

Argyle Water Fund Investor Update

MAY 2022



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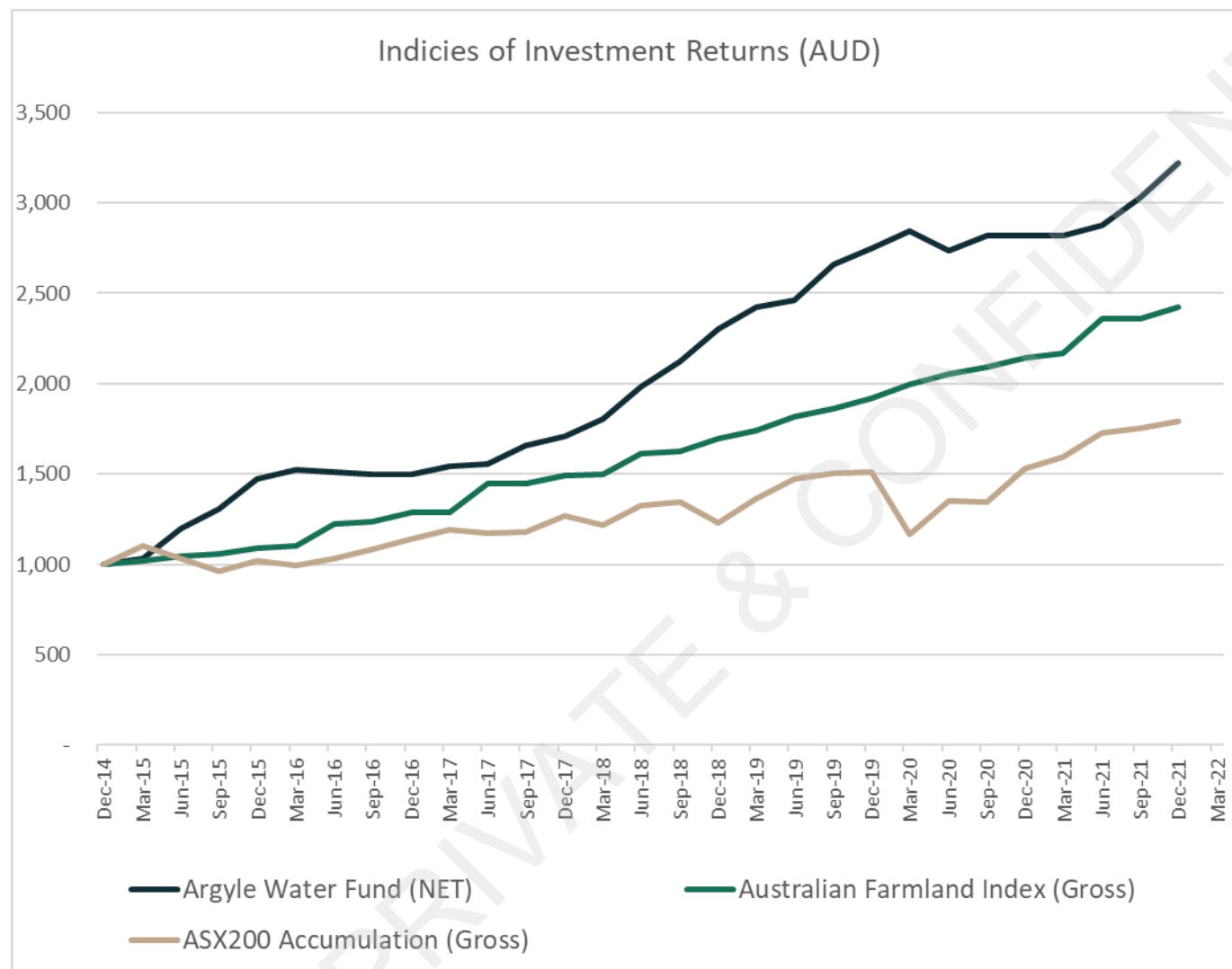
Water Fund Performance



30 APRIL 2022	3 months	12 months	3 years annualised	5 years annualised	10 years annualised
Argyle Water Fund Total Return <i>AUD. Net of fees, gross of tax</i>	2.44%	17.57%	10.98%	16.76%	16.49%
S&P ASX200 Total Return Index <i>AUD. Gross of fees and tax</i>	8.21%	10.16%	9.42%	8.81%	9.90%
Outperformance vs ASX200 (net vs gross)	-5.77%	7.41%	1.56%	7.95%	6.59%
S&P 500 Total Return Index <i>USD. Gross of fees and tax</i>	-8.17%	0.21%	13.85%	13.66%	13.67%

