Nationwide® is on your side

Nationwide Core Plus Bond Fund

Quarterly Commentary

Mutual funds

Commentary

Q3 2018

Asset class: Taxable Bond
Objective: Seeks maximum long-term total return, consistent with reasonable risk to principal, by investing primarily in investment grade debt securities of varying maturities

Morningstar category: Intermediate-Term Bond
Class A: NWCPX
Inst Svc: NWCSX
Class R6: NWCIX

Overall Morningstar Ratings™

★★★★

Out of 902 investments. An investment's overall Morningstar Rating, based on Institutional Service Class risk-adjusted return, is a weighted average of its applicable 3-, 5- and 10-year Ratings. See disclosures on back page.

Portfolio management

T | S | W

Thompson, Siegel & Walmsley, LLC

William M. Bellamy, CFA
Portfolio Manager
Fund tenure since 2002

Executive summary

- *The Fund outperformed the Bloomberg Barclays US Aggregate Bond Index by 40 basis points over the quarter.*
- *A corporate credit overweight and short duration stance aided in performance over the quarter.*
- *The portfolio remains overweight corporate credit, both investment grade and high yield, and underweight treasuries and mortgages, anticipating continued strong economic growth and consumer spending.*

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

* Formerly known as Nationwide HighMark Bond Fund.

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

In the third quarter, treasuries with maturities of 2 years or less produced positive returns for the index while returns for maturities in excess of 2 years were negative with the 30-year treasury faring worst at -3.27%. Within the investment grade universe, corporate securities performed best posting a 0.97% return, while mortgage-backed securities, treasuries, and municipal securities all posted declines. High yield led returns as the Bloomberg Barclays U.S. Corporate High Yield Index returned 2.40%.

From a traditional attribution perspective, duration and allocation were the primary drivers of relative outperformance. Our overweight position to credit was additive, our continued short duration position relative to the benchmark proved beneficial. Selection within credit, and curve positioning within mortgage backed securities and treasuries slightly detracted from relative performance.

CONTRIBUTORS

Security name	Period return	Portfolio impact
Sunoco Logistics 5.35% 5-2045	+8.37%	+3 bps
Teck Resources 6.25% 7-2041	+7.32%	0 bps
Sprint 8.75% 3-2032	+7.72%	0 bps
Sprint 7.625% 02-2025	+6.76%	0 bps
Change Healthcare 5.75% 3-2025	+7.27%	0 bps

Country/Sector	Period return	Portfolio impact
Credit	+0.86%	+54 bps
Securitized	+0.04%	0 bps
U.S. Government	+0.04%	0 bps

Source: Thompson, Siegel & Walmsley, 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
Diebold 8.5% 4-2024	-40.65%	-11 bps
Maiden Holdings 7.75% 12-2043	-8.68%	-2 bps
L Brands 6.95% 3-2033	-5.73%	-2 bps
Standard Chartered Pfd.	-3.88%	0 bps
Freddie Mac 8.375% Perp. Pfd.	-14.03%	0 bps

Country/Sector	Period return	Portfolio impact
N/A	—	—

Source: Thompson, Siegel & Walmsley, 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

We maintain our short duration position versus the benchmark in expectation of interest rates continuing to rise. The portfolio has a duration of 4.9 years versus 6.0 years for the Bloomberg Barclays U.S. Aggregate Bond Index and is positioned to take advantage of a steepening yield curve.

The portfolio remains overweight corporate credit, both investment grade and high yield, and underweight treasuries and mortgages, anticipating continued strong economic growth and consumer spending. Within credit, we believe fundamental analysis and security selection will be a key driver of returns over the next 6-12 months. We continue to leverage our firm's strength in fundamental analysis and remain diligent in performing bottom-up analysis on each bond in the portfolio. Our ability to be nimble and flexible in an everchanging market allows us to take advantage of any dislocations that may develop.

