MODEL PORTFOLIO
PERFORMANCE

As of June 30, 2017

Reach for your goals

without pushing your limits.

How asset allocation works — an investor's guide

Nationwide®
is on your side

It’s how you invest

Stocks and bonds, large-caps and small-caps, growth and value… picking investments for your portfolio can be a real challenge.

But it doesn’t have to be that difficult. What makes the biggest difference is how you split up the money in your portfolio.

How you invest is what asset allocation is all about.

This strategy can help you manage the risks you face as an investor, but it won’t completely eliminate risk. As you plan a strategy to help achieve your goals, keep in mind that asset allocation won’t guarantee a profit either.

About this guide

In this guide, we'll show how an asset allocation strategy can be successful by examining the performance of a series of seven model portfolios. The portfolios are hypothetical, so the returns shown don't represent the results of an actual investment. However, the illustrations should give you a good idea of how asset allocation may reduce risk over time.

The use of asset allocation as part of an overall investment strategy doesn't assure profits or guarantee against losses in a declining market. **Past performance of any investment is not a guarantee of future results.**

Contents

Why asset allocation works

Every investment option fits into an asset class — and as the table below illustrates, returns can vary widely among different asset classes from year to year. Just pick any asset class and follow the path of returns over this 20-year period.

Annual Returns	1997	1998	1999	2000	2001	2002	2003	2004	2005
HIGHER	Large-cap Stocks 33.4%	Large-cap Stocks 28.6%	International Stocks 27.3%	Mid-cap Stocks 17.5%	Short-term Bonds 8.8%	Inv. Grade Bonds 10.3%	Small-cap Stocks 47.2%	International Stocks 20.7%	International Stocks 14.0%
	Mid-cap Stocks 32.2%	International Stocks 20.3%	Small-cap Stocks 21.3%	Inv. Grade Bonds 11.6%	Inv. Grade Bonds 8.4%	Short-term Bonds 6.2%	International Stocks 39.2%	Small-cap Stocks 18.3%	Mid-cap Stocks 12.6%
	Small-cap Stocks 22.4%	Mid-cap Stocks 19.1%	Large-cap Stocks 21.0%	Short-term Bonds 8.2%	U.S. Treasury Bills 4.1%	U.S. Treasury Bills 1.7%	Mid-cap Stocks 35.6%	Mid-cap Stocks 16.5%	Moderate Portfolio 6.0%
	Moderate Portfolio 17.8%	Moderate Portfolio 17.3%	Mid-cap Stocks 14.7%	U.S. Treasury Bills 6.0%	Small-cap Stocks 2.5%	Moderate Portfolio -8.2%	Large-cap Stocks 28.7%	Large-cap Stocks 10.9%	Large-cap Stocks 4.9%
	Inv. Grade Bonds 9.7%	Inv. Grade Bonds 8.7%	Moderate Portfolio 13.4%	Moderate Portfolio 0.5%	Mid-cap Stocks -0.6%	Mid-cap Stocks -14.5%	Moderate Portfolio 21.4%	Moderate Portfolio 10.2%	Small-cap Stocks 4.5%
	Short-term Bonds 6.7%	Short-term Bonds 7.0%	U.S. Treasury Bills 4.7%	Small-cap Stocks -3.0%	Moderate Portfolio -3.1%	International Stocks -15.7%	Inv. Grade Bonds 4.1%	Inv. Grade Bonds 4.3%	U.S. Treasury Bills 3.0%
	U.S. Treasury Bills 5.2%	U.S. Treasury Bills 5.1%	Inv. Grade Bonds -0.8%	Large-cap Stocks -9.1%	Large-cap Stocks -11.9%	Small-cap Stocks -20.5%	Short-term Bonds 2.9%	Short-term Bonds 1.3%	Inv. Grade Bonds 2.4%
LOWER	International Stocks 2.1%	Small-cap Stocks -2.5%	Short-term Bonds 3.3%	International Stocks -14.0%	International Stocks -21.2%	Large-cap Stocks -22.1%	U.S. Treasury Bills 1.1%	U.S. Treasury Bills 1.2%	Short-term Bonds 1.8%

Source: Zephyr StyleADVISOR.