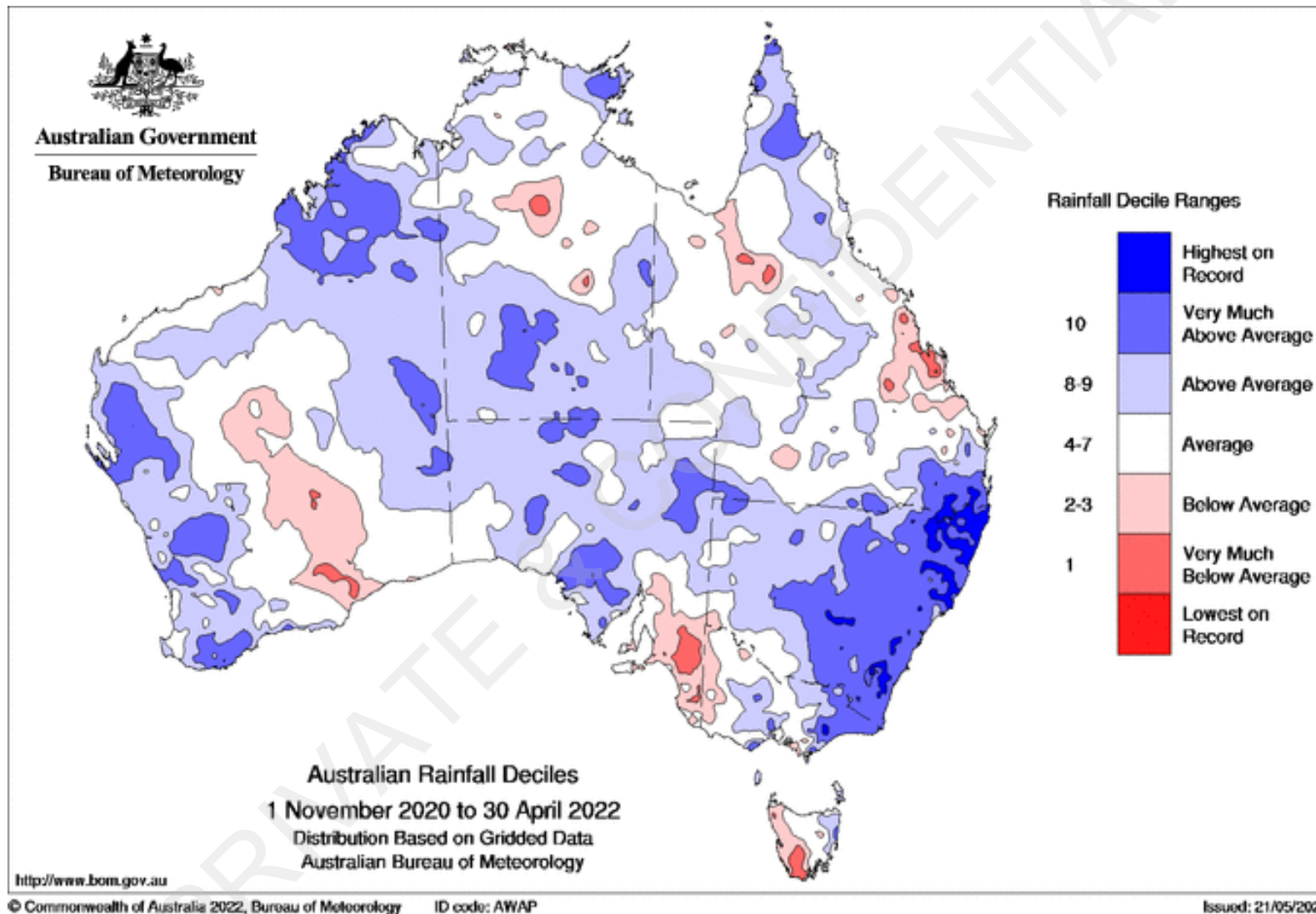
- 3.1% annual average distribution (cash yield) to investors since 2014 (net of management fees, gross of tax).
- \$100,000 invested with the Fund at inception August 2012 would have grown to \$437,400 as at 30 April 2022.

Water Fund Net Return vs Australian Farmland (Gross)



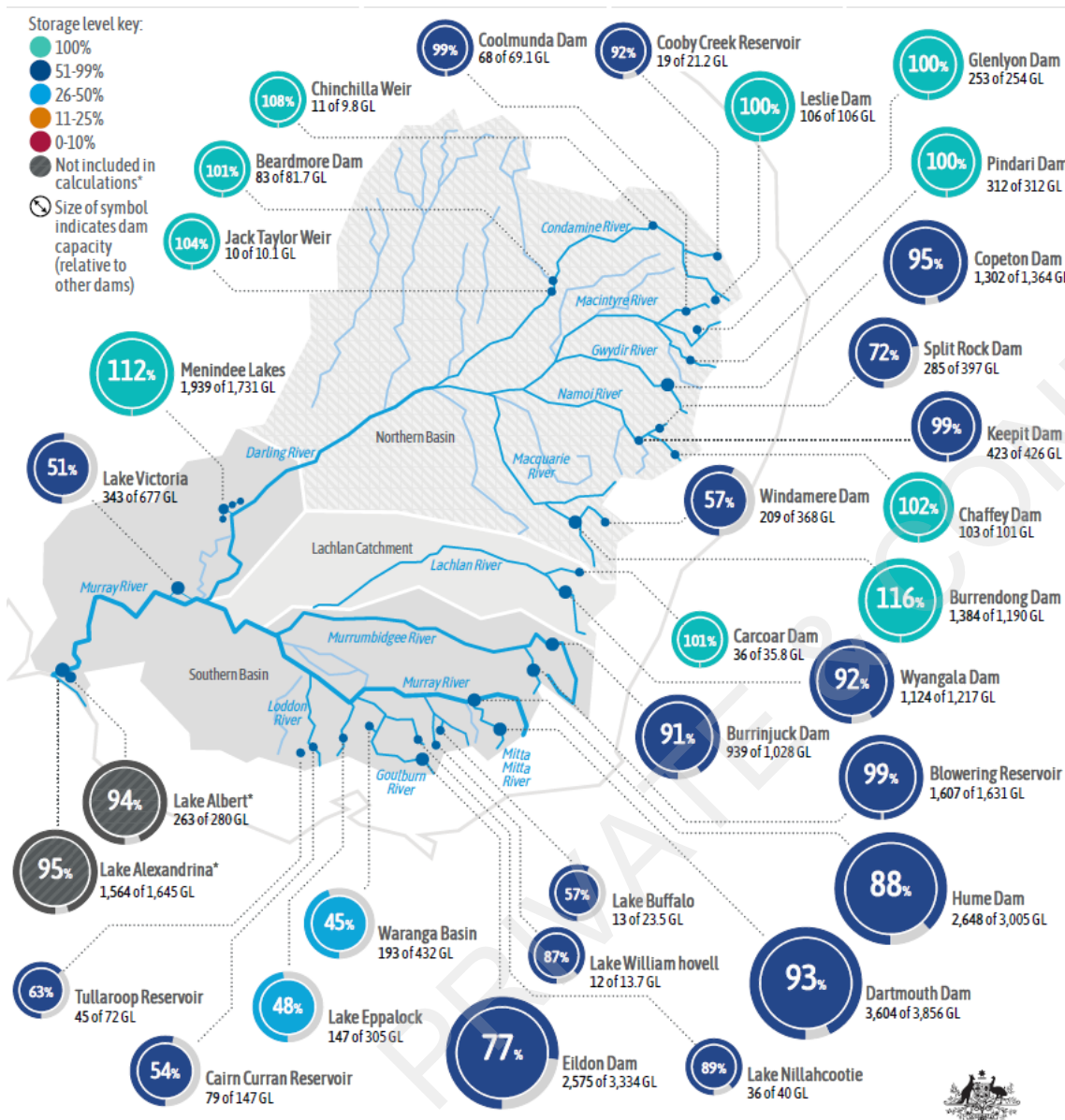
- Australian farmland values increased 20% year on year in 2021
- Australian Farmland Index commenced December Q 2014.
- Index of managed investments in Australian agriculture
- Including Argyle’s managed farmland investments, but not the Water Fund

