



# Kernel KiwiSaver Plan Other Material Information

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## General

This Other Material Information Document (**Document**) has been prepared in accordance with the Financial Markets Conduct Act 2013 (**FMC Act**) and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

Kernel KiwiSaver Plan is a registered KiwiSaver scheme (**Plan**), number 13288. Kernel Wealth Limited (**Kernel**) is a licensed fund manager formed in 2018 and is the Manager of the Plan.

In this Document the words “you” or “your” means a person who invests in the Plan. “We”, “us” or “our” refers to Kernel as the Manager of the Plan.

This Document should be read in conjunction with the Product Disclosure Statement (**PDS**) for the Plan.

See the Glossary in Section 10 for defined terms.

## 1. KiwiSaver

KiwiSaver is a savings plan legislated by the NZ Government under the KiwiSaver Act 2006 (**KiwiSaver Act**) designed to help set you up for your retirement. You can choose any but only one KiwiSaver provider including the Kernel KiwiSaver Plan. Most members will build up their savings through regular contributions from their pay until they reach their KiwiSaver Qualifying Age (generally age 65, as explained further on page 5). If you're not working, you can make KiwiSaver contributions directly to us as your KiwiSaver provider. KiwiSaver member benefits if you are eligible, include contributions from your employer and the Government, as well as help to buy your first home. KiwiSaver has been designed to help New Zealanders buy their first home and save for their retirement.

### Joining KiwiSaver

As at the date of this document, you can join KiwiSaver and the Kernel KiwiSaver Plan if you are both:

- (a) a New Zealand citizen, or entitled under the Immigration Act 2009 to be in New Zealand indefinitely; and
- (b) you live, or normally live, in New Zealand (some exceptions apply to Government, diplomatic and military working overseas).

The process for joining the Kernel KiwiSaver Plan is set out in the PDS and on our website at [www.kernelwealth.co.nz](http://www.kernelwealth.co.nz). All contributions received for you are paid into a non-interest bearing bank account on receipt and applied to the relevant funds in accordance with the Trust Deed. We may set Plan membership criteria (where the law allows) and we can decline your application if you do not meet those criteria.

### Contributions

#### Member contributions

The KiwiSaver Act requires a minimum contribution rate of your before-tax pay (currently 3%). Your employer will automatically deduct your contributions from your after-tax pay and pay them to Inland Revenue who will pass them to us as your KiwiSaver provider.

You can change your contribution rate by notifying your employer of a new rate (currently 3%, 4%, 6%, 8% or 10%) of your before-tax pay. If you are a Kernel KiwiSaver Plan member, you can inform Kernel to change your contribution rate (who will inform Inland Revenue and your employer), but this is likely to be slower than informing your employer directly. You can also inform Inland Revenue to change your contribution rate who will pass on this information to us and your employer.

Once you have reached KiwiSaver Qualifying Age (see above) you may notify your employer to stop making KiwiSaver contributions from your pay. If you're not required to deduct PAYE

from your pay (and you are not a private domestic worker) then you are not required to contribute from your pay.

### **Additional contributions**

Whether you're employed, self-employed or not currently employed, you can choose to make regular contributions or lump sum payments of any amount at any time. This can be done through Inland Revenue or by transferring direct to your KiwiSaver provider. If your provider is Kernel, you can find the account details and references to include on a bank transfer in the Kernel platform under deposit. If you forget or include an incorrect reference, we may not be able to match to you and your contributions may be delayed.

### **Employer Contributions**

If you are aged between 18 and the KiwiSaver Qualifying Age and you are contributing to KiwiSaver from your salary or wages then, except as outlined below, your employer must also contribute to KiwiSaver for your benefit. Your employer's contribution must be on top of your member contributions unless you agree otherwise. All employer contributions must be paid through Inland Revenue. Your employer must deduct employer superannuation contribution tax (ESCT) from its contribution before paying it to Inland Revenue for your benefit, who then pass it to your KiwiSaver provider. This means that an employer 3% contribution will be less than a member 3% contribution, as the employer's 3% is before tax and the member's 3% is after tax.

If your employer contributes to a non-KiwiSaver retirement scheme for your benefit, those contributions may count as the compulsory employer contributions (meaning that it does not need to also contribute to your KiwiSaver Account, or can contribute at a lower rate, for your benefit) if your employer's contributions to that retirement scheme will only count as compulsory contributions to the extent that they "vest" (i.e. are fully allocated to you) within five years of being paid.

Under the KiwiSaver Act, there are other limited circumstances where employer contributions to a retirement scheme will count as compulsory contributions.

### **Government contributions**

Government contributions are currently payable to eligible members as set out in the PDS. Those Government contribution entitlements will reduce in proportion to the part of any year (1 July to 30 June) during which you were not a KiwiSaver member, had yet to reach age 18, had reached your KiwiSaver Qualifying Age or while you did not live mainly in New Zealand.

No Government contributions will be payable in respect of funds transferred to KiwiSaver from an Australian superannuation scheme.

### **Savings suspension**

If you're making regular contributions from your pay, you can apply through your employer to Inland Revenue for a savings suspension. This means your employer will stop deducting regular contributions from your pay and may also stop their Employer contributions. As at the date of this document, you can take a savings suspension of between three months and one year. Generally, at least 12 months must have passed since Inland Revenue received your first KiwiSaver contribution before it can confirm a savings suspension. However, if you are suffering, or likely to suffer, financial hardship before that time, Inland Revenue may grant you a savings suspension of three months (or longer in special circumstances).