Past performance of any investment is not a guarantee of future results.
See Pages 14 and 15 for more information on the market indexes we used for this illustration.

A smoother path to your goals

Asset allocation brings together investments from different asset classes to take advantage of these different performance tendencies. The result, as shown by the moderate portfolio's returns, is a smoother path to your goals without the peaks and valleys that individual asset classes typically experience.

The moderate portfolio is a composite of the asset classes used in this chart. For more detail on the moderate portfolio, please see the description on Page 7. Keep in mind that we use indexes, which do not bear the fees and expenses of real-world investments, to represent these asset classes. You cannot invest directly in an index.

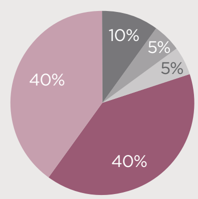
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
International Stocks 26.9%	International Stocks 11.6%	Inv. Grade Bonds 5.2%	Mid-cap Stocks 37.4%	Small-cap Stocks 26.9%	Inv. Grade Bonds 7.8%	International Stocks 17.9%	Small-cap Stocks 38.8%	Large-cap Stocks 13.7%	Large-cap Stocks 1.4%	Small-cap Stocks 21.3%
Small-cap Stocks 18.4%	Mid-cap Stocks 8.0%	Short-term Bonds 5.0%	International Stocks 32.5%	Mid-cap Stocks 26.6%	Large-cap Stocks 2.1%	Mid-cap Stocks 17.9%	Mid-cap Stocks 33.5%	Mid-cap Stocks 9.8%	Short-term Bonds 0.6%	Mid-cap Stocks 20.7%
Large-cap Stocks 15.8%	Inv. Grade Bonds 7.0%	U.S. Treasury Bills 1.8%	Small-cap Stocks 27.1%	Large-cap Stocks 15.1%	Short-term Bonds 1.6%	Small-cap Stocks 16.4%	Large-cap Stocks 32.4%	Moderate Portfolio 6.2%	Inv. Grade Bonds 0.6%	Large-cap Stocks 12.0%
Moderate Portfolio 12.4%	Moderate Portfolio 6.9%	Moderate Portfolio -22.5%	Large-cap Stocks 26.5%	Moderate Portfolio 12.1%	Moderate Portfolio 1.2%	Large-cap Stocks 16.0%	International Stocks 23.3%	Inv. Grade Bonds 6.0%	Moderate Portfolio 0.3%	Moderate Portfolio 7.6%
Mid-cap Stocks 10.3%	Short-term Bonds 6.8%	Small-cap Stocks -33.8%	Moderate Portfolio 20.0%	International Stocks 8.2%	U.S. Treasury Bills 0.1%	Moderate Portfolio 11.4%	Moderate Portfolio 17.3%	Small-cap Stocks 4.9%	U.S. Treasury Bills 0.0%	Inv. Grade Bonds 2.7%
U.S. Treasury Bills 4.8%	Large-cap Stocks 5.5%	Mid-cap Stocks -36.2%	Inv. Grade Bonds 5.9%	Inv. Grade Bonds 6.6%	Mid-cap Stocks -1.7%	Inv. Grade Bonds 4.2%	Short-term Bonds 0.7%	Short-term Bonds 0.7%	International Stocks -0.4%	International Stocks 1.5%
Short-term Bonds 4.3%	U.S. Treasury Bills 4.7%	Large-cap Stocks -37.0%	Short-term Bonds 3.8%	Short-term Bonds 2.8%	Small-cap Stocks -4.2%	Short-term Bonds 1.2%	U.S. Treasury Bills 0.1%	U.S. Treasury Bills 0.0%	Mid-cap Stocks -2.2%	Short-term Bonds 0.9%
Inv. Grade Bonds 4.3%	Small-cap Stocks -1.6%	International Stocks -43.0%	U.S. Treasury Bills 0.1%	U.S. Treasury Bills 0.1%	International Stocks -12.1%	U.S. Treasury Bills 0.1%	Inv. Grade Bonds -2.0%	International Stocks -4.5%	Small-cap Stocks -4.4%	U.S. Treasury Bills 0.3%

Pack it up

You can allocate your portfolio's assets on your own. But often the simpler solution is to choose a packaged asset allocation solution, where research and portfolio management are performed for you by a professional investment firm.

