



Product Disclosure Statement

Diversified & Other Funds

Offer of membership of the Kernel KiwiSaver Plan
6 August 2025

Issued by Kernel Wealth Limited

This is a replacement product disclosure statement, which replaces the product disclosure statement dated 22 July 2024.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on <https://disclose-register.companiesoffice.govt.nz>.

Kernel Wealth Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

1 Key information summary

What is this?

This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments. Kernel Wealth Limited ('Kernel', 'we', 'our', 'us') will invest your money and charge you a fee for its services.

The returns you receive are dependent on the investment decisions of Kernel and the performance of the investments. The value of those investments may go up or down. The types of investments and the fees you will be charged are described in this document.

What will your money be invested in?

The Kernel KiwiSaver Plan ('Plan') offers twenty-five (25) funds ('Funds') for you to invest in. You can choose to invest in one Fund or a combination of Funds in amounts of your choosing.

Nineteen of the investment options are contained in the Product Disclosure Statement – Equity Funds. Six of the investment options available are detailed in this Product Disclosure Statement ('PDS').

These investment options are summarised over the page. More information about the investment objectives and strategy for each investment option is provided at Section 3 ('Description of your investment options').

Who manages the Plan?

Kernel is the manager of the Plan. See Section 7 ('Who is involved?') for more information.

How can you get your money out?

KiwiSaver is designed to help you save for the future. This means that, in most cases, you can only withdraw your KiwiSaver savings when you reach your KiwiSaver Qualifying Age (generally age 65, as explained further on page 5).

However, you may be able to withdraw your KiwiSaver savings earlier in a limited number of other circumstances, such as including if you:

- qualify to use your savings to buy your first home
- suffer a serious illness or significant financial hardship
- have a life shortening congenital condition
- permanently emigrate to a country other than Australia, or
- need to meet tax or student loan obligations resulting from transferring from an overseas superannuation scheme to a KiwiSaver scheme.

We may also be required to transfer or pay out your savings in certain other circumstances. For example, if you join another KiwiSaver scheme, or if a court directs us to release funds (such as to give effect to a relationship property arrangement). Should you pass away while a KiwiSaver member, your savings will form part of your estate.

See Section 2 ('How does this investment work?') for more information on withdrawals.

How will your investment be taxed?

The Plan is a portfolio investment entity ('PIE').

The amount of tax you pay in respect of a PIE is based on your prescribed investor rate ('PIR'). This can be 10.5%, 17.5%, or 28%. See Section 6 ('What taxes will you pay?') on page 10 for more information.

Where can you find more key information?

We are required to publish quarterly updates for each Fund. The updates show the returns, and the total fees actually charged to investors, during the previous year. The latest fund updates are available at www.kernelwealth.co.nz. We will also give you copies of those documents on request.

See Section 4 ('What are the risks of investing?') for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at <https://sorted.org.nz/tools/investor-profiler/>.

