



DUXTON  
WATER

# DUXTON WATER LTD

BELL POTTER HOME GROWN AGRICULTURE

September 2021



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Summary

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Revenue & Dividends

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Low Correlation

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Australian Water Market

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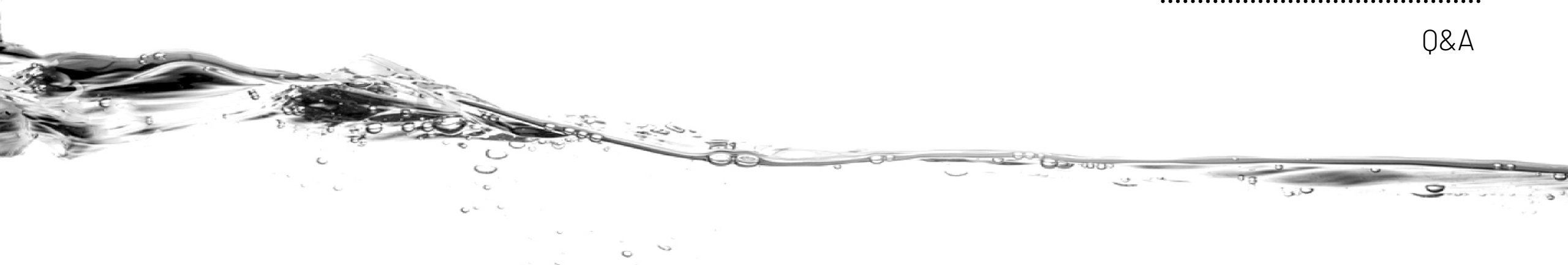
Long Term Drivers

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Wrap-Up

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Q&A



## What do we do?

- Buy & Lease Water

## Benefits for irrigators?

- Free up capital for growth
- Reduce balance sheet risk
- Flexibility & security

## Benefits for shareholders?

- Alternative & defensive asset class
- Capital growth
- Low correlation
- Reliable dividend yield

## Who is Duxton Capital?

- We know water
- Vineyards, Nuts, Broadacre, Dairy, Dried Fruit, Apples, Bees.

### Company Statistics

<b>Shares on Issue</b> - 31 August 2021	119,840,047
<b>Market Cap</b> - 14 September 2021	\$171 million
<b>Share Price</b> - 14 September 2021	\$1.43 per share
<b>NAV Per Share (Post Tax)<sup>1</sup></b>	\$1.71 per share
<b>Investment Manager</b>	Duxton Capital (Australia) Pty Ltd

### Portfolio Statistics 31 August 2021

<b>Total Water Entitlements</b>	80 Gigalitres (or 80,000 Megalitres)
<b>% of Entitlements Leased</b>	67%
<b>Total Water Assets</b>	\$323 million
<b>Debt/LVR</b>	~\$100 million/30%

### Annual Dividend Yield<sup>2</sup>

2017	2018	2019	2020	2021*	2022*	2023*
2.1%	4.0%	3.6%	4.4%	4.4%	4.6%	4.8%

### NAV Growth & Dividends Paid<sup>3</sup>

1 Month	3 Months	6 Months	12 Months	Inception
2.7%	4.8%	9.3%	11.5%	87.2%

1 - Net Asset Value ("NAV") is inclusive of a \$25.2m deferred tax provision for unrealised gains across the portfolio

2\* - Forecast dividend yields for 2021, 2022 and 2023 based on \$1.43 Share Price and Dividend targets provided.

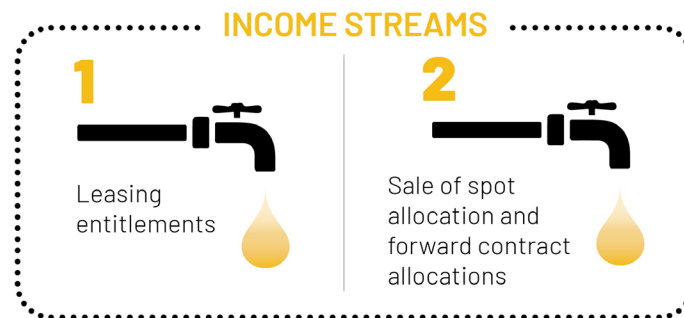
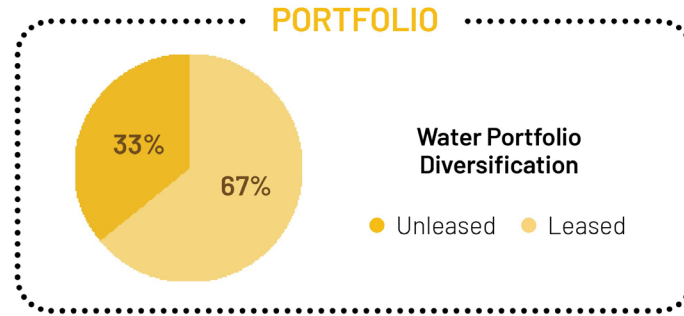
3 - These figures are based on NAV movements and include franked dividends (net) for the period.