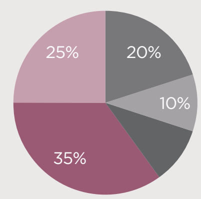
Model Portfolio Allocation

Conservative



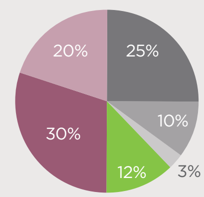
20% stocks, 80% bonds

Moderately Conservative



40% stocks, 60% bonds

Balanced



50% stocks, 50% bonds

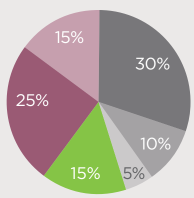
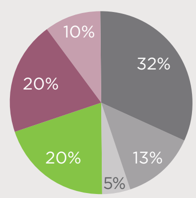
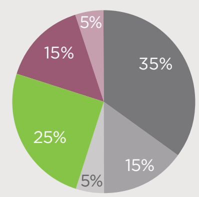
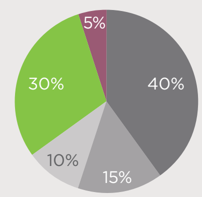
AT A GLANCE	Conservative	Moderately Conservative	Balanced
Goal	Growth **Income**	Growth **Income**	Growth **Income**
Time frame	**Short-term** Long-term	**Short-term** Long-term	**Short-term** Long-term
Risk tolerance	High Moderate **Low**	High Moderate **Low**	High **Moderate** Low
Growth potential	High Moderate **Low**	High **Moderate** Low	High **Moderate** Low

Large-cap stocks	Shares of ownership in corporations with a market capitalization[1] greater than $5.9 billion
Mid-cap stocks	Shares of ownership in corporations with a market capitalization[1] between $1.4 billion and $5.9 billion
Small-cap stocks	Shares of ownership in corporations with a market capitalization[1] below $1.4 billion
International stocks	Shares of ownership in corporations headquartered outside the United States
Bonds	IOUs issued by governments or corporations
Short-term bonds	Investment-grade IOUs with an average duration of 1 to 3.5 years or an average effective maturity of 1 to 4 years

[1] Market capitalization is the aggregate value of a company calculated by multiplying the number of shares outstanding by the share price.

The model portfolios in the table below are typical of what a packaged asset allocation may look like. In this case, the models are built to align with specific objectives and comfort levels for risk, from conservative to aggressive.

We use the performance of these model portfolios in this guide as we talk about the benefits of asset allocation. In a real portfolio, you'd see actual investments within these asset classes. For our illustrations, we'll use market indexes to tell the story.

Moderate	Capital Appreciation	Moderately Aggressive	Aggressive
			
60% stocks, 40% bonds	70% stocks, 30% bonds	80% stocks, 20% bonds	95% stocks, 5% bonds
Growth Income	**Growth** Income	**Growth** Income	**Growth** Income
Short-term **Long-term**	Short-term **Long-term**	Short-term **Long-term**	Short-term **Long-term**
High **Moderate** Low	**High** Moderate Low	**High** Moderate Low	**High** Moderate Low
High **Moderate** Low	**High** Moderate Low	**High** Moderate Low	**High** Moderate Low

On Page 14, you can see what market index we've used for each asset class and review the returns that went into the performance calculations.

