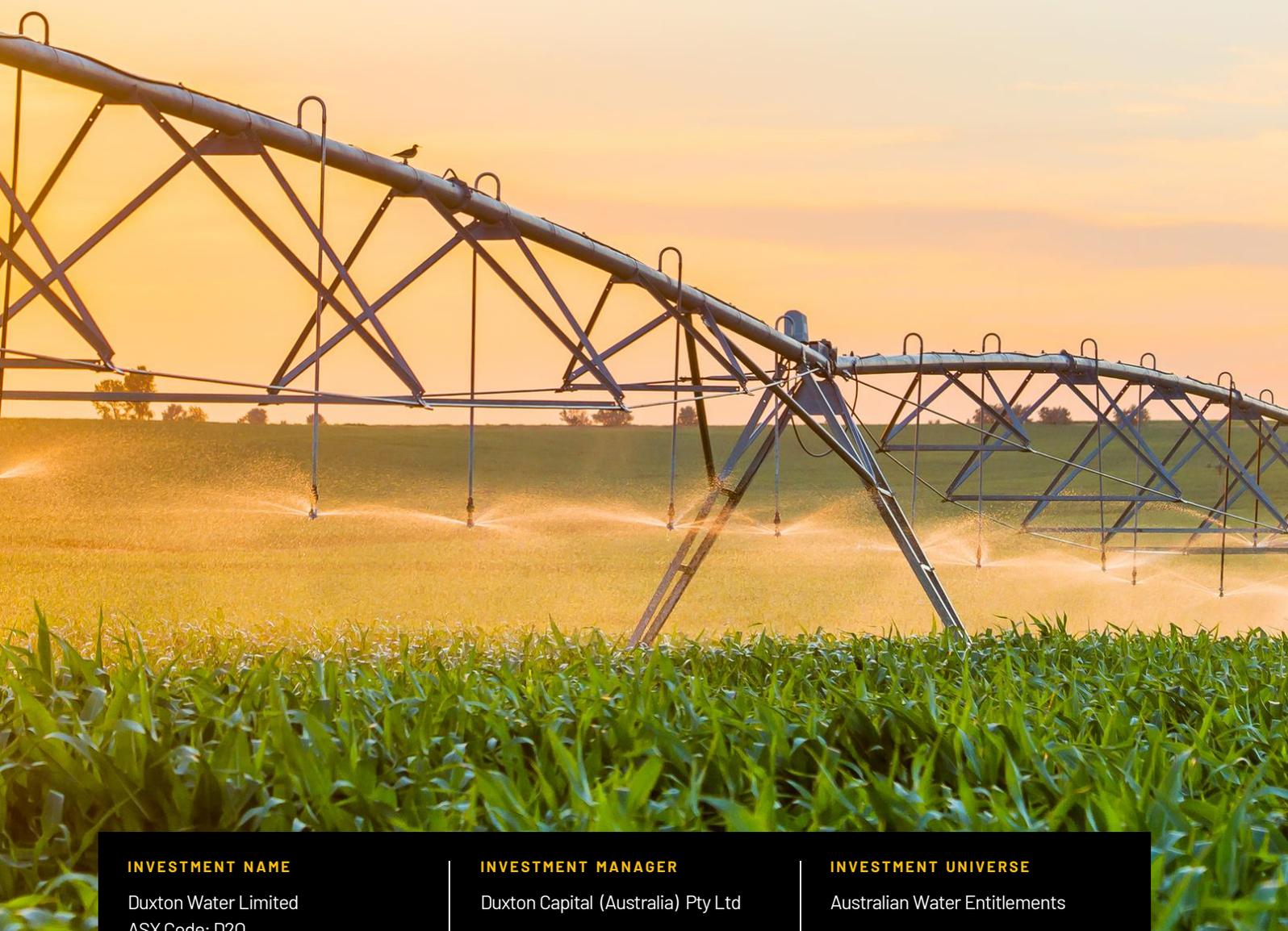


# Monthly Update



NOVEMBER 2023



#### INVESTMENT NAME

Duxton Water Limited  
ASX Code: D20

#### INVESTMENT MANAGER

Duxton Capital (Australia) Pty Ltd

#### INVESTMENT UNIVERSE

Australian Water Entitlements

#### NET ASSET VALUE (POST-TAX)

\$1.61 per share

#### SHARES ON ISSUE

152,720,578

#### WATER PORTFOLIO VALUE

\$387 million



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.



