

Kernel Funds

Kernel NZ Small & Mid Cap Opportunities Fund (known as Kernel NZ Level 9 Fund until 6 July 2020) Fund update for the quarter ended 30 June 2020

This fund update was first made publicly available on 27 July 2020

What is the purpose of this update?

This document tells you how the Kernel NZ Small & Mid Cap Opportunities Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Kernel Wealth Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The Kernel NZ Small & Mid Cap Opportunities Fund invests in financial products listed on the NZX and is designed to track the S&P/NZX Emerging Opportunities Index.

Total value of the fund:	\$878,705
The date the fund started:	28 August 2019

What are the risks of investing?

Risk indicator for the Kernel NZ Small & Mid Cap Opportunities Fund:



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. 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-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other 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 data¹ for 5 years to 30 June 2020. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates. See the Product Disclosure Statement for the Kernel Funds for more information about the risks associated with investing in this fund.

How has the fund performed?

	Past year
Annual return (after deductions for charges and tax)	Not applicable
Annual return (after deductions for charges but before tax)	Not applicable
Market index annual return (reflects no deduction for charges and tax)	-8.06%

The market index annual return is based on the annual return of the S&P/NZX Emerging Opportunities Index. Additional information about the market index is available in the 'Statement of Investment Policy and Objectives' document on the offer register at www.disclose-register.companiesoffice.govt.nz.

What fees are investors charged?

Investors in the Kernel NZ Small & Mid Cap Opportunities Fund are charged fund charges. In the year to 31 March 2020 were:

	% per annum of fund's net asset value
Total fund charges	0.39%
Which are made up of:	
Total management and administration charges	0.39%
Including -	
Manager's basic fee	0.39%
Other management and administration charges	0.00%

Investors are not charged individual action fees for specific actions or decisions (for example, for withdrawing from funds). All fees are inclusive of GST.

Small differences in fees and charges can have a big impact on your investment over the long term.

Example of how this applies to an investor

Emma had \$10,000 in the fund on 28 August 2019 and did not make any further contributions. On 30 June 2020, Emma incurred a loss after fund charges were deducted of \$781 (that is -7.81% of her initial \$10,000). This gives Emma a total loss after tax of \$786 for the period.

What does the fund invest in?

Actual investment mix

This shows the types of assets that the fund invests in.



Target investment mix

This shows the mix of assets that the fund generally intends to invest in.

Asset Category	Target asset mix
Cash and cash equivalents	-
New Zealand fixed interest	-
International fixed interest	-
Australasian equities	100.00%
International equities	-
Listed property	-
Unlisted property	-
Commodities	-
Other	-

Top 10 investments

Name	% of fund's net asset value	Type	Country	Credit rating (if applicable)
Pushpay Holdings	10.10%	Australasian equities	New Zealand	
Property for Industry	6.77%	Australasian equities	New Zealand	
Argosy Property	5.58%	Australasian equities	New Zealand	
Metlifecare	5.08%	Australasian equities	New Zealand	
Vital Healthcare Property	4.97%	Australasian equities	New Zealand	
Arvida Group	4.55%	Australasian equities	New Zealand	
Kathmandu Holdings	4.31%	Australasian equities	New Zealand	
Air New Zealand	4.12%	Australasian equities	New Zealand	
Heartland Group Holdings	3.76%	Australasian equities	New Zealand	
Stride Property	3.74%	Australasian equities	New Zealand	

The top 10 investments make up 52.99% of the fund's net asset value.

Currency hedging – As the fund invests only in NZ dollar investments, currency hedging is not required.

Key personnel

This shows the directors and employees who have the most influence on the investment decisions of the fund:

Name	Current position	Years	Months	Previous position	Years	Months
Dean Anderson	Chief Executive	1	9	Smartshares Product Manager, NZX	4	4
Stephen Upton	Chief Operating Officer	1	0	Smartshares Chief Operating Officer - NZX	3	6
Kerry McIntosh	Director	1	0	Operating Partner, Zino Ventures (current)	2	4
Paul Hocking	Director	1	0	Director, Trustees Executors Limited	10	9

Further information

You can also obtain this information, the Product Disclosure Statement for the Kernel Funds, and some additional information from the offer register at www.disclose-register.companiesoffice.govt.nz.

Notes

1 Market index returns (as well as actual returns) have been used to complete the risk indicator, as the fund has not been in existence for 5 years. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund. The risk indicator for the fund uses 4 years and 2 months of market index returns.