

ARGYLE WATER ACCESS FUND

FACT SHEET



KEY POINTS:

- A non-correlated, asset-backed investment with a bond-like return profile. A true source of alternative beta with climatic variability and water scarcity as return drivers.
- The Argyle Water Access Fund (the 'Access Fund') invests in perpetual rights to Australia's annual irrigation water supplies (water entitlements) via the Argyle Water Fund ('Water Fund', 'Master Trust').
- Established since 2012, the Argyle Water Fund is invested in an existing portfolio of Australian water entitlements diversified across different river regions, climatic zones and agricultural industries.
- Managed by a pioneer of the asset class. Argyle's team has a proven track record of managing seasonal variability across a full range of Australian climate outcomes ('wet/flood' to 'drought').
- The Access Fund offers Australian wholesale investors access to an already built income producing portfolio with sufficient scale to supply the irrigation needs of top-quartile farmers within the Murray-Darling Basin (MDB).
- Target returns of 10% per annum (net of fees and gross of tax) over a 5-7 year holding period. Volatility of annual returns is expected to be consistently lower than Australian equity markets.
- Income generated from the annual sale of water volumes allocated to the water rights, and by leasing water rights to qualified end-users in return for fixed annual rents.
- Expected medium-term capital growth driven by inherent scarcity and expanding demand for water as a key input to high value agriculture servicing expanding export markets with greater capacity to pay for high quality food and fibre.
- An open-ended Fund with quarterly redemptions at Net Asset Value (NAV) available on 60 days' notice (after a 24-month non-redemption period).
- The Argyle Water Access Fund is offered for Australian investors. In the interests of existing investors in the Water Fund, Argyle may close the Access Fund to new subscriptions at any time.

FUND OVERVIEW:

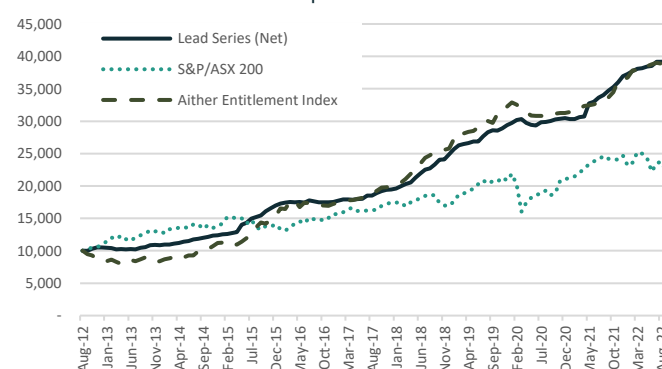
The Access Fund provides Australian investors the opportunity to invest in Australia's scarce water resources via the Water Fund. The Water Fund is invested in diverse portfolio of Australian water entitlement assets. Water entitlements are the legal rights to perpetually receive annual allocations of water that are vital for irrigation farming enterprises.

The number of water entitlements on issue in any region in Australia are capped and finite (river regions and aquifers). The capped amount represents a share of water made available for consumptive use whilst preserving sufficient water in those systems to ensure they remain environmentally sustainable. Fresh water is *the most limiting factor* in Australia's agricultural sector; a critical input to horticultural, viticultural, tree-nut and summer row crop enterprises.

The Water Fund is actively managed to derive annual income via water sales in spot and forward markets servicing a range of farmers and commodities. The Fund also generates income by leasing water entitlements to select irrigators for up to five-year periods. Under a lease strategy, the Fund receives fixed rental income irrespective of current rainfall and river conditions.

Argyle expects capital gains to accrue to Fund investors over the medium-term as water entitlements are priced to reflect their scarcity and through competition by irrigators to access constrained water volumes in the specific geographies in which the Argyle Water Fund invests. Unlike most other assets or commodities, higher prices for water entitlements do not create greater supply reflecting the capped nature of water access in those regions.

Performance Index since inception



Source: Argyle Capital Partners, 2022. Aither Entitlement Index tracks the value of a capital weighted portfolio of southern Murray-Darling Basin water entitlements.

Argyle Water Fund: Performance (to 31 October 2022)

1 month	-0.48%
3 months	-0.27%
6 months	2.22%
12 months (1 Year)	10.79%
3 Year Annualised (p.a.)	8.65%
5 Year Annualised (p.a.)	15.03%
Since Inception Annualised (p.a.)	15.83%
Argyle Water Fund NAV	\$557 million
Correlation to ASX200 Price Index	-0.05
Sharpe ratio	2.47
Volatility (annualised)	5.74%
Percentage of positive months	79.51%

The performance table details accumulated returns for the lead unit series of the Argyle Water Fund (Master Trust) in AUD since inception in August 2012. All returns are net of fees and gross of tax (prior to tax provisions). Performance since inception is calculated based on the reinvestment of annual Fund distributions. Past performance is not a guarantee of future performance.

