



NVIT CardinalSM Funds

Quarterly Commentary

Nationwide VIT

Commentary

Q3 2018

Asset class: Allocation

Share class

Class I

Class II

Strategy Overview

The NVIT Cardinal Funds (Cardinal Funds) consist of seven risk-based fund-of-funds that invest in a mix of equity and fixed income asset classes including different equity investment styles (value and growth) and various fixed income sectors. The risk levels of the Cardinal Funds range from the Conservative Fund (a portfolio targeting 20% equity/80% fixed income) to the Aggressive Fund (targeting 90% equity/10% fixed income). The Cardinal Funds are designed as single source investments for broad diversification to help variable insurance product owners save for their retirement. The Cardinal Funds primarily invest in actively-managed underlying mutual funds which are sub-advised for Nationwide by a wide variety of global investment management firms.

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 Index 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.

Portfolio management



Nationwide Fund Advisors (NFA)



Christopher C. Graham
Chief Investment Officer
Fund tenure since 2016



Keith P. Robinette, CFA
Senior Director of Asset Strategies
Fund tenure since 2017



Andrew Urban, CFA
Senior Director of Asset Strategies
Fund tenure since 2017

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 NVIT Cardinal **Conservative** Fund (Class II Shares) posted a return of 1.08%, outperforming its prospectus benchmark and underperforming its Morningstar Category – US Insurance Allocation – 15% to 30% Equity, by 18 bp and -7 bp respectively.

The NVIT Cardinal **Moderately Conservative** Fund (Class II Shares) posted a return of 1.74%, underperforming both its prospectus benchmark and Morningstar Category – US Insurance Allocation – 30% to 50% Equity, by -8 bp and -32 bp respectively.

The NVIT Cardinal **Balanced** Fund (Class II Shares) posted a return of 1.97%, underperforming both its prospectus benchmark and Morningstar Category – US Insurance Allocation – 30% to 50% Equity, by -55 bp and -9 bp respectively.

The NVIT Cardinal **Moderate** Fund (Class II Shares) posted a return of 2.39%, underperforming both its prospectus benchmark and Morningstar Category – US Insurance Allocation – 50% to 70% Equity, by -13 bp and -89 bp respectively.

The NVIT Cardinal **Capital Appreciation** Fund (Class II Shares) posted a return of 2.88%, outperforming its prospectus benchmark and underperforming its Morningstar Category – US Insurance Allocation – 50% to 70% Equity, by 36 bp and -40 bp respectively.

The NVIT Cardinal **Moderately Aggressive** Fund (Class II Shares) posted a return of 3.05%, underperforming both its prospectus benchmark and Morningstar Category – US Insurance Allocation – 70% to 85% Equity, by -22 bp and -53 bp respectively.

The NVIT **Aggressive** Fund (Class II Shares) posted a return of 3.26%, underperforming both its prospectus benchmark and Morningstar Category – US Insurance Allocation – 85% Equity, by -65 bp and -62 bp respectively.

CONTRIBUTORS

Within US equities, growth stocks outperformed value, large capitalization stocks outperformed mid and small, and US equities outperformed international equities for the quarter. Thus, the NVIT Multi-Manager Large Cap Growth, NVIT Multi-Manager Large Cap Value, and NVIT Multi-Manager Mid Cap Growth Funds were the largest contributors to performance, returning 8.72%, 4.81%, and 8.12% respectively. Within the fixed income, the NVIT Short Term Bond, NVIT Core Plus Bond and NVIT Core Bond Funds were the largest contributors to performance, returning 0.63%, 0.46%, and 0.35% for the period.

DETRACTORS

Within equities, international stocks underperformed US stocks for the quarter and thus the NVIT Emerging Markets and Nationwide International Small Cap Funds were the largest detractors from performance, returning -2.74% and -1.62%,

respectively. Within fixed income, the Nationwide Inflation-Protected Securities Fund also detracted from performance, returning -0.82% for the quarter.

