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Nationwide Growth Fund

Quarterly Commentary

Mutual funds

Commentary

Q1 2018

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

Morningstar category: Large Growth
Class A: NMFAX
Class C: GCGRX
Class R: GGFRX
Class R6: MUIGX
Inst Svc: NGISX

Portfolio management

BOSTON ADVISORS

Boston Advisors, LLC

Douglas A. Riley, CFA
Senior Vice President & Portfolio Manager
Fund tenure since 2014

Michael J. Vogelzang, CFA
President and Chief Investment Officer
Fund tenure since 2014

David Hanna
Senior Vice President & Director of Alternative Investments
Fund tenure since 2014

Edward Mulrane, CFA
Vice President & Director of Quantitative Research
Fund tenure since 2014

Executive summary

- *Global equity markets continued their rally into 2018, but were sharply jolted in February and March, yet the Russell 1000 Growth Index finished the quarter in positive territory (1.42%)*
- *The Fund modestly outperformed the benchmark over the period due to positive factor exposures of Momentum and Growth which were positive during the quarter, though an under exposure to Profitability detracted from relative performance.*
- *The Fund remains cyclically tilted, consistent with the view of continued synchronized global growth while the largest sector over/underweights are Financial and Real Estate respectively, reflecting the positioning for rising interest rates.*

NATIONWIDE'S MARKET REVIEW

Equity markets fell for the first quarter since the third quarter of 2015, as investors adopted a "glass half empty" approach despite healthy fundamentals. Last year saw an unprecedented lack of volatility, with investors looking beyond stressful headlines, choosing instead to believe in the synchronized global growth environment. Optimism continued in January following the passage of the tax bill, with the S&P 500® Index ("S&P 500") returning 5.7%, the best monthly return in nearly two years. That was followed by declines in February and March that were the weakest since January 2016. February saw the first 10% correction for the S&P 500 in two years, with the fastest move from a record high to a correction on record. Explanations for the weakness and volatility included valuations, inflation fears, rising interest rates, trade concerns and potential regulation in the technology sector. Despite the heightened concerns, economic data continue to suggest healthy growth, and corporate profit expectations continue to accelerate.

For the first quarter, the S&P 500, Dow Jones Industrial Average and NASDAQ Composite Index returned -0.8%, -2.0 and +2.6% respectively. Growth stocks substantially outperformed value and small caps outperformed large. Leading sectors included consumer discretionary, technology and telecom, while consumer staples, energy and materials lagged. During the quarter, the Federal

Open Market Committee (FOMC) raised their Federal Funds target rate by 0.25%, with an expectation for two additional hikes for 2018. For the first time since the Fed began publishing the "dot plot" (summary of economic projections), the market's expectations for hikes are greater than Fed estimates. The market remains below the Fed expectations for 2019 and 2020, however. Interest rates were sharply higher for the quarter, as inflation expectations adjusted higher. The 10-year Treasury yield rose by 0.31% to 2.74%, while the 2-year yield jumped by 0.35%, resulting in a slight flattening of the yield curve. Credit spreads deteriorated slightly in the quarter, resulting in the Bloomberg Barclays U.S. Aggregate Bond Index returning -1.5% for the quarter. International stocks were mixed for the quarter, with the MSCI EAFE® Index returning -1.5% and the MSCI Emerging Markets® Index returning +1.4% in the quarter.

PERFORMANCE REVIEW

Using the Bloomberg Risk Model, Momentum, Growth, and Profitability factors were positive during the quarter, while Size, after adding value in January, detracted during the remainder of the quarter and ultimately finished slightly negative. The portfolio was positively exposed to Momentum and Growth, but under exposed to Profitability. Netted out, portfolio exposures to those factors helped relative performance. The Value factor was notably weak in January, but stabilized in the second half of the quarter. The portfolio was positively exposed to Value, which hurt results. Exposure to the Value factor was concentrated in the Capital Goods group, where the majority of portfolio weakness occurred.

CONTRIBUTORS

Security name	Period return	Portfolio impact
NETFLIX, INC.	+53.90%	+39 bps
ADOBE SYSTEMS, INC.	+23.40%	+20 bps
COMCAST CORP CL A	0.00%	+19 bps
AMAZON, INC.	+23.80%	+18 bps
W.W. GRAINGER	+20.10%	+15 bps

Country/Sector	Period return	Portfolio impact
CONSUMER DISCRETIONARY	+7.50%	+51 bps
INFORMATION TECHNOLOGY	+3.80%	+20 bps
REAL ESTATE	0.00%	+13 bps

Source: Boston Advisors, LLC, 03/31/18.