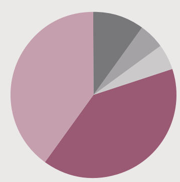
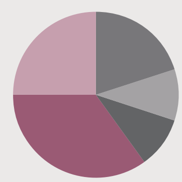
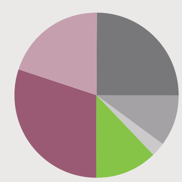
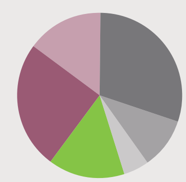
Keep in mind that you cannot invest directly in an index. Index returns do not reflect the fees, charges or costs a real-world portfolio would incur. If these costs were reflected, results would be lower. Past performance is no guarantee of future results, and this isn't intended to be a projection or prediction of future returns. As a result, actual results will vary. Investing involves risk, including the potential loss of principal.

Performance: What to look for

As you evaluate the performance of an asset allocation strategy, it's important to do so in context with the time horizon and risk profile associated with the strategy.

Average Annual Total Return (%)

as of June 30, 2017

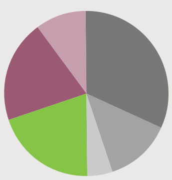
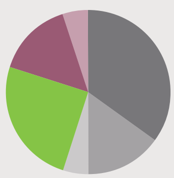
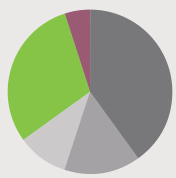
Model Portfolio Allocation	Conservative 	Moderately Conservative 	Balanced 	Moderate 
1-year Average Return	3.52	7.19	9.23	11.26
3-year Average Return	2.72	4.01	4.61	5.15
5-year Average Return	3.73	6.22	7.42	8.59
10-year Average Return	3.88	4.81	5.15	5.41
15-year Average Return	4.50	5.82	6.37	6.88
20-year Average Return	5.05	6.02	6.35	6.62

Source: Zephyr StyleADVISOR.

Past performance is no guarantee of future results, and this isn't intended to be a projection or prediction of future returns. As a result, actual results will vary. Investing involves risk, including the potential loss of principal.

In the table below, you can review the recent performance of the model asset allocation portfolios. We've included returns for both short-term and long-term periods and highlighted the periods that are most relevant for each asset allocation model.

For example, a conservative investor would likely have a shorter time horizon and a lower risk tolerance than a more aggressive investor, so returns over short-term periods would be more relevant when evaluating an asset allocation strategy. For an aggressive investor, how the strategy performed over long-term periods would be more relevant.

Capital Appreciation	Moderately Aggressive	Aggressive	S&P 500 Index
			
13.27	15.29	18.66	17.90
5.53	5.92	6.55	9.61
9.67	10.76	12.41	14.63
5.56	5.67	5.71	7.18
7.35	7.78	8.27	8.34
6.89	7.10	7.22	7.15

How we look at performance

In our comparisons, we'll use the Standard & Poor's (S&P) 500 Index as a benchmark. It's one of the most widely used barometers of investment performance. Many professional investment managers use the S&P 500 to compare returns against the broad stock market.

Keep in mind that market indexes like the S&P 500 and the other indexes that populate these models don't incur the fees and expenses that an actual portfolio would incur. These fees and expenses, if included, would reduce performance. Also, you can't invest directly in a market index.

