



Nationwide Ziegler NYSE Arca Tech 100 Index Fund

Quarterly Commentary

Mutual funds

Commentary

Q3 2018

Asset class: Sector Equity
Objective: Seeks to track the total return of the NYSE Arca Tech 100 Index before deducting for Fund expenses

Morningstar category:
Large Growth
Class A: NWJCX
Class C: NWJDX
Class R6: NWJEX
Inst Svc: NWJFX

Overall Morningstar Ratings™



Out of 1258 investments. An investment's overall Morningstar Rating, based on Institutional Service Class risk-adjusted return, is a weighted average of its applicable 3-, 5- and 10-year Ratings. See disclosures on back page.

EXECUTIVE SUMMARY

- *The Fund has consistently high allocations to information technology and health care, both of which outperformed the broad market in Q3*
- *An allocation to the newly created communication service sector, specifically Facebook, detracted from performance*
- *The index will continue to include companies from various industries that produce or deploy innovative technology*

Portfolio management



Ziegler Capital Management, LLC



Donald J. Nesbitt, CFA
Chief Investment Officer and Senior Portfolio Manager
Fund tenure since 2002



Mikhail I. Alkhazov, CFA
Vice President and Senior Portfolio Manager
Fund tenure since 2005

MARKET REVIEW

Equity markets rallied for the second consecutive quarter, with the S&P 500® Index delivering a positive return in 21 of the last 23 quarters. Following volatility in the first quarter of the year on fears of inflation, interest rates, geopolitical stress and trade disagreements, investors have refocused on the strong fundamental backdrop. The economy is strong, with GDP growth of 3.2% forecast for the third quarter, following 4.2% in the second quarter. Consumer, small business and executive confidence remains near record levels, and appears to be driving improved consumer and capital spending. Corporate profits provide strong support for equity market returns, with growth for the S&P 500 expected at 21% and the S&P Small Cap 600 could grow 35%. Corporate share repurchases are contributing to earnings and generating demand for shares, with buyback authorizations likely to top \$1 trillion this year. Each month of the quarter had positive performance, with the S&P 500 returning 11% for the year.

During the third quarter, the S&P, Dow Jones Industrial Average and NASDAQ Composite Index returned +7.7%, +9.0% and +7.4% respectively. For the S&P 500, it was the best performance since 2013. Growth stocks outperformed value, and large-caps outperformed small. Leading sectors for the quarter included health care, industrials and technology, while materials, energy and real estate lagged. During the quarter, the Federal Open Market Committee (FOMC) raised their Federal Funds target rate by 0.25% (third hike this year), with an expectation for one additional hike for 2018. The Fed's "dot plot" points to three additional hikes for 2019, bringing the range to between 3.00% and 3.25%, though the futures market is suggesting a more gradual pace. Interest rates rose for the fifth-straight quarter, with the 10-year yield closing near a seven-year high of 3.05%. The yield curve flattened, with the spread between the 10-year and 2-year Treasury yields

falling to 0.25%. Despite the rising rates, tightening credit spreads allowed the Bloomberg Barclays U.S. Aggregate Bond Index to deliver a slight positive return. While positive, international equity markets lagged on concerns over global growth and trade tensions, with the MSCI EAFE® Index returning +1.4% and the MSCI Emerging Markets® Index returning -1.0%.

PERFORMANCE REVIEW

For the third quarter, stocks with exposure to the factors of larger capitalization, strong price momentum, better capital efficiency and rising analyst estimates generally outperformed smaller company stocks with higher exposure to favorable valuation and higher volatility.

S&P 500 Index operating earnings rose 26.7% year-over-year in the second quarter, making first half earnings growth the highest since the beginning of the economic recovery in 2010. Companies in the S&P 500 Index reported an 80.0% rate of earnings estimates “beats” in the second quarter – the highest in the past seven years! Health Care led the positive results, reporting an unprecedented 92.1% level of “beats”, while Information Technology followed by posting a 91.6% level of “beats”.