Since IPO  
in September 2016  
**Duxton Water**  
has

invested over  
**\$240 million**  
in Australian water assets (cost).  
Now valued at\*  
**\$323 million.**

The **Company**  
has raised  
a total of  
**\$140 million**  
since inception

and paid a total of  
**21.2 cents**  
of dividends per share  
since 2017.



**DIVIDENDS**

2017	2018	2019	2020	2021	2022	2023
<b>2.3</b>	<b>4.9</b>	<b>5.3</b>	<b>5.7</b>	<b>6.1*</b>	<b>6.5*</b>	<b>6.9*</b>
cents per share partially franked	cents per share partially franked	cents per share fully franked	cents per share fully franked	cents per share fully franked	cents per share fully franked	cents per share fully franked

\* Targeted dividends



- Australian water entitlements offer a low correlation to traditional asset classes.
- This diversification can assist with managing return risk across an investment portfolio.

Correlation - July 2007 to current

	AUS Water Entitlements (AUD)	AUS EQUITIES ASX 200 (AUD)	US EQUITIES DOW JONES (USD)	UK EQUITIES FTSE 100 (GBP)	GERMAN EQUITIES DAX (EURO)	HONG KONG EQUITIES HANG SENG (HKD)	AUS BONDS BACMO (AUD)
Aust Water Entitlements (AUD)	1.00	-0.08	-0.01	-0.10	-0.07	-0.09	0.15
ASX 200 (AUD)	-0.08	1.00	0.75	0.77	0.72	0.61	-0.19
Dow Jones Index (USD)	-0.01	0.75	1.00	0.80	0.80	0.64	-0.29
FTSE 100 (GBP)	-0.10	0.77	0.80	1.00	0.80	0.66	-0.24
DAX (EURO)	-0.07	0.72	0.80	0.80	1.00	0.63	-0.27
Hang Seng (HKD)	-0.09	0.61	0.64	0.66	0.63	1.00	-0.37
BACMO (AUD)	0.15	-0.19	-0.29	-0.24	-0.27	-0.37	1.00

**Murray Darling Basin**

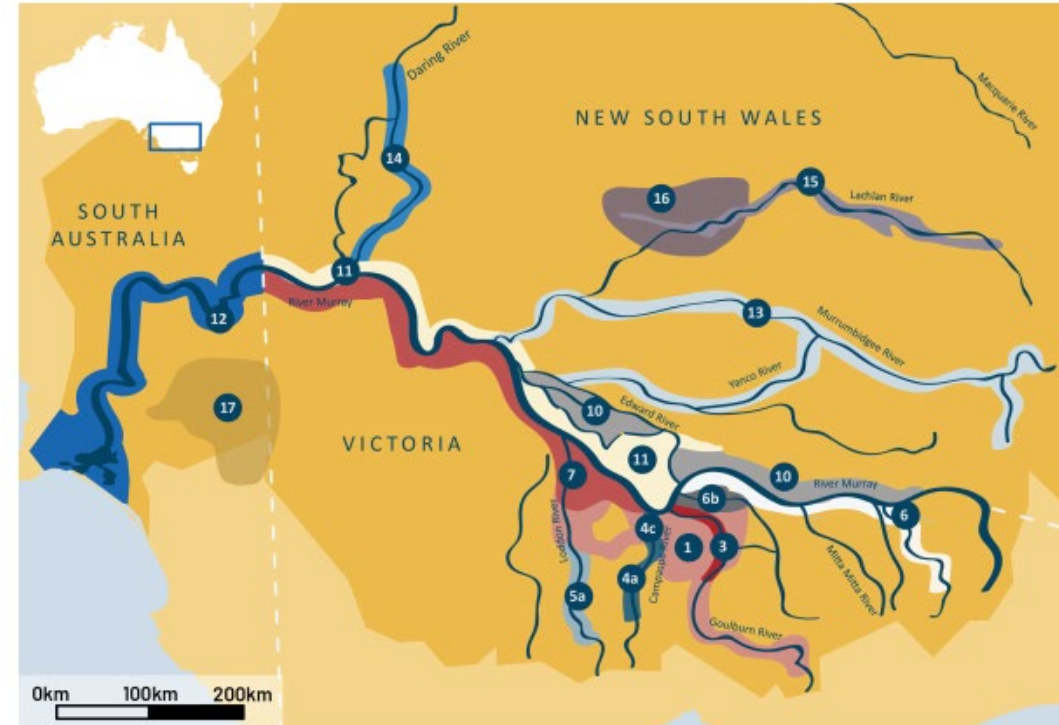
- There are \$26bn of water entitlements on issue in the southern Murray Darling Basin.

