



Nationwide Amundi Global High Yield Fund

Quarterly Commentary

Mutual funds

Commentary

Q3 2018

Asset class: Taxable Bond
Objective: Seeks total return

Morningstar category:
High Yield Bond
Class A: NWXIX
Class C: NWXJX
Class R6: NWXKX
Inst Svc: NWXLX

Executive summary

- *The Fund outperformed the benchmark for the quarter by 41 basis points.*
- *Overweights to the US and B's were additive to portfolio return for the quarter and the Fund has maintained roughly a neutral weighting to EM.*
- *European spreads have widened over the quarter so the portfolio is positioning to take advantage of the relative attractiveness*

Portfolio management

Amundi Pioneer
ASSET MANAGEMENT

Amundi Pioneer Asset Management, Inc.



Kenneth J. Monaghan
Portfolio Manager
Fund tenure since 2015



Jonathan M. Duensing, CFA
Portfolio Manager
Fund tenure since 2015

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

* Formerly known as Nationwide HighMark Bond Fund.

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

In addition to being overweight US HY which outperformed, we were also underweight BBs (+0.28% YTD and +2.05% for 3Q18), overweight Bs (+2.33% YTD and +2.49% for 3Q18) and largely market weight CCCs (+5.88% YTD and +2.54% for 3Q18). Without some level of portfolio risk, it was difficult to perform for either the quarter or for the year-to-date.

CONTRIBUTORS

Security name	Period return	Portfolio impact
JBS USA 6.750% 2/2028	+6.92%	+8 bps
Grupo Posadas SAB 7.875% 6/2022	+6.79%	+7 bps
Grupo Kaltex 8.875% 4/2022	+4.57%	+7 bps
Tapstone Energy 9.750% 6/2022	+9.58%	+6 bps
Sprint Corp 7.625% 2/2025	+5.75%	+6 bps

Source: Amundi Pioneer Asset Management, Inc., 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
Windstream Services 8.750% 12/2024	-14.24%	-7 bps
Simmons Foods Inc 5.750% 11/2024	-9.91%	-6 bps
Air Methods 8.000% 5/2025	-5.95%	-3 bps
JC Penney 8.625% 3/2025	-18.19%	-3 bps
Intralot Capital 5.250% 9/2024 (EUR)	-7.89%	-3 bps

Source: Amundi Pioneer Asset Management, Inc., 09/30/18.

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PORTFOLIO POSITIONING

We continue to be overweight US HY though we have begun to increase our exposure to Euro HY where spreads have widened over the course of the year. We have kept our EM exposure and BB underweight/B overweight largely unchanged.

BUYS AND SELLS

Security Name	Initial Buy Date	Rationale for Purchase
Enterprise Development Authority 12.000% 7/2024	7/12/2018	Attractive new issue in a sector we like (Gaming)
Cemig Geracao 9.250% 12/2024	7/12/2018	Cheap EM bond in a country (Brazil) under pressure
Societe Generale 7.375% Perpetual	9/27/2018	Attractive new issue
Schweitzer-Mauduit Intl 6.875% 10/2026	9/14/2018	Attractive new issue
Hertz Corp 7.625% 6/2022	9/28/2018	Attractive new issue

Security Name	Sell Date	Rationale for Sale
Virgin Media 5.500% 9/2024 (GBP)	7/17/2018	Tight spread
Viking Cruises 5.875% 9/2027	7/30/2018	Tight spread
Blueline Rental Corp 9.250% 3/2024	9/13/2018	Selling bonds about to be redeemed
Centene Corp 5.375% 6/2026	7/18/2018	Tight spread
Meritage Homes Corp 6.000% 6/2025	7/18/2018	Tight spread in a tight sector

MARKET ENVIRONMENT

While the US High Yield (HY) market generated a positive return in both 2Q18 and 3Q18, the Global High Yield (GHY) market did not generate a positive return until 3Q18 with a quarter that was positive enough to finally propel the GHY index into positive territory for the year-to-date (+1.51% YTD) though not to the magnitude of the US HY market (+2.52% YTD). Why such a large discrepancy between US HY and GHY? The answer is Emerging Markets high yield which is down 2.01% for the year-to-date through September 30th. While we have been close to market weight Emerging Markets for much of the year, we have benefitted from being overweight US HY for much of the year as well. While Euro HY (+2.18% YTD hedged) has also underperformed the US HY market, the disparity between the two is not as glaring.

