Nationwide
is on your side

Nationwide Geneva Small Cap Growth Fund

Quarterly Commentary

Mutual funds

Commentary

Q3 2018

Asset class: U.S. Equity
Objective: Seeks long-term capital appreciation

Morningstar category: Small Growth
Class A: NWHZX
Class C: NWKBX
Class R6: NWKCX
Inst Svc: NWKDX

Overall Morningstar Ratings™

★★★★

Out of 606 investments. An investment's overall Morningstar Rating, based on Institutional Service Class risk-adjusted return, is a weighted average of its applicable 3- and 5-year Ratings. See disclosures on back page.

Portfolio management

Geneva
JANUS HENDERSON

Geneva Capital Management, LLC

Amy S. Croen, CFA
Portfolio Manager
Fund tenure since 2009

William A. Priebe, CFA
Portfolio Manager
Fund tenure since 2009

William Scott Priebe
Portfolio Manager
Fund tenure since 2009

Josè Muñoz, CFA
Portfolio Manager
Fund tenure since 2017

Executive summary

- *The Russell 2000 Growth Index showed a bias toward higher quality names, while quality indices themselves were mixed*
- *A market correction was to be expected, given an uptick in geopolitical risk and interest rates that are finally on the rise*
- *So long as the Fed remains data-dependent, 2019 outlook remains bullish*

NATIONWIDE'S 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

The quality indices were mixed this quarter and didn't show a strong bias for quality; the highest quality companies, those rated B+ or better returned 4.70%, versus the low quality companies, those rated B or worse, returning 4.19%. On the surface it appears that quality didn't matter but interestingly those companies rated A+ returned 9.72%, C&D rated retuned 8.99% and the worst performing companies were rated B+, B or B (these companies returned 3.22% to 3.99%). The Russell 2000 Growth Index showed a bias towards high quality. Companies with 20%+ growth rates and higher P/E's outperformed while beta, debt-to-cap and ROE didn't appear to have much influence on performance.

CONTRIBUTORS

Security name	Period return	Portfolio impact
Paycom Software	+57.25%	+141 bps
Fox Factory Holding	+50.48%	+95 bps
Bottomline Technologies	+45.92%	+87 bps
Bio-Techne	+38.20%	+78 bps
Omnicell	+37.08%	+63 bps

Country/Sector	Period return	Portfolio impact
Technology	+17.37%	+230 bps
Producer durables	+11.81%	+107 bps
Health Care	+13.24%	+105 bps

Source: Geneva Capital Management, LLC, 09/30/18.

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.

DETRACTORS

Security name	Period return	Portfolio impact
Supernus Pharmaceuticals	-15.87%	-30 bps
Bank OZK	-15.32%	-30 bps
Neogen	-10.80%	-22 bps
Medidata Solutions	-9.00%	-20 bps
Marketaxess Holdings	-9.59%	-20 bps

Country/Sector	Period return	Portfolio impact
Financial Services	-2.94%	-54 bps
Utilities	0.00%	-13 bps
Consumer Staples	-0.74%	-11 bps

Source: Geneva Capital Management, LLC, 09/30/18.

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.

PORTFOLIO POSITIONING

Below are the largest over/ underweight sectors as of 9/30/18 as well as the largest difference in sector weights since 6/30/18. On an absolute basis, the sector weightings have not changed materially over the past quarter. Geneva's sector weights derive from the firm's bottom-up process. Geneva is sector aware and prefers to invest in growth where it can find it.

Largest Overweights	Nationwide Geneva Small Cap Growth Weight	Russell 2000 Growth Index Weight	Difference in weight since 06/30/2018
Technology	22.6%	15.9%	6.7%
Producer Durables	15.7%	15.2%	0.4%
Materials & Processing	9.4%	7.6%	1.8%

Source: Geneva Capital Management, LLC, 09/30/18.

Largest Underweights	Nationwide Geneva Small Cap Growth Weight	Russell 2000 Growth Index Weight	Difference in weight since 06/30/2018
Health Care	23.4%	26.8%	-3.4%
Consumer Discretionary	13.0%	17.9%	-4.9%
Energy	0.0%	2.3%	-2.3%

Source: Geneva Capital Management, LLC, 09/30/18.