| Fund name | Description and investment objective | Risk indicator ¹ | Annual fund charges (percentage of net asset value) ² |
|--------------------------|---|--|--|
| Kernel High Growth Fund | Designed as a 100% growth option by investing in a combination of other Kernel funds. The investment objective is to achieve positive real returns over the long term while lessening volatility through diversification across sectors and geographies. | <div> <div>Potentially Lower Returns</div> <div>Potentially Higher Returns</div> <div> 1 2 3 4 <u>5</u> 6 7 </div> <div>Lower Risk</div> <div>Higher Risk</div> </div> | 0.25% p.a. |
| Kernel Balanced Fund | Designed as a 60% growth and 40% income option by investing mainly in several of the other Kernel funds. The investment objective is to achieve positive real returns over the medium term while lessening volatility through diversification across asset classes, sectors and geographies. | <div> <div>Potentially Lower Returns</div> <div>Potentially Higher Returns</div> <div> 1 2 3 <u>4</u> 5 6 7 </div> <div>Lower Risk</div> <div>Higher Risk</div> </div> | 0.25% p.a. |
| Kernel Conservative Fund | Designed as a 30% growth and 70% income option by investing mainly in several of the other Kernel funds. The investment objective is to achieve positive real returns over the medium term while lessening volatility through diversification across asset classes, sectors and geographies. | <div> <div>Potentially Lower Returns</div> <div>Potentially Higher Returns</div> <div> 1 2 <u>3</u> 4 5 6 7 </div> <div>Lower Risk</div> <div>Higher Risk</div> </div> | 0.25% p.a. |
| Kernel Cash Plus Fund | Designed to invest in cash and cash equivalent investments, and New Zealand interest-bearing assets. Aims to achieve returns comparable to the Bloomberg NZ Bond Bank Bill Index. It may be suitable for investors who want to minimise potential for investment loss but achieve a better return than a savings account. | <div> <div>Potentially Lower Returns</div> <div>Potentially Higher Returns</div> <div> <u>1</u> 2 3 4 5 6 7 </div> <div>Lower Risk</div> <div>Higher Risk</div> </div> | 0.25% p.a. |
| Kernel US Bond Fund | Designed to invest in U.S. listed financial products and U.S. denominated investment grade fixed interest securities. Aims to provide a return (before tax, fees and expenses) that closely matches the return on the Bloomberg US Aggregate Bond Index Hedged NZD. | <div> <div>Potentially Lower Returns</div> <div>Potentially Higher Returns</div> <div> 1 2 3 <u>4</u> 5 6 7 </div> <div>Lower Risk</div> <div>Higher Risk</div> </div> | 0.30% p.a. |
| Kernel NZ Bond Fund | Designed to invest predominantly in New Zealand interest-bearing assets. Aims to equal or exceed the return (before fees and taxes) of the Bloomberg NZ Bond Composite 0+ Yr Index by investing mostly in New Zealand fixed interest-bearing assets. | <div> <div>Potentially Lower Returns</div> <div>Potentially Higher Returns</div> <div> 1 2 <u>3</u> 4 5 6 7 </div> <div>Lower Risk</div> <div>Higher Risk</div> </div> | 0.40% p.a. |

1. The risk indicators are based on returns data for the 5 years to 30 June 2025. The Funds have not been in existence for 5 years, so the risk indicators have been completed using market index returns for 1 years and 9 months for the Kernel High Growth Fund, 2 years and 4 months for the Kernel Balanced Fund and Kernel Cash Plus Fund, 4 years and 1 month for the Kernel US Bond Fund and Kernel NZ Bond Fund, with actual returns used for the balance of the 5-year period, and the full 5-year period for the Kernel Conservative Fund. As a result of these returns being used, the risk indicators may provide a less reliable indicator of the potential future volatility of the Funds.

2. We may from time to time waive or reduce the annual fund charges in relation to a particular member, category of members, or transaction.

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2 How does this investment work?

Structure of the Plan and the Funds

The Plan is registered as a KiwiSaver scheme under the Financial Markets Conduct Act 2013. KiwiSaver is a voluntary, long-term savings initiative, designed to help you save for your retirement.

The Plan is a trust that is governed by the trust deed between us and Trustees Executors Limited (the Plan's supervisor ('Supervisor')) dated 11 March 2022.

We are responsible for managing the Plan and the Funds. The Supervisor is responsible for supervising us in doing so.

As a member, your savings are invested in one or more Funds. Your money in a Fund is pooled with other members' money, and then invested by us.

You will be issued units in your chosen Fund or Funds each time you contribute (or anyone else contributes) money to your savings in the Plan. These units represent your share in the relevant Fund(s), although you don't acquire an interest in any particular asset of the Plan or of any Fund.

Units in each Fund have a unit price, which is determined by the market value of its assets, less fees and expenses. The value of units in each Fund fluctuates according to the changing value of the assets the Fund invests in. This means unit prices can go up, or down. Generally, the return on your investment is the difference between the price you buy your units for and the value of your units when you make a withdrawal (less tax).

The Plan's assets are held on trust by a custodian appointed by the Supervisor, which is independent from Kernel. Each Fund is legally separate and distinct. This means the assets of one Fund are not available to meet the liabilities of any other Fund.

Why choose the Plan

The Plan offers twenty-five funds that investors can select from. Nineteen funds are described in the Product Disclosure Statement – Equity Funds and six of the investment options are described in this PDS (see page 7). All Funds may also hold cash.