Underlying Investment	Cardinal Con		Cardinal Mod Con		Cardinal Bal		Cardinal Mod		Cardinal Cap App		Cardinal Mod Agg		Cardinal Agg	
	Port weight	Contribution	Port weight	Contribution	Port weight	Contribution	Port weight	Contribution	Port weight	Contribution	Port weight	Contribution	Port weight	Contribution
NVIT Multi-Manager Large Cap Gr	5.5%	0.48	11.5%	1.00	12.0%	1.05	16.0%	1.39	19.5%	1.70	21.5%	1.87	22.5%	1.96
NVIT Multi-Manager Large Cap Val	5.5%	0.26	11.5%	0.55	12.0%	0.58	16.0%	0.77	19.5%	0.94	21.5%	1.03	22.5%	1.08
NVIT Multi-Manager Mid Cap Gr	0.5%	0.04	0.5%	0.04	1.5%	0.12	1.5%	0.12	1.5%	0.12	1.5%	0.12	2.5%	0.20
NVIT Multi-Manager Mid Cap Val	0.5%	0.02	0.5%	0.02	1.5%	0.05	1.5%	0.05	1.5%	0.05	1.5%	0.05	2.5%	0.09
NVIT Multi-Manager Small Cap Gr			0.5%	0.03	1.0%	0.07	1.0%	0.07	1.0%	0.07	1.5%	0.10	2.0%	0.14
NVIT Multi-Manager Small Cap Val			0.5%	0.00	1.0%	0.01	1.0%	0.01	1.0%	0.01	1.5%	0.01	2.0%	0.02
NVIT Multi-Manager International Gr	3.5%	0.01	6.0%	0.02	8.0%	0.02	8.0%	0.02	9.0%	0.02	11.0%	0.03	12.0%	0.03
NVIT Multi-Manager International Val	3.5%	0.03	6.0%	0.06	8.0%	0.08	8.0%	0.08	9.0%	0.08	11.0%	0.10	12.0%	0.11
Nationwide International Sm Cp			1.5%	-0.02	2.5%	-0.04	3.0%	-0.05	4.0%	-0.06	5.0%	-0.08	6.0%	-0.10
NVIT Emerging Markets	1.0%	-0.03	1.5%	-0.04	2.5%	-0.07	4.0%	-0.11	4.0%	-0.11	4.0%	-0.11	6.0%	-0.16
NVIT Core Bond	17.0%	0.06	15.0%	0.05	14.0%	0.05	12.0%	0.04	10.0%	0.04	8.0%	0.03	4.0%	0.01
Nationwide Bond	5.5%	0.02	4.0%	0.02	3.5%	0.02	2.5%	0.01	2.0%	0.01	2.0%	0.01	1.0%	0.00
DoubleLine NVIT Total Return Tactical	2.5%	0.00	2.0%	0.00	1.5%	0.00	1.5%	0.00	1.0%	0.00				
NVIT Core Plus Bond	22.0%	0.10	18.0%	0.08	17.0%	0.08	15.0%	0.07	12.0%	0.06	10.0%	0.05	5.0%	0.02
Nationwide Inflation-Prot Secs	4.0%	-0.03	2.0%	-0.02										
NVIT Short Term Bond	29.0%	0.18	19.0%	0.12	14.0%	0.09	9.0%	0.06	5.0%	0.03				

Source: Morningstar, 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.

CURRENT PORTFOLIO POSITIONING

During the third quarter, the US dollar continued its strengthening trend through mid-August amidst international economic and trade worries, but stalled out during the last half of the quarter. US equities, particularly those with more US business, were thus boosted, while foreign-currency denominated equities were lower, especially in emerging markets. US fixed income faced higher yields as well as marginally wider spreads, which created opportunities for the active fixed income strategies within the series.

No material changes were made to the allocations within the funds over the course of the quarter.

OUTLOOK

The overall economy and markets continue to exhibit typical characteristics of the latter stages of a business cycle, including opportunities for returns in equities exceeding more muted fixed income performance. Political and geopolitical risks have overshadowed some of the positive economic momentum, particularly outside of the US. While central banks are still accommodative, fiscal policy internationally remains restrained relative to the boost being received in the US via tax reform and other spending measures. Thus, the non-US equity allocations have been challenged on an absolute basis and relative to US equities. These

trends challenged the team's positioning of the funds somewhat, but the overall view remains constructive. The team continues to monitor interest rates, credit spreads, and inflation in the US as well as the dynamics of international economies, currencies, and their resulting impact on the portfolios.