The Fund invests heavily in the Information Technology and Health Care sectors, with its performance significantly influenced by the results of those sectors. Health Care was the top performing sector in the third quarter and Information Technology also outperformed the broad market.

The NYSE Arca Tech 100 Index includes companies from different industries that produce or deploy innovative technologies to conduct their business and these companies have generally experienced improving earnings prospects in concurrence with the economy’s improving growth. The Fund carries a beta of approximately 1.07 against the broad market S&P 500 Index and a 1.06 beta when compared against the Russell 1000 Growth Index. The Fund has growth characteristics similar to the information technology and Health Care sectors within the RLG.

CONTRIBUTORS

The Fund’s 19.8% allocation to Health Care contributed to its performance, with Biotechnology, Health Care Technology and Life Science Tools and Services sectors contributing positive relative performance to the Fund. Illumina Corp. (ILMN) returned 31.4%, as the provider of genetic sequencing and array-based analysis has benefitted from the growing demand for personalized medicine and research. Biogen (BIIB) delivers therapies for the treatment of neurological and neurodegenerative disease and was up 21.7% on a very strong second quarter earnings “beat”.

The Fund holds an 18.5% allocation to software stocks, its largest industry exposure and a positive contributor to the Fund’s total return in the second quarter. The 17 companies in the industry generally realized mixed performance, but favorable returns were led by a 2.6% position in Adobe Systems Inc. (ADBE) that returned 10.7% for the quarter after reporting strong operating results and providing positive forward guidance.

Three stocks in the Aerospace & Defense industry comprise 13.3% of the Fund's total assets and contributed to the Fund's total performance in the third quarter, led by a 3.3% position in Lockheed Martin Corp. that returned 17.8%.

DETRACTORS

S&P Dow Jones Indices reclassified the Telecommunications (TEL), Information Technology (IT) and Consumer Discretionary (DISC) Global Industry Classification Standard (GICS) sectors at the end of September to better account for Communication Service (CS) stocks. The previously labeled Telecommunications sector has been expanded to include the Entertainment and Interactive Media & Services industries that were previously in the IT sector, and the Media industry from the Discretionary sector, into what is now called the Communication Service sector. The Fund carried a 4.0% allocation to the new Communication Service sector in the third quarter and its performance was a drag on the Fund's results, led by a 1.8% position in Facebook Inc. that fell 15.4% on data breach issues.

The Fund's 1.5% allocation among three Energy sector stocks detracted from the Fund's relative performance, led by a 0.7% position in Schlumberger (SLB) that fell 8.4%, as infrastructural bottlenecks in Permian basin resulted in the company to have only "met" second quarter earnings expectations.

The Fund holds only one stock in the Materials sector, a 0.7% position in DowDuPont Inc. that fell 1.9% in the third quarter after citing "discrete" headwinds related to currency movements and higher raw materials costs in its second quarter earnings announcement, and investors ignored the small earnings "beat".

Average annual total returns (%)

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class A (without sales charge)	9.34	19.09	24.88	22.20	16.83	15.76
Class A (with 5.75% max sales charge)	3.05	12.24	17.70	19.81	15.46	15.08
Class C	9.14	18.45	23.98	21.31	15.99	14.99
Class R6	9.43	19.39	25.30	22.63	17.25	15.97
Institutional Service Class	9.40	19.29	25.18	22.48	17.10	16.03
NYSE Arca Tech 100 Index	9.26	18.75	24.41	21.65	16.32	15.60
Large Growth Category	7.54	15.64	23.18	17.68	14.02	12.60

Performance returns assume the reinvestment of all distributions. Returns for periods less than one year are not annualized. Total returns reflect a contractual expense limitation for direct annual Fund expenses for all classes for certain periods since inception, without which returns would have been lower. Fund performance is based on total return whereas benchmark performance is price return. Pre-inception historical performance for newer share classes is based on the corresponding share class performance of a Fund's predecessor fund. If no predecessor Fund applies, historical performance is based on that of the longest existing share class, adjusted for sales charges if applicable.

