



Nationwide Loomis All Cap Growth Fund

Quarterly Commentary

Mutual Fund

Commentary

Q3 2018

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

Morningstar category:
Large Growth
Class A: NWZLX
Inst Svc: NWZNX
Class R6: NWZMX
Eagle Shares: NWADX

Executive summary

- *Stock selection in information technology and health care detracted from the most from overall relative performance*
- *Remain committed to a long-term investment approach that invests in a few high-quality businesses trading at significant discounts to intrinsic value*
- *No matter the macroeconomic environment, short term market behavior leads to pricing anomalies, creating opportunities for fundamental managers*

Portfolio management



Loomis, Sayles & Company, L.P.



Aziz V. Hamzaogullari, CFA
Portfolio Manager
Fund tenure since 2017

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 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

Information Technology, Health Care and Consumer Discretionary were the three top contributing sectors for our Russell 3000 Growth benchmark during the period. Our stock selection in Information Technology and Health Care detracted from overall relative performance. Energy, Utilities and Materials were the three sectors that contributed least to benchmark returns. Our stock selection in Energy detracted from relative performance. We held no position in the Utilities sector.

CONTRIBUTORS

Security name	Period return	Portfolio impact
Amazon	+17.84%	+128 bps
Oracle	+17.48%	+80 bps
Autodesk	+19.09%	+75 bps
Qualcomm	+29.49%	+68 bps
Visa	+13.49%	+60 bps

Country/Sector	Period return	Portfolio impact
Materials	+3.37%	+13 bps

Source: Loomis, Sayles & Company, L.P., 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
Facebook	-15.37%	-91 bps
Alibaba Group	-11.19%	-69 bps
Yum China Holdings	-8.46%	-28 bps
Schlumberger	-8.38%	-23 bps
Under Armour	-5.60%	-17 bps

Country/Sector	Period return	Portfolio impact
Information Technology	+5.93%	-141 bps

Source: Loomis, Sayles & Company, L.P., 09/30/18.

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PORTFOLIO POSITIONING

Our investment process is characterized by bottom-up, fundamental research and a long-term investment time horizon. The nature of the process leads to a lower turnover portfolio where sector positioning is the result of stock selection. Versus the Russell 3000 Growth, as of September 30, 2018, we are overweight in the Consumer Staples, Financials, Energy and Health Care sectors and underweight in the Industrials, Information Technology, Materials and Consumer Discretionary sectors. We hold no positions in the Real Estate, Telecommunication Services or Utilities sectors. We remain committed to our long-term investment approach to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value. Though we have no stated portfolio turnover target, as a result of our long-term investment horizon, our estimated portfolio turnover since the inception of the strategy was approximately 16.2%. As of September 30, 2018, the overall portfolio discount to intrinsic value is approximately 38.9%. Since inception of the All Cap Growth strategy on July 1, 2006, through September 30, 2018, stock selection was the primary performance driver with excess return attribution of 80%. We expect stock selection to be the primary driver of performance over our long-term investment time horizon.

MARKET ENVIRONMENT

Over the long term, we believe that markets are efficient. Near term, however, we believe innate behavioral biases, such as herding, overconfidence or loss aversion, influence investment decisions and create asset pricing anomalies. These pricing inefficiencies converge toward intrinsic value over time. Market efficiency is thereby dynamic, existing along a continuum between fully efficient and inefficient pricing. Therefore, we attempt to identify intrinsic value and exploit the long-term differential between this value and the market's current perception. We look to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value.

Average annual total returns (%)

Share class	QTD	YTD	1-year	3-year	5-year	Since inception
Class A (without sales charge)	5.66	11.00	17.73	—	—	18.65
Class A (with 5.75% max sales charge)	-0.42	4.62	10.96	—	—	13.50
Institutional Service Class	5.73	11.18	18.01	—	—	18.95
Class R6	5.72	11.24	18.06	—	—	19.16
Eagle Shares	5.73	11.25	18.07	—	—	6.72
Russell 3000 Growth Index	8.88	16.99	25.89	20.36	16.23	—
Large Growth Category	7.54	15.64	23.18	17.68	14.02	—

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	1.49	1.35	05/31/2017
Institutional Service Class	1.24	1.10	05/31/2017
Class R6	0.99	0.85	05/31/2017
Eagle Shares	1.09	0.95	06/19/2018

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
Amazon.com Inc	7.8
Alibaba Group Holding Ltd ADR	5.5
Facebook Inc Class A	5.2
Oracle Corporation	5.2
Visa Inc Class A	4.9
Monster Beverage Corp	4.7
Autodesk, Inc.	4.6
Expeditors International of Washington, Inc.	3.9
Regeneron Pharmaceuticals Inc	3.5
QUALCOMM Incorporated	2.9

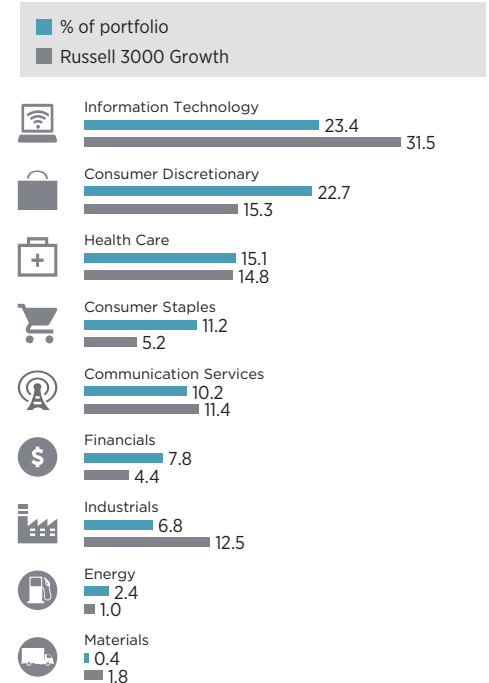
Holdings are provided for informational purposes and should not be deemed as a recommendation to buy or sell the securities.

Portfolio characteristics

Total Net Assets (all classes)	\$201.9M
Total Number of holdings	38
P/E ratio	36.2x
Turnover	12%

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 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 (including small and mid-size companies). Smaller companies are usually less stable in price and less liquid than larger, more established companies. Smaller companies are more vulnerable than larger companies to adverse business and economic developments and may have more limited resources. Therefore, they generally involve greater risk. 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). Growth funds may underperform other funds that use different investing styles. Funds that invest in a relatively small number of securities may be subject to greater volatility than a more diversified investment. 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 3000 Growth Index:** A market capitalization weighted index based on the Russell 3000 index. The Russell 3000 Growth Index includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the U.S. **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 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.

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