Average annual total returns (%)

NVIT Cardinal Aggressive

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class I	3.25	3.15	8.32	11.61	8.33	8.62
Class II	3.26	3.06	8.12	11.50	8.24	8.52
Morningstar Agg Target Risk Index	3.91	4.39	10.40	13.86	9.26	9.34
Russell 3000 Index	7.12	10.57	17.58	17.07	13.46	12.01
Allocation—85%+ Equity Category	3.88	4.36	9.38	12.65	8.95	8.75

Source: Morningstar, 09/30/18.

NVIT Cardinal Moderately Aggressive

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class I	3.15	2.83	7.48	10.54	7.63	8.07
Class II	3.05	2.73	7.28	10.41	7.54	7.97
Morningstar Mod Agg Target Risk Index	3.27	3.25	8.32	11.76	8.03	8.54
Russell 3000 Index	7.12	10.57	17.58	17.07	13.46	12.01
Allocation—70% to 85% Equity Category	3.58	4.37	8.86	10.75	7.98	8.36

Source: Morningstar, 09/30/18.

NVIT Cardinal Capital Appreciation

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class I	2.88	2.50	6.53	9.49	7.05	7.63
Class II	2.88	2.51	6.53	9.39	6.95	7.53
Morningstar Mod Target Risk Index	2.52	2.20	6.02	9.20	6.51	7.41
Russell 3000 Index	7.12	10.57	17.58	17.07	13.46	12.01
Allocation—50% to 70% Equity Category	3.28	3.45	7.26	8.98	7.03	7.83

Source: Morningstar, 09/30/18.

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. Performance numbers do not reflect and would be reduced by the insurance-related fees and charges of the variable product. Please consult the variable product prospectus for information about these fees and charges. To obtain the most recent standardized performance, go to <https://www.nationwide.com/variable-annuity-prospectus-and-performance.jsp> or <https://www.nationwide.com/variable-life-products.jsp>.

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, which does not guarantee future results. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares.

NVIT Funds are not sold to individual investors. These investment options are underlying subaccounts and cannot be purchased directly by the public. They are only available through variable products issued by life insurance companies.

When evaluating the purchase of a variable annuity product, your clients should be aware that variable annuity products are long-term investment vehicles designed for retirement purposes and will fluctuate in value; and investing involves market risk, including possible loss of principal.

NVIT Cardinal Moderate

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class I	2.48	1.83	5.40	8.26	6.28	7.02
Class II	2.39	1.74	5.21	8.17	6.18	6.93
Morningstar Mod Target Risk Index	2.52	2.20	6.02	9.20	6.51	7.41
Russell 3000 Index	7.12	10.57	17.58	17.07	13.46	12.01
Allocation—50% to 70% Equity Category	3.28	3.45	7.26	8.98	7.03	7.83

Source: Morningstar, 09/30/18.

NVIT Cardinal Balanced

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class I	1.97	1.25	4.13	7.03	5.43	6.39
Class II	1.97	1.07	4.06	6.93	5.34	6.28
Morningstar Mod Target Risk Index	2.52	2.20	6.02	9.20	6.51	7.41
Russell 3000 Index	7.12	10.57	17.58	17.07	13.46	12.01
Allocation—30% to 50% Equity Category	2.06	1.46	4.13	6.36	5.07	6.22

Source: Morningstar, 09/30/18.

NVIT Cardinal Moderately Conservative

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class I	1.84	0.99	3.44	6.06	4.75	5.78
Class II	1.74	0.99	3.35	5.97	4.68	5.69
Morningstar Mod Con Target Risk Index	1.82	1.28	3.91	6.69	4.96	6.04
BBgBarc US Agg Bond Index	0.02	-1.60	-1.22	1.31	2.16	3.77
Allocation—30% to 50% Equity Category	2.06	1.46	4.13	6.36	5.07	6.22

Source: Morningstar, 09/30/18.