Rainfall above average: last 18 months



Source: BOM

Murray Darling Basin storages: at full capacity



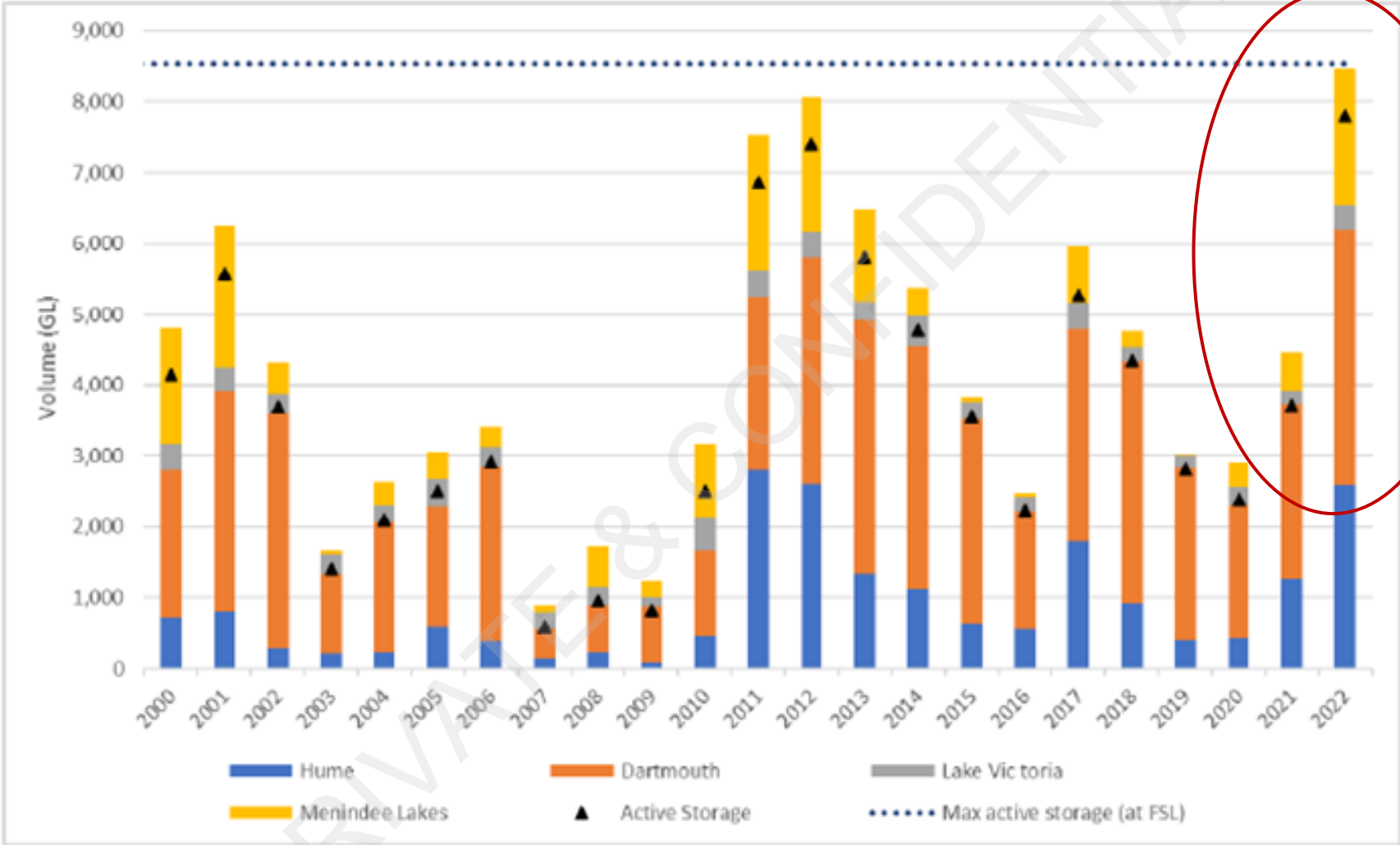
- **Northern Basin = 97% full**

- Border Rivers
- Gwydir
- Namoi
- Macquarie
- Lachlan

- **Southern Basin = 87% full**

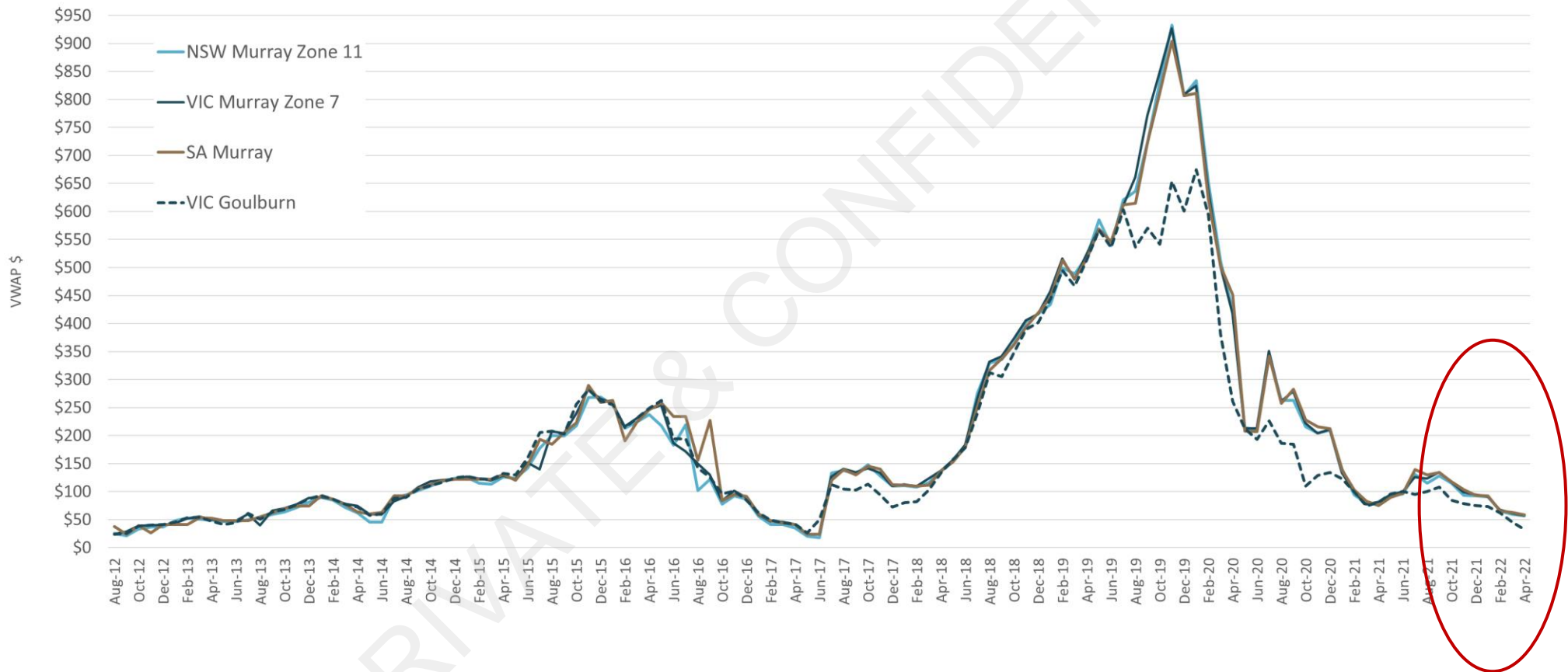
- Murrumbidgee
- Murray
- Goulburn
- Lower Darling (Menindee)

Murray River system: highest volume in 20+ years



Spot Water Allocation price: below \$100/ML

Water Allocation Values - Monthly volume weighted average price (\$/ML)