The Funds currently gain exposure to the relevant asset classes by investing via the Kernel Funds, a registered managed investment scheme that we manage.

The key benefits of being a member of the Plan are:

- **Flexible investment** – you can choose a Fund or mix of Funds to meet your long-term savings goals.
- **Diversification** – the Diversified Funds invest in a range of asset classes on your behalf, providing better diversification and lowering the overall risk of your investment.
- **Convenience** – the Funds allow you to access a range of investment options, with no minimums.

Joining the Plan

If you're already a KiwiSaver member

If you're already a KiwiSaver member, you can transfer to the Plan at any time by applying to us directly. Before transferring, you should compare the features and benefits of your existing scheme and the Plan.

All members will be set up with a Kernel Platform account, through which you can track your KiwiSaver savings and make changes (including changing Funds).

If you're not a KiwiSaver member yet

To be eligible to join KiwiSaver, you must be:

- a New Zealand citizen or entitled to be in New Zealand indefinitely; and
- living or normally living in New Zealand (except for certain State services employees serving overseas).

You may also become a member of the Plan if it is your employer's chosen KiwiSaver scheme and you opted into KiwiSaver but did not choose a KiwiSaver scheme. When you start a new job, your employer may have automatically enrolled you into KiwiSaver. If you joined KiwiSaver directly with a provider, you cannot opt out. However, you may be able to take a savings suspension.

If you have been automatically enrolled into a KiwiSaver scheme but have decided you do not wish to be a member, you can opt out between the end of week 2 and week 8 of starting work. That is on or after day 14 and on or before day 56. If you do not opt out during this time but you want to stop contributions, then you can only apply to take a savings suspension.

For further information on joining KiwiSaver, how to opt out or how to apply to suspend contributions, visit the Inland Revenue website at www.ird.govt.nz/kiwisaver.

To apply to join the Plan, you can complete the online application (see Section 10). We may in our absolute discretion accept or refuse to admit any person as a member.

Choosing your Funds

Members can choose to invest their contributions in any one or more of the Funds. You can also, at any time, choose to rebalance your savings back to your chosen allocations.

It's important to choose the right investment option for you. You can also seek advice from a financial advice provider to help you make an investment decision.

Making investments

The main ways you can contribute to the Plan are set out below. Contributions will be converted into units in your chosen Fund(s), generally based on the unit price we determine for the next 'valuation day' to occur.

Valuation days currently occur each business day in Auckland and Wellington. We also value each Fund on the last day of each calendar month, if not a business day, for

reporting purposes. We can change when valuation days occur by notice to the Supervisor. We can also delay issuing units in some circumstances.

Contributions you make as an employee

If you're an employee, you'll need to choose how much of your before-tax pay you'd like to contribute to your KiwiSaver savings. The current contribution rates are 3%, 4%, 6%, 8%, or 10%. If you don't choose a rate, a default rate (currently 3%) will apply. You can change your contribution rate at any time.

Your employer deducts your contributions from your after-tax pay and passes it to Inland Revenue, who passes it to us.

You can go on a savings suspension if at least 12 months have passed since your first KiwiSaver contribution was paid to Inland Revenue (or earlier, if you're in financial hardship). You can also stop contributing when you reach your KiwiSaver Qualifying Age.

Voluntary contributions

If you're self-employed, or you just want to make voluntary contributions to your KiwiSaver savings, you can:

- make one-off or regular contributions directly to the Plan by direct credit; or
- contribute via Inland Revenue, through the 'Pay tax' function offered by most New Zealand banks.

You may also be able to transfer your savings from another retirement scheme to the Plan.

Employer contributions to KiwiSaver

Generally, while you are contributing to KiwiSaver from your pay, your employer will also contribute 3%* of your before-tax pay from when you turn 18 until you reach your KiwiSaver Qualifying Age. If you're self-employed and pay yourself through the PAYE system, you will be treated as an employee and will be required to make employer contributions.

Employer superannuation contribution tax (ESCT) will be deducted from employer contributions. Your employer may not have to make KiwiSaver contributions if they already make contributions for you to another retirement scheme (certain conditions apply).