### Portfolio Managers’ Update

On 24 November 2023, Duxton Water was pleased to advise that it had successfully completed the acquisition and leaseback of permanent water entitlements from Treasury Wine Estates (“TWE”), as announced on 3 July 2023.

In November, the aggregated value of water entitlements in the southern Murray-Darling Basin (“sMDB”) increased on average by 1.6%. Market prices of most entitlements either increased or remained steady. Market activity appears to be improving, following a downward trend for most of this year.

Allocation prices softened in November compared to October, which is likely due to above-average rainfall conditions seen across most of the sMDB during the month. Even with the decline in allocation prices, they remain significantly higher than at the same time last year, indicating a potential shift away from an extremely wet part of the climatic cycle.

Recent rainfall has led to an increase in the seasonal allocation for low-reliability entitlements in Victoria. For the first time this season, VIC Murray low reliability entitlements have received a 16% allocation, while Goulburn low reliability entitlements have increased to 40%. That being said, there is less water in accounts compared to the same time last year when most general and low-reliability accounts were at 100%.

Despite an unexpectedly wet November, the Bureau of Meteorology (“BOM”) has reported that spring 2023 was drier and warmer than normal, which is not uncommon under the influence of El Niño and the positive Indian Ocean Dipole (“IOD”). Rainfall in spring was 20% below average nationally and this spring was the fifth-warmest on record.

Looking forward, the BOM weather outlook indicates average to below-average rainfall for Australia between January and March 2024. During this period, warmer conditions are likely. The positive IOD is expected to dissipate in early summer, while El Niño is forecasted to stay until the second quarter of the year.

Finally, the most significant development in the water markets during the month, was in relation to the passing of the Water Amendment (Restoring Out Rivers) Act 2023.

The Act introduces legislative amendments to support the recovery of water for the environment out to 31 December 2027. In addition to this, the Act also removes the current legislative cap on buybacks. Without a buyback cap in place, the Government can buy water entitlements on a large scale over the next four years to fulfil the water recovery targets under the Murray Darling Basin Plan.

The Government has committed to completing the 450 GL of water recovery under the Enhanced Environmental Outcomes target (of which only 26 GL has been contracted thus far). In addition to this, the Murray Darling Basin Authority has indicated there may be an additional shortfall between 190 GL and 315 GL under the SDLAM projects.



**Lachlan Campbell**  
Portfolio Manager



**Lachlan Beech**  
Portfolio Manager



### COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
0.12%	-0.79%	-7.89%	-9.45%	99.86%

<sup>^</sup>These figures are based on NAV movements and include franked dividends for the period.



### Water Lease & Forward Update

On 30 November 2023, Duxton Water had 60% of its permanent water portfolio (by value) leased to Australian farming businesses. This accounts for approximately 76% of the Company's high-security portfolio (by value). At the end of November, the Company's WALE was 3.1 years, and inclusive of renewal options, the WALE increases to 5.1 years.

During November, the lease portfolio increased by 8%. This was due to the commencement of the water leases attributable to the acquisition and leaseback of water entitlements with TWE. These leases have been backdated to commence 1 July 2023. Further information can be found in the Company's ASX announcements from 3 July 2023.

During this time of year, the leasing market tends to be quieter than usual, as demand for leases typically peaks in the second half of the water year (January-June). While the Company continues to receive enquiries in relation to new leasing arrangements, with a commencement date of 1 July 2024, the execution rate of new contracts in the market is relatively low.

Duxton Water continues to emphasise the importance of having a well-defined water strategy for agri-businesses that depend on irrigation, given climate variability and unpredictability.



Table Grape Vineyard

### QUICK FACTS SUMMARY

	October 2023	November 2023
<b>Water Entitlements</b>	89.0GL	89.0GL
<b>Portfolio Diversification (types)</b>	19	19
<b>Leased % of Portfolio</b>	52%	60%
<b>Weighted Average Lease Expiry (WALE)</b>	2.9 years	3.1 years
<b>WALE (incl. renewal options)</b>	4.4 years	5.1 years

### Entitlement Market Update

At 30 November 2023, Duxton Water holds 89.0 GL of water entitlements across 19 different entitlement types and classes. There were no material changes in portfolio holdings in November.