Everything in balance

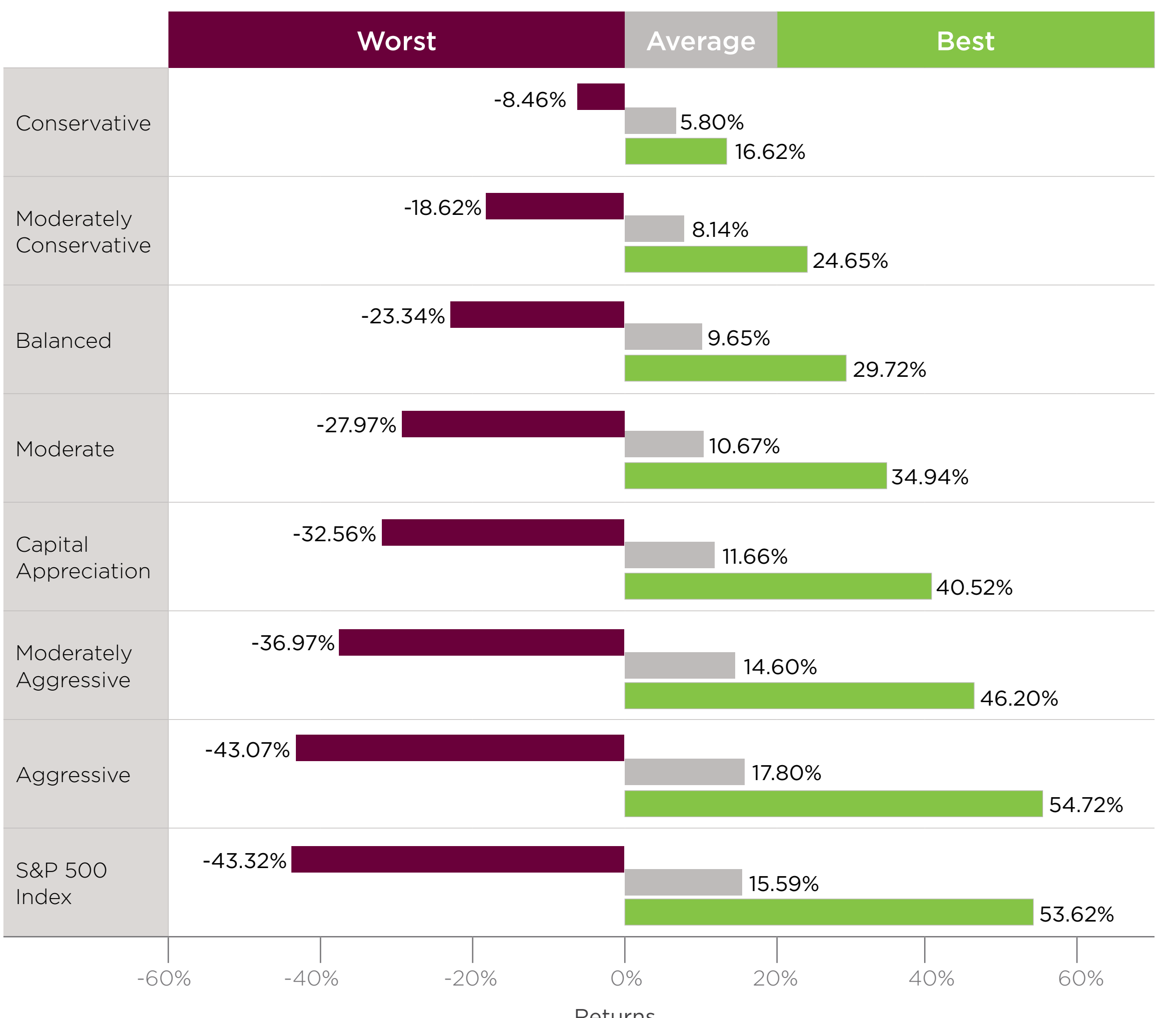
A successful asset allocation strategy seeks to manage the risk/reward relationship in your favor, helping you pursue the lowest level of risk for a specific level of return over time.

How do you measure success? Let’s look at a couple examples of how the model asset allocation portfolios reduced risk over the 20-year period from July 1, 1997 to June 30, 2017.

Best, worst and average 12-month returns

One way asset allocation reduces risk is by avoiding wide swings in performance, either to the upside or the downside.

The chart below compares the largest 12-month gains and losses for the seven model portfolios against the S&P 500 Index. The chart also shows the average annual return for the portfolios and benchmark over this period.



Source: Zephyr StyleADVISOR, as of 06/30/17.

Standard deviation

20 years ending June 30, 2017

Standard deviation is a common measurement of portfolio volatility. As a basic rule, a higher standard deviation indicates higher volatility and a smaller standard deviation indicates portfolio returns over the specified period were closer to the long-term average return.

