Nationwide®

Mutual funds | Perspectives

Nationwide Amundi Strategic Income Fund: A flexible alternative to long-only fixed income

The Nationwide Amundi Strategic Income Fund (NWXHX) is a flexible, multisector bond portfolio designed to adapt to changing economic and market conditions. The Fund seeks to capture excess returns through active sector allocation and security selection, while dynamically managing spread exposure and targeting low duration.

In seeking **uncorrelated returns** to broad-based bond and equity indexes, the Fund can be used as a complement to core bond funds or long-only fixed-income strategies.

How the Nationwide Amundi Strategic Income Fund differs from other multisector bond strategies

INTEREST RATE DURATION:

NWXHX — Manages to a lower interest rate profile, typically under 2 years; while the total duration sensitivity is reduced, the Fund still maintains the ability to actively target the most attractive parts of the yield curve.

OTHERS — Have greater sensitivity to broad directional interest rate changes.

The Fund is managed for low interest rate sensitivity, typically targeting a duration of less than 2 years, which contrasts with other long bond strategies. Most long-only bond strategies' returns are influenced more heavily by directional interest rate movements within the 4- to 7-year part of the curve. In targeting low duration, the Fund does not emphasize capturing returns from interest rate movements. Instead, within the limited duration exposure construct, the team has the flexibility to target specific interest rate exposure where the economic outlook suggests potential value opportunities along the curve. In an environment of rising interest rates, the Fund's lower duration offers investors the benefit of minimizing exposure to interest rate risk. When rates are falling, the strategy can tilt to slightly higher duration, but it primarily seeks to capture returns through opportunities in security selection and movements in credit spreads.

DIVERSIFICATION:

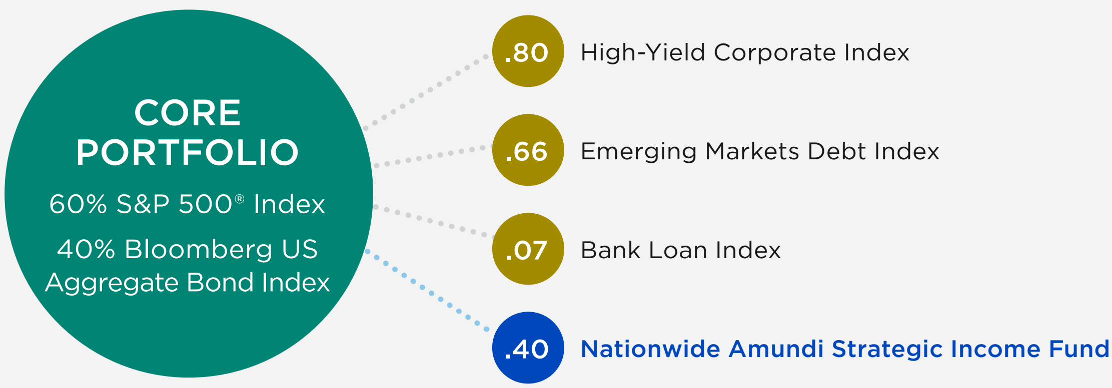
NWXHX — Truly tactical; it's able to implement best ideas across the entire bond market.

OTHERS — Their tactical ability may be limited by asset allocation and security selection.

Broad bond performance is largely dictated by the direction of interest rates, but the size and scope of the bond market offers the portfolio managers the ability to seek return opportunities at attractive valuations across the bond market. The Fund's multisector strategy gives the portfolio managers the freedom to implement the highest-conviction views of Amundi's fixed income analysts and sector specialists. Other multisector bond strategies fall short by setting limits on asset allocation to benchmark targets or restricting the selection of specific securities. The Nationwide Amundi Strategic Income Fund is a truly tactical and nimble strategy, able to "go anywhere" to invest in the best ideas for the current market environment, without the constraint of a long-only benchmark.

The Fund's approach to diversification has historically allowed for low correlation to equity and fixed income asset classes, as shown in the following chart.

A closer look at core-satellite correlations:



