Nationwide Diamond Hill Large Cap Concentrated Fund*

Quarterly Commentary

Mutual funds

Commentary

Q3 2018

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

Morningstar category: Large Value
Class A: NWGHX
Class C: NWGIX
Inst Svc: NWGKX
Class R6: NWGJX

Overall Morningstar Ratings™

★★★★

Out of 1109 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

Diamond Hill Capital Management, Inc.

Chuck Bath, CFA
Managing Director-Investments and Portfolio Manager
Fund tenure since 2017

Austin Hawley, CFA
Co-Chief Investment Officer and Portfolio Manager
Fund tenure since 2017

Chris Welch, CFA
Co-Chief Investment Officer and Portfolio Manager
Fund tenure since 2017

Executive summary

- *Positive security selection led to outperformance in health care, financials and consumer discretionary*
- *Facebook and Devon Energy were the largest detractors for the quarter, but remain attractive*
- *With valuations at historically high levels, opportunities are harder to find, increasing the importance of the teams focus on high quality businesses and defining risk as a permanent loss of capital*

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

* Formerly known as Nationwide HighMark Small Cap Core Equity Fund.

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. 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

Health Care (+15.6%) was the largest contributor to return for the Fund's benchmark, the Russell 1000 Value Index, followed by Financials (+4.2%).

Within Health Care, our position in Abbott Laboratories (7.7% average portfolio weight) was up more than 20%, while Pfizer, Inc. (4.6% average portfolio weight) was up more than 22% during the quarter.

Within Financials, our position in Berkshire Hathaway, Inc. (Cl B) (4.9% average portfolio weight) was up more than 14%, Discover Financial Services (6.3% average portfolio weight) was up more than 9%, and Citigroup, Inc. (7.5% average weight) was up more than 7% during the quarter.

CONTRIBUTORS

Securities

Health care products manufacturer **Abbott Laboratories** outperformed as the company continues to post strong results across all divisions. Abbott also reported exceptionally robust clinical data for MitraClip, its mitral valve repair product. The company's strong performance has also translated into lower-than-anticipated leverage following the St. Jude and Alere acquisitions.

Shares of discount apparel retailer **TJX Cos., Inc.** rose as the company continues to take market share and produce strong quarterly results. The company experienced broad-based growth, with all businesses and all geographies reporting positive results driven by increased traffic.

Shares of software provider **Microsoft Corp.** rose after the company reported earnings that included strong revenue growth and operating margin expansion, resulting in earnings that were above consensus expectations.

Biopharmaceutical company **Pfizer, Inc.** outperformed after the company reported decent quarterly results, with solid revenue growth and increased earnings expectations for the year, as well as an improved pipeline outlook.

Shares of consumer goods manufacturer **V.F. Corp.** rose after the company reported strong revenue and profit trends in its Action and Outdoor brands (Vans, The North Face, Timberland). Additionally, the company has achieved a nice balance between wholesale and its direct-to-consumer business and continues to focus on optimizing its portfolio by selling less attractive brands and redeploying capital to higher growth opportunities.

Sectors

Financials – Performance was driven by positive security selection. The two strongest performers were Berkshire Hathaway and Discover Financials. Berkshire reported strong earnings across several of its most important subsidiaries, including GEICO and its large manufacturing businesses. Discover Financial reported strong results driven by strong credit card loan growth and favorable trends in credit performance.

Consumer Discretionary – Performance was driven by positive security selection. Our selective exposure within retail drove performance in the sector during the third quarter. Both TJX Cos., Inc. and V.F. Corp. are well-suited for the current retail landscape, which remains somewhat challenged overall. In the case of TJX, the company is taking market share and producing strong quarterly results with their "treasure hunt" shopping experience, which continues to attract traffic. V.F. Corp. has a strong portfolio of brands and could find additional attractive M&A opportunities in the current environment.

