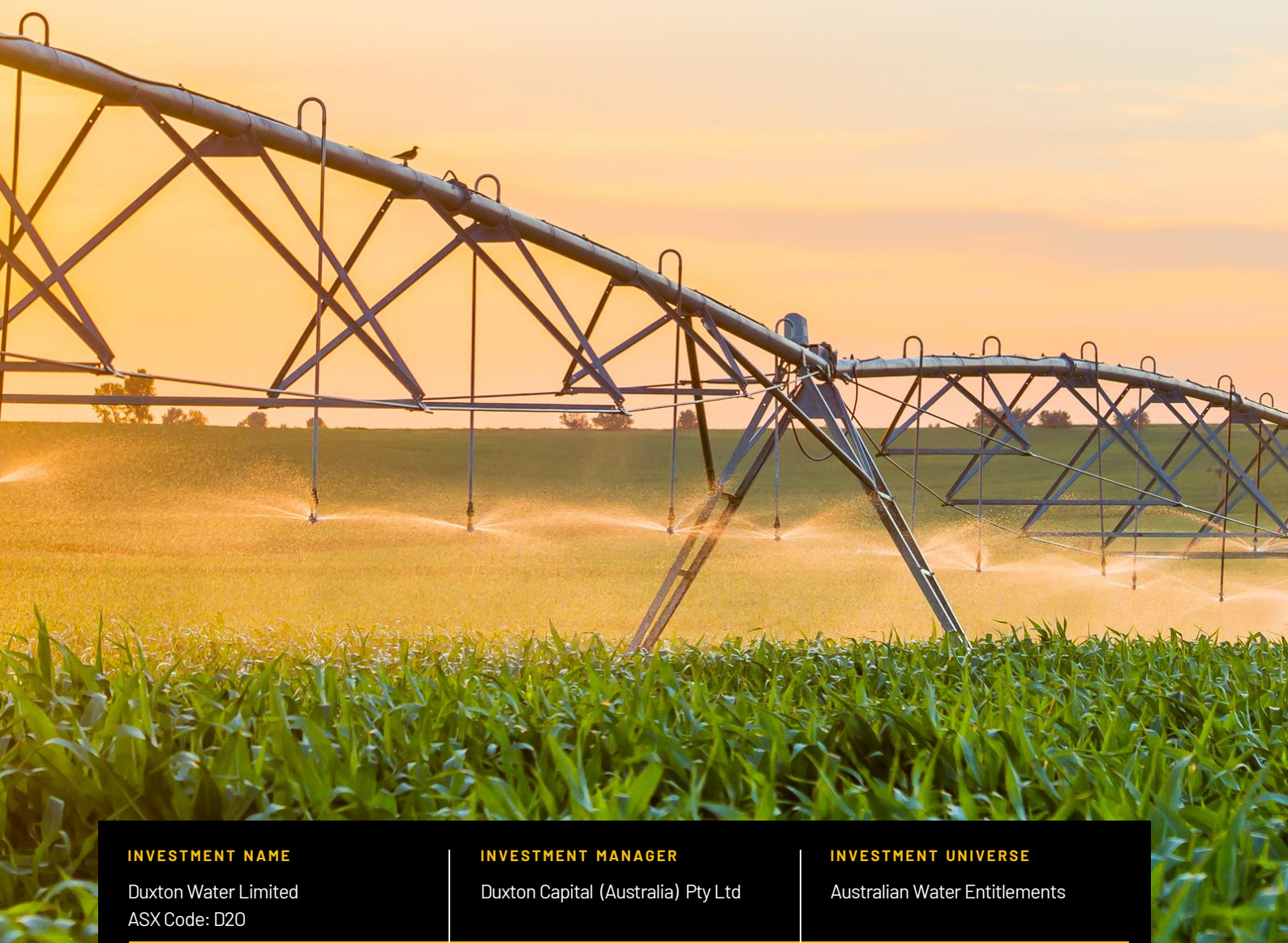


Monthly Update



MARCH 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)

\$1.86 per share

SHARES ON ISSUE

117,700,718

WATER PORTFOLIO VALUE

\$372 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

Earlier this year, the Board of Duxton Water was pleased to formally announce and declare the Company’s 12th consecutive and increasing dividend of 3.4 cents per share (fully franked). The record date for the upcoming dividend is Friday, 14 April 2023, with the payment date being Friday, 28 April 2023.

Global climate forecasts continue to point to a drier than average outlook for Australia over the next 3-4 months. All major international climate models are forecasting a return to El Niño conditions by mid-2023. This is supported by the Bureau of Meteorology (“BOM”), who recently issued an El Niño watch. This means there is approximately a 50% chance of El Niño developing in 2023.