**Water Entitlements**

- Perpetual rights to a defined share of water within a river system.

**Water Allocations**

- The volume of water allocated annually against water entitlements. Expressed as a percentage, water allocations are made progressively by the respective states throughout the year.

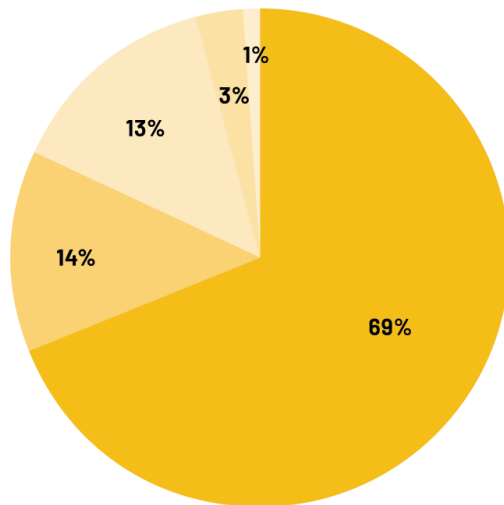


Interstate Water Trading Zones

1 – Greater Goulburn	5a – Part Loddon	10 – NSW Murray above Barmah Choke	14 – Lower Darling
3 – Lower Goulburn	6 – Vic Murray above Barmah Choke	11 – NSW Murray below Barmah Choke	15 – Lachlan
4a – Part Campaspe	6b – Lower Broken Creek	12 – South Australia Murray	16 – Lower Lachlan Groundwater
4c – Lower Campaspe	7 – Vic Murray from Barmah Choke to SA Border	13 – Murrumbidgee	17 – SA Mallee Groundwater
			Murray Darling Basin
			River

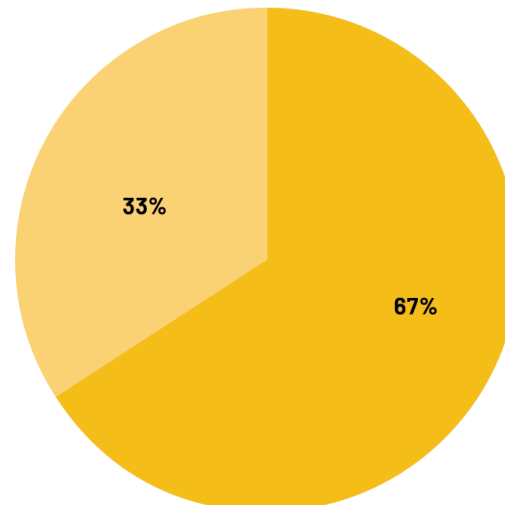


**Entitlement Portfolio Value by Region\***



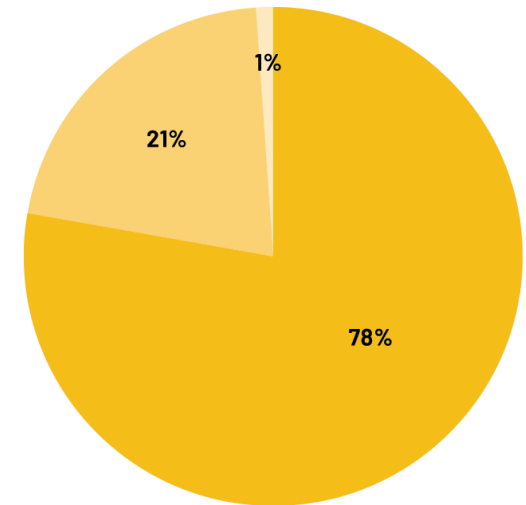
- Murray (69%)
- Goulburn (14%)
- Murrumbidgee (13%)
- Lachlan (3%)
- Mallee (1%)