Health Care – Performance was driven by positive security selection and an overweight allocation. Abbott Labs and Pfizer were the drivers of positive security selection.

Security name	Period return	Portfolio impact
Abbott Laboratories	+20.80%	+1 bps
TJX Cos., Inc.	+18.20%	+1 bps
Microsoft Corp.	+16.40%	+0 bps
Pfizer, Inc.	+22.50%	+0 bps
V.F. Corp.	+15.20%	+0 bps

Country/Sector	Period return	Portfolio impact
Financials	+9.50%	+1 bps
Consumer Discretionary	+11.80%	+1 bps
Health Care	+18.60%	+1 bps

Source: Diamond Hill Capital 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

Securities

Shares of social media company **Facebook, Inc. (Cl A)** declined as the company provided a downside outlook for the second half of 2018 and guided for declines in operating margins as it invests heavily in improving security and privacy on its social-media and messaging platforms. Facebook is trading at a discount to our estimate of intrinsic value and we expect the company to retain its attractive network economics and manage user privacy concerns well without impairing the value of the business over the long term.

Underperformance of oil and gas exploration and production company **Devon Energy Corp.** likely reflects concern about widening price differentials in 2019. We believe the widely-discussed infrastructure bottlenecks in the Permian Basin will be a 12- to 18-month event and that Devon is well-positioned to continue executing on development projects.

Global automotive supplier **BorgWarner, Inc**. underperformed amid concerns regarding industry volumes, tariffs, and the transition away from diesel engines. The company cut 2018 guidance but delivered positive expectations for future growth, helping offset some of the concerns.

Tobacco products manufacturer **Philip Morris International, Inc.** reported decent quarterly results and posted a positive total return for the quarter. However, it was one of the bottom five contributors to the total return of the strategy.

Consumer snack and beverage manufacturer **PepsiCo, Inc.** reported decent quarterly results and posted a positive total return for the quarter. However, it was one of the bottom five contributors to the total return of the strategy.

Sectors

Communication Services – Underperformance was driven by security selection. Negative stock selection was driven by our position in Facebook (see comments above).

Energy – Underperformance was driven by security selection. Devon Energy is our sole holding in the space and has been impacted by infrastructure bottlenecks (inadequate takeaway capacity) in the Permian Basin. Our long-term thesis remains intact, and we think the infrastructure issues should be a medium term (12-18 month) event.

Consumer Staples – Performance was driven by an overweight allocation. Consumer Staples has been an underperforming area of the market on a relative basis, so our overweight was a relative detractor. Our stock selection however was positive, and the sector was a slight positive contributor to performance on an absolute and relative basis.

Security name	Period return	Portfolio impact
Facebook, Inc. (Cl A)	-15.40%	-1 bps
Devon Energy Corp.	-9.00%	-1 bps
BorgWarner, Inc.	-0.50%	-0 bps
Philip Morris International, Inc.	+2.40%	-0 bps
PepsiCo, Inc.	+3.50%	-0 bps

Country/Sector	Period return	Portfolio impact
Communication Services	+0.50%	-1 bps
Energy	-9.00%	-0 bps
Consumer Staples	+4.60%	0 bps

Source: Diamond Hill Capital 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.

PORTFOLIO POSITIONING

Relative to the Russell 1000 Value Index, the strategy is currently overweight Communication Services, Financials, Consumer Staples, Consumer Discretionary, and Health Care. The strategy is currently underweight Energy, Information Technology, and Industrials. The strategy has no exposure to Real Estate, Utilities, or Materials.

Effective September 28, 2018, the Telecommunications Services sector was renamed Communication Services. This new sector includes all holdings from the previous Telecommunications Services sector, as well as select companies from Consumer Discretionary and Information Technology. As a result, there were significant changes to the strategy's holdings in the Consumer Discretionary and Information Technology sectors on a quarter-over-quarter basis. However, these changes were primarily due to the reclassification and were not part of any major portfolio allocation shift.