Further to this, the same international climate models are forecasting a positive Indian Ocean Dipole (“IOD”) event by mid-2023. A positive IOD event will typically reduce winter and spring rainfall over most of Australia and can also increase the severity of El Niño conditions.

While entitlement markets continued to see a reduced level of transactional activity, conversations around leases and forwards for next season have continued to pick-up. We continue to talk to irrigators about the importance of having a well-structured water strategy in place, ahead of the anticipated changing climatic conditions.

Entitlement values softened throughout March, in what was a quieter than usual month of trading activity. The softening is believed to be driven by irrigators selling entitlements to mitigate losses from the most recent floods, and from a reduced level of trading activity, likely caused by the market’s expectations around government buybacks, thus impacting valuations.

The spot allocation market has continued to be slower than usual over the last 3-4 weeks. While there is typically a reduced demand for allocation water at this time of year, we continue to see pro-active irrigators entering the allocation market with the view to acquiring carry-over space to take water into the 2023/2024 Water Year (“WY”).

On 15 March 2023, the New South Wales and Victorian state resource managers provided their first outlooks for opening allocations for the 2023-24 WY. As a result of major dams still being at c.90% capacity, forecasted opening allocations for next season are expected to be strong.

Holders of NSW & VIC high security entitlements will likely receive 90%-100% as an opening allocation on 1 July 2023, with opening allocations on general security entitlements expected to start low and increase throughout the year.

South Australian Entitlement holders should receive their first outlooks on 15 April 2023.

On 18 May 2023, Duxton Water will host its Annual General Meeting. Further details of this meeting can be found in the Company’s ‘Notice of Meeting’, which was released to the ASX on 14 April 2023.



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager

COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
-1.91%	-2.27%	-1.28%	3.61%	113.91%

[^]These figures are based on NAV movements and include franked dividends for the period.



Water Lease & Forward Update

At 31 March 2023, Duxton Water had 58% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 74% of the Company's high-security portfolio (by value).

The current Weighted Average Lease Expiry ("WALE") is 1.3 years. Inclusive of renewal options, this takes the WALE to 4.2 years.

In early 2023, Duxton Water has actively worked alongside several irrigators to help them prepare for the years ahead. While Duxton Water has added several new leases to the portfolio over the last six months, one new lease was successfully executed in the month of March.

These new leasing arrangements will provide irrigators with water security and visibility to cost for at least the next five years. For irrigators, having a clear water strategy in place ahead of the upcoming seasons is particularly important, given the shifting climatic outlook from wet to dry.

The forward market continues to see an increased level of activity when compared to the last six to nine months. Forward allocation contracts enable irrigators to purchase a certain volume of allocation water, at a pre-determined price, on a specific date. Forwards contracts give irrigators visibility to their water cost for the next 12 months, while also providing a hedge against higher allocation prices.



Irrigated vegetables

QUICK FACTS SUMMARY

	February 2023	March 2023
Water Entitlements	83.6GL	83.8GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	58%	58%
Weighted Average Lease Expiry (WALE)	1.4 years	1.3 years
WALE (incl. renewal options)	4.3 years	4.2 years

Entitlement Market Update

At 31 March 2023, Duxton Water holds 83.8GL of permanent water entitlements across 18 different asset types and classes.

Throughout March, two parcels of entitlements were added to the portfolio, increasing holdings by 0.2 GL. Permanent water pricing across the southern Murray Darling Basin ("sMDB") softened throughout March compared to the previous month.

The entitlement market continues to see a reduced level of trading activity when compared to the same months of previous years. Across the sMDB, entitlements values decreased by 2.6% in the month of March, with general security entitlements being the greatest contributor to this.

Allocation Market Update

Allocation prices remained well below average for the month of March with prices expected to remain low until the commencement of the new water year on 1 July 2023. The low prices seen throughout 2022/2023 are a reflection of the prolonged wet conditions seen over the last 2-3 years.

Allocation water in March traded between \$8-\$18/ML in the Lower Murray, \$15-\$20/ML in the Goulburn, \$7-\$12/ML in the Murrumbidgee, and \$10-\$15/ML in the Upper Murray.

WATER CARRY-OVER CONTRACT CASE STUDY: MURRAY

Duxton Water recently executed a carry-over parking contract with an almond grower. Carry-over products allow irrigators to park allocation water against D20's entitlement holdings in any given year. This allows allocation water to be carried from one water year to the next. The risk of spill can either sit with the irrigator or the Company, depending on how the contract is structured. This transaction has allowed the counterparty to take well-priced allocation from this water year into next water year.