At the end of the third quarter, the portfolio had a yield-to-worst of 4.2% with an average quality of A3 versus 3.5% and AA2 for the benchmark.

BUYS AND SELLS

Security Name	Initial Buy Date	Rationale for Purchase
UNITED STATES TREAS BILLS	07/26/2018	Cash Management
UNITED STATES TREAS BILLS	8/03/18	Cash Management
UNITED STATES TREAS BILLS	08/15/2018	Cash Management
UNITED STATES TREAS BILLS	08/27/2018	Cash Management
FM PL#G0-8726	7/03/18	Cash Management

Security Name	Sell Date	Rationale for Sale
UNITED STATES TREAS NTS	7/05/18	Cash Management
UNITED STATES TREAS NTS	8/07/18	Cash Management
FM PL#BE4201	09/25/2018	Cash Management
UNITED STATES TREAS NTS	7/09/18	Cash Management
HEWLETT PACKARD ENTERPRIS	07/17/2018	Profit Taking

MARKET ENVIRONMENT

Although interest rates ended higher, the path was uneven. Yields gyrated throughout the quarter as investors contemplated the potential impacts from tariffs and trade wars, emerging market deterioration, increased government spending and rising inflation expectations. Ultimately, the yield on the 10-year U.S. Treasury increased to 3.05%, roughly 20 bps higher than the beginning of the quarter. Toward the end of the quarter, market participants seemed increasingly influenced by potential rising inflation as wage growth and oil both trended higher.

Investment grade corporate bonds spreads tightened modestly throughout the quarter largely on the back of strong corporate earnings. Similar to the first half of 2018, high yield remained the best performing domestic fixed income sector with a total return of 2.40% for the Bloomberg Barclays U.S. Corporate High Yield Index compared to 0.02% for the Bloomberg Barclays U.S. Aggregate Bond Index. Within high yield, high-quality lagged lower-quality as the Bloomberg Barclays U.S. CCC Index returned 2.73% for the quarter compared to the Bloomberg Barclays U.S. B Index return of 2.29%.

Within the investment grade universe, corporate securities were the best performing asset class posting a 0.97% return while mortgage-backed securities, treasuries and municipal securities experienced negative returns. We remain cautious on the mortgage-backed securities (MBS) market as higher interest rates and the Federal Reserve's reduced MBS purchases are likely to weigh on returns.

U.S. Economy

Domestically, we continue to receive solid economic figures. Despite the economic cycle entering its 10th year, inflation (though trending higher) remains contained, interest rates are not yet restrictive, and wage growth thus far has been gradual – all suggesting the cycle has yet to peak. Additionally, unemployment remains below 4% and consumer confidence remains strong.

Trade wars and tariffs took center stage on the geopolitical front during the quarter. We expect trade-related headlines will continue to contribute to volatility for the rest of the year. While uncertain, recent tariffs against China should modestly reduce GDP and increase inflation next year.

The two key questions from the beginning of the year remain: (1) when will rising rates begin to bite and affect the consumer? And (2) given the stimulus from tax reform, will inflation accelerate causing the Fed to increase rates faster than expected?

During times like these, a disciplined and risk-aware approach to investing is warranted. The TSW Core Plus Fixed Income strategy is positioned to take advantage of such environments through selectively allocating to attractively priced credits, while adhering to diligent portfolio construction across the entire yield curve.

OUTLOOK

Looking ahead, we expect moderate economic growth and gradually increasing inflation. Given our belief the economy has yet to peak, the backdrop remains positive for 'risk-on' sectors such as investment grade credit and high yield, contingent on the Fed not becoming overly restrictive. We believe the importance of security selection will increase as the bull market matures, boding well for our bottom-up approach and strategy objectives. The TSW Core Plus Fixed Income strategy is positioned to take advantage of these conditions through selectively allocating to attractively priced credits, while adhering to diligent portfolio construction across the entire yield curve.