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. Share price, principal value, and return will vary, and you may have a gain or a loss when you sell your shares.

DETRACTORS

Security name	Period return	Portfolio impact
ABBVIE, INC.	-1.70%	-17 bps
MOHAWK INDS, INC.	-15.90%	-16 bps
NVIDIA CORP.	0.00%	-16 bps
OSHKOSH CORP.	-14.70%	-16 bps
AMERIPRISE FINANCIAL	-12.30%	-15 bps

Country/Sector	Period return	Portfolio impact
INDUSTRIALS	-2.10%	-30 bps
ENERGY	-7.80%	-7 bps
FINANCIALS	+1.70%	-7 bps

Source: Boston Advisors, LLC, 03/31/18.

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PORTFOLIO POSITIONING

On balance, portfolio exposure was cyclically tilted, consistent with our view of synchronized global growth with modestly rising inflationary pressures, coupled with a strong earnings outlook in the U.S. Fundamentally, portfolio characteristics remain consistent with better growth metrics, lower valuation, and a beta slightly higher than the benchmark.

As of March 31, 2018 the portfolio's largest sector overweight was Financials and the largest underweight was Real Estate (0% absolute weight). This reflects positioning for an environment of rising interest rates. During the first quarter, exposure to Financials was increased, chiefly through the addition of Federated Investors (FII) and American International Group (AIG). The former, in particular, should benefit directly from higher short-term interest rates, as historically low money market rates have greatly pressured fees in recent years. The purchase of AIG reduces under exposure to the Insurance industry and should benefit from improved premiums following last year's hurricanes. Health Care was increased back to slightly overweight by adding to the existing position in AbbVie (ABBV) as well as increasing exposure to the Health Care Equipment & Services group. This balanced a reduction of exposure in the defensive Consumer Staples sector with names having a more attractive growth profile. Otherwise, sector exposures did not change materially from the end of 2017.

Momentum and Value were the largest positive factor exposures heading into the second quarter, while Profitability (per the Bloomberg Risk Model) was the largest under exposure. During the quarter, Value exposure was reduced slightly and both Growth and Profitability exposures were increased. Size was neutral at the start of the quarter, but exposure was tilted towards small caps by March 31, primarily reflecting reduced exposure to large social media oriented tech names (i.e. Facebook, Google).

MARKET ENVIRONMENT

The first quarter of 2018 is best characterized as "the return of volatility." After a historically quiescent year in 2017 for price action, equities experienced 23 days with price moves of +/- 1% (vs. only 8 for all of 2017). After a surge higher in January led by large capitalization technology stocks, equities reversed course in February and March. Several key benchmarks finished down for the quarter, while the Russell 1000 Growth held on to a gain of 1.41% after surrendering most of January's 7.08% advance.

The primary positive influence on performance was a strongly supportive earnings backdrop. S&P 500 earnings estimates increased by the most in more than a decade, driven by U.S. tax cuts and synchronized global growth. Domestically, employment and wages were strong, helping cyclical areas such as Consumer Discretionary and Technology, where the portfolio performed well.

Offsetting those positives, several macro factors produced increasing headwinds as the quarter progressed. Rising interest rates (and expectations for potentially more or faster increases) prompted a sharp February selloff triggered by the unwinding of large-scale institutional strategies using leverage to exploit record low volatility. Financials typically do well in the early stages of a rising rate cycle and the portfolio was positioned to benefit from that scenario with an overweight in the sector, but stock selection was unfavorable.

Weakness in the U.S. dollar would normally help global industrial manufacturers, as exports become more attractive. However, the Trump administration's hard line on trade hurt sentiment in that regard, contributing to underperformance in the Capital Goods industry group. Excluding Boeing (BA), which we were underweight, the Capital Goods group was negative for the quarter. Despite a focus on more domestic oriented businesses, stock selection still hurt results.

Rising trade tensions, in general, had a negative impact on sentiment, keeping the rally off the February low in check and fueling the late March retest. More significant in March, however, was the revelation of a data breach at Facebook and president Trump's Twitter rants against Amazon, which hurt large cap technology stocks (social media platforms, in particular). Overall portfolio exposure to so-called "FANG" stocks was slightly positive and related weakness was modest.