From 1 April 2026, KiwiSaver members aged 16 and 17 will also be eligible to receive employer contributions.

Government contributions

If you're aged 16 or over and below your KiwiSaver Qualifying Age, your principal place of residence is in New Zealand and you do not have a taxable income of over \$180,000, the Government will also contribute to your savings.

The Government contribution is 25 cents for every dollar you contribute, up to a maximum of \$260.72 each year (1 July to 30 June). This Government contribution is paid directly into your KiwiSaver scheme after 1 July each year.

*Changes to contribution rates

On 1 April 2026, your minimum contribution rate and the minimum employer contribution rate will increase to 3.5%.

On 1 April 2028, these contribution rates will increase further to 4%.

You will, however, be able to apply for a temporary rate reduction and contribute at a rate of 3% by contacting Inland Revenue (your employer may also decrease their contribution rate to match). See the Other Material Information ('OMI') document on the Plan's offer register entry at <https://disclose-register.companiesoffice.govt.nz> for more information about contributions and unit prices.

Withdrawing your investments

You can withdraw your KiwiSaver savings once you reach your KiwiSaver Qualifying Age or if one of the limited circumstances referred to below applies. A summary table set out below shows the main types of withdrawal options available to you, and what you can withdraw.

You can transfer between KiwiSaver schemes at any time. You can only be a member of one KiwiSaver scheme at a time, so you will cease to be a member of the Plan if you join another provider.

Withdrawals on reaching KiwiSaver Qualifying Age

Your 'KiwiSaver Qualifying Age' is usually the age that you qualify for New Zealand Superannuation (currently age 65).

Once you reach your KiwiSaver Qualifying Age, you can:

- leave your savings in your KiwiSaver account; or
- withdraw all or part of your savings, including making regular withdrawals (subject to conditions we set).

Withdrawals before KiwiSaver Qualifying Age

You may be able to withdraw all or part of your KiwiSaver savings early if you apply to us (or we are otherwise required to release funds) and certain conditions are met. A summary of these situations is included on the next page.

Processing withdrawals and transfers

We will redeem units in your account to give effect to a withdrawal or transfer. The amount paid will reflect the unit price(s) for those units, adjusted for any fees, taxes, expenses or other adjustments that apply to your account. The unit price(s) used will generally be calculated with effect on the next valuation day to occur after the withdrawal is approved.

We will normally pay withdrawals within 5 business days of the application being approved.

Subject to relevant law, we can, in limited circumstances and with prior notice to the Supervisor, suspend withdrawals, transfers, and switches. We can also separate out and make special arrangements for certain assets of a Fund. This may affect you accessing part of your investment in that Fund. We will let you know if we ever exercise these powers.

When you can make a withdrawal

| | Member contributions | Employer contributions | Government contributions | Government \$1,000 kick-start contribution (if any) ¹ | Australian sourced amounts ² |
|---|----------------------|------------------------|--------------------------|--|---|
| Reaching KiwiSaver Qualifying Age | ✓ | ✓ | ✓ | ✓ | ✓ |
| First home purchase (including a dwellinghouse on Māori land) ³ | ✓ | ✓ | ✓ | ✓ | ✗ |
| Significant financial hardship | ✓ | ✓ | ✗ | ✗ | ✓ |
| Serious illness | ✓ | ✓ | ✓ | ✓ | ✓ |
| Life-shortening congenital condition ⁴ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Permanent emigration other than to Australia ⁵ | ✓ | ✓ | ✗ | ✓ | ✗ |
| Permanent emigration to Australia ⁶ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Death | ✓ | ✓ | ✓ | ✓ | ✓ |
| Retirement withdrawal of Australian sourced amounts from age 60 and before KiwiSaver Qualifying Age | ✗ | ✗ | ✗ | ✗ | ✓ |

1 The Government kick-start applies only if you first joined a KiwiSaver scheme prior to 2pm on 21 May 2015.

2 Amounts transferred from an Australian complying superannuation scheme.

3 You must leave at least \$1,000 in your KiwiSaver account (plus any amounts transferred from an Australian complying superannuation fund). In some situations, if you have owned a home before, you may still be able to make a withdrawal. See www.kaingaora.govt.nz for further information.

