Nationwide®
is on your side

Nationwide Loomis Short-Term Bond Fund*

Quarterly Commentary

Mutual funds

Commentary

Q3 2018

Asset class: Taxable Bond
Objective: Seeks total return, investing at least 80% of its net assets in fixed income securities

Morningstar category: Short-Term Bond
Class A: NWJSX
Class C: NWJTX
Class R6: NWJUX
Inst Svc: NWJVX

Executive summary

- *The Fund outperformed the Bloomberg Barclays US Gov't/Credit Index 1-3 by 45 basis points over the quarter.*
- *An underweight to Treasuries in favor of corporate credit and proved beneficial during the quarter, specifically, selection in Financials and Industrials.*
- *The portfolio remains underweight government bonds, given low yields, and continue to favor sectors offering higher yield potential than Treasuries.*

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

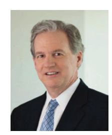
Portfolio management

LOOMIS | SAYLES

Loomis, Sayles & Company, L.P.

Christopher T. Harms
Portfolio Manager
Fund tenure since 2017

Cliff V. Rowe, CFA
Portfolio Manager
Fund tenure since 2017



Kurt L. Wagner, CFA, CIC
Portfolio Manager
Fund tenure since 2017

* Formerly known as Nationwide HighMark Short Term 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

The portfolio's sizeable underweight position to US Treasurys was additive to the portfolio as US Treasurys underperformed corporate bonds over the quarter. Additionally, the portfolio's overweight position to corporate bonds – in particular, financials and industrials – were also strong performers for the quarter. Specifically, the account's overweight positions to banking, consumer cyclicals, and energy all aided returns. Security selection was another strong source of outperformance for the quarter. Allocations to corporate sectors aided returns, but they were further strengthened by security selection within the industrials space – particularly issuers within consumer non-cyclical, energy and consumer cyclicals performed well.

Issuer selection within the high yield space was also quite positive for the quarter. Selections in high yield industrials were the main source of outperformance in this space, securities in communications and energy contributed positively. Selections in high yield financials also aided returns; in particular, selections within financial companies.

CONTRIBUTORS

Security name	Period return	Portfolio impact
Teva Pharmaceuticals	+5.15%	+2 bps
JPM Chase	+0.74%	+1 bps
EQT Midstream Partners	+2.83%	+1 bps
Dish DBS Corp	+4.14%	+1 bps
Diamondback Energy	+3.36%	+1 bps

Country/Sector	Period return	Portfolio impact
Treasuries	+0.20%	+9 bps
Consumer Non Cyclical	+1.10%	+8 bps
Banking	+0.78%	+7 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
Mitsubishi	-0.83%	-0 bps
Enel Finance	-1.29%	-0 bps
Bundge LTD Finance	-0.62%	-0 bps
Pfizer	-0.43%	-0 bps
McDonald's	-0.42%	-0 bps

Country/Sector	Period return	Portfolio impact
agency	+0.14%	-1 bps
CMO	+0.57%	-0 bps
Owned no guarantee	+0.65%	0 bps

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

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BUYS AND SELLS

Security Name	Initial Buy Date	Rationale for Purchase
US Treasury Notes 2.625	08/08/2018	–
US Treasury Notes 2.25	09/25/2018	–
US Treasury Notes 2.75	09/13/2018	–
Constellation Brands Inc	09/18/2018	–
American Honda Finance	07/11/2018	–

Security Name	Sell Date	Rationale for Sale
US Treasury Notes 2.625	08/14/2018	–
PNC Bank	09/13/2018	–
US Treasury Notes 2.625	09/06/2018	–
US Treasury Notes 2.625	08/09/2018	–
US Treasury Notes 2.625	08/13/2018	–

MARKET ENVIRONMENT

The US Aggregate and US Government/Credit indices ended the quarter with very modest positive total returns, but excess returns over duration-matched US Treasurys were 53 and 68 basis points, respectively. Spreads on each index tightened marginally as the economic environment and corporate profitability remained strong.

The Fed delivered the eighth hike of this economic expansion in September, bringing the target federal funds range to 2.00% - 2.25%. The yield curve continued to flatten throughout the quarter, led by a rise in the short end while rates at the mid-point through the long end rose by a lesser amount. US interest rates are now higher than many developed markets of similar credit quality, but the Fed is likely to keep hiking as long as the US economy continues to grow. Treasury inflation-protected securities (TIPS) outperformed maturities at the long end of the curve, but realized inflation and inflation expectations were generally stable throughout the quarter.