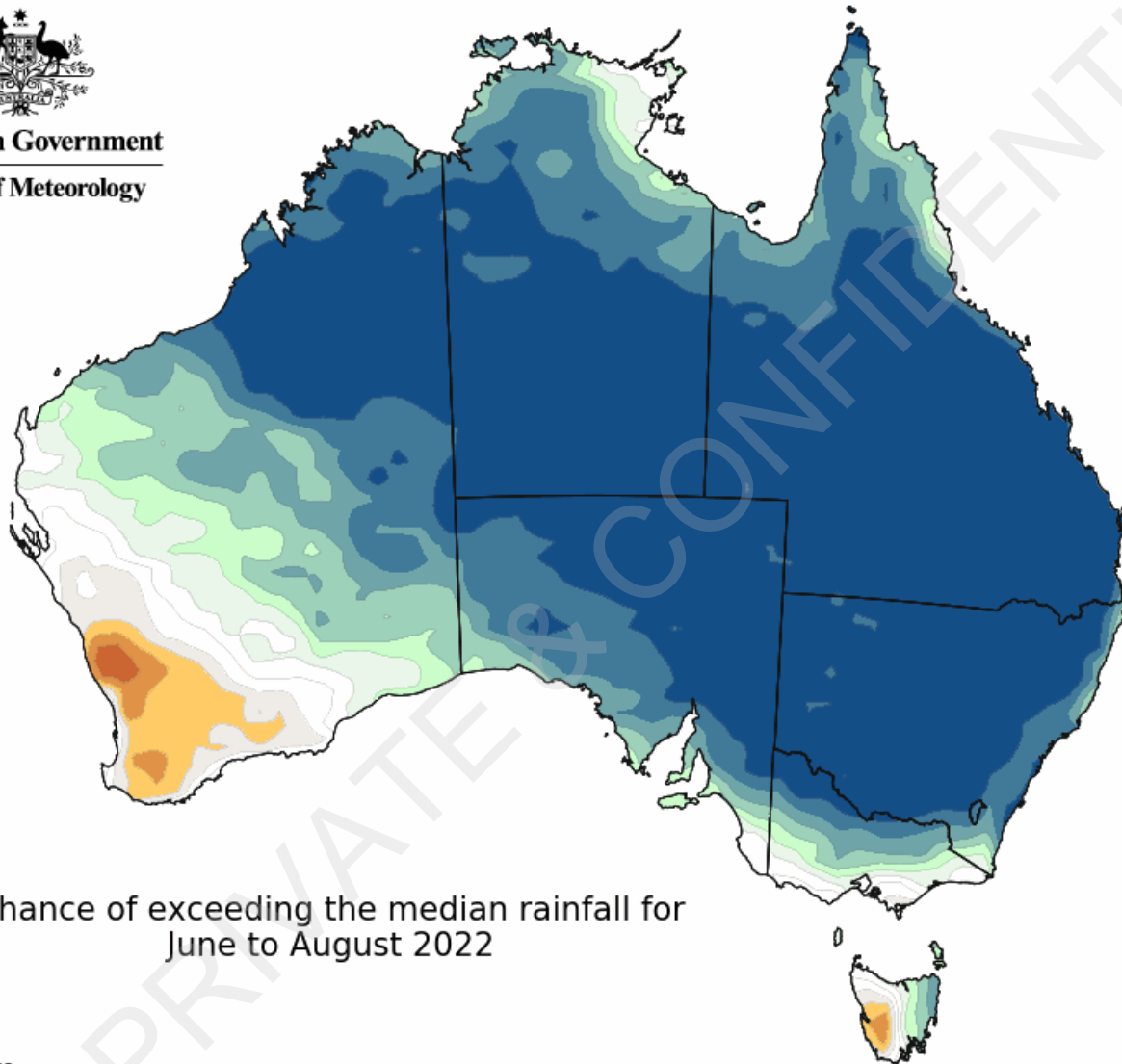


Source: Argyle's records

Winter outlook: above average rainfall forecast



Australian Government
Bureau of Meteorology

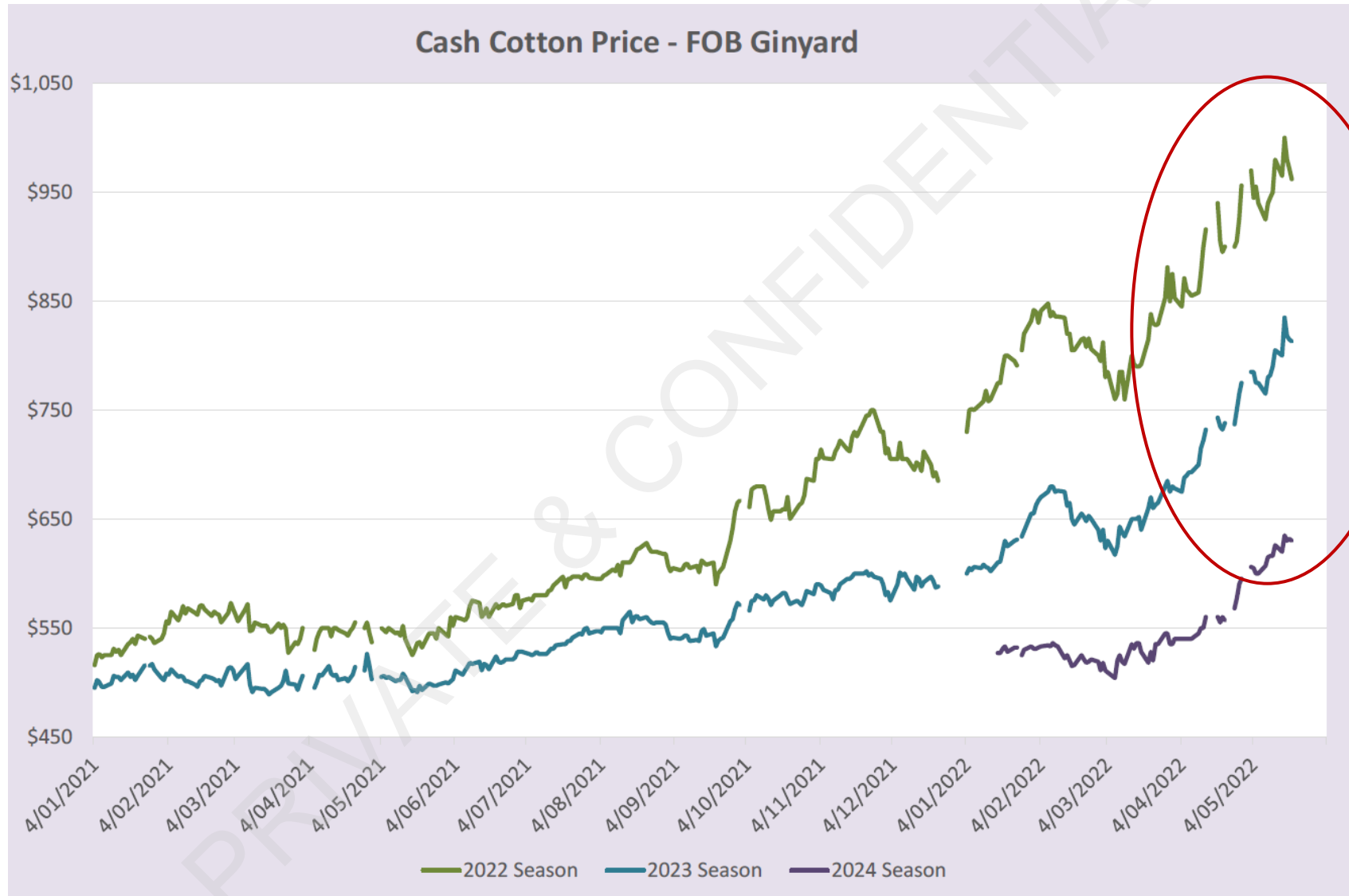