Through this type of partnership, Duxton Water continues to enable Australian farming businesses to take a multi-year approach to managing their annual water supply strategy.





Finance Update

At 31 March 2023, Duxton Water's post-tax NAV was \$1.86 per share, decreasing by 3 cents compared to last month due to a softening of entitlement values seen throughout the sMDB.

The Company's NAV, excluding tax provisions for unrealised capital gain, decreased by 5 cents during March to \$2.13 per share.

Duxton Water's share price closed at \$1.79 at the end of March 2023, up from \$1.62 at 31 December 2022.

The Company's Net Debt to Water Assets sits at 32.5% at the end of March, which is below the Company's maximum Net Debt covenant of 40%.

The Company continues to closely monitor interest rate markets and actively manage its interest rate swap portfolio and debt position.

NAV (post tax)	NAV (pre tax)
\$1.86 per Share	\$2.13 per Share

Share Buyback

At 31 March 2023, Duxton Water has bought back a total of 3.2 million shares (equivalent to 2.8% of the Company's shares), at an average price of \$1.63 per share, since November 2021.

The Board believes buying back shares at a discount to NAV is in the interest of all shareholders.

Dividends

On 28 April 2023, Duxton Water will pay its 12th consecutive and increasing dividend to shareholders of 3.4 cents per share.

This dividend is in-line with the previously stated dividend target and will be fully franked (30% tax rate) for Australian taxation purposes.

The record date for this dividend is Friday, 14 April 2023, with the payment date being Friday, 28 April 2023.

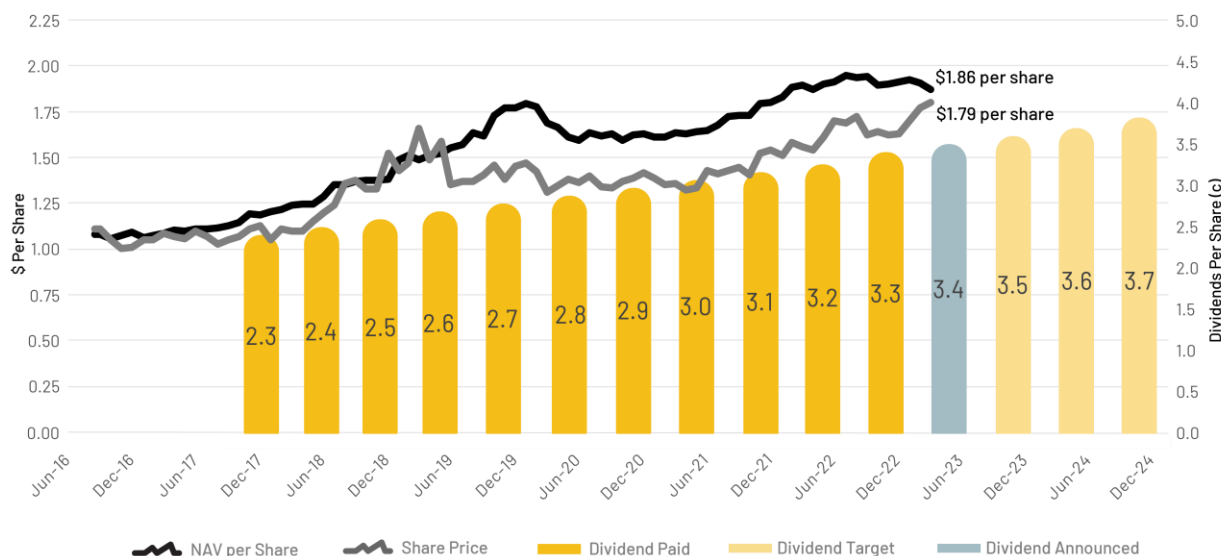
Duxton Water is once again pleased to offer shareholders the ability to participate in the Company's Dividend Reinvestment Plan.

In addition to this dividend announcement, the Board would like to reaffirm the Company's dividend guidance out to the end of 2024:

DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Final 2022 (Announced)	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked
Interim 2024	3.7 cps	Fully Franked

HISTORICAL PERFORMANCE - SINCE INCEPTION



VALUATION METHODOLOGY

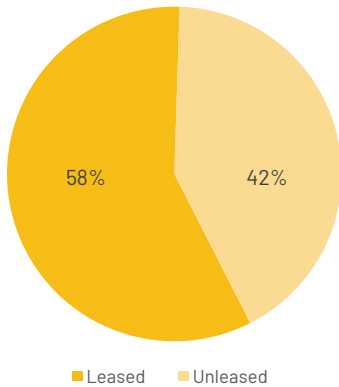
The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd (Aither) to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement.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