OUTLOOK

As of the end of 3Q18, US HY spreads had tightened to within a few basis points of the post-recession tight levels and on October 1st managed to break through that barrier ending the day at an option-adjusted spread (OAS) of 322 basis points. Since then, a combination of rising rates and a weaker equity market has caused spreads to widen to an OAS of 351 basis points, which is about the midpoint of the 70 basis point range the US HY market has traded in this year. We believe that it is possible for US HY spreads to return to their YTD tights and perhaps trade to levels as tight as +300bp but we would be surprised to see them tighten to levels inside of that given the strength of the US economy. In comparison, Euro HY spreads ended the quarter with spreads 76bps wider than their YTD lows and much closer to their wides than their lows. While European economies seemed to have slowed and are facing the twin headwinds of Brexit and Italy, we still expect that Euro HY spreads can tighten.

Average annual total returns (%)

Share class	QTD	YTD	1-year	3-year	5-year	Since inception
Class A (without sales charge)	2.37	1.73	3.46	—	—	7.52
Class A (with 2.25% max sales charge)	0.07	-0.56	1.13	—	—	6.68
Class C	2.19	1.16	2.59	—	—	6.69
Class R6	2.44	2.03	3.74	—	—	7.83
Institutional Service Class	2.40	1.84	3.54	—	—	7.75
BofAML Global High Yield Index	2.03	0.50	1.27	7.86	4.78	—
High Yield Bond Category	2.02	1.84	2.36	6.41	4.31	—

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.

Share class	Expense ratios		Inception date
	Gross (%)	Net (%)	
Class A	1.30	1.20	11/02/2015
Class C	2.05	1.95	11/02/2015
Class R6	0.80	0.70	11/02/2015
Institutional Service Class	1.05	0.95	11/02/2015

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 06/30/2019. Please see the Fund's prospectus for more details.

Top Holdings

	% of portfolio
Scientific Games International, Inc. Term Loan 14-aug-2024	1.6
Cwgs Group Llc Term Loan 08-nov-2023	1.4
Stoneway Capital Corp 10.0% 3/1/27	1.3
Shelf Drilling Holdings Ltd. 8.25% 15-feb-2025	1.3
Joseph T Ryerson & Son Inc 11% 5/15/22	1.3

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

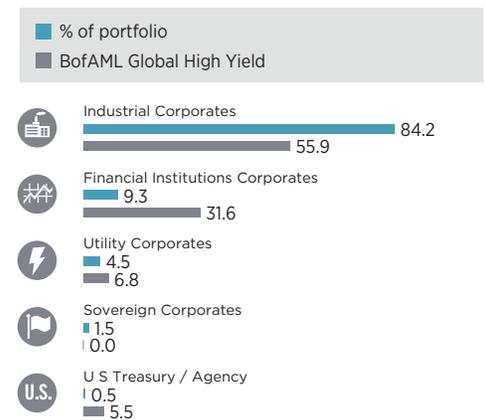
Portfolio characteristics

Total Net Assets (all classes)	\$132.5M
Total Number of holdings	175
Average maturity	6.5
Effective duration	3.8
SEC 30-day yield	5.36%
SEC 30-day yield w/o waiver	5.22%
Turnover	127%

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 2.25%, 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.

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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. **Average maturity** is the weighted average time period for which the debt securities remain outstanding. Changes in interest rates have greater impact on funds with longer average maturity. **Effective duration** is an estimate of bond price sensitivity to changes in interest rates. The higher the duration, the greater the change (i.e., higher risk) in relation to interest-rate movements. **SEC 30-day yield** takes into account a fund's expense reduction, and reflects an estimated "yield to maturity" for a fund's entire portfolio. It should be regarded as an estimate of the fund's rate of investment income, and it may not equal the fund's actual income distribution rate, which reflects a fund's past dividends paid to shareholders. The calculation is in accordance with SEC standards. **SEC 30-day yield w/o waiver** does not take into account a fund's expense reduction, and reflects an estimated "yield to maturity" for a fund's entire portfolio. **Standard deviation** measures performance fluctuation, may not be indicative of future risk and is not a predictor of returns. **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 fixed-income securities, including high-yield bonds (which are more volatile). The Fund may invest in corporate loans (which have speculative characteristics and are high risk). The Fund also is subject to the risks of investing in foreign securities (currency fluctuations, political risks, differences in accounting and limited availability of information, all of which are magnified in emerging markets). The Fund may concentrate on specific sectors or countries, subjecting it to greater volatility than that of other mutual funds. The Fund may invest in more-aggressive investments such as derivatives (many of which create investment leverage and illiquidity, 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. **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. **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. **BofA Merrill Lynch (BofAML) Global High Yield Index:** An unmanaged, market capitalization-weighted index that gives a broad-based measurement of global high-yield fixed-income markets; measures the performance of below-investment-grade, corporate debt with a minimum of 18 months remaining to final maturity at issuance that is publicly issued in major domestic or eurobond markets, and is denominated in U.S. dollars, Canadian dollars, British pounds and euros. **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. **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).

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