4 You'll no longer be eligible to receive any Government contributions and your employer can stop their contributions.

5 Withdrawals can only be made one year after your permanent emigration.

6 Your KiwiSaver savings will be transferred (if below a maximum amount) to an Australian complying superannuation scheme.

If you die while a KiwiSaver member, your savings will generally be paid to your estate. However, if your balance is \$15,000 or less, they may be paid to a family member or other person authorised under the Administration Act 1969.

If you've transferred savings from a foreign superannuation scheme to a KiwiSaver scheme, you may be required to pay tax or make a student loan repayment. You may be able to withdraw some of your KiwiSaver savings for the repayment.

We may also be required by law to release some or all of your money (for example, under a Court order that gives effect to a relationship property arrangement).

Conditions apply to each withdrawal type, and you will need to provide evidence to support your application. See the OMI document on the Plan's offer register entry at <https://disclose-register.companiesoffice.govt.nz> for more information about withdrawals, including those conditions.

No person, including Kernel or the Supervisor, guarantees the performance of the Plan or any Fund. There is also no Government guarantee of any KiwiSaver scheme or fund.

How to switch between Funds

You can switch between Funds at any time by completing an online request. There is no minimum amount required for a switch. Switches will occur in accordance with our regular investment cycle.

Because we process switches as a withdrawal from one Fund and an application for another, a switch maybe completed during the same or subsequent valuation date.

Switches can be suspended or restricted as outlined above.

See the OMI document on the Plan's offer register entry at <https://disclose-register.companiesoffice.govt.nz> for more information about switching. We don't charge any fees for switches including between Funds in this PDS and those described in the Product Disclosure Statement – Equity Funds.

3 Description of your investment options

This table shows details of each Fund available to members:

| Fund name | Summary of investment objectives and strategy ¹ | Risk indicator category ² | | Minimum suggested investment time frame |
|--------------------------|--|--------------------------------------|----------------------------|---|
| Kernel High Growth Fund | <p>Investment objective To invest in growth assets and achieve positive real returns over the long term while lessening volatility through diversification across sectors and geographies.</p> <p>Investment strategy A diversified fund comprising several of the Kernel Funds, targeting high growth and suitable for long-term investors comfortable accepting higher volatility.</p> | Potentially Lower Returns | Potentially Higher Returns | Long term (5 to 10 years) |
| | | 1 2 3 4 <u>5</u> 6 7 | Lower Risk Higher Risk | |
| Kernel Balanced Fund | <p>Investment objective To invest in both income and growth assets and achieve positive real returns over the long term while lessening volatility through diversification across asset classes, sectors and geographies.</p> <p>Investment strategy A diversified fund mainly comprising several of the Kernel Fund targeting balance of risk through holding both growth assets and an allocation to lower-risk income assets and suitable for medium- to long-term investors comfortable accepting some volatility.</p> | Potentially Lower Returns | Potentially Higher Returns | Medium term (3 to 7 years) |
| | | 1 2 3 <u>4</u> 5 6 7 | Lower Risk Higher Risk | |
| Kernel Conservative Fund | <p>Investment objective To invest in both income and growth assets and achieve positive real returns over the long term while lessening volatility through diversification across asset classes, sectors and geographies.</p> <p>Investment strategy A diversified fund mainly comprising several of the Kernel Funds, targeting balance of risk through mainly holding lower-risk income assets and an allocation to growth assets. Suitable for medium-term investors comfortable accepting some volatility.</p> | Potentially Lower Returns | Potentially Higher Returns | Medium term (3 to 7 years) |
| | | 1 2 <u>3</u> 4 5 6 7 | Lower Risk Higher Risk | |
| Kernel Cash Plus Fund | <p>Investment objective The Kernel Cash Plus Fund aims to achieve returns comparable to the Bloomberg NZ Bond Bank Bill Index by investing in cash, selected cash equivalents, and selected New Zealand fixed interest-bearing assets. These kinds of investments will typically be stable in value but may have short periods of negative performance.</p> <p>Investment strategy The fund is actively managed and invests in cash and cash equivalent investments, and New Zealand fixed interest-bearing assets.</p> | Potentially Lower Returns | Potentially Higher Returns | No minimum |
| | | 1 2 3 4 5 6 7 | Lower Risk Higher Risk | |
| Kernel US Bond Fund | <p>Investment objective The Kernel US Bond Fund's investment objective is to provide a return (before tax, fees and expenses) that closely matches the return on the Bloomberg US Aggregate Bond Index Hedged NZD.</p> <p>Investment strategy Invests in USD issued investment grade fixed interest securities with the effects of USD/NZD currency movements reduced.</p> | Potentially Lower Returns | Potentially Higher Returns | 3 years |
| | | 1 2 3 <u>4</u> 5 6 7 | Lower Risk Higher Risk | |
| Kernel NZ Bond Fund | <p>Investment objective Aims to equal or exceed the return (before fees and taxes) of the Bloomberg NZ Bond Composite 0+ Yr Index by investing mostly in New Zealand fixed interest-bearing assets.</p> <p>Investment strategy The fund is actively managed and invests mostly in New Zealand fixed interest-bearing assets.</p> | Potentially Lower Returns | Potentially Higher Returns | 2 years |
| | | 1 2 <u>3</u> 4 5 6 7 | Lower Risk Higher Risk | |