You can apply for a new savings suspension once your suspension period expires and there is no limit to the number of times you can reapply to continue a savings suspension.

While you are on a savings suspension, your savings will continue being invested in the Kernel KiwiSaver Plan, which means your balance will continue to fluctuate.

You can end a savings suspension at any time by letting your employer know that you'd like to start making KiwiSaver contributions from your pay again.

## **Transferring between KiwiSaver schemes**

You may transfer to the Kernel KiwiSaver Plan from another KiwiSaver provider or permitted retirement scheme at any time. You may also transfer out to another KiwiSaver provider at

any time by contracting directly with the provider of that scheme. Because you may only be a member of one KiwiSaver provider at a time, you must transfer your entire balance to the new KiwiSaver provider. This will occur in two parts, first new contributions will be redirected to your new provider and second, usually taking up to two weeks, your existing provider will redeem your investments for cash, transfer to the new provider and the new provider will invest into your chosen investments.

Subject to the KiwiSaver Act, we may need to impose conditions and restrictions (including as to fees, amounts and frequency) on your withdrawal of any amount transferred to the Kernel KiwiSaver Plan from an overseas retirement scheme.

If you have previously transferred your UK pension into KiwiSaver, you may not be able to transfer between KiwiSaver providers without incurring a possible UK tax penalty. Transfers from overseas retirement schemes may have significant tax consequences and you are strongly encouraged to talk to an independent tax adviser before you make any decision to transfer your investment, or to withdraw it once it has been transferred into KiwiSaver. None of the parties involved with Kernel or the Kernel KiwiSaver Plan will be responsible for any tax consequences arising from a transfer to the Plan or withdrawal from the Plan where part or all of the balance has originated from an overseas retirement scheme.

You can transfer funds from an Australian complying superannuation scheme into a KiwiSaver scheme if you have permanently returned or immigrated to New Zealand. Transfers to an Australian complying superannuation scheme are covered under "Permanent emigration to Australia" below.

## Withdrawals

KiwiSaver is a special type of investment designed to help you save for retirement, so in most cases you cannot withdraw your savings until you are eligible for withdrawal. Generally, this is when you reach KiwiSaver Qualifying Age. Your '**KiwiSaver Qualifying Age**' is usually the age that you qualify for New Zealand Superannuation (currently age 65). If you first joined KiwiSaver (or a complying superannuation fund, if you transferred from that fund) before 1 July 2019, an additional five-year membership requirement also applies. You can opt out of that requirement, but you'll no longer be eligible to receive Government contributions and your employer can stop contributing when you reach age 65. Once you reach your KiwiSaver Qualifying Age, you can still continue to save in and also make withdrawals at any time. You can make withdrawals in one or more lump sums or as a series of regular withdrawals. There is no minimum amount for any withdrawal.

Currently there is no minimum balance, but if we introduce one in future we may require you to make a full withdrawal if your account balance falls below that minimum amount. If you make a full withdrawal, your account will be closed and you will no longer be a member of the Kernel KiwiSaver Plan.

### Early withdrawals

In some special circumstances, you may be able to make an early withdrawal. Under current legislation, these include buying a first home, significant financial hardship, suffering serious illness or a life-shortening congenital condition, permanent emigration, or where a transfer from an overseas retirement scheme has triggered an additional tax liability or student loan repayment obligation. Each of these are defined in the KiwiSaver Act. In some cases of early withdrawal, the amount withdrawn must exclude some amounts which must remain in your KiwiSaver account.

### First home purchase withdrawal

One of the benefits of KiwiSaver is the ability to make a withdrawal to help you buy your first home or land or an interest in a dwelling house on Maori land. To do this, you must satisfy the eligibility requirements in the KiwiSaver Act, which are briefly summarised below.

To qualify, you must be in KiwiSaver for at least 3 years before you withdraw funds for your first home. You must never have owned a New Zealand residential property before, unless Kāinga Ora (formerly Housing NZ) considers you to be in the same financial situation as a first

home buyer. For more information contact Kāinga Ora. You will not be treated as having owned property before if you hold (or have held and sold) land. You also must be buying a property in New Zealand and intend to live in the home you're buying.

You can withdraw all except for \$1,000 of your savings to buy your home. You cannot withdraw any amount transferred to KiwiSaver from an Australian complying superannuation scheme.

When you apply to make a first home withdrawal, you'll need to provide various documents, including a copy of a sale and purchase agreement listing you as purchaser. Both you and your solicitor or conveyancing practitioner will need to make declarations about your situation and eligibility.

Please ensure you apply for this withdrawal at least 10 business days before your deposit or settlement payment is due.

You cannot make a first home withdrawal after your property purchase has settled. If you are using your first home withdrawal to purchase land on which to build your first home then the funds withdrawn must be put towards buying the land, not building the home.

If your withdrawal is approved, the money will be paid directly to your solicitor or conveyancing practitioner. If you do not end up buying the property, the money must be put back into your KiwiSaver account.

In some circumstances you can suffer a loss of your deposit which means you may be unable to recover some or all of the funds you withdrew for this purpose. You should talk to your solicitor or conveyancing practitioner for more details on how these types of circumstances may arise.

### **Significant financial hardship**

If you are experiencing or likely to experience significant financial hardship you may be able to withdraw some of your savings. Examples of significant financial hardship are where you cannot:

- meet your minimum living expenses
- meet mortgage payments on your home where a lender seeks to enforce its mortgage
- afford to modify a home for you or a dependent due to a disability
- afford the cost of medical treatment for an illness or injury of yourself or a dependent
- afford the cost of palliative care for yourself or a dependent
- cover funeral costs of a dependent.