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When evaluating the purchase of a variable annuity product, your clients should be aware that variable annuity products are long-term investment vehicles designed for retirement purposes and will fluctuate in value; and investing involves market risk, including possible loss of principal.

NVIT Cardinal Conservative

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class I	1.08	0.08	1.39	3.81	3.17	4.34
Class II	1.08	-0.02	1.29	3.75	3.08	4.25
Morningstar Con Target Risk Index	0.90	0.04	1.46	3.96	3.07	4.40
BBgBarc US Agg Bond Index	0.02	-1.60	-1.22	1.31	2.16	3.77
Allocation—15% to 30% Equity Category	1.15	0.28	1.80	4.18	3.66	4.75

Source: Morningstar, 09/30/18.

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Expenses

Fund Name	Share class	Gross Fee (%)	Net Fee (%)	Inception Date
NVIT Cardinal Aggressive	Class I	1.18	1.07	03/27/2008
NVIT Cardinal Aggressive	Class II	1.43	1.16	03/27/2008
NVIT Cardinal Moderately Aggressive	Class I	1.09	0.99	03/27/2008
NVIT Cardinal Moderately Aggressive	Class II	1.34	1.08	03/27/2008
NVIT Cardinal Capital Appreciation	Class I	1.04	0.94	03/27/2008
NVIT Cardinal Capital Appreciation	Class II	1.29	1.03	03/25/2008
NVIT Cardinal Moderate	Class I	1.01	0.91	03/27/2008
NVIT Cardinal Moderate	Class II	1.26	1.00	03/27/2008
NVIT Cardinal Balanced	Class I	0.98	0.88	03/27/2008
NVIT Cardinal Balanced	Class II	1.23	0.97	03/27/2008
NVIT Cardinal Moderately Conservative	Class I	0.95	0.85	03/27/2008
NVIT Cardinal Moderately Conservative	Class II	1.20	0.94	03/27/2008
NVIT Cardinal Conservative	Class I	0.88	0.78	03/27/2008
NVIT Cardinal Conservative	Class II	1.13	0.87	03/27/2008

The expense ratios are as shown in the most recent prospectus. Expenses include underlying fund expenses. The difference between gross and net operating expenses reflects contractual fee waivers in place through 04/30/2019. Please see the Fund's prospectus for more details.

• 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.

Variable products are sold by prospectus. Both the product and underlying fund prospectuses can be obtained by visiting Nationwide.com/prospectus or by calling 1-800-848-6331. Before investing, carefully read and consider the fund's investment objectives, risks, charges, expenses, and other important information contained in this and the underlying funds' prospectuses.

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 NVIT CardinalSM Funds are designed to provide diversification across a variety of asset classes, primarily by investing in underlying funds. In addition to the expenses of the NVIT CardinalSM Funds, each investor is indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds. Each Fund is subject to different levels of risk, based on the types and sizes of its underlying asset class allocations and its allocation strategy. Each Fund's underlying funds may be subject to specific investment risks, including but not limited to: stock market risk (equity securities); default risk and interest rate risk (bonds); and currency fluctuations, political risks, differences in accounting and limited availability of information (international securities). Please refer to the most recent prospectus for a more detailed explanation of the Fund's principal risks.

Nationwide Asset Management, LLC provides asset allocation consulting services to Nationwide Fund Advisors (NFA); NFA makes allocation and fund selection decisions.

Asset allocation is the process of spreading assets across several different investment styles and asset classes. The purpose is to potentially reduce long-term risk and capture potential profits across various asset classes.

There is no assurance that the investment objective of any fund (or that of any underlying fund) will be achieved or that a diversified portfolio will produce better results than a non-diversified portfolio. Diversification does not guarantee returns or insulate an investor from potential losses, including the possible loss of principal.

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 **Morningstar Target Risk Index** family is designed to meet the needs of investors who would like to maintain a target level of equity exposure through a portfolio diversified across equities, bonds and inflation-hedged instruments. **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. **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 3000 Index:** An unmanaged index that measures the performance of the 3,000 largest U.S. companies in the investable U.S. equity universe. **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.

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