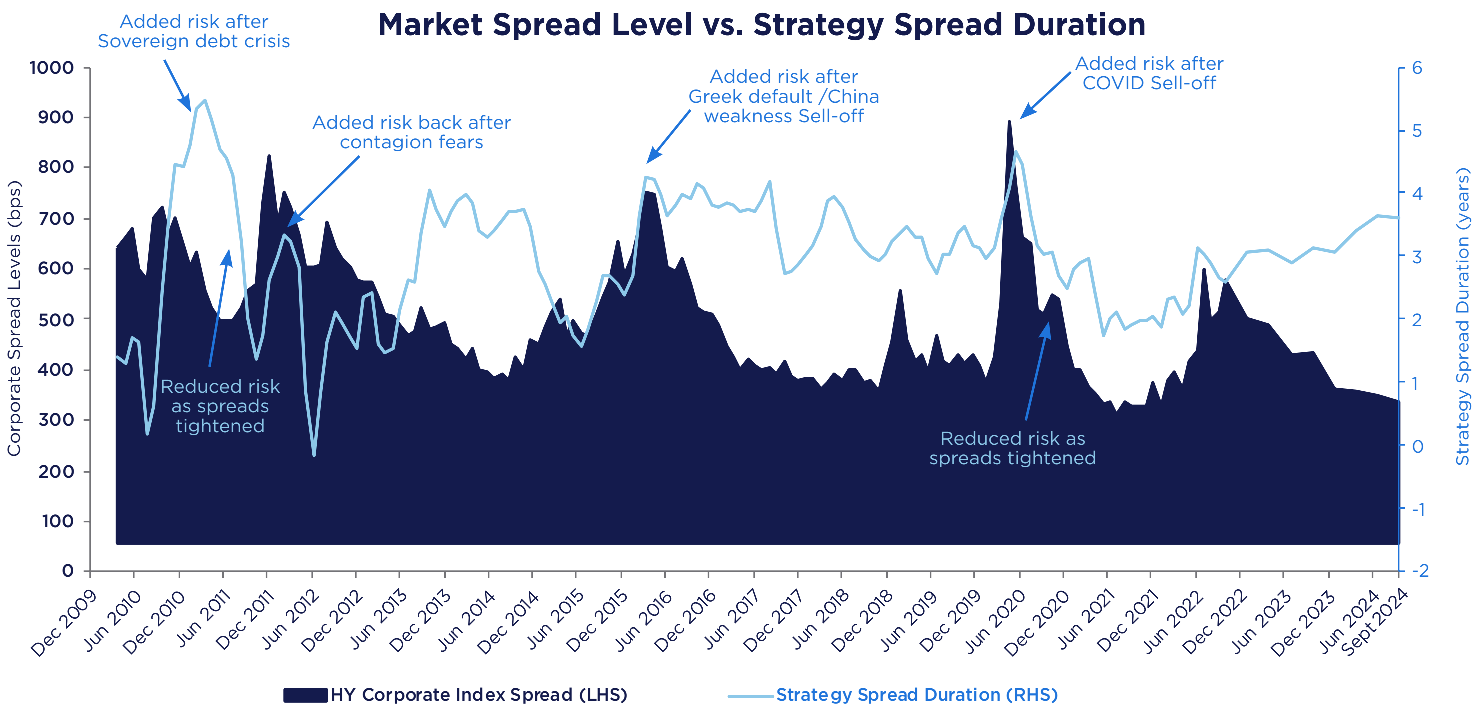
Source: Morningstar® (Sept. 30, 2024). This graphic lists the monthly correlation since share class inception on Nov. 1, 2015, for the Bloomberg US Aggregate Bond Index, Bloomberg Emerging Markets Hard Currency Debt Index, Bloomberg US Corporate High Yield Index and Credit Suisse Leveraged Loan USD. The core portfolio is depicted as 60% S&P 500 Index and 40% Bloomberg US Aggregate Bond Index.

CREDIT SPREAD EXPOSURE:

NWXHX — Manages credit risk/beta through standard credit derivatives; it's able to add alpha through selection and reduce beta through hedging.

OTHERS — Seek gains through duration management; there's less emphasis on credit spread management.

The Fund follows a tactical approach to managing credit exposure risks through the use of credit derivatives, typically standard credit default swap indices (CDX). CDX gives the portfolio managers the flexibility to increase risk exposure when they view overall valuations as attractive (wider spreads) and reduce risk exposure when beta risk is expensive (tighter spreads), allowing them to manage the Fund's overall beta risk and avoid losses (refer to the accompanying chart). Using credit derivatives to manage broad market exposure while also investing in individual securities allows the Fund to manage credit risk, add alpha and reduce beta simultaneously; other bond strategies employ CDX only to reduce beta.



Source: Amundi US, Bloomberg (Sept. 30, 2024), including the Bloomberg US Corporate High Yield Index. The data is from a third party. Although the data is gathered from sources believed to be reliable, the accuracy and/or completeness of the information cannot be guaranteed.

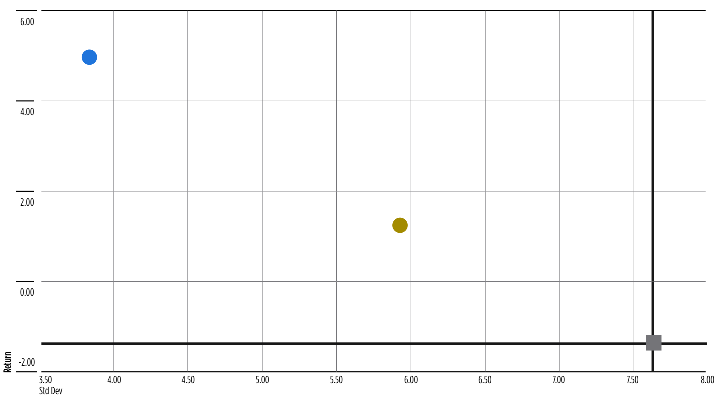
HEDGING:

NWXHX — There's no limit on the use of hedges; CDX exposure can be extended to 100% of the portfolio.

OTHERS — The use of hedges is restricted or not permitted, so the ability to reduce beta is limited.