Chance of exceeding the median rainfall for
June to August 2022

Model: ACCESS-S2
Base period: 1981-2018

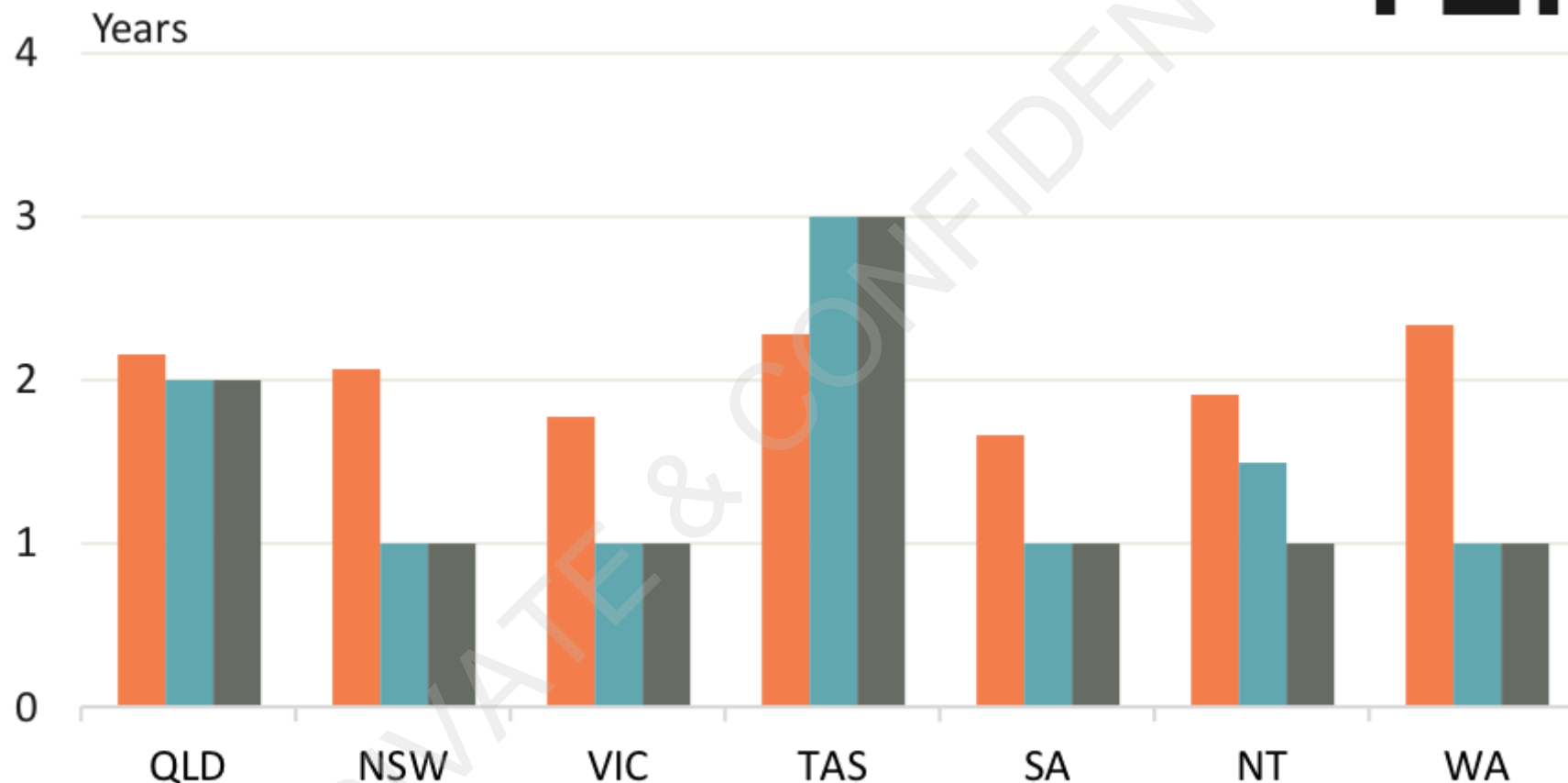
Model run: 16/05/2022
Issued: 19/05/2022

Cotton: record forward prices