Kernel, as your provider, facilitates your application for submission to the Supervisor. Where your application is approved by the Supervisor, your withdrawal will be limited to the amount that, in the Supervisor's opinion, is required to alleviate the hardship. It is a discretionary assessment made by the Supervisor based on the statutory prescribed criteria. The maximum withdrawal is the balance in your account, less any Government contributions and any \$1,000 'kick-start' contribution you may have received when first joining KiwiSaver.

### **Serious illness**

If you become seriously ill, injured or disabled you may be able to make an early withdrawal. You will need a medical practitioner to make declarations about you. Kernel, as your provider, facilitates your application for submission to the Supervisor. The Supervisor will consider applications included medical declarations that you are totally and permanently unable to perform work for which you are suited by reason of your experience, education or training, or that you have an illness, injury or disability that poses a serious and imminent risk of death. If your application is approved you will be able to withdraw a lump sum up to the total value of your KiwiSaver account.

### **Life-shortening congenital condition**

If you have a life-shortening condition that is congenital (i.e., existing from your date of birth), you may be eligible to withdraw all or part of your savings before your KiwiSaver Qualifying Age. Qualifying conditions include cerebral palsy, down syndrome, Huntington's disease and

fetal alcohol spectrum disorder. You will need a medical practitioner to make declarations about you. Kernel, as your provider, facilitates your application for the Supervisor. The Supervisor must be satisfied either that the condition is identified by regulation as a life-shortening congenital condition or is one for which you have medical evidence to verify that it is expected to reduce life expectancy to below age 65 (either for you or generally for persons with the condition).

If you make a withdrawal on this basis, you will be treated for KiwiSaver purposes as having reached your KiwiSaver Qualifying Age, which means you will be eligible to make further withdrawals but you will no longer be eligible for Government Contributions or compulsory Employer Contributions.

### **Permanent emigration**

If you permanently emigrate from New Zealand to anywhere other than Australia, after twelve months abroad you can withdraw the full value of your savings. However, any Government contributions, which must be repaid to Inland Revenue, and any amounts transferred from an Australian complying superannuation scheme cannot be withdrawn. We will need evidence to support your permanent emigration withdrawal request.

### **Permanent emigration to Australia**

If you permanently emigrate to Australia, you cannot make a withdrawal. However, you can transfer the total value of your KiwiSaver account (including Government contributions) to an Australian complying superannuation scheme which agrees to accept the transfer (as long as your balance is below any maximum transfer amount required by Australian legislation).

Where your investment includes money originally transferred from an overseas retirement scheme, you should seek advice from an independent tax adviser before you make any decision to transfer as there can be significant penalties, restrictions between the rules of different retirement schemes, or tax to pay.

### **On death**

If you die, we will pay out your KiwiSaver savings to the executors or administrators of your estate, as your personal representatives. If your balance does not exceed the prescribed amount, (currently \$15,000), and certain other conditions are met including proving their relationship to you, we may pay the whole amount to a claimant such as your surviving partner or children, under the Administration Act 1969.

### **Following transfer from an overseas superannuation scheme**

You may be able to make a withdrawal to meet any New Zealand tax liability or additional student loan repayments that have been caused as a result of transferring funds to KiwiSaver from an overseas (non-Australian) superannuation scheme. You must apply within two years after Inland Revenue assesses that tax liability or additional repayment obligation.

This withdrawal might in some cases trigger a foreign tax liability. If you are considering making a transfer into KiwiSaver from an overseas superannuation scheme you should see an independent tax adviser.

### **Court Orders**

If there is any law or court order (for example when a relationship ends) that requires us to release some or all of your funds, we will need to comply with that law or court order.

### **Withdrawal of Australian transfers at age 60**

Funds transferred to KiwiSaver from an Australian complying superannuation scheme can be withdrawn if you have reached age 60 and satisfy the "retirement" definition in Australian legislation.

### **Leaving KiwiSaver**

If you make a full withdrawal, your account will be closed and you will no longer be a member. If your account balance falls to zero and we have notified you of the end of your membership, you will no longer be a member of the Kernel KiwiSaver Plan.

## 2. Funds

Kernel offers nineteen funds (each a Fund and together the Funds).

Each Fund invests wholly and directly in an underlying fund in the Kernel Funds scheme (SCH12697) and will receive the same performance, have the same risks and pay the same fees as in that underlying fund. The difference is that you are bound by the requirements of the KiwiSaver Act 2006.

The Kernel High Growth Fund provides diversified exposure to growth assets, investing into a combination of other Kernel Funds in the Kernel Funds scheme. The Kernel Balanced Fund provides diversified exposure to both income and growth assets investing mainly in other Kernel Funds in the Kernel Funds scheme. Collectively the High Growth and Balanced funds are **Kernel Diversified Funds**.

The Kernel Cash Plus Fund invests in short-term Fixed Income instruments and other cash and cash equivalents designed to generate an investment return that reflects the return of the Bloomberg NZ Bond Bank Bill Index.

All other funds are equity index funds that primarily provide exposure to a single asset class.