Water entitlement prices either increased or remained steady across the sMDB during the month. Collectively, entitlements increased by 1.6% during November 2023. This was the largest monthly increase entitlement values have seen since May 2022.

### Allocation Market Update

Allocation prices declined during the month of November. Above-average rainfall in the sMDB, particularly in the last week of November, seems to have contributed to the softening.

At the end of November, spot water prices traded between, \$150-\$160/ML in the Murrumbidgee, \$80-\$90/ML in the Goulburn, \$90-\$130/ML in the lower Murray, and \$60-\$80/ML in the upper Murray. Allocation prices have continued to strengthen throughout the first two weeks of December.

In November, additional allocation was given to Victoria's low-reliability entitlements.

### Allocation awarded to entitlements (30 November 2023):

Entitlement Region	High Security	General Security
NSW Murray	100%	110%
VIC Murray	100%	16%
SA Murray	100%	n/a
Murrumbidgee	95%	46%
Goulburn	100%	40%

### ENTITLEMENT LEASE CASE STUDY:

Duxton Water recently entered into a 5-year lease for 300ML of high-security water entitlements with a potato grower in southern NSW. During the summer watering program, potatoes usually require an average of 6ML per hectare. Through this partnership, this grower now has cost and supply visibility for the next 5 years. By entering a long-term water lease, this customer has also hedged against potential future increases in allocation prices, especially during dry climate conditions.

*Through this type of partnership, Duxton Water offers Australian farming businesses a flexible and cost-effective way to fulfil their irrigation requirements without having to purchase water entitlements outright.*





## Finance Update

At 30 November 2023, Duxton Water's post-tax NAV was \$1.61 per share, and the pre-tax NAV, excluding tax provisions, was \$1.76 per share, similar to last month.

While the Company's post-tax NAV remained at \$1.61 per share during the month of November, entitlement values on average, experienced price uplift of 1.6% during the month. However, this uplift was largely offset by a weaker allocation market.

At the end of November, the Company's net debt to water assets ratio ("LVR") remained at 30%, which continues to be below the maximum LVR of 40%.

NAV (post-tax)	NAV (pre-tax)
\$1.61 per Share	\$1.76 per Share

## Dividends

On 27 October 2023, Duxton Water paid a 3.5 cent per share dividend, marking its 13<sup>th</sup> consecutive dividend paid to shareholders since November 2017.

This dividend was in line with the previously stated target, and was fully franked (30% tax rate) for Australian taxation purposes.

Duxton Water is pleased to provide the Company's dividend guidance for FY2024:

	Cents Per Share	Franking Target
Final 2023	3.6 cps	Fully Franked
Interim 2024	3.7 cps	Fully Franked

## Settlement of Water Entitlement Acquisition

On 24 November 2023, Duxton Water was pleased to confirm that settlement of the \$39.1 million acquisition (or 4,770 megalitres) of high security water entitlements from TWE has occurred. This transaction was first announced in July 2023. More information on the transaction can be found in the Company's ASX announcements.

## Bonus Option Issue

On 9 November 2023, Duxton Water issued Bonus Options to eligible shareholders. As previously announced, eligible shareholders received Bonus Options on the basis of one (1) Bonus Option for every four (4) ordinary shares held at the record date of 3 November 2023.