Share class	Expense ratios		Inception date
	Gross (%)	Net (%)	
Class A	0.81	0.81	06/10/1996
Class C	1.54	1.54	05/08/2000
Class R6	0.44	0.44	09/18/2013
Institutional Service Class	0.57	0.57	07/23/2009

The expense ratios are as shown in the most recent prospectus. Expenses include underlying fund expenses. Please see the Fund's prospectus for more details.

Top Holdings

	% of portfolio
Boeing Company	3.6
Illumina, Inc	3.6
Biogen Inc	3.5
Lockheed Martin Corp	3.4
NVIDIA Corp	2.7
Adobe Systems Inc	2.6
Thermo Fisher Scientific Inc	2.4
Intuit Inc	2.2
Apple Inc	2.2
MasterCard Inc Class A	2.2

Holdings are provided for informational purposes and should not be deemed as a recommendation to buy or sell the securities.

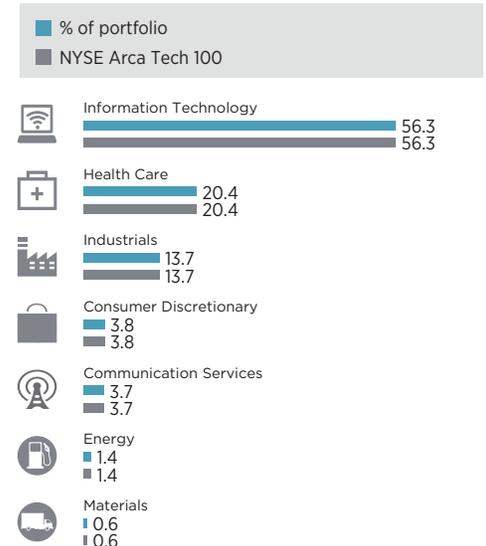
Portfolio characteristics

Total Net Assets (all classes)	\$621.3M
Total Number of holdings	101
P/E ratio	39.1x
Sharpe Ratio*	1.9
Standard deviation*	10.5
Alpha*	4.9
Beta*	1.0
R-Squared*	100.0
Turnover	24%

Portfolio characteristics are based on Institutional Service Class shares.

*Rolling 36 months

Top Sectors



The results shown represent past performance; past performance does not guarantee future results. Current performance may be lower or higher than the past performance shown. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. To obtain the most recent month-end performance, go to nationwide.com/mutualfunds or call 800-848-0920.

Class A - max front end sales charge of 5.75%, 0.25% 12b-1 fee (investment size may reduce or eliminate front-end sales charge). Class C - 1.00% Contingent Deferred Sales Charge, 1.00% 12b-1 fee. Class R6 shares - no sales charge, no 12b-1 fee. Institutional Class shares - no sales charge, no 12b-1 fee.

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

Important Disclosures

This material is not a recommendation to buy, sell, hold, or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

Investors should carefully consider a fund's investment objectives, risks, fees, charges and expenses before investing any money. To obtain this and other information on Nationwide Funds, please call 1-800-848-0920 to request a summary prospectus and/or a prospectus, or download a summary prospectus and/or a prospectus at nationwide.com/mutual-funds-prospectuses.jsp. Please read it carefully before investing.

DEFINITIONS: **Average annual total returns** are the annual compounded returns that would have produced the cumulative total return if fund performance had been constant during the given period. **P/E ratio** is the price of a stock divided by trailing 12-month earnings per share. **Sharpe ratio** measures excess return per unit of risk (standard deviation). A higher Sharpe ratio suggests better risk-adjusted performance. **Standard deviation** measures performance fluctuation, may not be indicative of future risk and is not a predictor of returns. **Alpha** represents the excess returns of a fund relative to its benchmark. A positive alpha is the added value an active manager has contributed over the benchmark returns. **Beta** measures volatility in relation to the fund's benchmark. A beta of less than 1.0 indicates lower volatility, while a beta of more than 1.0 indicates higher volatility relative to the benchmark. **R-Squared** measures the percentage of a fund's movements that can be explained by movements in a benchmark. **Turnover** measures how frequently investments are bought and sold within a fund during a 12 month period. The portfolio turnover rate is as of the fund's fiscal year end and is usually expressed as a percentage of the total value of a fund.