Portfolio	Standard Deviation
Conservative	3.34
Moderately Conservative	6.17
Balanced	7.68
Moderate	9.21
Capital Appreciation	10.78
Moderately Aggressive	12.35
Aggressive	14.78
S&P 500 Index	15.10

By controlling wide swings in performance, a successful asset allocation strategy should show lower standard deviation over time in comparison with a market benchmark. The use of asset allocation as part of an overall investment strategy doesn't assure profits or guarantee against losses in a declining market.

Calendar-year gains

20 years ending June 30, 2017

By reducing wide swings in performance over time, most asset allocation models also have experienced a greater or equal number of positive calendar-year returns when compared with the market benchmark.

Portfolio	Percentage of positive calendar-year returns
Conservative	95%
Moderately Conservative	85%
Balanced	80%
Moderate	80%
Capital Appreciation	80%
Moderately Aggressive	70%
Aggressive	65%
S&P 500 Index	80%

Always keep in mind that past performance is not a guarantee of future results. Just because a portfolio experienced good returns or low risk in the past doesn't mean it will do so in the future.

Source: Zephyr StyleADVISOR.

Good times, bad times

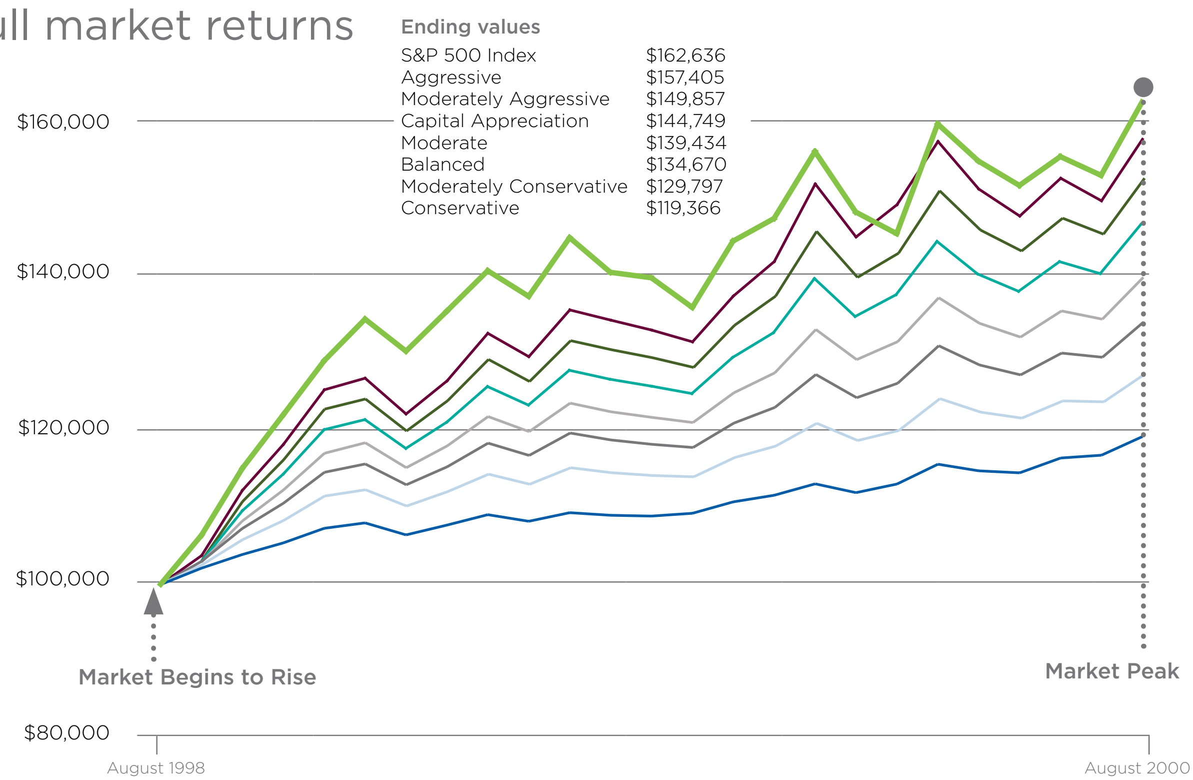
The true test of an asset allocation strategy comes during volatile periods in the market. In the chart shown on these two pages, we compare the performance of the model portfolios during two historically significant volatile periods by looking at how $100,000 invested in each portfolio would've grown during a bull and a bear market.