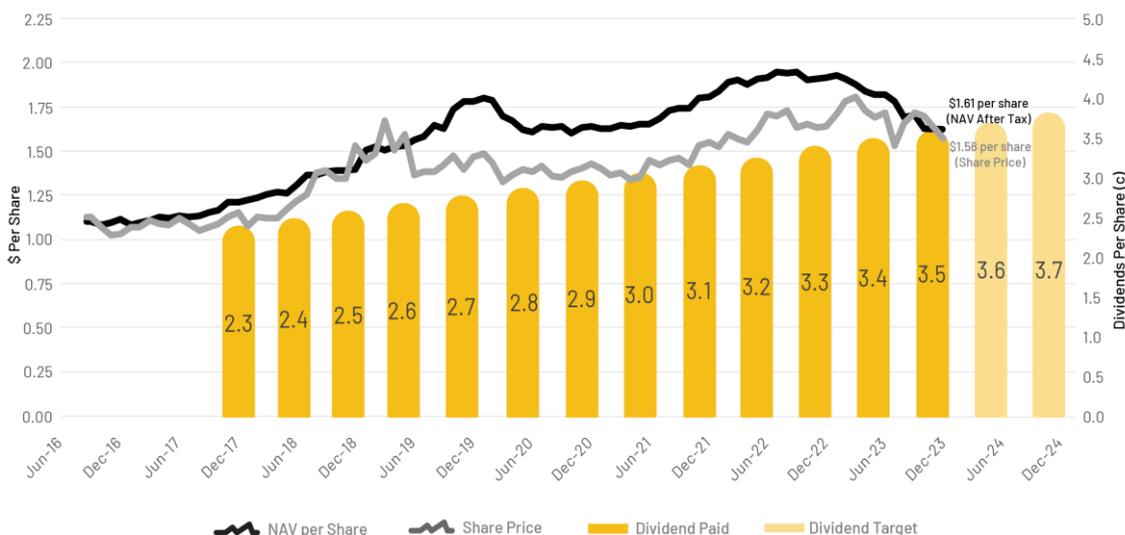
Bonus Options give holders the right, but not the obligation, to purchase additional D20 shares, at \$1.92 per share, on or before the Bonus Option expiry date of 10 May 2026. Further information about the Company's Bonus Option issue can be found in the Company's Bonus Option Prospectus, released on the ASX on 30 October 2023.

On 9 November 2023, the Company successfully applied for the Bonus Options to be quoted on the ASX under the ticker code D200A, making them tradeable.

Bonus Options were issued to shareholders at zero cost, and as such, no further action was required on behalf of eligible shareholders to receive their free bonus options.

Additional correspondence, including option exercise forms, was distributed to eligible shareholders around the 16<sup>th</sup> of November 2023.

## HISTORICAL PERFORMANCE - SINCE INCEPTION



## VALUATION METHODOLOGY

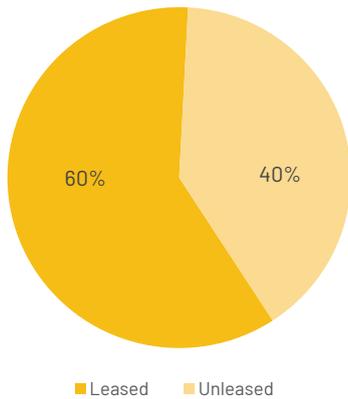
The Company uses an independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. 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)

## Monthly Update

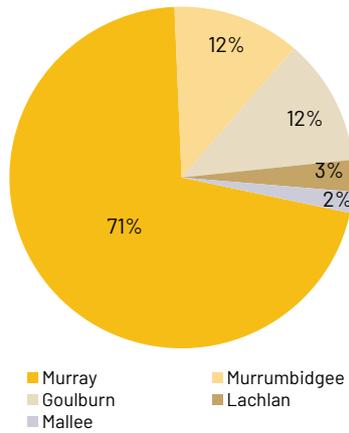
NOVEMBER 2023



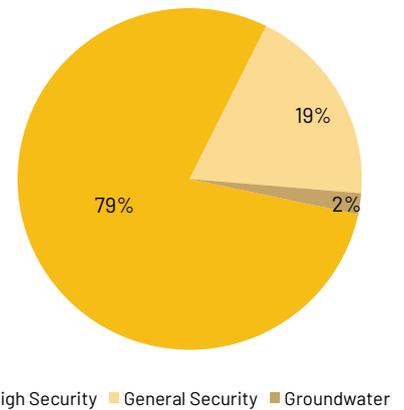
### WATER PORTFOLIO DIVERSIFICATION



### ENTITLEMENT VALUE BY REGION



### WATER SECURITY BREAKDOWN



## Weather Update

After a dry September and October, the national rainfall in November 2023 was 37.8% higher than the long-term average. All states and territories, except for Tasmania, experienced above-average rainfall. Overall, the spring season was drier than usual for Australia.

In the MDB, rainfall was 87% above the long-term average. Many catchments in both the northern and southern basins experienced much more rainfall than usual, which helped to replenish soil moisture that was previously drying out.