**Water Portfolio Diversification\***



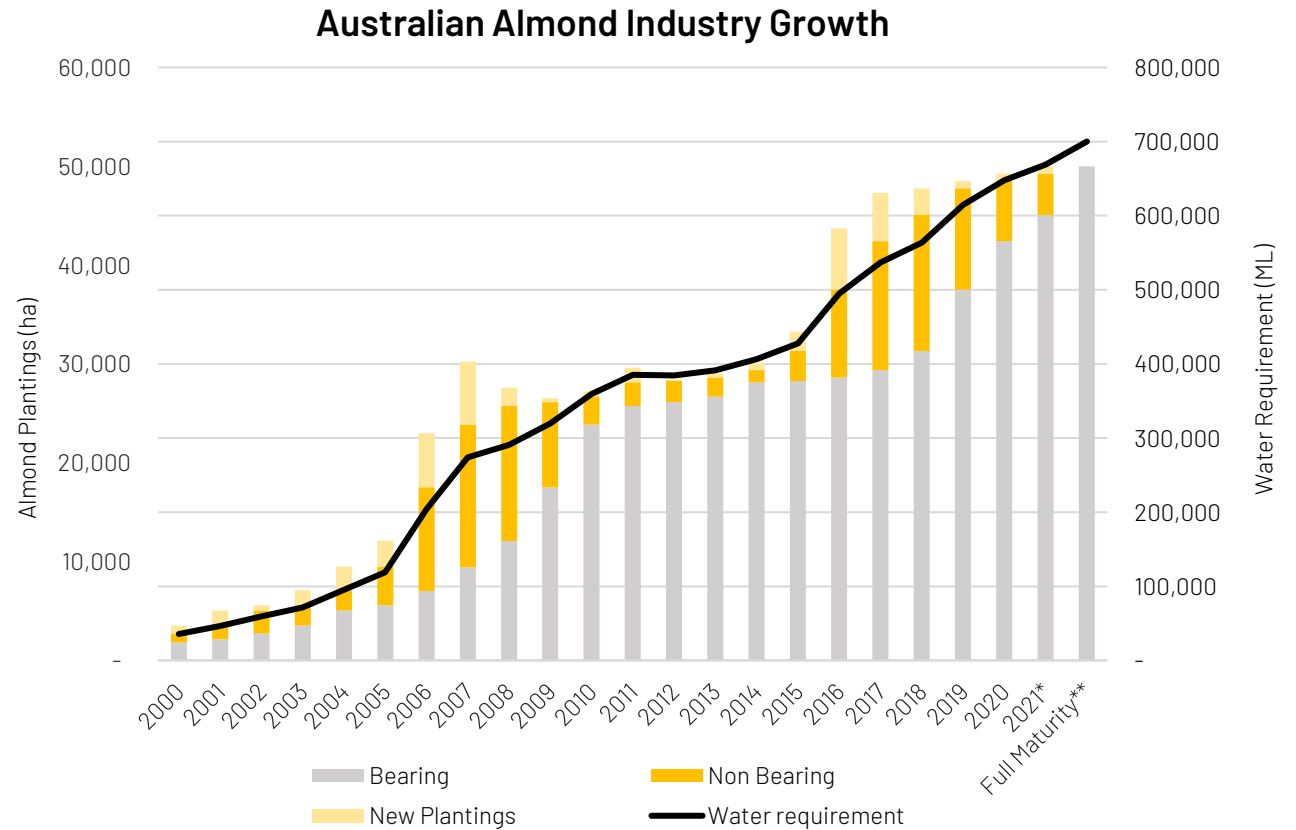
- Unleased
- Leased

**Water Security Breakdown\***



- HS
- GS
- Bore

- **15x** increase in mature almond plantings since 2000.
- **30%** of all almond trees planted in the sMDB have been planted in the last 5 years (i.e. not yet mature).