Fund information

Name	Argyle Water Access Fund
Structure	Unit Trust
Trustee	Perpetual Corporate Trust Limited
Unit Registry	One Registry Services Pty Ltd
Independent Valuer	JLL Advisory
Investment Manager	Argyle Water Partners Pty Ltd
Auditor	EY
Management Fee	1.40% per annum (incl. GST)
Performance Fee	17.9375% p.a. (incl. GST), over 8% net annualised, subject to High Water Mark
Administration Fee	0.297% p.a. (incl. GST)
Minimum Investment	\$50,000
Redemption Frequency	Quarterly on 60 business days' prior notice, subject to initial 24-month lock

For more information please contact:

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Why is this a good time to invest?

Argyle considers this an ideal time to invest based on:

- An on-going expansion of permanent tree and vine crop plantings across southern Murray-Darling Basin ('MDB') regions implying a greater level of future demand for water at a higher average price point than farmers were prepared to pay during the past decade.
- A continuing transition of water use from lower value to higher value crops as farmers adapt their enterprise and cropping mix to achieve superior farm-gate returns.
- Anticipated productivity growth by Australia's irrigated agricultural industries focused on deriving greater crop output per unit of water applied (*'more crop per drop'*).
- Asian export market expansion. Volumes of Australian food, fibre and beverages are being sought by Asian populations with increasing per capita incomes.
- An increasing sophistication of water markets in the southern MDB including the emergence of long-term water leases, forward contracts for water supply, the ability to carry water over from one water year (June to July) to the next.
- The continued implementation of the MDB Plan which may result in a further buy back of consumptive water entitlements by Governments in some river regions. This will result in proportionally less water being available for consumptive use in future; further increasing its scarcity as a key input for farmers.

Investment Approach

Since 2012, the Argyle Water Fund has progressively acquired a portfolio of water entitlements in regions with supportive regulation and market maturity, water scarcity and annual water demand which in Argyle's opinion provide the greatest potential for a progressive re-rating in water values. The Fund's portfolio:

- is constructed with a focus on yield, reliability of water allocations, the price elasticity of demand and the structural attractiveness of individual water systems;
- is diversified across States, Regions, Types (aquifers and rivers) and Security Classes (high security, general security); and
- employs a long-term buy and hold approach with judicious rebalancing over time to optimise yield and capital growth.

The scale of the Argyle Water Fund allows it to offer a range of water supply solutions at commercial volumes to service the needs of the largest and most sophisticated irrigators in the southern MDB.

About Argyle Capital Partners

Argyle Capital Partners is the leading independent manager of investments in Australian water markets. The firm specialises in managing investments in water entitlements and irrigated farmland ventures mostly in partnership with private family/corporate farmers. Argyle's Directors, Investment Committee and key officers collectively have several decades of experience in water markets, agribusiness, commodity trading and funds management. Argyle is an independent investment management business owned by its management team. Argyle actively manages the deployment of the Fund and its ongoing water allocation sales and lease program.

What are water entitlements?

Water entitlements (water rights) are perpetual rights to access a share of the annual volume of consumptive water allocated from a defined water resource such as a river system or aquifer. The volume of water allocated to the water entitlement each year ('water allocation') can be sold or leased to agricultural, urban, and commercial water users. The entitlements are secure at law, issued, regulated, and registered by State Governments similar to land titles.

Australian water markets are well established, relatively large (greater than \$50 billion in size) and liquid (on average over \$1 billion traded annually). They are supported by a robust regulatory framework and delivery infrastructure that facilitate efficient water trade.

The value of water entitlements is not determined by seasonal water availability. Entitlement values are based on long-term water supply and demand dynamics, not short-term seasonal water availability. Cycles of droughts and floods are anticipated reflecting Australia's irregular rainfall pattern.

Water flows via a competitive market to its highest and best economic use; over time the most productive and profitable irrigated farming enterprises are able to bid an increasing proportion of capped consumptive resource from less profitable farmers.

Australia is one of the few countries in the world with a robust legal and regulatory framework that allows investment returns to flow from the acquisition and management of permanent water entitlements.

Responsible investment. Regional impact

The Argyle Water Fund's investments are consistent with the objective of Australia's National Water Initiative (NWI, 2004) such that capped amounts of consumptive water are valued appropriately; consumptive water is allowed to trade to its highest economic use; and the market provides commercial incentives to reduce applications to lower value irrigation enterprises.

The implementation of the NWI and MDB Plan ensure environmental water flows are prioritised ahead of consumptive water use. Water allocated to the Fund's entitlements represent a small proportion of water volumes made available for consumptive use in each irrigation district where the Fund is invested.

The Argyle Water Fund contributes to the on-going development of Australia's water markets by offering long-term leases and forward water sale opportunities enabling farmers to better manage their seasonal water supply risks across consecutive years.

The Argyle Water Fund's investments also reduce the amount of capital farmers would otherwise need if they were required to own water entitlements to access annual water supplies. This separation of ownership from use of water was a deliberate design of the NWI.

Argyle actively participated in the Australian Competition and Consumer Commission's inquiry into MDB water markets from 2019 to 2021 and supports measures to assist in the further development and transparency of Australia's water markets.

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