### Funds

- NZ 20 Fund
- NZ Small & Mid Cap Opportunities Fund
- NZ Commercial Property Fund
- NZ 50 ESG Tilted Fund
- Kernel Global Infrastructure Fund
- Kernel Global Infrastructure (NZD Hedged) Fund
- Kernel Global Green Property Fund
- Kernel S&P Global Dividend Aristocrats Fund
- Kernel S&P Global 100 Fund
- Kernel S&P Global 100 (NZD Hedged) Fund
- Kernel S&P 500 Fund
- Kernel Global ESG Fund
- Kernel Global ESG (NZD Hedged) Fund
- Kernel S&P Kensho Moonshots Innovation Fund
- Kernel S&P Kensho Electric Vehicle Innovation Fund
- Kernel S&P Global Clean Energy Fund
- Kernel High Growth Fund
- Kernel Balanced Fund
- Kernel Cash Plus Fund

Each Fund is governed by the Trust Deed dated 11 March 2022, and managed in accordance with the Statement of Investment Policy and Objectives (**SIPO**).

Each Fund is a separate and distinct investment fund, with separate assets and liabilities, under the Trust Deed. All investments of a Fund are to be held by or on behalf of the Supervisor as the exclusive property of that Fund, for the exclusive benefit of the investors of that Fund. No investor in one Fund will have any claim on any other Fund (and vice versa). This means that the assets of one Fund cannot be used to cover the liabilities of another Fund.

Two Product Disclosure Statements (**PDS**) have been prepared for investors and contain information on the Funds which must be read before we can accept an investor's application.



One PDS contains information about the Kernel Equity Funds and the other PDS contains information about the Kernel Diversified Funds and the Kernel Cash Plus Fund. You can get a copy of the PDS, SIPO, Master Trust Deed and other information about the Scheme and each Fund on the Disclose website (<https://disclose-register.companiesoffice.govt.nz>) or by contacting us.

Each equity fund investment strategy is based on a carefully constructed methodology by S&P Dow Jones Indices to systematically assess eligibility and weighting factors. For five of Kernel's funds this includes non-financial factors as independently observed or assessed, and/or reported by listed companies. These non-financial factors include environmental, social and governance conditions, sometimes called sustainable or responsible investment. The five funds are NZ 50 ESG Tilted Fund, Kernel Global Green Property Fund, Kernel S&P Global Clean Energy Fund, Kernel Global ESG Fund and Kernel Global ESG (NZD Hedged) Fund. For more information see Kernel's ESG Policy which can be found on the Scheme's offer register entry at <https://disclose-register.companiesoffice.govt.nz> and on our website [www.kernelwealth.co.nz](http://www.kernelwealth.co.nz).

### 3. Who is involved

#### The Manager

Kernel is a registered financial services provider, FSP 644609, incorporated under the Companies Act 1993 on 25 September 2018 (Company number 7050334).

We were granted a licence to act as manager of a registered scheme under the FMC Act on 19 August 2019. The licence is subject to standard licence conditions under the FMC Act and the FMC Regulations that apply to all managers of managed investment schemes. More information can be obtained at <https://fsp-register.companiesoffice.govt.nz>.

As Manager we are responsible for:

- offering and issuing Units in each Fund in the Plan
- managing the Funds and their investments in accordance with the SIPO
- administering the Plan and each Fund.

#### The Supervisor

The independent supervisor for the Plan is Trustees Executors Limited (**Supervisor**), who supervises us as Manager of the Plan.

The Supervisor is responsible for the following functions:

- supervising the performance of our functions as Manager and our issuer obligations, including compliance with the Trust Deed
- supervising the financial position of us as Manager, the Plan and the Funds to ascertain their adequacy
- acting on behalf of investors in relation to us as Manager, any matter connected to the Trust Deed, or the terms of offer of the Units, any contravention or alleged contravention of our obligations as the issuers of the Units and Manager of the Plan, and any contravention or alleged contravention of the FMC Act by any other person in connection with the Plan
- reporting to FMA any contravention, or likely contravention, of a manager or issuer obligation
- holding the property of the Funds and the Plan, or ensuring that it is held, in accordance with the FMC Act
- performing or exercising any other functions, powers, and duties conferred or imposed on the Supervisor by or under the FMC Act, the Financial Markets Supervisors Act 2011, the KiwiSaver Act 2006, or the Trust Deed.

The Supervisor has been granted a licence under the Financial Market Supervisors Act 2011 to act as a supervisor of a managed investment scheme. More information, including the conditions of the licence, can be obtained at <https://fsp-register.companiesoffice.govt.nz>.

The current names of the Supervisor's directors and their addresses may be obtained from the Companies Office website <https://companies-register.companiesoffice.govt.nz/> or by phoning the Supervisor on 0800 878 783. The directors and their addresses may change from time to time without notice to you.

## The Custodian

The Supervisor holds the assets of the Plan separate from the Manager or can appoint an independent third party custodian to do so. The Supervisor has appointed Adminis NZ Limited (**Custodian**) as the custodian for the Plan.

As required by the FMC Act, the Supervisor and the Custodian are independent of us.

## The Administration Manager

We have entered into a service agreement with Adminis NZ Limited (**Administration Manager**). The Administration Manager provides a range of administrative services in respect of the Plan and the Funds including:

- Unit pricing
- Fund accounting
- Valuation services

## The Registrar

We have entered into a service agreement with Link Market Services Limited (**Registrar**). The Registrar provides a range of administrative services in respect of the Plan and the Funds including:

- Connectivity to Inland Revenue
- Cash management of KiwiSaver contributions and withdrawals
- Investor record keeping and registry

## Indemnities

Subject to the limits on indemnities under the FMC Act, both we and the Supervisor are indemnified out of the Plan for all losses, costs and expenses incurred by us or the Supervisor in relation to the proper performance of our duties in respect of the Plan and this offer.