Monthly Update

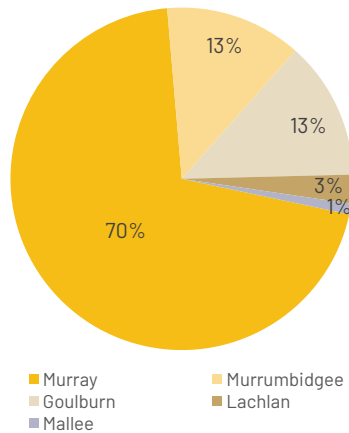
MARCH 2023



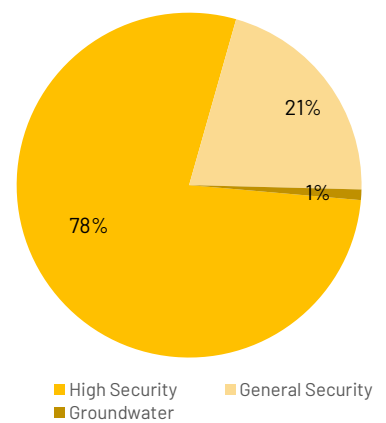
WATER PORTFOLIO DIVERSIFICATION



ENTITLEMENT VALUE BY REGION



WATER SECURITY BREAKDOWN



Weather Update

Rainfall in March was 7% below average for Australia as a whole, with varying levels of rainfall across the country.

Rainfall was above average for northern Tasmania, central Queensland and the Northern Territory, as well as some regions of eastern Australia and Western Australia. Below-average rainfall was recorded for adjacent parts of Queensland and South Australia, the northern tropics, and interior areas of northern and western Australia.

Across the MDB, March rainfall was 8% above the long-term average. Soil moisture was above average in parts of northern Australia, but average to below average elsewhere.

The national mean temperature for March was 1.11 °C above the long-term average, representing the tenth highest on record. The mean maximum temperature was 1.35°C above average, while the mean minimum was above average by 0.86°C.

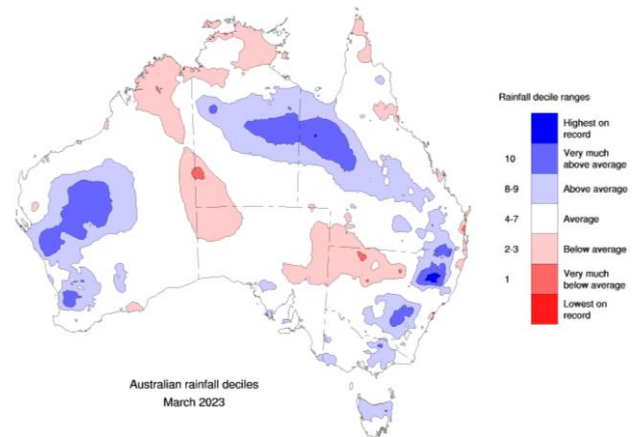
The El Niño–Southern Oscillation (“ENSO”) is currently neutral (neither La Niña nor El Niño). International models suggest neutral ENSO conditions are likely to persist through autumn. Further to that, The BOM has issued an El Niño watch, which means there is approximately a 50% chance of El Niño forming later in 2023.

The IOD indicator is also neutral and typically has little influence on the Australian climate from December to April. However, most models indicate that a positive IOD event may develop in the coming months. A positive IOD can reduce winter and spring rainfall over much of Australia, potentially exacerbating the drier than average impacts of El Niño.

The Southern Annular Mode (“SAM”) index is currently neutral and is expected to remain neutral over the coming weeks. A neutral SAM has little influence on Australia’s rainfall and temperature outlook.

RAINFALL DECILE CHART (AUTUMN)

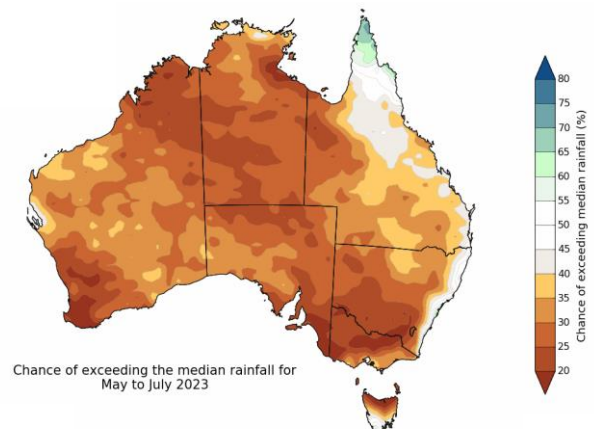
MARCH 2023



Source: Bureau of Meteorology

CHANCE OF ABOVE-AVERAGE RAINFALL

MAY 2023 – JULY 2023



Source: Bureau of Meteorology



Outlook & Storages

The May to July outlook suggests the coming months are likely to be drier than average for most of Australia, excluding southern Victoria and the south-west of Tasmania.