1 The Funds may invest directly or via other managed funds. See the SIPO (explained below) for more information. The risk indicators are based on returns data for the 5 years to 30 June 2025. The Funds have not been in existence for 5 years, so the risk indicators have been completed using market index returns for 1 years and 9 months for the Kernel High Growth Fund, 2 years and 4 months for the Kernel Balanced Fund and Kernel Cash Plus Fund, 4 years and 1 month for the Kernel US Bond Fund and Kernel NZ Bond Fund, with actual returns used for the balance of the 5-year period, and the full 5-year period for the Kernel Conservative Fund. As a result of these returns being used, the risk indicators may provide a less reliable indicator of the potential future volatility of the Funds.

Changes to the SIPO

Further information about the investment policy and objectives for each Fund, the index or indices each Fund is designed to track, and the investment manager, investment style and philosophy, is set out in the Statement of Investment Policy and Objectives for the Plan (SIPO).

We may amend or replace the SIPO from time to time only after giving prior written notice to the Supervisor.

We will give you at least 30 days' prior notice of any material changes. See the Plan's scheme register entry at www.disclose-register.companiesoffice.govt.nz or www.kernelwealth.co.nz for a copy of the current SIPO.

A summary of material changes to the SIPO will be included in the Plan's annual report. Further information about the assets in the Funds can be found in the fund updates at www.kernelwealth.co.nz.

Responsible investment

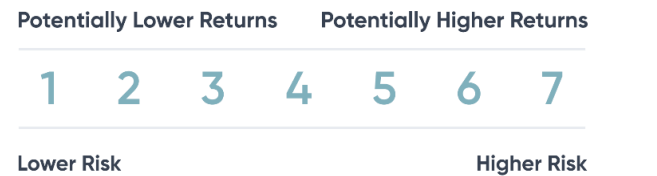
Responsible investment, including environmental, social, and governance considerations, is taken into account in the investment policies and procedures of the Plan as at the date of this Product Disclosure Statement. You can obtain an explanation of the extent to which responsible investment is taken into account in those policies and procedures at the issuer's Internet site at www.kernelwealth.co.nz

4 What are the risks of investing?

Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.

See the table on page 2 for the filled-in risk indicator for each Fund. A blank risk indicator is shown below.



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the Fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-profiler.

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading 'Other specific risks') that are not captured by this rating.

This risk indicator is not a guarantee of a Fund's future performance. The risk indicator is based on the returns data for the five years to 30 June 2025. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for each Fund.

General investment risks

Some of the things that may cause a Fund's value to move up and down, which affect the risk indicator, are:

- **Market risk:** Financial markets can fluctuate, affecting returns in most asset classes. You should be prepared for declines in the value of your units, especially in the short term. The Kernel Cash Plus Fund is not expected to have more than temporary declines.