Time between 'wet' to 'dry' years since 1900

Gap Between Wet Year to Dry Year



Source: BOM, TEM

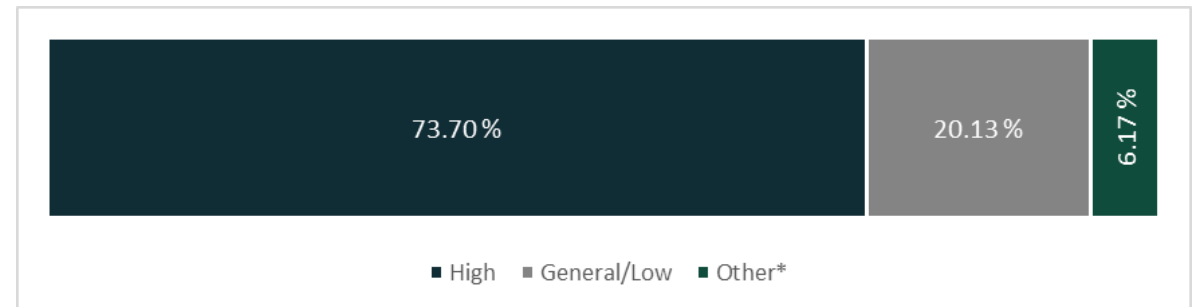
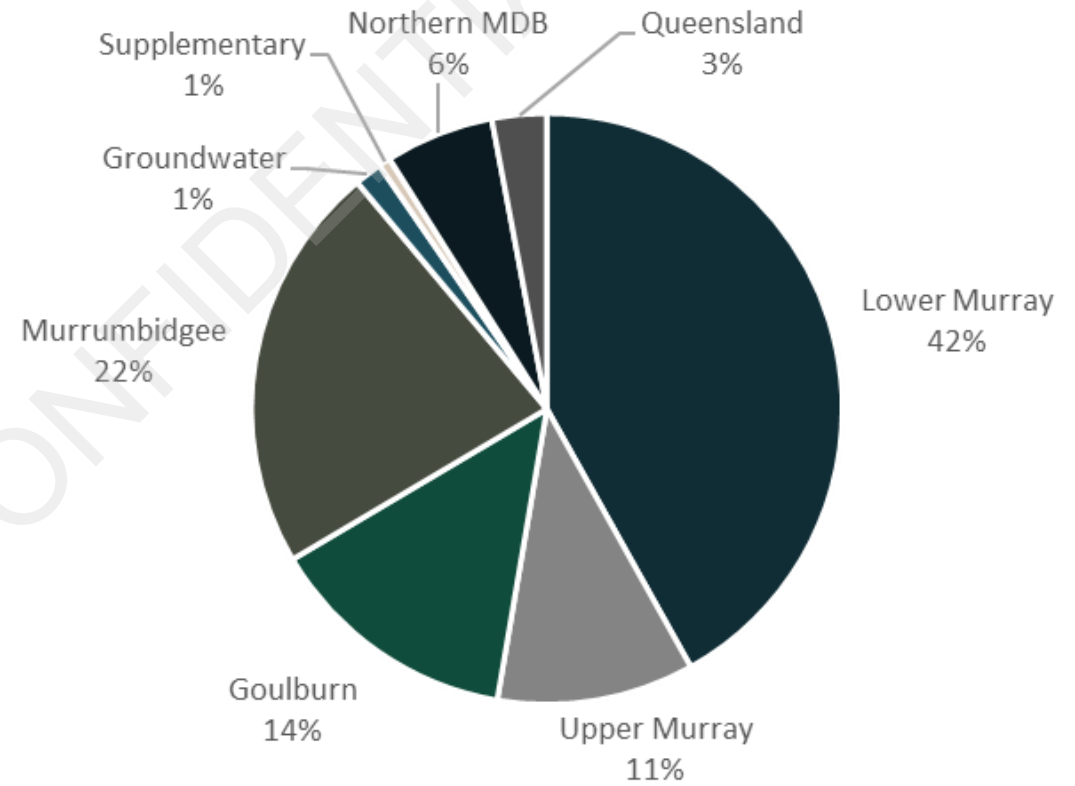
Mean Median Mode