This indemnity will take priority over the claims of any investors and extends to the costs of any litigation or other proceedings in which liability is determined. Any recoveries for matters relating to more than one Fund will be apportioned across the Funds in accordance with the Trust Deed.

However, neither we nor the Supervisor are entitled respectively to be indemnified out of the assets of the Plan or a Fund in respect of any liability arising out of wilful default or wilful breach of trust, or where either of us fails to properly perform certain duties set out in the FMC Act and Trust Deed (including the duty to exercise the degree of care and diligence required by the FMC Act and Trust Deed).

## 4. Fees and expenses

The current fee structure for the Plan and each Fund is disclosed in the PDS, calculated as at each valuation day and charged monthly in arrears.

We do not, and at the date of this Document have no intention to, charge performance fees, entry or exit fees, fees for switching or redeeming investments, or paying trail commissions to advisers. Your financial adviser may charge you a fee if you have agreed with your adviser that they will be paid a fee for providing you financial advice.

The fees may be varied, or new fees imposed, from time to time in accordance with the Trust Deed.

We may, at our discretion, from time to time waive or reduce the fee currently disclosed in the PDS in relation to a particular investor, category of investors, or particular transaction. Any such fee reduction may be effected by way of cash rebate or by the issuance of Units to the relevant investor or investors, or (with the Supervisor's consent) on such other basis that we determine.

The fee is deducted from, and reflected in the value of, the Units of each Fund. The fee includes costs charged by us, the Supervisor, Custodian and Administration Manager.

### *Additional costs and expenses*

Both we and the Supervisor are entitled to be reimbursed from the Plan, in addition to the fees stated above, for all other expenses, losses, costs, or liabilities where the following apply:

- in the case of the Supervisor, it has consulted with us prior to incurring the relevant expenses, losses, costs, or liabilities; and
- a prudent professional supervisor or manager (as appropriate) would consider it reasonable to incur such expenses, losses, costs, or liabilities in order to assist us or the Supervisor (as the case may be) comply with its obligations and duties under the Trust Deed and at law.

At the date of this Document, and for the foreseeable future, we intend to absorb these expenses within the management fee. The costs of trading (e.g., brokerage) are an expense of each Fund.

We can change the fee (including when they are deducted from the Funds). We may change the fees and charges payable by an investor at any time. Where we increase a fee or charge, we will give you at least three months' notice of the change.

## 5. Taxation

This section sets out further information about the taxes you will pay when investing in the Plan. It is intended to be a general summary of relevant New Zealand taxation (which may change) which may affect the returns of the Fund you invest in and each of the Funds may have varying tax implications. This section does not consider the taxation treatment in other jurisdictions and should be read together with the PDS.

Investors may have different taxation positions and you should seek professional tax advice before investing in the Plan.

Neither Trustees Executors Limited nor Kernel Wealth Limited accepts any responsibility for the taxation consequences of an investment in the Plan.

### PIE

The Plan is a Portfolio Investment Entity (PIE) as defined in the Income Tax Act 2007. Under the PIE regime, the taxable income is attributed to you in proportion to the number of Units you hold in each Fund. An investor may elect, under the Income Tax Act 2007, their Prescribed Investor Rate (PIR) to calculate their tax obligations on the income allocated to them by a

PIE. The Plan pays tax on the income attributed to you at your selected PIR and may undertake any necessary adjustments to your interest in a Fund in order to comply with the PIE tax requirements.

We may ask you to provide information to enable us to determine whether the Plan continues to meet the PIE eligibility requirements. We will ask you to get that information to us promptly.

The Funds are not subject to tax on gains that they derive from the sale of shares in most New Zealand resident companies. Dividends from such shares are usually taxable to the Funds, with a credit allowed for any imputation credits attached.

## PIR and taxation of distributions to NZ resident investors

At the date of this Document, if you are a natural person investor and a New Zealand tax resident, you will have a PIR of 10.5%, 17.5% or 28%. To qualify for a 10.5% or 17.5% PIR, you must supply a valid IRD number and meet the following criteria in relation to either of the previous two tax years before the relevant tax year\*:

Your taxable income is	Your taxable income plus PIE income is	Your PIR rate is
\$0-\$14,000	\$0-\$48,000	10.5%
\$0-\$48,000	\$0-\$70,000	17.5%

\*Tax years generally commence on 1 April in any year and end on 31 March in the following year.

If you are a natural person investor and do not qualify for the above 10.5% or 17.5% PIR, or if you do not notify us of your PIR, you will have a PIR of 28%.

If you do not notify us of your PIR, then the default rate of 28% will apply. The Commissioner of IRD can require us to disregard the PIR notified to us by you and apply a PIR notified by the Commissioner.

If you advise the correct PIR, income, dividends or distributions from the Fund will not need to be included in your tax return. If you advise a PIR that is higher than your applicable rate, you may be able to apply to IRD for or may automatically receive a refund of any overpaid PIE tax. Additionally, if you have advised us that you are eligible for a lower PIR, and this is incorrect (i.e., you are only eligible for a higher rate), you may be liable to the IRD for further tax and penalties and have to file a tax return.

You should advise us of your PIR when you make an application to become a member in a Fund. You should also advise us of any changes to your PIR. If you do not advise a PIR or do not provide a valid IRD number, we will apply the 28% PIR.

You should review your rate each year to ensure it is correct and notify us of any changes. For more information about PIRs and to determine your correct PIR rate please refer to the IRD website [www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate](http://www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate) or contact your professional tax adviser.