The national average temperature in November was 1.58°C above the long-term average, which is the ninth-warmest on record. The average maximum and minimum temperatures were also 1.58°C above average. Overall, Spring 2023 was the fifth-warmest on record.

El Niño continues in the Pacific Ocean, which typically causes less rainfall in eastern Australia during summer. Additionally, high-impact rainfall events can occur during El Niño years, particularly during October to April when severe storm frequency peaks.

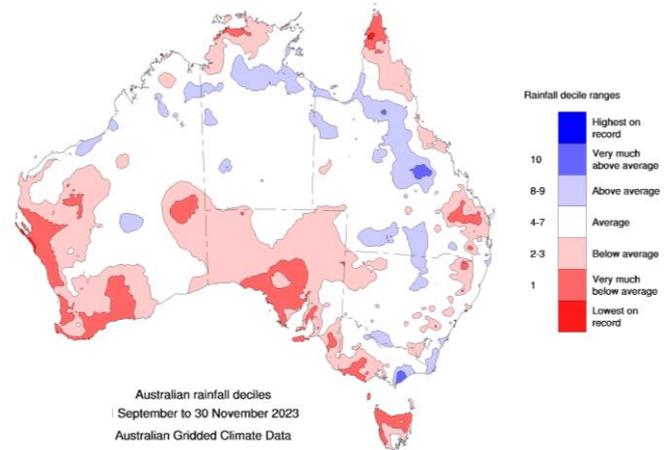
The positive IOD event is still ongoing, and the BOM has classified it as a strong event. The BOM has also stated that the event has likely reached its peak. The weekly IOD index values for this event have been the second-highest since 2001, with the highest values on record occurring during the strong positive IOD event of 2019.

The Southern Annular Mode ("SAM") index is currently neutral and is expected to remain so in the coming weeks. A neutral SAM has limited influence on the Australian climate.

A moderate to strong Madden-Julian Oscillation ("MJO") is currently over the Maritime Continent. International climate models suggest it will move into the western Pacific over the coming weeks. This would typically have a wetting influence on parts of northern and central Australia.

## RAINFALL DECILE CHART (SPRING)

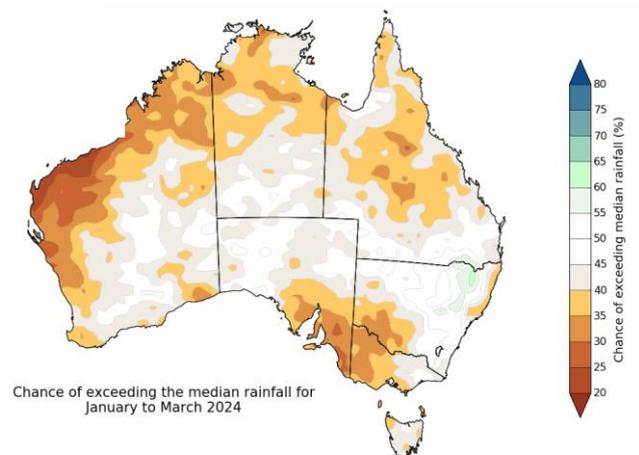
SEPTEMBER - NOVEMBER 2023



Source: Bureau of Meteorology

## CHANCE OF ABOVE-AVERAGE RAINFALL

JANUARY 2024 - MARCH 2024



Source: Bureau of Meteorology



### Outlook & Storages

The BOM's forecast for January to March indicates below-average rainfall is likely for much of northern, western, and south-eastern Australia. The rest of the country is likely to receive average rainfall.