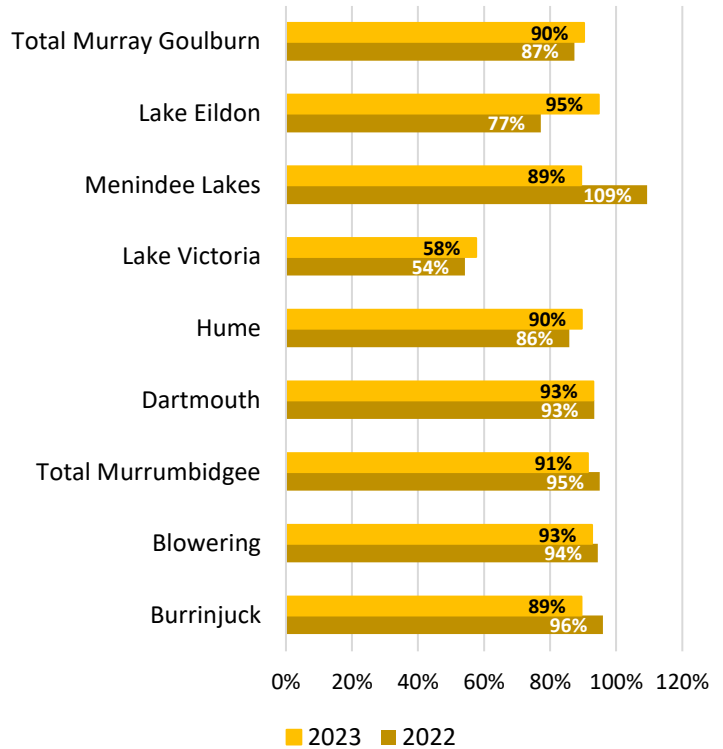
For most of Australia, May to July is likely to be warmer than average. Above median maximum temperatures are likely for most of the country, with warmer than average nights for the west, south-east and coastal regions.

The ENSO outlook is currently at El Niño Watch as there are signs of El Niño forming later in 2023. El Niño increases the chances of below-average rainfall for winter and spring.

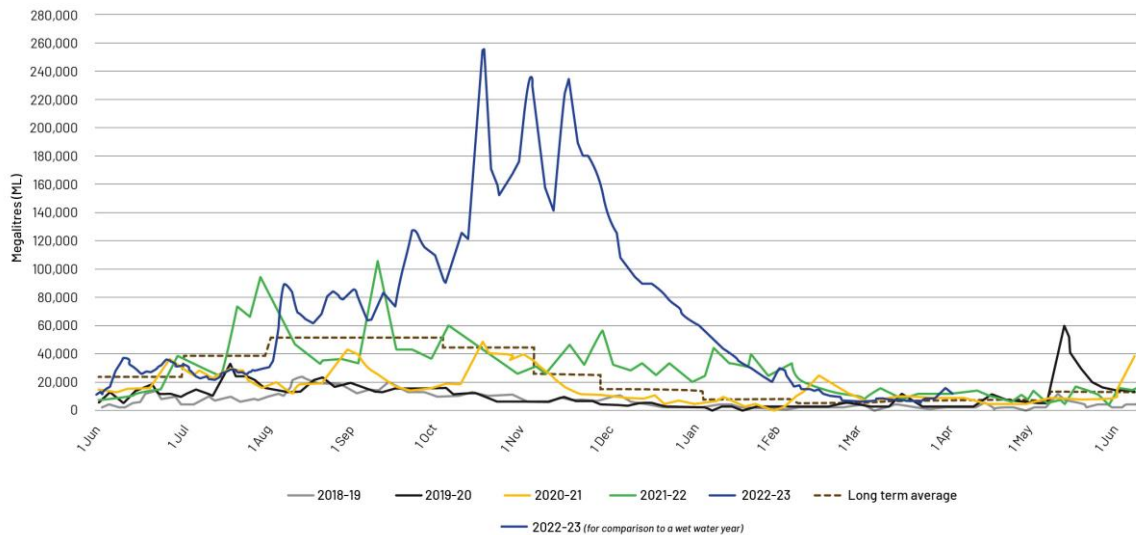
Murray River inflows were close to the long-term average during March.

Storages are now at 90% in the northern Basin and 88% in the southern Basin, compared to 95% and 87% at the same time last year.

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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