Nationwide Core Plus Bond Fund Quarterly Commentary

Q3 2018
AS OF 09/30/18

Average annual total returns (%)

Share class	QTD	YTD	1-year	3-year	5-year	10-year
Class A (without sales charge)	0.36	-1.34	-0.94	1.89	2.27	5.24
Class A **(with 4.25% max sales charge)**	-3.90	-5.53	-5.15	0.42	1.38	4.78
Institutional Service Class	0.42	-1.05	-0.69	2.15	2.57	5.53
Class R6	0.35	-1.06	-0.67	2.26	2.63	5.56
BBgBarc US Agg Bond Index	0.02	-1.60	-1.22	1.31	2.16	3.77
Intermediate-Term Bond Category	0.20	-1.37	-1.06	1.65	2.14	4.21

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	0.87	0.87	04/24/2013
Institutional Service Class	0.60	0.60	04/24/2013
Class R6	0.49	0.49	07/17/1992

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
Government Of The United States Of America 2.0% 31-dec-2021	2.2
US Treasury 2.0% 8/31/21	1.7
Goldman Sachs Group, Inc. Frn 31-oct-2022	1.6
US Treasury 1.375% 8/31/20	1.4
Mizuho Financial Group, Inc. Frn 05-mar-2023	1.4

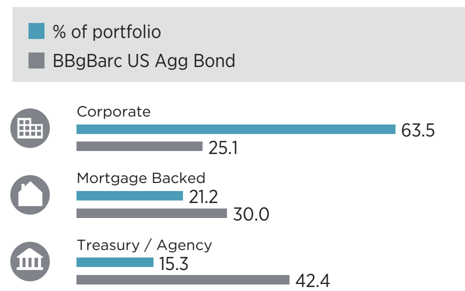
Holdings are provided for informational purposes and should not be deemed as a recommendation to buy or sell the securities.

Portfolio characteristics

Total Net Assets (all classes)	$1.2B
Total Number of holdings	372
Average maturity	8.5
Effective duration	5.1
SEC 30-day yield	3.18%
SEC 30-day yield w/o waiver	3.18%
Standard deviation*	2.3
Turnover	91%

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 4.25%, 0.25% 12b-1 fee (investment size may reduce or eliminate front-end sales charge). Class R6 shares - no sales charge, no 12b-1 fee. Institutional Class shares -no sales charge, no 12b-1 fee.

Credit Quality specifies the percentages of the Fund's underlying holdings that are rated by Standard & Poor's Ratings Services (Standard & Poor's) to indicate the issuer's creditworthiness. Standard & Poor's bond credit ratings typically range from AAA (highest) to D (lowest). These ratings are not absolute standards of quality and do not provide assurance against default or other loss of principal value. Securities that are not rated by either agency are listed as "Not Rated." Ratings do not apply to the Fund itself or to Fund shares. Ratings may change.

• 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. **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), including default risk and interest rate risk. Funds that invest in high-yield securities are subject to greater default risk, liquidity risk, and price fluctuations than funds that invest in higher-quality securities. The prices of high-yield bonds tend to be more sensitive to adverse economic and business conditions than are higher-rated corporate bonds. Increased volatility may reduce the market value of high-yield bonds. They are also subject to the claims-paying ability of the issuing company. 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. **Bloomberg Barclays US Corporate High Yield Index:** The index measures the performance of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. **Bloomberg Barclays U.S. BB-B Index:** This index measures the performance of fixed rate dollar denominated debt securities with rating Ba/B. The securities instruments are non-investment grade. **Bloomberg Barclays U.S. CCC Index:** This index measures the performance of fixed rate dollar denominated debt securities with rating Caa. The securities instruments are non-investment grade. **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). **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. **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.

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 3, 3 and 4 stars (Class A), 4, 4 and 5 stars (Institutional Service Class) and 4, 4 and 5 stars (Class R6) for the 3-, 5- and 10-year periods among 902, 796 and 577 Intermediate-Term Bond funds, respectively. © 2018 Morningstar. All Rights Reserved. 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.

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