The Fund's overall risk exposure is adjusted based upon the portfolio managers' view of broad market value and individual investment opportunities. When compensation (spread) for risk (credit, liquidity, volatility, etc.) is deemed to be low, the Fund's risk posture is adjusted downward, and vice versa. Hedging instruments can be important tools within this process as they often allow for very efficient and effective adjustments to the Fund's risk posture.

Risk/Reward



- Bloomberg US Aggregate Bond TR USD
- Nationwide Amundi Strategic Income Institutional Service Class
- US Fund Multisector Bond Category (316 funds)

Source: Morningstar for the 3-year period from Oct. 1, 2021, through Sept. 30, 2024. The X axis is the standard deviation; the Y axis is the return.

"This is one of our favorite strategies to manage because we can directly implement our analysts' and sector specialists' highest-conviction views across all sectors of the bond market."

JONATHAN DUENSING
Portfolio Manager, Nationwide Amundi Strategic Income Fund, Head of U.S. Fixed Income at Amundi Asset Management

Review the [Nationwide Amundi Strategic Income Fund (NWXHX)] in detail.

If you have questions or want to review other Nationwide funds, call **1-877-877-5083** or visit nationwidefunds.com.

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This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

Call 1-800-848-0920 to request a summary prospectus and/or a prospectus, or download prospectuses at nationwide.com/mutual-funds-prospectuses.jsp. These prospectuses outline investment objectives, risks, fees, charges and expenses, and other information that should be read and carefully considered before investing.

KEY RISKS: 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). The Fund may invest in sovereign debt (a governmental entity may delay or refuse to pay interest or repay principal). 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. The Fund's holdings may subject the Fund to liquidity risk, making it more volatile than other mutual funds. Please refer to the most recent prospectus for more detailed information.

Bloomberg Emerging Markets Hard Currency Aggregate Index: A flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Bloomberg US Corporate High Yield Index: An unmanaged index that measures the US dollar-denominated, high yield, fixed-rate corporate bond market.

Bloomberg US Aggregate Bond Index: An unmanaged, market value-weighted index of U.S. dollar-denominated, investment-grade, fixed-rate, taxable debt issues, which includes Treasurys, 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 nonagency). Bloomberg® and its indexes are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited, the administrator of the index, and have been licensed for use for certain purposes by Nationwide. Bloomberg is not affiliated with Nationwide, and Bloomberg does not approve, endorse, review or recommend this product. Bloomberg does not guarantee the timeliness, accurateness or completeness of any data or information relating to this product.

Credit Suisse Leverage Loan Index: This index tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+.

S&P 500® Index: An unmanaged, market capitalization-weighted index of 500 stocks of leading large-cap U.S. companies in leading industries; it gives a broad look at the U.S. equities market and those companies' stock price performance.

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Amundi Strategic Income Fund – Alt Text

Pg. 2

After the sentence that ends "…as shown in the following chart.," please have the following alt text read:

"Under the title "A closer look at core-satellite correlations:" there is a circle labeled Core Portfolio. Inside the circle it says 60% S&P 500 Index and 40% Bloomberg US Aggregate Bond Index. A further breakdown states the Core Portfolio is composed of .80 High Yield Corporate Index, .66 Emerging Markets Debt Index, .07 Bank Loan Index, and .40 Nationwide Amundi Strategic Income Fund."

Pg. 3

After the sentence that ends "…only to reduce beta.," please have the following alt text read:

"A detailed chart labeled "Market Spread Levels vs. Strategy Spread Duration tracks the Bloomberg US Corporate High Yield Index and the Strategy Spread Duration (years) from December 2009 to September 2024. The left-hand side of the chart is labeled Corporate Spread Levels (bps) with an amount range from 0 on the bottom to 1000 at the top. The right-hand side of the chart is labeled Strategy Spread Duration (years) with an amount range from 0 at the bottom to 6 at the top. The following events are called out on the chart:

June 2010, the Strategy Spread Duration added risk after the sovereign debt crisis; the bps was higher than Bloomberg's.

June 2011, the Strategy Spread Duration reduced risk as spreads tightened; the bps was higher than Bloomberg's.

December 2011, the Strategy Spread Duration added risk back after contagion fears; the bps was lower than Bloomberg's

June 2015, the Strategy Spread Duration added risk after Greek default/China weakness sell-off; the bps was slightly higher than Bloomberg's.

December 2019, the Strategy Spread Duration added risk after COVID sell-off; the bps was slightly lower than Bloomberg's.

June 2020, the Strategy Spread Duration reduced risk as spreads tightened; the bps was higher than Bloomberg's."

Pg. 4

After the sentence that ends "… Fund's risk posture.," please have the following alt text read:

"Under the label Risk/Reward, a plotter chart show the Nationwide Amundi Strat Inc Instl has a return of 4.99 and a standard deviation of 3.83. The US Fund Multisector Bond has a return of 1.27 and a standard deviation of 5.95. The Bloomberg US Agg Bond TR USD has a return of negative 1.39 and a standard deviation of 7.63."