OUTLOOK

The portfolio is favorably positioned heading into earnings season, with the majority of holdings seeing estimate increases. Given the poor performance of Capital Goods during the first quarter and strong data on machinery and transportation, a favorable reaction to earnings would help portfolio holdings in the group to rally. The outlook for the Technology sector remains solid, but the group reflects positive sentiment so we see less opportunity for positive surprises there.

As is the case for the market as a whole, evidence that earnings growth expectations are too optimistic would present a performance challenge, although a comparatively higher valuation exposure should offer some cushion. Where possible, in evaluating new purchases, we have favored companies having a more domestic orientation in an effort to mitigate the impact of greater trade friction. However, should trade tensions continue to escalate and investors become more concerned about a real impact, growth expectations would be ratcheted down and a rotation into defensive groups would become evident, requiring appropriate adjustments.

Average annual total returns (%)

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class A (without sales charge)	1.46	1.46	19.30	9.60	14.04	10.02
Class A **(with 5.75% max sales charge)**	-4.37	-4.37	12.44	7.46	12.70	9.37
Class C	1.34	1.34	18.39	8.73	13.16	9.21
Class R	1.41	1.41	18.79	9.36	13.76	9.72
Class R6	1.55	1.55	19.67	9.94	14.40	10.36
Institutional Service Class	1.54	1.54	19.43	9.71	14.16	10.22
Russell 1000 Growth Index	1.42	1.42	21.25	12.90	15.53	11.34
Large Growth Category	2.30	2.30	20.41	10.64	13.81	9.87

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 Gross (%)	Net (%)	Inception date
Class A	1.15	0.95	05/08/1998
Class C	1.96	1.76	03/01/2001
Class R	1.60	1.40	10/01/2003
Class R6	0.85	0.65	02/14/1961
Institutional Service Class	1.05	0.85	11/30/2011

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 02/28/2019. Please see the Fund's prospectus for more details.

Top Holdings

	% of portfolio
Microsoft Corp	6.2
Apple Inc	5.8
Amazon.com Inc	5.6
Alphabet Inc Class A	4.0
Visa Inc Class A	3.7
Home Depot Inc	3.1
UnitedHealth Group Inc	2.8
Facebook Inc Class A	2.5
AbbVie Inc	2.2
Netflix, Inc.	2.1

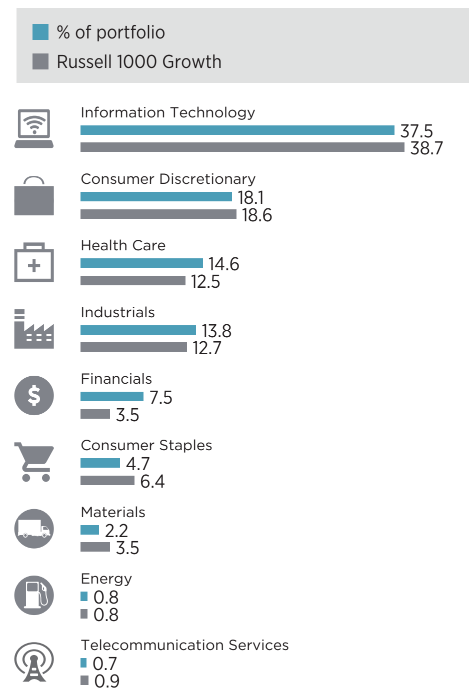
Holdings are provided for informational purposes and should not be deemed as a recommendation to buy or sell the securities.

Portfolio characteristics

Total Net Assets (all classes)	$210.4M
Total Number of holdings	76
P/E ratio	30.6x
Sharpe Ratio*	0.9
Standard deviation*	10.9
Alpha*	-2.6
Beta*	1.0
R-Squared*	97.5
Turnover	82%

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

Top Sectors



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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 R shares -no sales charge, 0.50% 12b-1 fee. Class R6 shares - no sales charge, no 12b-1 fee. Institutional Class shares -no sales charge, no 12b-1 fee.

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Important Disclosures

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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/mutualfunds. 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 is subject to the risks of investing in equity securities (including mid-sized companies). Growth funds may underperform other funds that use different investing styles. The Fund may invest in more-aggressive investments such as derivatives (which create investment leverage and are highly volatile). 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. 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. 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.

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