Argyle Water Fund recap:

- Invested in a \$500M portfolio of diversified water rights.
- Servicing key permanent and annual crops including:
 - tree nuts - almonds, walnuts,
 - citrus,
 - table grapes, wine grapes,
 - cotton, rice
 - other horticultural crops (melons)
 - pasture and fodder crops.
- Annual distributions paid: circa 3% to 4% p.a.
- Net Asset Value (NAV) expected to appreciate over time reflecting capital growth in underlying water entitlements.
- Benefits of scale and diversity of assets



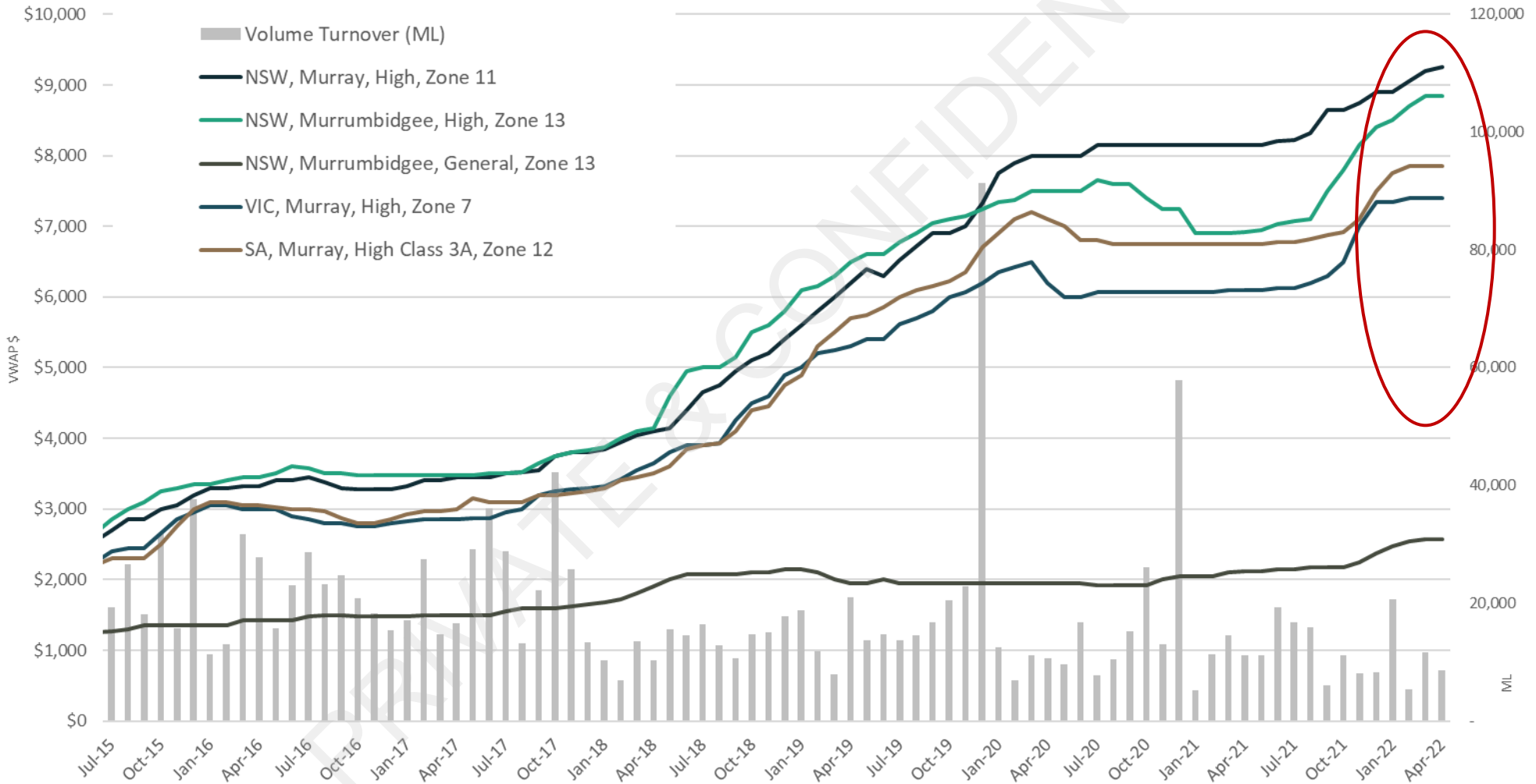
Regional & reliability exposures by value



* 8,400ML of QLD Medium Priority entitlement are contracted for purchase but not yet issued subject to the completion of the Rookwood Weir in 2023