## Taxation of distributions to non-resident investors

If you are a New Zealand non-resident for tax purposes, you will have a PIR of 28%. You will not be able to elect for a lower PIR to be applied. Dividends or distributions from the Fund will not need to be included in a New Zealand income tax return. If you are a non-resident investor you are advised to seek your own professional tax advice.

## Taxation of offshore investments

### Equity Investments

Depending on the equities which constitute the index that the relevant Fund tracks, the Fund may be subject to tax in respect of offshore portfolio equity investments.

Gains or losses on Australian equities are not taxable provided they are listed on the Australian Securities Exchange and meet certain other criteria. Dividends on such shares are usually fully taxable to the Fund. The Fund is entitled to a tax credit for any withholding tax deducted from such dividends, however no credit is available for Australian franking credits

that might be attached.

For other offshore equities, the Foreign Investment Fund regime will apply and the Funds will usually be taxed pursuant to the "fair dividend rate" (FDR) calculation method. Under the FDR method, the Funds will be deemed to have derived taxable income in an income year (1 April to 31 March) equal to 5% (or a pro-rata portion) of the average daily opening market value of those offshore equities for the income year (or part year). Dividends or profits from the sale of those applicable offshore equities will not be separately taxed. No tax deduction can be claimed for losses on sale.

Dividends may be subject to foreign withholding tax and the Fund should be entitled to a credit, up to certain limits.

#### **Other non-equity investments**

Income and gains or losses from non-equity investments held by the Fund will generally be taxable.

## **6. Risks**

All investments involve some level of risk and you should only invest in the Plan if you understand and are willing to undertake the risks involved. This is a summary of risks that we believe to be the most important. The PDS sets out the general risks to your investment in the Plan. There may be other risks that are not detailed here or in the PDS.

You should seek advice from an appropriately qualified financial adviser before investing in the Plan.

### **General Risks**

The general risks as set out in each PDS are as follows. For those Funds listed in both the Product Disclosure Statement – Equity Funds and Product Disclosure Statement – Diversified and Other Funds there are five general risks, being market risk, currency risk, liquidity risk, economic risk and company risk:

#### **Market risk**

The risk that there is a decline in the value of a market, or a sector of a market. Markets can fall for many reasons as a result of developments in economic conditions, government regulations, local and international political events, and investor confidence. The performance of individual assets can impact returns.

#### **Currency risk**

The risk that negative changes in exchange rates causes a reduction in value of investments held by a Fund. Currency risk is only relevant for the Funds that invest in international assets. The value of these international investments will fall if the New Zealand dollar increases against the currency in which the international investments are denominated. In addition, some Funds receive foreign currency denominated distributions, these will be exposed to currency risk based on movements in the exchange rate between the foreign currency and New Zealand dollar at the time of conversion.

Currency risk is only relevant for the Funds that invest in international financial products. The foreign currency exposure of the Kernel Global Infrastructure (NZD Hedged) Fund, Kernel Global Green Property Fund, Kernel S&P Global 100 (NZD Hedged) Fund, Kernel Global ESG (NZD Hedged), and Kernel S&P 500 Fund are hedged to the New Zealand dollar.

#### **Liquidity risk**

The risk that we are potentially unable to buy or sell some assets of a Fund in a timely manner or at fair value, which could result in a loss to that Fund, because there are insufficient assets available for sale or purchase in a market or the market is disrupted.

## Economic risk

The risk that changes in the financial condition, or other material event, in the broader New Zealand and/or global economy causes the value of the investment held by a Fund to decline.

## Company risk

The risk that changes in the financial condition, other material event of a company or the credit rating of an issuer of a financial product, causes the value of the investment held by a Fund to decline.

The following additional risks apply to the funds listed in the Product Disclosure Statement – Diversified and Other Funds:

### Asset allocation risk

Returns are affected by how a fund's assets are allocated across different types of assets. For example, the returns of a fund that has a greater proportion in growth assets such as equities are expected to go up and down more than a fund that has more in cash or fixed income.

### Credit risk

The main risk with cash and fixed income investments is that the borrower does not honour their obligations, such as failing to pay as and when contractually required or may become insolvent therefore causing the value of the investment held by a fund to decline.

## Specific Risks

In addition to the general risks there are other specific risks which may apply, as set out below. The passive management and tracking risk will apply to those Funds listed in the Product Disclosure Statement – Equity Funds, the investment manager risk will apply to those Funds listed in the Product Disclosure Statement – Diversified and Other Funds, and the fund-of-fund risk will apply to all Funds listed in the Product Disclosure Statement – Equity Funds and Product Disclosure Statement – Diversified and Other Funds.

### Passive management and tracking difference risk

The risk of a Fund incurring a loss because of a change in the value or performance of an asset. Passive management means investments are made to match the composition of a specific index and therefore we do not sell an asset because the issuer is in financial trouble, unless that asset is removed from the index tracked by a Fund, and neither do we form an opinion on the future performance of an asset.

Tracking difference risk is the risk that a Fund achieves a return that is less than the relevant index it aims to track. This may occur if the prices we pay or receive for assets do not exactly match the prices used to calculate the index.

Taxes, fees and costs, operational errors and the amount held in cash by a Fund may also result in tracking difference.

### Fund-of-funds risk

Each Fund currently gains exposure to the financial products by investing in the Kernel Funds, a registered managed investment scheme that we manage.