US asset-backed securities (ABS) and corporate mortgage-backed securities (CMBS) delivered positive total and excess returns for the quarter, while US MBS performance was closer to flat by both measures. Though securitized assets have provided only a modest spread over Treasurys, this incremental yield has supported returns. The outlook for securitized benchmarks is quite favorable given a positive credit backdrop, but even if risk appetite deteriorates, high credit quality and correlation to US Treasurys would likely buoy the benchmarks.

OUTLOOK

We believe that the Federal Reserve (Fed) will tighten monetary conditions in a gradual and measured way as aggregate demand remains healthy, with another hike likely coming in December 2018.

Corporate fundamentals continue to indicate the US is in the late expansion phase of the credit cycle, with slowing margin growth, increased mergers and acquisitions and rising leverage. Our view is that the cycle will continue to evolve slowly. Asset classes like corporate credit are supported by US tax reform and fiscal stimulus from the Trump administration. Corporate credit remains in demand due to a need for yield, fundamentals like improving corporate earnings, and technical factors such as lower bond supply. We continue to favor corporate credit over risk-free assets. We believe the primary risks to the credit markets include the pace of global growth, the timing of Fed tightening, increasing concerns about a protracted trade war and a significant uptick in inflation.

We remain underweight government bonds, given low yields, and continue to favor sectors offering higher yield potential than Treasurys.

We continue to be modestly overweight credit. We are focused on security selection opportunities, buying new issues with concessions and secondary bonds that can potentially offer favorable risk/return profiles.

We believe valuations in commercial mortgage-backed securities (CMBS) are fair. We remain overweight to the sector, particularly senior parts of the capital stack.

We think valuations in mortgage-backed securities (MBS) have improved and are becoming more interesting. We are focused on securities with limited prepayment risk.

The high-quality asset-backed securities (ABS) sector remains attractive relative to government bonds. Specifically, we believe auto loans and credit card receivables remain attractive.

We have been maintaining a higher yield and exposure to more credit-sensitive sectors relative to the benchmark.

We continue to monitor our portfolio and diversify our holdings with an eye toward minimizing undue exposure to macro and/or issuer events.

Nationwide Loomis Short-Term 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)	0.61	0.44	0.27	0.77	0.74	1.78
Class A **(with 2.25% max sales charge)**	-1.65	-1.82	-1.99	0.01	0.28	1.55
Class C	0.48	0.06	-0.33	0.23	0.25	1.30
Class R6	0.69	0.69	0.60	1.10	1.06	2.08
Institutional Service Class	0.78	0.64	0.53	1.03	1.02	2.06
BBgBarc US Govt/Cred 1-3 Yr Index	0.33	0.41	0.20	0.73	0.83	1.67
Short-Term Bond Category	0.50	0.45	0.43	1.36	1.24	2.52

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	0.78	0.78	11/02/2004
Class C	1.28	1.28	11/29/2004
Class R6	0.45	0.45	09/18/2013
Institutional Service Class	0.53	0.53	11/02/2004

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
JPMorgan Chase & Co 4.25% 10/15/2020	1.9
American Express Credit Account Master Trust 2017-3 1.77% 15-nov-2022	1.7
Nissan Auto Receivables 2017-b Owner Trust 1.75% 15-oct-2021	1.7
Government Of The United States Of America 2.25% 31-mar-2020	1.5
Chase Issuance Trust 2016-4a 1.49% 15-jul-2022	1.4

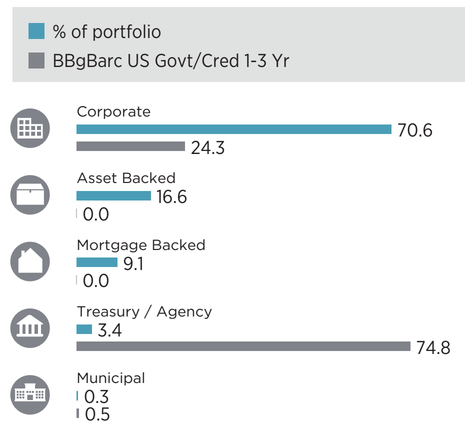
Holdings are provided for informational purposes and should not be deemed as a recommendation to buy or sell the securities.

Portfolio characteristics

Total Net Assets (all classes)	$272.6M
Total Number of holdings	269
Average maturity	5.5
Effective duration	2.2
SEC 30-day yield	2.60%
SEC 30-day yield w/o waiver	2.58%
Standard deviation*	0.9
Turnover	48%

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.
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 default risk and interest rate 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). 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 U.S. Government/Credit 1-3 Year Index:** An unmanaged index that measures the performance of non-securitized component of the U.S. Aggregate Index with maturities of 1-3 years, including Treasurys, government-related issues and corporates. **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.

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