The leased income is currently at 6.04% (annualised) and the unleased income is 3.13% (running). The weighted average running yield of the two streams is 4.71%, equating to a forecast full year yield of 5.94%.

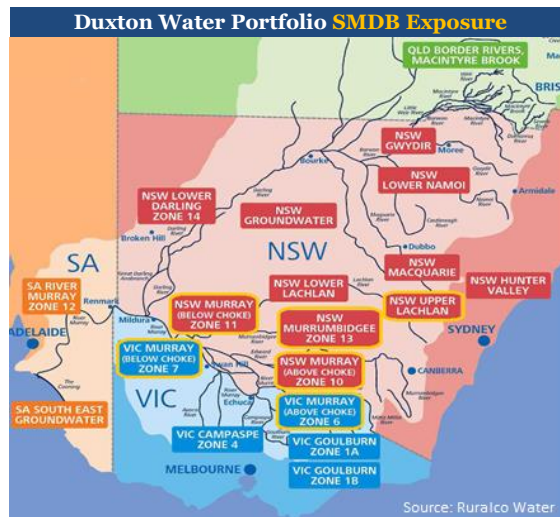
On 1st July 2017, the new water year commenced, meaning that the allocation balances have now been reset. This will positively impact the unleased component of Duxton Water's income as we have received additional allocations to sell throughout the remainder of the Company's financial year (June-December). In addition to the reset allocation balances, the Company has carried over some NSW General Security water into the new water year. Allocations carried over will be sold in the new water year at a higher water prices compared to the 2016/17 water year. As such, we expect the unleased income stream to increase as allocations are sold.

Dividends

The Company advised in the June update its intention to pay a return of capital. The Board have since decided that the Company intends to pay a partially franked dividend in November 2017. It is the Board's intention that the dividend will be franked as high as possible. The final amount of this dividend and the franking percentage are yet to be determined by the Board.

Valuation Methodology

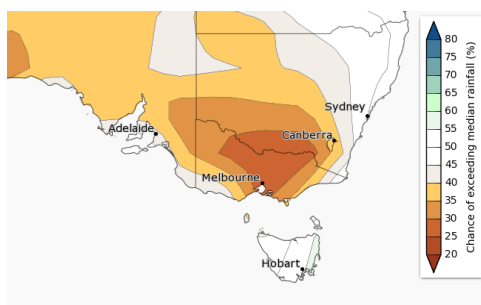
Total assets of the Company are valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from the respective state register, excluding outliers. Outliers are defined as a trade with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



Market Outlook

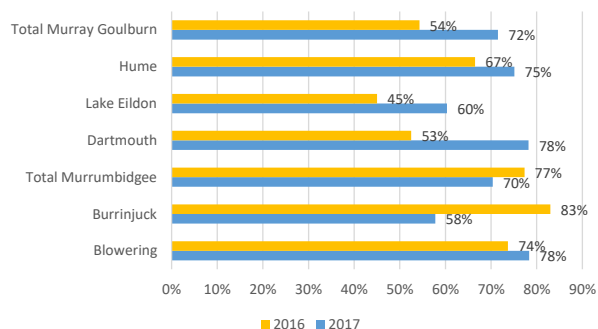
The latest Bureau of Meteorology outlooks are suggestive of further hot and dry conditions over the next three months for the Murray Darling Basin. Models are forecasting a 60%-75% chance of below average rainfall across the Southern Connected Basin (see chart below).

The chance of above median rainfall for August- October



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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