



NVIT DFA Funds

Quarterly Commentary

Nationwide VIT

Commentary

Q4 2018

Asset class: Allocation

Share class

Class II

Class P

Strategy Overview

The NVIT DFA Moderate Fund (Class II Shares) returned -9.74%, underperforming its prospectus benchmark by 293 bps and underperforming its Morningstar category - US Insurance Fund Allocation - 50% to 70% Equity - by 135 bps.

The NVIT DFA Capital Appreciation Fund (Class II Shares) returned -11.02%, underperforming its prospectus benchmark by 134 bps and underperforming its Morningstar category - US Insurance World Allocation - by 305 bps.

NATIONWIDE'S MARKET REVIEW

Equity markets fell sharply in the fourth quarter, generating the worst return since the third quarter of 2011. Investors became increasingly concerned around Fed policy, a global slowdown, and trade disputes, ignoring what continues to be a fairly supportive fundamental backdrop. After seeing a record period without a 10% correction between 2016 and early 2018, we have now experienced two in the past 12 months. Economic growth is moderating, with estimates for 2.4% in 2019, down from 2.9% in 2018, though it remains above the average rate during the expansion. Consumer, small business, and executive confidence remains near record highs, though moderation in recent months has energized the bears. Corporate profits tell a similar story; although the 11% growth results expected for the fourth quarter and 7% expected for 2019 are healthy figures, they are substantially lower than figures in previous quarters. Investor sentiment has driven record outflows from equity funds, though more than \$1 trillion in share repurchases counteracted the impact.

During the fourth quarter, the S&P 500® Index, Dow Jones Industrial Average Index, and NASDAQ Composite Index returned -13.5%, -11.3% and -17.3%, respectively. December was particularly weak, as the -9.0% return for the S&P 500 was the worst month since the financial crisis. Value stocks outperformed growth, and large-caps outperformed small. Leading sectors for the quarter included Utilities, Real Estate, and Consumer Staples, while Energy, Technology, and Industrials lagged, reflecting the "risk off" environment. During the quarter, the Federal Open Market Committee (FOMC) raised their Federal Funds target rate by 0.25%. This was the fourth hike in 2018, and the outlook is for two additional hikes to follow in 2019. Recent Fed commentary, particularly from Chairman Powell, references slowing global growth and tightening financial conditions, suggesting potentially increased flexibility in the Fed's rate policy and possible balance sheet reduction. Interest rates moderated during the quarter on a flight to quality, with the 10-year yield compressing by 0.37% to 2.68%. The yield curve flattened, with the spread between the 10-year and 2-year Treasury

Portfolio management



Nationwide Fund Advisors (NFA)



Christopher C. Graham
Chief Investment Officer
Fund tenure since 2017



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

yields falling to 0.18%. Credit spreads widened during the period, resulting in rate sensitive bond funds to see positive returns and credit sensitive funds to fall. Global equity funds were mixed relative to domestic for the quarter despite the concern over global growth, with the MSCI EAFE® Index returning -12.5% and the MSCI Emerging Markets® Index returning -7.5%.

CONTRIBUTORS

The Nationwide Contract and the DFA Intermediate Government Fixed Income Fund were the largest contributors to performance in the NVIT DFA Moderate Fund, returning 0.66% and 2.95%, respectively. U.S. rates staged a big rally in the fourth quarter, in contrast to equities and other risky assets.

The DFA VA Global Bond Fund and Nationwide Contract were the only contributors to performance in the NVIT DFA Capital Appreciation Fund, returning 1.27% and 0.66%, respectively. All other underlying funds posted negative returns for the quarter. Once again, high quality fixed income was the only place for investors to hide in the fourth quarter.

DETRACTORS

The largest detractors from performance in both DFA Funds were the DFA US Core Equity fund and the DFA VA US Large Value Fund, which returned -15.94 and -14.90%, respectively.

CURRENT PORTFOLIO POSITIONING

No material changes were made to the asset allocation of the Funds over the course of the quarter. The continued outperformance of growth versus value has hindered the performance of the DFA funds, because of their value bias. In addition, the small cap bias of the funds was also a headwind for performance.

Average annual total returns (%)

NVIT DFA Capital Appreciation

Share class	QTD	YTD	1-year	3-year	5-year	Since inception
Class II	-11.02	-10.15	-10.15	5.67	3.34	6.05
Class P	-10.99	-10.03	-10.03	5.79	3.48	6.21
Morningstar Mod Agg Target Risk Index	-9.67	-6.74	-6.74	6.91	4.60	—
Russell 3000 Index	-14.30	-5.24	-5.24	8.97	7.91	—
World Allocation Category	-7.96	-7.11	-7.11	3.84	2.66	—

Source: Morningstar, 12/31/18.

NVIT DFA Moderate

Share class	QTD	YTD	1-year	3-year	5-year	Since inception
Class II	-9.74	-7.82	-7.82	4.51	2.69	5.08
Class P	-9.75	-7.73	-7.73	4.65	2.84	5.21
Morningstar Mod Target Risk Index	-6.81	-4.76	-4.76	5.84	4.08	—
Russell 3000 Index	-14.30	-5.24	-5.24	8.97	7.91	—
Allocation—50% to 70% Equity Category	-8.64	-5.76	-5.76	4.71	3.67	—

Source: Morningstar, 12/31/18. Inception date for all funds is 12/12/2001 except NVIT Investor Destination Balanced and NVIT Investor Destination Capital Appreciation which were launched 3/24/2009.

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.

As of 4/30/18, the NVIT DFA Capital Appreciation Fund changed its broad-based securities index from the Russell 3000 Index to the Morningstar Mod Agg Target Risk Index in order to more accurately reflect the allocation between equity and fixed income securities held by the NVIT DFA Capital Appreciation Fund. As of 4/30/18, the NVIT DFA Moderate Fund changed its broad-based securities index from the Russell 3000 Index to the Morningstar Mod Target Risk Index in order to more accurately reflect the allocation between equity and fixed income securities held by the NVIT DFA Moderate Fund.

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.

Expenses

Fund Name	Share class	Gross Fee (%)	Net Fee (%)	Inception Date
NVIT DFA Capital Appreciation	Class II	1.50	0.92	01/07/2013
NVIT DFA Capital Appreciation	Class P	1.35	0.77	01/07/2013
NVIT DFA Moderate	Class II	1.22	0.87	01/07/2013
NVIT DFA Moderate	Class P	1.07	0.72	01/07/2013

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 Funds are designed to provide diversification across a variety of asset classes, primarily by investing in underlying funds sponsored by Dimensional Fund Advisors LP. In addition to the expenses of the Funds, each investor is indirectly paying a proportionate share of the applicable fees and expenses of its underlying funds. The Funds are subject to different levels of risk, based on the types and sizes of its underlying asset class allocations and its allocation strategy. The Funds' 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; investment leverage, illiquidity and high volatility (derivatives); sector risk; 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 Funds' principal risks.

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

Each Fund may invest in the Nationwide Contract, which is a fixed interest contract issued by Nationwide Life Insurance Company (Nationwide Life), an affiliate of the Fund's investment adviser, Nationwide Fund Advisors. Neither the Fund, the Adviser, Nationwide Life nor any of its affiliates guarantee a Fund's performance or that a Fund will provide a certain level of income.

If Nationwide Life becomes unable to meet the contract terms, a Fund that invests in the Nationwide Contract may lose money from unpaid principal or unpaid or reduced interest. The financial health of Nationwide Life may have a greater impact on the value of a Fund that invests in it.

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. **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. **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. **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. **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. **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.

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