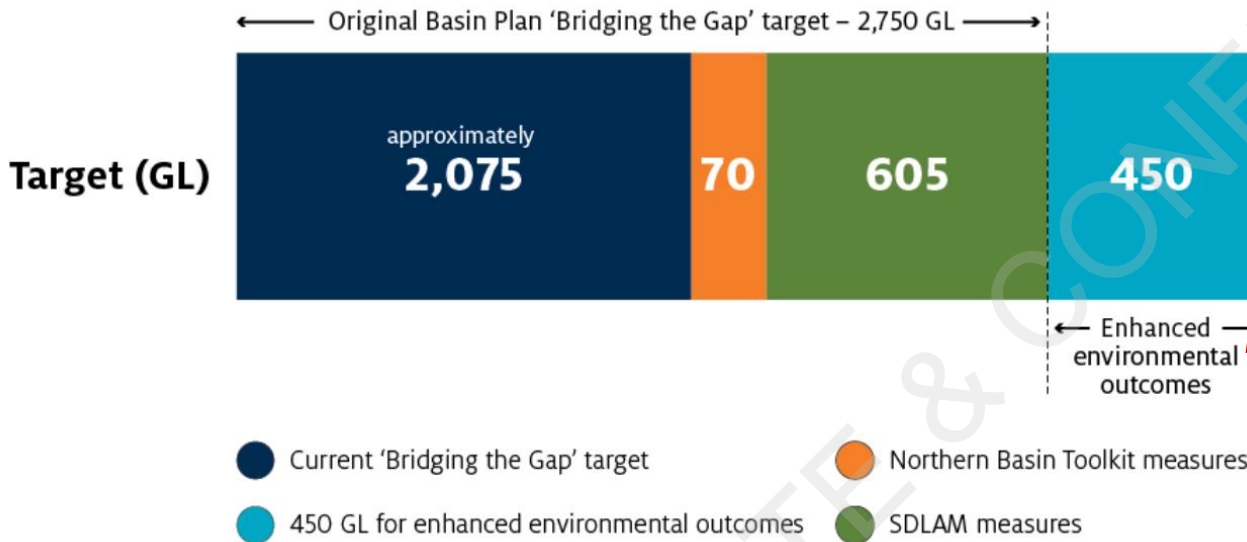
Entitlement values: consolidating higher values

Value of southern Murray-Darling Basin entitlements; Murray & Murrumbidgee Rivers



Basin Plan in focus: What is required?

Total Basin 'Bridging the Gap' Target	Progress towards target	Remaining recovery
2,075.0 GL/y	2,106.4 GL/y	46.0 GL/y



450GL enhanced environmental outcomes ('Up Water').

Agreed criteria: no negative regional social or economic outcomes.

SA Govt seeking this amount. Vic, NSW, Qld not in agreement.

Target	Total water recovery registered	Total water recovery contracted (including registered volume)	Remaining recovery
450.0 GL/y	2.0 GL/y	23.9 GL/y	426.1 GL/y

Fund outlook for 2022/23

- 30% of the current capital value of Water Fund's water entitlements are leased at the equivalent of 4.61% annual rental (was >5.5% per annum at the time of contracting).
- Leases receive *fixed income*. This is not impacted by lower spot water price.
- Over 10,000ML forward sales contracted for 2022/23 season.
- Fund's carryover from 2021/22 to 2022/23 will be negligible.
- In-season water allocation sales expected circa 45,000ML; similar to 2021/22.
- Weighted average lease expiry (WALE): December 2023 (previously July 2023).
- New lease extensions being pursued with high-value irrigation enterprise counterparties, however unlikely to contract more until 2023.

Fund outlook for 2022/23

- Final 2021/22 season distribution will be paid post financial year end.
- Pending finalisation of FY22 realised income for the Fund.
- Fund is not currently taxed: distributions will be taxed in investors' hands.
- All FY22 net realised income is required to be distributed to unitholders.
- Audit and Tax to be completed by Deloitte for FY22.
- Payment of final distribution anticipated by mid-August.
- Interim distribution expected to be paid January 2023.

The Manager: Argyle Capital Partners



First established in 2007.

10 year Water Fund track record

At March 2022 Argyle managed over \$1.3 billion in water rights and farmland assets including:

- Argyle Water Fund
- Australian institutional water entitlement portfolio
- Australian institutional farmland portfolio
- Strategic Australian Agriculture Fund

Currently 28 staff members: Six dedicated water investment management staff.

Deep back-office capability: a 10-person team accounting for farm assets, institutional portfolios and Funds.

The business completed a full management buyout in September 2021.



Summary

- Argyle Water Fund: benefitting from appreciation in the value of water as the key input to high value horticulture.
- Water is abundant for 2022/23 season: low spot water prices for the year ahead
- Low water prices / abundant supply and record forward prices will encourage record plantings of cotton, grains, oilseeds and rice
- Irrigation demand in the 2022/23 summer is likely to draw down current supply levels, similar to 2016/17 and 2017/18.
- Argyle Water Fund is partially protected from low water prices via existing water leases and existing forward sales achieved.
- Incoming government is committed to achieving the aims of the Basin Plan.
- Will the 450GL be required? If so, buybacks of entitlements from willing sellers may recommence.
- Buybacks would increase scarcity of consumptive water: driving water entitlement values higher.

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GENERAL

THE FUND IS A MANAGED INVESTMENT SCHEME UNDER THE CORPORATIONS ACT 2001 (CTH) AND WILL NOT BE REGISTERED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION. INTERESTS IN THE FUND HAVE NOT BEEN AND WILL NOT BE APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION. NOR HAS ANY SUCH AUTHORITY OR COMMISSION PASSED ON THE ACCURACY OR ADEQUACY OF THE MATERIALS. THERE WILL BE NO PUBLIC MARKET FOR THE INTERESTS IN THE FUND. THE TRANSFER OR RESALE OF THE SECURITIES WILL BE SUBJECT TO CERTAIN LIMITATIONS. RECIPIENTS WHO ULTIMATELY DECIDE TO INVEST SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS AND LACK OF LIQUIDITY THAT WILL BE CHARACTERISTIC OF AN INVESTMENT IN THE FUND.

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