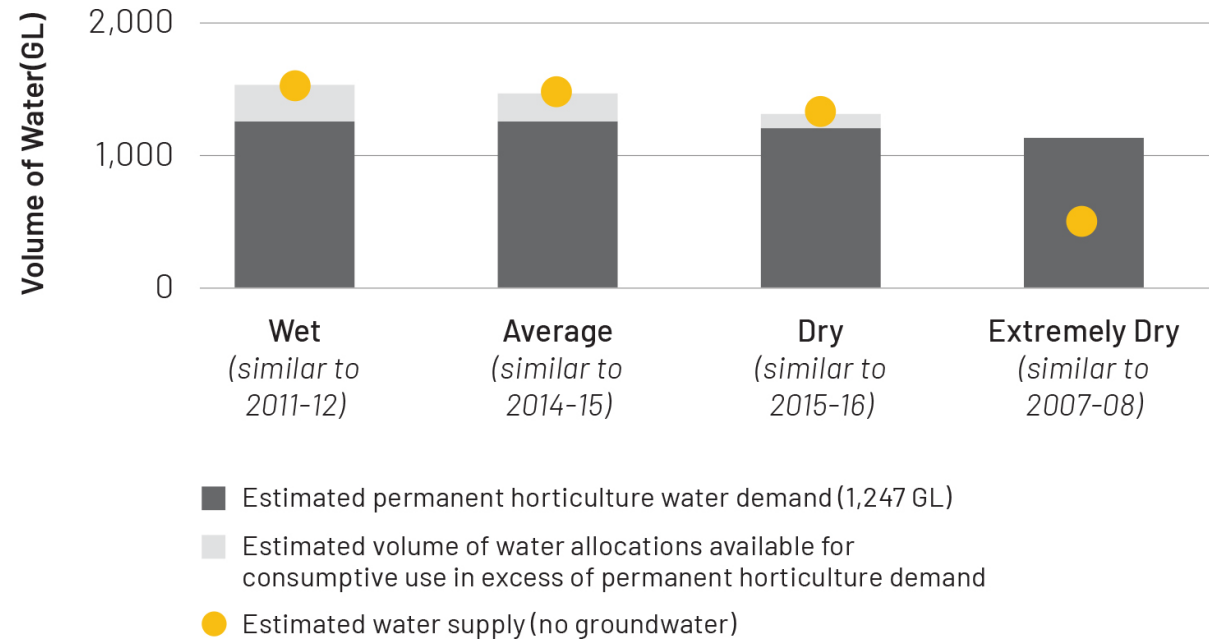
\*Based on Almond Board of Australia expectations

\*\*Based on full maturity of Almond Board of Australia expectations

Source: Australian Almonds, Orchard Size Statistics

- Permanent horticulture in the Lower Murray will use ~1,250 GL per year at full maturity.
- Short fall of water in an extremely dry year of 100-250 GL.