BUYS AND SELLS

Security Name	Initial Buy Date	Rationale for Purchase
Vocera Communications	7/10	Vocera provides instant voice communication solutions. The company offers software applications, hands-free wearable voice controlled communication badges, smartphones and other wireless devices to medical facilities worldwide.
At Home Group	7/24	At Home Group owns and operates home décor stores. The company offers furniture, home furnishings, wall décor and decorative accents, rugs and housewares.

Security Name	Sell Date	Rationale for Sale
Factset Research	7/11	Factset Research was sold from the portfolio due to slowing end markets and competitive pressures.
Monro Muffler Brake	8/1	Monro Muffler Brake was sold due to management turnover and questions around the investment thesis.

MARKET ENVIRONMENT

Normally, as we compose our quarterly outlook we focus our initial comments on the previously consummated quarter. However, we would be remiss if we didn't comment on what has transpired in the markets since September 30th. We have been overtly bullish over the last several quarters in our assessment of the markets, and admittedly, following the recently enacted tax cuts our bullishness reached a cacophonic peak. But it is important to avoid conflating a "run of the mill" correction with the beginning of a bear market. Corrections are a normal mechanism which brings back into balance valuation and expectations. Corrections aren't necessarily to be feared, but rather embraced as they provide opportunities to purchase securities which have been, heretofore, too expensive. We can certainly expound as to why the market is correcting, but simplistically, US markets surged double digits following a strong performance in 2017, whilst geopolitical risks have increased and interest rates have broken out of a nearly 40 year declination. Should the Fed continue along an aggressive path of rate hikes to combat nascent signs of inflation, valuation models for public securities will need to be adjusted to reflect a higher discount rate thereby applying downward pressure on the prices of stocks. Thus, it is logical that stocks have corrected, with higher multiple securities leading the decline. However, we are of the position that the Fed will be data dependent and raise rates prudently, earnings will continue to improve, albeit at a lower rate, and the abundant cash currently sitting on the sidelines will find its way into the markets, providing support for the markets in 2019. Historically, the year before a general election tends to be adjuvant to security prices, which based on our economic outlook is our base case. Our forecast for 2019 S&P 500 Index is 18x our $175 earnings estimate or 3150, or approximately 10% above the 09/30/18 level.

OUTLOOK

For those that read our quarterly outlook, our bullish stance on US equity markets should not be a surprise. The current market correction (defined by 10% decline), which we are experiencing is the eighth such correction since the Great Recession of 2008. In each instance, there has been an accompanying siren song of concern, implying each correction is the beginning of the end, and this correction is no different. Many market pundits have reasoned this bull market is one of the longest in history and ergo, it is time for a bear market. We have consistently stated that one can't measure a bull market from the previous bottom, but rather from the breakout of the previous high. In this case, that was April of 2013, which places this bull market in the median in terms of duration. However, similar to the early 1980's, this situation is unique given the US corporate tax rate is now at parity with the rest of the developed world, reversing the handicap the economy has been facing over the past 35 years. In addition, the reduction of regulations pertaining to business continues to be a tailwind and shouldn't be underestimated with respect to business confidence. We concede the lack of clarity around the outlook of trade muddles our view, and when coupled with the Fed extracting its significant influence from the monetary system in the form of shrinking its balance sheet built up from the great recession, we can empathize with those who have a bearish outlook for US markets. But with consumer confidence and spending inflecting higher, business confidence and capex following suit and companies continuing to issue debt at still historically low rates and buying back stock, we feel the risk for market participants (or rather those on the sidelines) is to the upside. Clearly, the general election of 2020 will be a seminal event for the markets, in that irrespective of each administration's unique policies and changes therein, the accompanying uncertainty can weigh on the markets. But, notwithstanding such a change, we remain steadfast in our forecast of 19-20x

$200 in S&P 500 earnings for 2021, which likely would be reflected in the market in mid-2020. While investors have been conditioned to believe market corrections are catastrophic given the 2000-2002 and 2008 bear markets, the reality in the context of history is that corrections of that magnitude are an anomaly.