Principal Risks: Investing in mutual funds involves risk, including the possible loss of principal. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares. There is no assurance that the investment objective of any fund will be achieved. The Fund seeks to match the performance of an index. Correlation between Fund performance and index performance may be affected by Fund expenses, index composition changes, and the timing of Fund share purchases and redemptions. The Fund is subject to the risks of investing in equity securities (including small companies). Smaller companies are usually less stable in price and less liquid than larger, more established companies. Smaller companies are more vulnerable than larger companies to adverse business and economic developments and may have more limited resources. Therefore, they generally involve greater risk. The Fund may invest in more-aggressive investments such as derivatives (many of which create investment leverage and are highly volatile) and exchange-traded funds (ETFs) (shareholders will bear additional costs). Please refer to the most recent prospectus for more detailed information.

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Market Indexes: Market index performance is provided by a third-party source Nationwide Funds Group deems to be reliable. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses have been reflected. Individuals cannot invest directly in an index. **The S&P SmallCap 600 Index:** measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. **NASDAQ Composite Index:** a market capitalization-weighted index that measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market. **NYSE Arca Tech 100 Index:** An unmanaged, price-weighted index of at least 100 individual technology-related securities, consisting of stocks of companies from various industries that produce or deploy innovative technologies to conduct their business. **S&P 500 Index:** An unmanaged, market capitalization-weighted index of 500 stocks of leading large-cap U.S. companies in leading industries; gives a broad look at the U.S. equities market and those companies' stock price performance. **Bloomberg Barclays US Aggregate Bond Index:** An unmanaged, market value-weighted index of U.S. dollar-denominated, investment-grade, fixed-rate, taxable debt issues, which includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities (agency and non-agency). **MSCI EAFE Index:** An unmanaged, free float-adjusted, market capitalization-weighted index that is designed to measure the performance of large-cap and mid-cap stocks in developed markets as determined by MSCI; excludes the United States and Canada. **MSCI Emerging Markets Index:** An unmanaged, free float-adjusted, market capitalization-weighted index that is designed to measure the performance of large-cap and mid-cap stocks in emerging-country markets as determined by MSCI. **Russell 1000 Growth Index:** An unmanaged index that measures the performance of the large-cap growth segment of the U.S. equity universe; includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Morningstar Ratings are based solely on a proprietary mathematical formula based on measures of risk and performance that it recalculates each month. The ratings formula measures the amount of variation in a fund's or ETF's monthly performance (excluding the effects of sales charges and loads) emphasizing downward variations and rewarding consistency. Ratings are subject to change every month. The top 10% of funds and ETFs in the category receive 5 stars; the next 22.5%, 4 stars; the next 35%, 3 stars; the next 22.5%, 2 stars; and the bottom 10%, 1 star. As of November 1, 2016, Morningstar no longer provides ratings for load-adjusted share classes. Other share classes may have different performance characteristics. Ratings are based on each fund's Institutional Service Class performance. Current fund performance may be higher or lower, which may change a fund's star rating. Despite high ratings, funds may have experienced negative performance during the period. The fund received 5, 5 and 5 stars (Class A), 5, 4 and 5 stars (Class C), 5, 5 and 5 stars (Class R6) and 5, 5 and 5 stars (Institutional Service Class) for the 3-, 5- and 10-year periods among 1258, 1129 and 818 Large Growth funds, respectively. © 2018 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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