Since the end of the previous quarter (excluding the changes noted above) the strategy has slightly increased its exposure to Financials. Exposure to Health Care and Consumer Staples remain roughly the same. The strategy still lacks exposure to Real Estate, Utilities, and Materials.

MARKET ENVIRONMENT

The Russell 1000 Index generated a 7.4% return in the third quarter, reaching a new all-time high in September. The quarter was its strongest since the 10.2% return in the fourth quarter of 2013. Volatility has receded, and the market continues to largely shrug off rhetoric around tariffs, trade wars, and the potential for an inverted yield curve.

Health Care was the best performing sector in the third quarter, up 14.3%, followed by a 12.5% increase in Information Technology. Strong performance for the shares of Apple and Microsoft continue to drive the latter. Declines in Facebook and Netflix – a rare occurrence in recent years – dampened the return for the new Communication Services sector. Although Financials saw a respectable 4% return in the quarter, they again underperformed the broader market. Finally, concern over tariffs and higher input costs is affecting Materials, the only sector with a negative return in the quarter.

Low interest rates, high corporate profit margins, and steady economic growth with low inflation have continued to contribute to historically high stock valuations. High valuations make it more challenging for us to find opportunities to add new businesses to the equity portfolios. In this environment where the discount to our estimate of intrinsic value is likely to be narrower, we have focused on maintaining or upgrading the quality of the businesses we own. When evaluating new and current positions with a smaller discount to our estimate of intrinsic value, we remain focused on assessing risk, which we define as permanent loss of capital.

OUTLOOK

Corporate tax reform has already started to benefit U.S. companies. Repatriation of cash held overseas ticked up dramatically in the first half of the year, and we are already seeing that cash being utilized for share repurchases and acquisitions. Lower tax rates have also started to boost earnings growth. However, we believe that for many companies this benefit will largely be competed away over time. Our research team continues to evaluate the impact of tax reform on a company-by-company basis and update our estimates of intrinsic value accordingly.

Assessing the impact of macroeconomic factors has been more important in recent years; however, it is still just one of many factors that we consider. As always, bottom-up analysis is of primary importance in estimating the intrinsic value of an individual company, which includes both valuation and business fundamentals.

The size of recently implemented tariffs is small relative to the total economy, and thus far it is not affecting how we are positioning the portfolios. Broadly speaking, we do think cooler heads will prevail, but we view the impacts on individual companies as very difficult to handicap.

Low interest rates, high corporate profit margins, and steady economic growth with low inflation have continued to contribute to historically high stock valuations. High valuations make it more challenging for us to find opportunities to add new businesses to the equity portfolios. In this environment where the discount to our estimate of intrinsic value is likely to be narrower, we have focused on maintaining or upgrading the quality of the businesses we own. When evaluating new and current positions with a smaller discount to our estimate of intrinsic value, we remain focused on assessing risk, which we define as permanent loss of capital.

At current valuation levels, we've historically seen annual stock market returns of 5% or less. We continue to expect positive but below-average equity market returns over the next five years. Prospective returns are likely to be tempered by the combination of above-average price/earnings multiples applied to already very strong levels of corporate profit margins.

We believe we can achieve better-than-market returns over the next five years through active portfolio management, and our primary focus is always on achieving value-added results for our existing clients. Our intrinsic value investment philosophy is shared by all of our portfolio managers and research analysts, allowing us to apply our investment discipline consistently across strategies.