Bull market performance 1998 – 2000

With a varying mix of stock and bond investments, the model asset allocation portfolios performed well during the two-year bull market between August 1998 and August 2000, although they underperformed the S&P 500 Index. Even the least risky of the portfolios, Conservative, returns more than 19% over this period.

Conservative
Moderately Conservative
Balanced
Moderate
Capital Appreciation
Moderately Aggressive
Aggressive
S&P 500 Index

Bull market returns



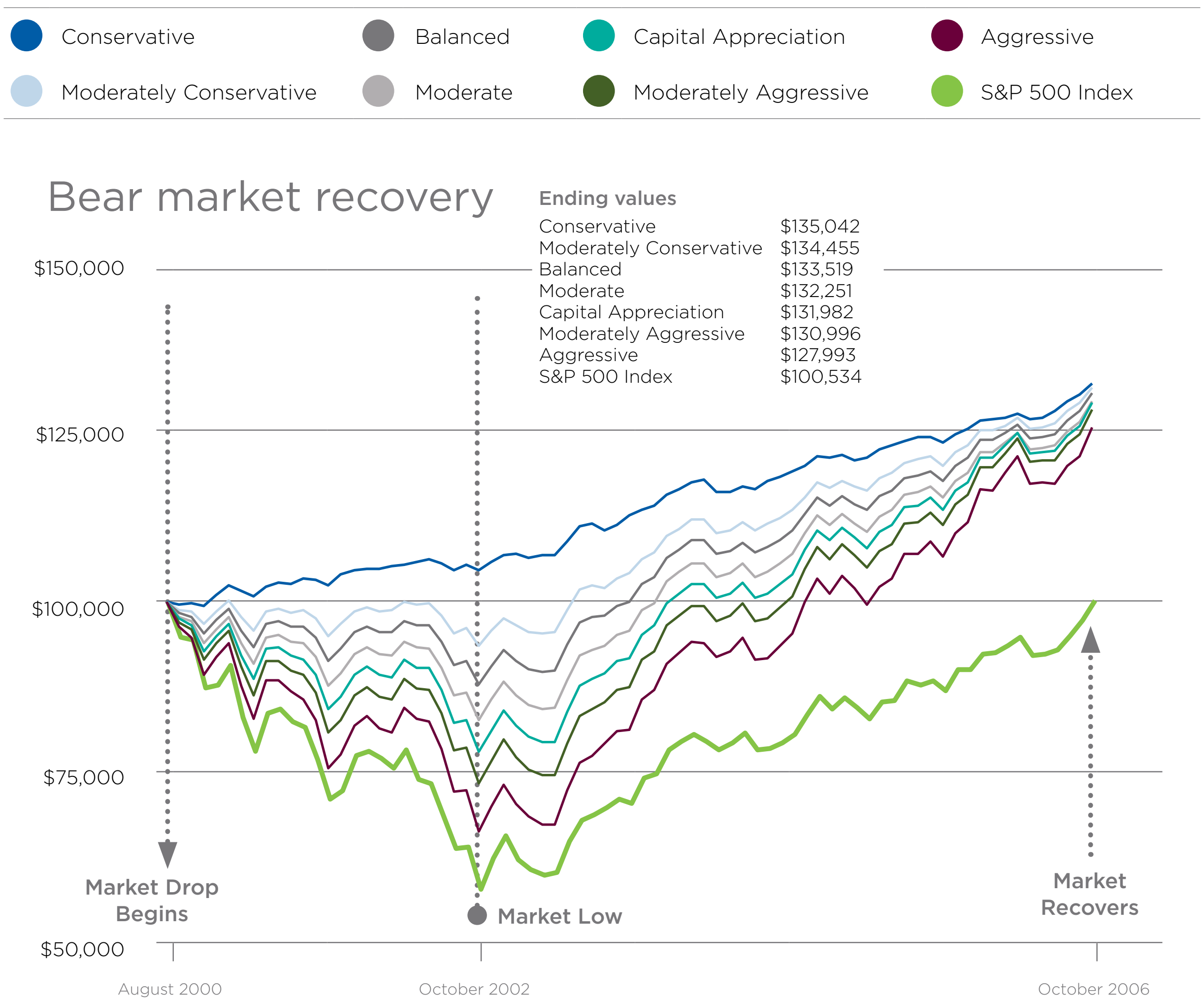
Source: Zephyr StyleADVISOR.