- **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.
- **Currency risk:** The risk that changes in exchange rates cause the value of an international investment to reduce. Hedging can reduce, but not eliminate, the risk of currency fluctuations. The currency management policy for each fund is detailed in the SIPO.
- **Liquidity risk:** The risk that an investment is difficult to buy or sell and a Fund suffers a loss as a result.
- **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.
- **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.
- **Interest rate risk:** An increase in interest rates may decrease the value of assets, especially previously purchased fixed interest investments, therefore causing the value of the fund to decline.
- **Derivative risk:** We may enter into derivatives contracts to hedge or gain exposure to relevant assets. Certain risks arise from the use of derivatives, including significant losses related to market movements and increased operational risk due to their bespoke nature, and therefore they are utilised prudently.

Other specific risks

There are other factors specific to the Plan that may impact members' returns that are not reflected in the risk indicator.

Investment manager risk

Kernel as the investment manager chooses, for the six funds described in this PDS, 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.

5 What are the fees?

You will be charged fees for investing in the Plan. Fees are deducted from your investment and will reduce your returns. The fees you pay will be charged in two ways:

- regular charges (for example, annual fund charges). Small differences in these fees can have a big impact on your investment over the long term;
- one-off fees (for example, contribution fees). We do not currently charge one-off fees.

The Funds' fees are as follows:

| Name | Annual fund charges (percentage of net asset value)* |
|--------------------------|--|
| Kernel High Growth Fund | 0.25% p.a. |
| Kernel Balanced Fund | 0.25% p.a. |
| Kernel Conservative Fund | 0.25% p.a. |
| Kernel Cash Plus Fund | 0.25% p.a. |
| Kernel US Bond Fund | 0.30% p.a. |
| Kernel NZ Bond Fund | 0.40% p.a. |

* We may from time to time waive or reduce the annual fund charges in relation to a particular investor, category of investors, or particular transaction.

The fee is calculated as at each valuation day, accrued within each Fund's unit price, and paid to us monthly in arrears. The fees outlined above cover the following:

| Fee | What it covers |
|--------------------|---|
| Annual fund charge | <p>The annual fund charge is deducted from, and reflected in the value of, each Fund.</p> <ul style="list-style-type: none">▪ The annual fund charge includes the fees and costs charged by us, the Supervisor, custodian, administration manager, and registrar (together with the fees and costs charged by other funds we invest in); and▪ charges and expenses such as legal, accounting and audit fees. |

All fees are disclosed GST inclusive. GST may be included in some expenses, where applicable. We pay any interest earned on contributions pending issue of your units into the Funds.

Individual action fees

We do not charge contribution, withdrawal, establishment, or termination fees. We do not charge any fees on an individual basis for member-specific decisions or actions other than Financial Adviser Fees.

Fund-of-funds risk

Each Fund currently gains exposure to the financial products referred to in Section 3 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).

For more information about these and other risks, see the OMI document on the Plan's offer register entry at <https://disclose-register.companiesoffice.govt.nz>.

Financial Adviser Fees

You will only be charged a financial adviser fee if you have a financial adviser and have agreed with your adviser that they will be paid a fee from your KiwiSaver savings for providing you financial advice.

The amount of this fee is to be agreed between you and your financial adviser, subject to a maximum of 0.50% per annum including GST of your account balance. It will be disclosed to you by your financial adviser. This fee will be calculated as at each valuation day and charged monthly in arrears and deducted from your account. Your adviser can also charge you additional fees for other services, but these cannot be paid from the Plan.

Example of how fees apply to an investor

Emma invests \$10,000 in the Kernel NZ Bond Fund.

She is charged management and administration fees, which work out to about \$40 (0.40% of \$10,000). These fees might be more or less if her account balance has increased or decreased over the year.

Over the next year, Emma pays other charges of \$0.

Estimated total fees for the first year

Individual action fees: \$0

Fund charges: \$40

See the latest fund update for an example of the actual returns and fees investors were charged over the past year.

This example applies only to the Kernel NZ Bond Fund. If you are considering investing in other Funds in the Plan, this example may not be representative of the actual fees you may be charged.

The fees can be changed

We can change the annual fund charges (including when they are deducted from the Funds), introduce new fees (including individual action fees), or otherwise change the fees and charges payable by members at any time.