Average annual total returns (%)

Share class	QTD	YTD	1-year	3-year	5-year	Since inception
Class A (without sales charge)	10.88	23.93	27.44	19.81	13.76	17.69
Class A **(with 5.75% max sales charge)**	4.50	16.80	20.11	17.47	12.42	16.94
Class C	10.68	23.27	26.53	18.94	12.96	16.93
Class R6	10.99	24.28	27.91	20.26	14.20	14.20
Institutional Service Class	10.96	24.19	27.79	20.13	14.08	18.00
Russell 2000 Growth Index	5.52	15.76	21.06	17.98	12.14	–
Small Growth Category	7.00	18.94	24.44	18.39	11.75	–

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. 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	1.28	1.28	06/12/2009
Class C	1.99	1.99	06/12/2009
Class R6	0.90	0.90	09/18/2013
Institutional Service Class	1.00	1.00	06/12/2009

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
Paycom Software Inc	3.3
Bio-Techne Corp	2.7
Bright Horizons Family Sol Inc	2.6
Fox Factory Holding Corp.	2.6
Bottomline Technologies (de), Inc.	2.6
RBC Bearings Incorporated	2.4
HealthEquity Inc	2.4
Fair Isaac Corp	2.4
Exponent, Inc.	2.4
Blackbaud Inc	2.4

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

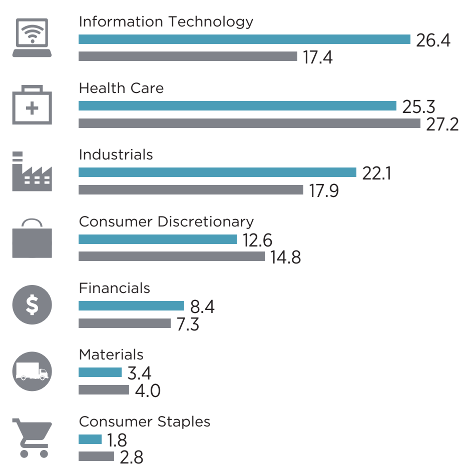
Portfolio characteristics

Total Net Assets (all classes)	$1.1B
Total Number of holdings	59
P/E ratio	49.0x
Sharpe Ratio*	1.6
Standard deviation*	11.7
Alpha*	5.2
Beta*	0.8
R-Squared*	81.4
Turnover	22%

Portfolio characteristics are based on Institutional Service Class shares.
*Rolling 36 months

Top Sectors

% of portfolio
Russell 2000 Growth



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.

Effective at close of business on October 30, 2017, the Nationwide Geneva Small Cap Growth Fund, subject to certain exceptions noted in the Summary Prospectus Supplement dated September 29, 2017, will only be available for investment on a limited basis. Please see the Summary Prospectus Supplement dated September 29, 2017 for more information.

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 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. Growth funds may underperform other funds that use different investing styles. Please refer to the most recent prospectus for more detailed information.

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. **Russell 2000 Growth Index:** An unmanaged index that measures the performance of the small-cap growth segment of the U.S. equity universe; includes those Russell 2000® Index companies with higher price-to-book ratios and higher forecasted growth values. **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 Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. The Fund is not sponsored, endorsed, or promoted by Russell, and Russell bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. Russell ® is a trademark of Russell Investment Group.

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 4 and 4 stars (Class A), 4 and 4 stars (Class C), 4 and 5 stars (Class R6) and 4 and 4 stars (Institutional Service Class) for the 3- and 5-year periods among 606 and 532 Small Growth funds, respectively. 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.

Nationwide Funds distributed by Nationwide Fund Distributors LLC (NFD), member FINRA, Columbus, OH. NFD is not affiliated with any subadviser contracted by Nationwide Fund Advisors (NFA), with the exception of Nationwide Asset Management, LLC (NWAM). Nationwide Investment Services Corporation (NISC), member FINRA. NFD is not an affiliate of Morningstar, Inc.

STAY CONNECTED

@NWFinancial
nationwidefunds.com

Shareholders: 800-848-0920
Intermediaries: 877-877-5083

Nationwide®