Decisions we make in respect of the Kernel Funds may affect your investment in the Plan (for example, if we restrict withdrawals or switches for the underlying funds in accordance with the governing document for those funds).

### Non-financial impact risk

The NZ 50 ESG Tilted, Kernel Global Green Property, Kernel Global ESG, Kernel Global ESG (NZD Hedged), and Kernel S&P Global Clean Energy Funds ('**ESG Funds**') consider non-financial factors. This criteria is partially based on qualitative, forward-looking or self-reported data which may not meet the desired non-financial outcome. For each fund, the non-financial factors do differ slightly, see the ESG Policy for more information.

## ESG selection risk

Each ESG Fund replicates an index which has a methodology to determine the eligibility and weighting of companies. There is a risk that this criteria especially around non-financial factors is different to an investor's expectation or that the data used is imperfect. More information and mitigants are contained in the ESG Policy and index methodologies.

## ESG fund performance risk

ESG Funds are not designed to achieve higher returns or lower volatility than an equivalent broader market index. There is a risk that these funds achieve lower returns or have higher volatility than that broader market index

## Risks not outlined in the Product Disclosure Statement

### Investment manager risk

Kernel as the investment manager chooses for the Kernel Cash Plus Fund, Kernel Balanced Fund and Kernel High Growth Fund how to allocate each fund's investments and those decisions (and the investment decisions made by the managers of any underlying funds in which we invest) will affect that fund's returns. In particular, our investment style may result in our returns differing from any market index and from competing investments.

### Operational risk

The Funds may be exposed to operational risk from business interruptions through key personnel changes, human error, insufficient operational funding, technology (including business system failures) or infrastructure failure, fraud or misconduct, non-compliance with legal and regulatory obligations, counter-party performance under outsourcing arrangements, legal risk, data integrity risk, security risk and other external events (including pandemics). This risk may impact on the operation or performance of the Plan or a Fund within the Plan. Internal policies, procedures and controls, a compliance assurance program, and effective monitoring of outsourced operations are in place to mitigate these risks.

### Concentration risk

Where a Fund's assets are concentrated in a particular country, market, sector (such as a particular industry or theme), asset class, or asset, the Fund may be particularly impacted by adverse events affecting that specific country, market, sector, asset class or asset.

### Derivatives risk

Derivatives are contracts between two parties that usually derive their value from the value of an underlying asset, rate or index. Derivative contracts may be used to manage market risk exposure to foreign currencies. Derivatives may be used by the Kernel High Growth Fund, Kernel Balanced Fund, Kernel Global Green Property Fund, Global Infrastructure (NZD Hedged) Fund, Kernel S&P Global 100 (NZD Hedged) Fund, Kernel Global ESG (NZD Hedged) Fund, and the Kernel S&P 500 Fund to reduce exposure to a foreign currency. The use of such products to manage currency exposure may cause the Kernel High Growth Fund, Kernel Balanced Fund, Kernel Global Green Property Fund, Global Infrastructure (NZD Hedged) Fund, Kernel S&P Global 100 (NZD Hedged) Fund, Kernel Global ESG (NZD Hedged) Fund, and the Kernel S&P 500 Fund to incur gains or losses, thereby impacting the Fund's returns. We mitigate this risk by setting controls to constrain the use of derivatives for the purposes of currency management.

The Kernel Cash Plus Fund may enter into derivative contracts to manage interest rate and liquidity exposures. We mitigate this risk by setting controls to constrain the use and extent of derivatives for these purposes within the permitted investments of the fund.

## Securities lending risk

Securities lending risk is the risk that borrowed financial products from a Fund or an underlying fund may not be returned by the borrower because they become insolvent or otherwise become unable to meet, or refuse to honour, the obligations to return the borrowed assets. We do not currently undertake securities lending but may do so in the future on a Fund by Fund basis. Prior to doing so, we would develop and publish a securities lending policy and communicate to investors. However, we may invest in funds that undertake securities lending. We review the securities lending policy, and risk management programme including regulatory requirements and collateral requirements of any underlying fund into which a fund invests.

The Kernel Cash Plus Fund may use repurchase agreements ("Repos") to the extent detailed in the SIPO. Repurchase agreements are where the owner of a security sells it to another party for cash consideration under an agreement obligating the owner to repurchase the security at some later point in time. At the termination of the agreement, the original owner repurchases the securities at a higher price than the securities were originally sold for. As a result, they are categorised in a similar way to securities lending.

### Third party risk

The Plan relies on a number of outsource providers to provide services. The failure of a service provider to deliver such services (because of business interruption, external factors or otherwise) may adversely affect the operation and performance of the Plan. We mitigate this risk through an outsource provider policy.

### Regulatory and legal risk

The risk of changes in legislation or regulation, or their interpretation or application of these, including taxation rates, taxation laws and corporate regulatory laws that may adversely affect the Plan or your investment in a Fund. Legal risk is the risk that we do not correctly document or comply with our legal obligations.

### PIE status risk

The risk is that the Plan may lose its PIE status under the PIE regime, which may have an adverse effect on the tax position of the Plan and/or the after-tax returns that you receive. We mitigate this risk by implementing processes that are designed to ensure that the Plan complies with the PIE requirements. We may ask you to provide information to enable us to determine whether the Plan continues to meet the PIE eligibility requirements. We will ask you to get that information to us promptly.

### Risk of suspension or deferral of redemptions/withdrawals

The risk that withdrawals (including switches, which are processed as a withdrawal from one Fund and investment into another), which are allowed under the Trust Deed subject to certain procedural requirements, out of a Fund are deferred or suspended at a time when you want to redeem your investment.