All fees and expenses must comply with the Plan's trust deed and the requirement under the KiwiSaver Act 2006 that the fees must not be unreasonable. We will give you at least one month's notice of any proposed increase to fees or charges.

We must publish a fund update for each Fund showing the fees actually charged during the most recent year. Fund updates, including past updates, are available at www.kernelwealth.co.nz.

6 What taxes will you pay?

The Plan is a portfolio investment entity. The amount of tax you pay is based on your prescribed investor rate ('PIR'). To determine your PIR, go to www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate. If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue Department. It is your responsibility to tell us your PIR when you invest or if your PIR changes. If you do not tell us, a default rate may be applied. If the rate applied to your PIE income is lower than your correct PIR, you will be required

to pay any tax shortfall as part of the income tax year-end process. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

For more information about the tax consequences of an investment in the Plan, see Section 5 of the OMI document on the Plan's offer register entry at <https://disclose-register.companiesoffice.govt.nz>.

7 Who is involved?

About Kernel Wealth Limited

The manager of the Plan is Kernel Wealth Limited. We are responsible for managing and administering the Plan.

Call: 0800 537 635 (0800 KERNEL) during normal business hours, which are 8.30am to 5.30pm, Monday to Friday.

Email: support@kernelwealth.co.nz

Who else is involved?

| | Name | Role |
|-------------------------|---|--|
| Supervisor | Trustees Executors Limited | Responsible for supervising us, acting on behalf of members, and ensuring the Plan's assets are appropriately held. |
| Custodian | Adminis NZ Limited | Holds the Plan's assets on behalf of members. |
| Administration Managers | Adminis NZ Limited | Appointed by us to carry out some of the administration functions including registry services and unit pricing for the Plan. |
| | MUFG Pension & Market Services (NZ) Limited | Appointed by us to provide administration services relating to Inland Revenue and members' contributions and withdrawals. |

8 How to complain

In the first instance, if you have any concerns, you can lodge a complaint with us:

Call: 0800 537 635 (0800 KERNEL) during normal business hours.

Email: complaints@kernelwealth.co.nz

You can also make a complaint to the Supervisor if we are unable to resolve your complaint:

Call: 09 308 7100 during normal business hours

Write to:

Trustees Executors Limited
Level 11, 51 Shortland Street
Auckland 1010
Attn: Business Manager Corporate Trust

We are a member of Financial Services Complaints Limited ('FSCL'), an approved independent dispute resolution scheme. The Supervisor is also a member of FSCL.

If you have complained to us or the Supervisor and your complaint has not been resolved, or you are not happy with the resolution, you can contact FSCL who may be able to consider your complaint.

Call: 0800 347 257 during normal business hours

Email: complaints@fscl.org.nz

Write to:

Financial Services Complaints Ltd
Level 4, 101 Lambton Quay
PO Box 5967
Wellington 6140

FSCL will not charge a fee to any complainant to investigate or resolve a complaint.

9 Where you can find more information

Further information relating to the Plan and membership of the Plan, including financial statements, annual reports, quarterly fund updates, the Plan's trust deed, the OMI document, and the SIPO, is available on the Plan's offer register entry and/or the scheme register at <https://disclose-register.companiesoffice.govt.nz>.

You are entitled to a copy of the information on the offer register or scheme register on request to the Registrar of Financial Service Providers.

The above information is also available free of charge on our website at www.kernelwealth.co.nz or by contacting us.

You will also receive, free of charge:

- annual member statements;
- a copy of the Plan's annual report or a statement letting you know where you can access it online; and
- an annual PIE Tax Statement, which will include the amount of PIE income attributed to you and the amount of PIE tax paid at your PIR. You will also be asked to confirm your IRD number and PIR.

You can obtain details of your investment at www.kernelwealth.co.nz or by requesting it from us at support@kernelwealth.co.nz. This information is available free of charge.

You can obtain general information about us and the Plan on our website at www.kernelwealth.co.nz.

10 How to apply

It's easy to start investing. To join the Plan, you'll need to read and accept the terms of the Kernel Platform and complete the online membership application at www.kernelwealth.co.nz.