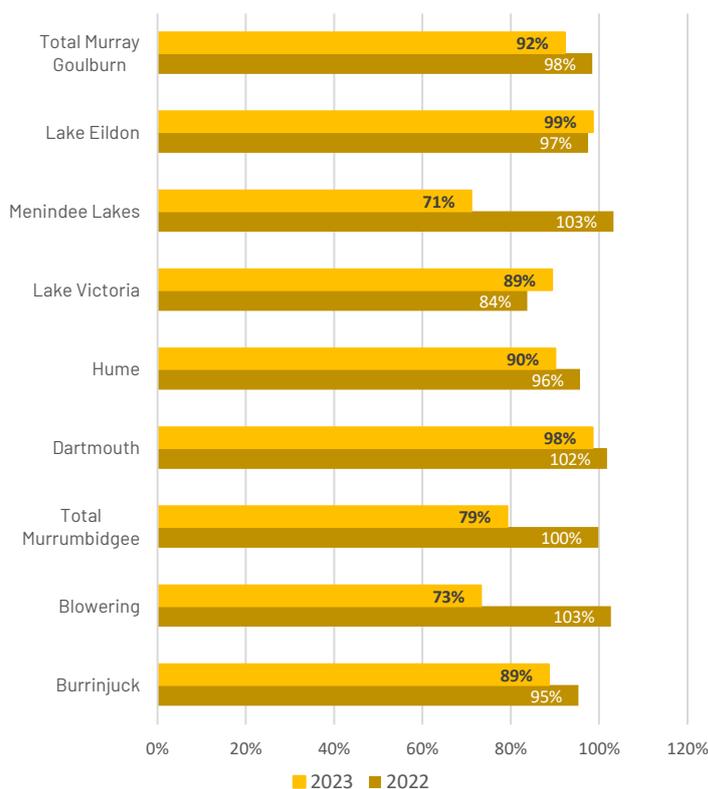
During the same period, most of Australia is expected to experience warmer days with unusually high minimum and maximum temperatures, ranking in the top 20% of records from 1981 to 2018.

The El Niño is predicted to last until the second quarter of 2024, while the positive IOD is likely to ease in December 2023.

In November, river inflows into the Murray system were below the long-term average. Low streamflows are likely for December 2023 to February 2024.

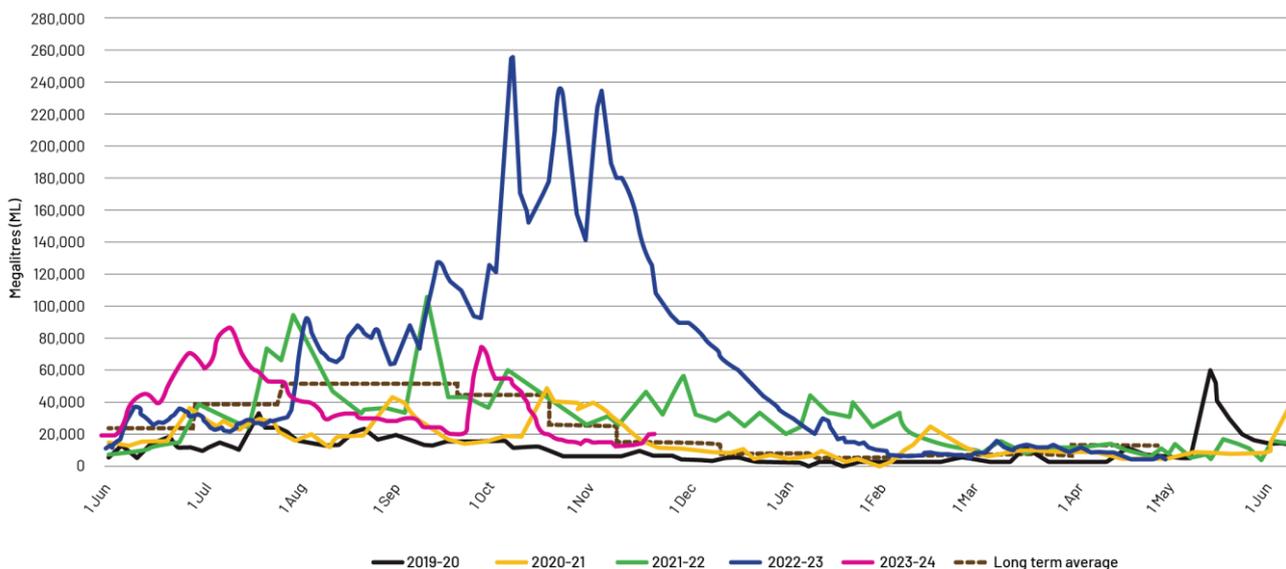
At the end of November, MDB storages were at 88% capacity. Northern basin storages were 80%, while southern basin storages were 90%. Last year, the northern basin was at 106% capacity, and the southern was at 99%.

### STORAGE LEVELS IN MAJOR DAMS



### DAILY INFLOWS TO THE MURRAY DARLING BASIN

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



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

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