### Water Requirements of Permanent Horticulture in the Lower Murray Region



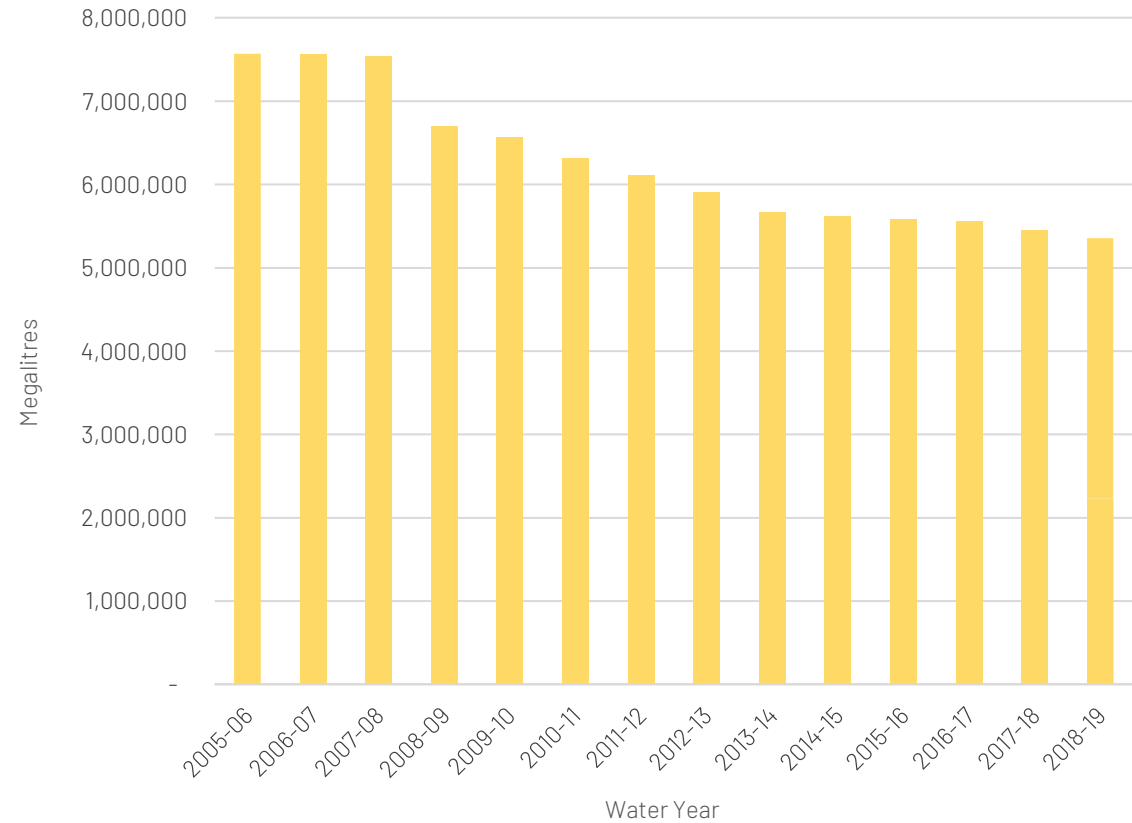
High Security Entitlements bought back

31%

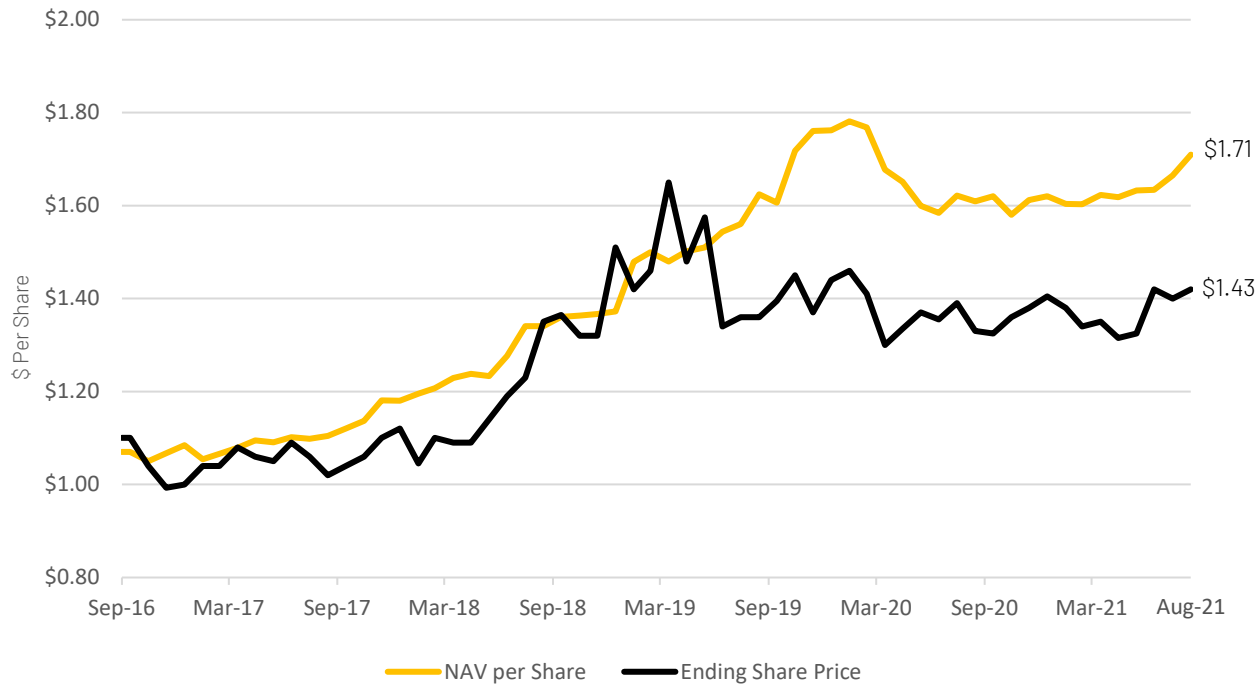
General Security Entitlements bought back