Past performance is no guarantee of future results.

Bear market performance 2000 – 2002

The bear market between August 2000 and October 2002 was one of the most volatile periods in market history, with the S&P 500 losing nearly half of its value during this period. It took almost four years for the index to recover fully from this decline.

Because of the mix of different asset classes in the asset allocation models, losses during the bear market weren't as dramatic as the S&P 500. That meant recovery was much easier, too. Most importantly, each of the portfolios came out ahead of the S&P 500 by the time the index had fully recovered in 2006.



Source: Zephyr StyleADVISOR.

Past performance is no guarantee of future results.

How we built the portfolios

To create the risk and return measurements for the model portfolios, we used representative indexes for each asset class as listed in the table below.

Average Annual Total Return (%)

as of June 30, 2017

Asset Class	Benchmark	1-year	3-year	5-year	10-year	15-year	20-year
Large-cap stocks	S&P 500 Index	17.90	9.61	14.63	7.18	8.34	7.15
Mid-cap stocks	S&P MidCap 400 Index	18.57	8.53	14.92	8.56	10.40	10.94
Small-cap stocks	Russell 2000 Index	24.60	7.36	13.70	6.92	9.19	7.98
International stocks	MSCI EAFE Index	20.83	1.61	9.18	1.50	6.79	4.72
Bonds	Bloomberg Barclays Capital U.S. Aggregate Bond Index	-0.31	2.48	2.21	4.48	4.48	5.24
Short-term bonds	Bloomberg Barclays U.S. Govt 1-3 year	-0.07	0.71	0.65	2.01	2.31	3.36

Source: Zephyr StyleADVISOR.

These index returns are provided for illustrative purposes only. Market indexes like these don't incur the fees or expenses you incur with actual investments. If they did, these returns would be lower. Also, you can't invest directly in a market index and past performance is no guarantee of future results.

To calculate performance of the model portfolios, we also assumed their allocations would be rebalanced quarterly.

About these market indexes:

- The S&P 500 Index is 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

- The S&P MidCap 400 Index is an unmanaged index that measures the performance of 400 stocks of medium-sized U.S. companies (those with a market capitalization of $1.4 billion to $5.9 billion)

    - Stocks of small-cap, mid-cap or emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market

- The Russell 2000 Index is an unmanaged index that measures the performance of the small-capitalization segment of the U.S. equity universe

- The MSCI EAFE (Europe, Australasia and Far East) Index is 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

    - Investing internationally involves risks not associated with investing solely in the United States, such as currency fluctuation, political risk, differences in accounting and the limited availability of information, all of which are magnified in emerging markets

- The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged market value-weighted index comprised 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)

- The Bloomberg Barclays U.S. Government 1 – 3 Year Bond Index is an unmanaged market value-weighted index of U.S. dollar-denominated, investment-grade, fixed-rate, taxable bond market issues (including Treasury and government) with a remaining maturity of one to three years

Contact your financial advisor to discuss how asset allocation could work for you.

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