This could happen if a Fund was unable to buy or sell underlying investments, or as a result of markets not being open for trading.

We can defer or suspend withdrawals in certain limited circumstances and we may also separate out certain assets within a Fund's portfolio and make special arrangements for those assets (**side-pocketing**). This may affect you accessing part of your investment. We can restrict or defer withdrawals and switches in the following situations:

#### Suspensions

In some circumstances, including where we determine that giving effect to withdrawals or switches from a Fund is not practicable, we can suspend withdrawals and switches from the Fund for up to 90 days (or longer, if the Supervisor agrees).

#### Side-pocketing

Subject to relevant law, we can create a 'side-pocket' of assets of a Fund. Side-pocketing is designed to separate a Fund's illiquid assets from more liquid assets, and usually involves restricting your ability to access the units that relate to those assets without affecting your ability to access the non-side-pocketed assets.



## 7. Material contracts

In addition to the PDS, SIPO, Trust Deed (as disclosed on the Disclose website at <https://disclose-register.companiesoffice.govt.nz>), the following contract details are material.

### Administration Services Agreement

We have entered into an Administration Services Agreement with Adminis NZ Ltd (**Adminis**). Adminis is the administration manager for the Plan.

The Administration Services Agreement sets out the administration and registry services that Adminis has agreed to provide to us in respect of the Plan, together with the service levels Adminis must comply with in providing those services.

### KiwiSaver Registry Agreement

We have entered into an Administration Agreement with Link Market Services Limited (**Link**). Link is the Registrar for the Plan and appointed by us to manage registry functions relating to Inland Revenue and members' contributions and withdrawals.

The Administration Agreement sets out the administration and registry services that Link has agreed to provide to us in respect of the Plan, together with the service levels Link must comply with in providing those services.

### Supervisory Agreement

There is a Supervisory Agreement between Kernel and Trustees Executors Limited, the Plan's Supervisor.

The Supervisory Agreement sets out the arrangements between Kernel and Trustees Executors Limited in relation to certain reporting and other operational matters relating to the Plan.

### Index Licence Agreements

Kernel has in place licensing agreements with S&P Dow Jones Indices and Bloomberg Indices for the various uses of indices and index data in the provision of its services.

## 8. Auditors and Other Advisers

### Auditor

As at the date of this Document, EY is the appointed Auditor of the Plan. EY is a registered audit provider under section 87 of the Auditor Regulation Act 2011.

### Other Advisers

Our solicitors are Dentons Kensington Swan.

Our financial advisers are BDO Wellington.

## 9. No Guarantee

No person, including Kernel, Kernel's Directors, employees, the Custodian, the Administration Manager or the Supervisor, guarantees or promises the repayment of, or returns on, your investment in the Plan.

## 10. Glossary

**"Administration Manager"** means Adminis NZ Limited.

**"Custodian"** means Adminis NZ Limited.

**"Document"** means this Other Material Information document which has been prepared to meet the requirements of the FMC Act and the FMC Regulations.

**"FMA"** means the Financial Markets Authority, the government agency responsible for regulating capital markets and financial services in New Zealand.

**"FMC Act"** means the Financial Markets Conduct Act 2013.

**"FMC Regulations"** means the Financial Markets Conduct Regulations 2014.

**"Funds"** means the investment funds set out in the section titled "Funds", and "Fund" has a corresponding meaning.

**"KiwiSaver Qualifying Age"** is defined as follows:

- If you first joined KiwiSaver on or after 1 July 2019, KiwiSaver Qualifying Age means when you reach the NZ Super age (currently your 65<sup>th</sup> birthday).
- If you first joined KiwiSaver before 1 July 2019, Qualifying Age means the latter of:
  - when you reach NZ Super age (currently your 65<sup>th</sup> birthday); and
  - 5 years after you first joined KiwiSaver.

**"Manager"**, **"Kernel"**, **"we"**, **"us"** and **"our"** means Kernel Wealth Limited, the manager of the Plan.

**"Trust Deed"** means the Kernel KiwiSaver Plan Trust Deed.

**"PIE"** means a portfolio investment entity for the purposes of the Tax Act.

**"PIE income"** means the income attributed to a person by the PIEs in which the person has invested, less any losses attributed to the person by PIEs.

**"PDS"** means a product disclosure statement under the FMC Act. A PDS is a document containing information about that scheme intended to assist a prudent but non-expert person to decide whether to invest in that scheme. A retail investor must be given a copy of the relevant PDS before investing. The PDSs for the Plan can be obtained from the offer register on the Disclose website at <https://disclose-register.companiesoffice.govt.nz>.

**"PIR"** means the Prescribed Investor Rate as that term is defined in the Tax Act.

**"Plan"** means the Kernel KiwiSaver Plan, a registered KiwiSaver scheme.

**"Registrar"** means Link Market Services Limited.

**"SIPO"** means the statement of investment policy and objectives for the Plan. In broad terms, the SIPO is a document setting out the parameters pursuant to which each of the Funds in the Plan will be invested. The SIPO for the Plan can be obtained from the Plan register on the Disclose website at <https://disclose-register.companiesoffice.govt.nz>.

**"Supervisor"** means Trustees Executors Limited, the supervisor of the Plan.

**"Tax Act"** means the Income Tax Act 2007.

**"Unit"** means an undivided interest in the relevant Fund as more fully defined in the Trust Deed.

**"You"** or **"Your"** refers to a person who invests in the Plans.