27%

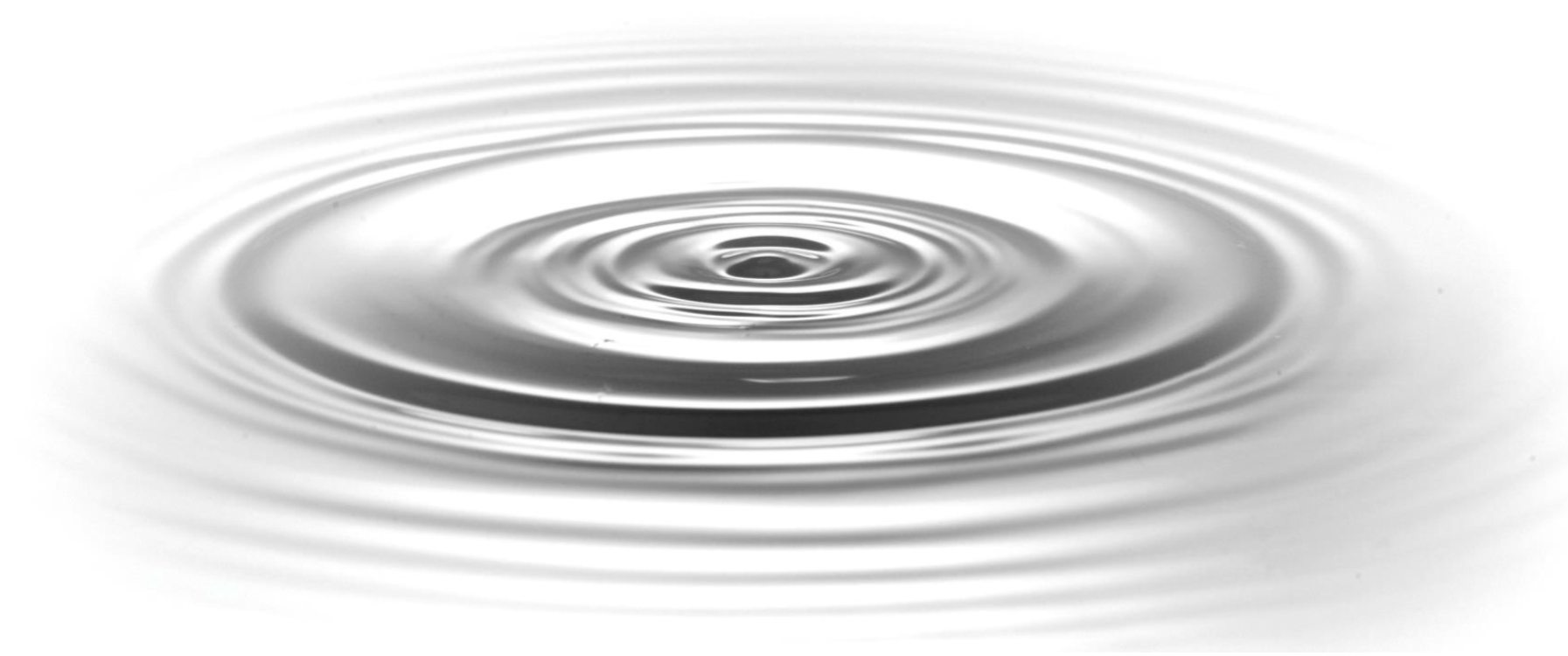
Water Entitlements on Issue



Duxton Water NAV vs Share Price  
31 August 2021



- Increasing dividend yield ✓
- Low correlation ✓
- Positive ACCC findings ✓
- Increasing scale ✓
- Strong macro backdrop ✓







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