Nationwide Diamond Hill Large Cap Concentrated 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)	8.37	5.20	13.55	14.19	11.34	10.69
Class A **(with 5.75% max sales charge)**	2.13	-0.85	7.02	11.96	10.03	10.04
Class C	8.16	4.63	12.72	13.47	10.64	9.97
Institutional Service Class	8.46	5.40	13.80	14.46	11.62	10.99
Class R6	8.51	5.45	13.91	14.64	11.77	11.06
Russell 1000 Value Index	5.70	3.92	9.45	13.55	10.72	9.79
Large Value Category	5.49	4.50	10.84	13.45	10.19	9.69

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	1.27	1.19	06/30/2000
Class C	1.96	1.88	11/28/2003
Institutional Service Class	1.05	0.97	05/31/2000
Class R6	0.90	0.82	09/18/2013

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

Top Holdings

	% of portfolio
Abbott Laboratories	8.4
Citigroup Inc	7.8
Alphabet Inc Class A	6.5
Discover Financial Services	6.1
United Technologies Corp	5.7
Berkshire Hathaway Inc Class B	5.5
MetLife Inc	5.0
Microsoft Corp	4.9
TJX Companies Inc	4.9
Devon Energy Corporation	4.8

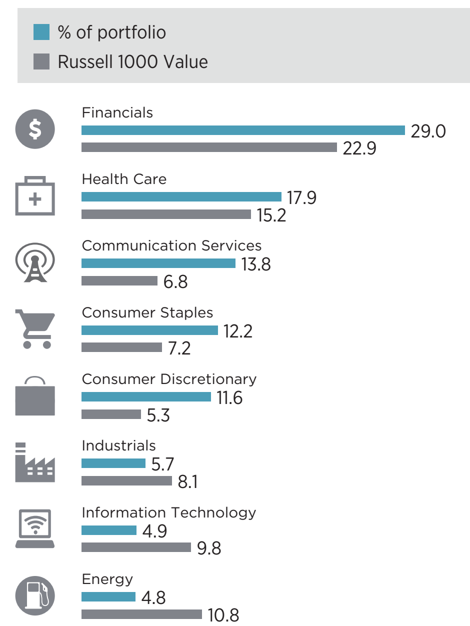
Holdings are provided for informational purposes and should not be deemed as a recommendation to buy or sell the securities.

Portfolio characteristics

Total Net Assets (all classes)	$38.3M
Total Number of holdings	20
P/E ratio	24.3x
Sharpe Ratio*	1.3
Standard deviation*	10.0
Alpha*	1.1
Beta*	1.0
R-Squared*	84.6
Turnover	82%

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 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 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.

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. **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. The Fund may invest in more-aggressive investments such as derivatives (which create investment leverage and are highly volatile). The Fund also is subject to the risks of investing in foreign securities (which may be more volatile, harder to price and less liquid than U.S. securities). Value funds may underperform other funds that use different investing styles. The Fund may hold larger positions in fewer securities and financial instruments than other funds; therefore a change in value of a single security or instrument may have a substantial impact on the Fund's value and total return. 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. **Russell 1000 Value Index:** An unmanaged index that measures the performance of the large-cap value segment of the U.S. equity universe; includes those Russell 1000® Index companies with lower price-to-book ratios and lower 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. **Russell 1000 Index:** An unmanaged index that measures the performance of the stocks of the large-cap segment of the U.S. equity universe.

Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. The Fund is not sponsored, endorsed, or promoted by Russell, and Russell bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. Russell ® is a trademark of Russell Investment Group.

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, 4 and 4 stars (Class A), 3, 3 and 3 stars (Class C), 3, 4 and 4 stars (Institutional Service Class) and 4, 4 and 4 stars (Class R6) for the 3-, 5- and 10-year periods among 1109, 948 and 696 Large Value funds, respectively. 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.

Nationwide Funds distributed by Nationwide Fund Distributors LLC (NFD), member FINRA, Columbus, OH. NFD is not affiliated with any subadviser contracted by Nationwide Fund Advisors (NFA), with the exception of Nationwide Asset Management, LLC (NWAM). Nationwide Investment Services Corporation (NISC), member FINRA. NFD is not an affiliate of Morningstar, Inc.

STAY CONNECTED

@NWFinancial
nationwidefunds.com

Shareholders: 800-848-0920
Intermediaries: 877-877-5083

Nationwide®

MFM-2766AO.2 (10/18)