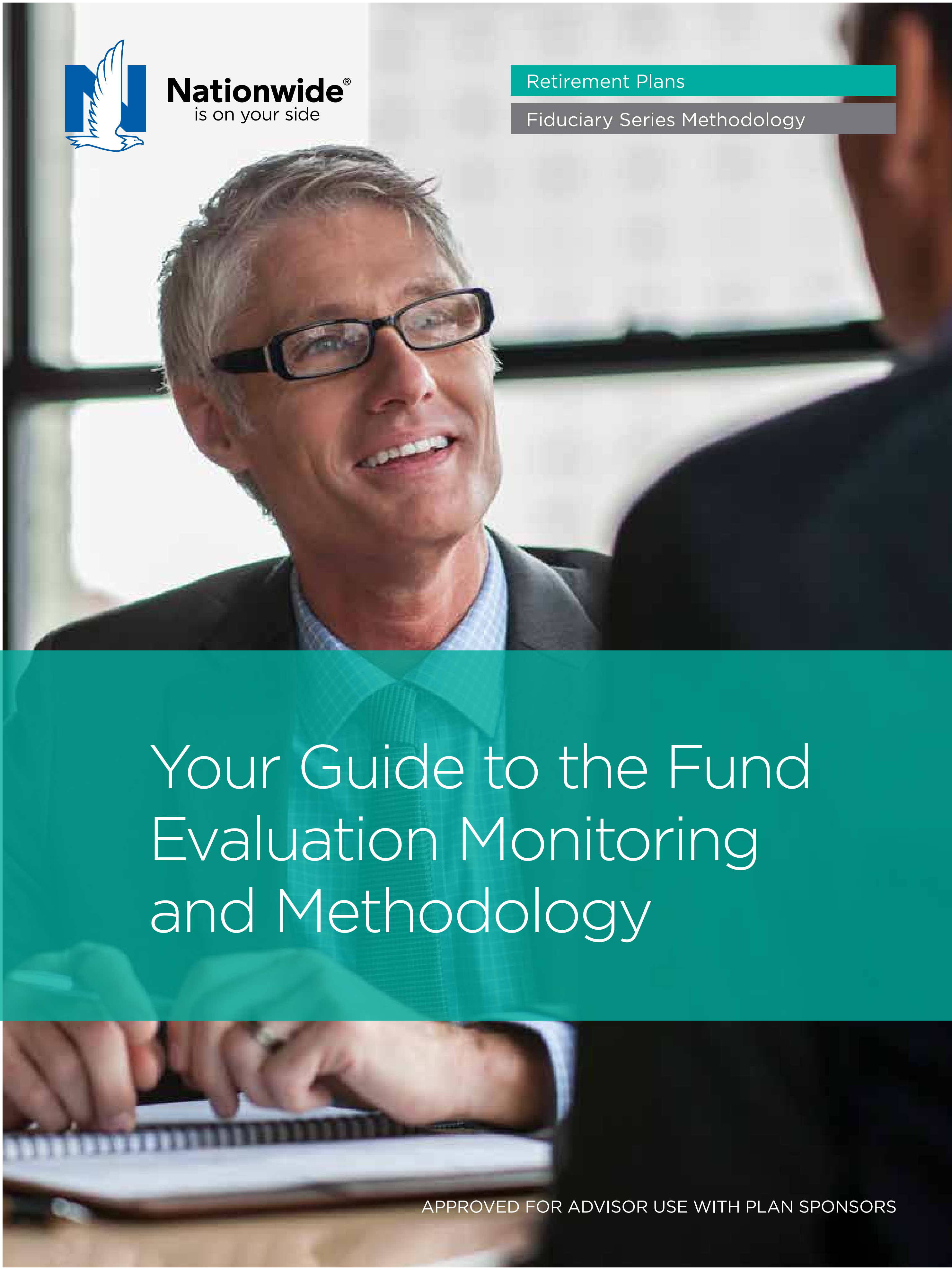
Nationwide®
is on your side

Retirement Plans

Fiduciary Series Methodology



Your Guide to the Fund Evaluation Monitoring and Methodology

APPROVED FOR ADVISOR USE WITH PLAN SPONSORS

Nationwide Fiduciary Series℠ Program Overview

The objective of Nationwide Fiduciary Series℠ is to deliver quality investment services to defined contribution (DC) retirement plans that incorporate fiduciary management principles and Employee Retirement Income and Securities Act (ERISA) best practices for participant-directed retirement plan sponsors. The program encompasses a comprehensive and systematic process that enables investment committees to prudently select, evaluate and monitor funds using generally accepted investment principles and modern portfolio theories widely accepted in the academic world. The fund evaluation and monitoring methodology assist committee members in meeting their fiduciary obligation to make investment decisions solely in the best interests of plan participants and their beneficiaries. This is accomplished by incorporating U.S. Department of Labor (DOL) expectations within the methodology, along with modern investment management theory and techniques used by large pension plans, foundations and endowments. Investing involves market risk, including possible loss of principal, and there is no guarantee that investment objectives will be achieved.

Before investing, understand that mutual funds are not insured by the FDIC, NCUSIF or any other federal government agency and are not deposits or obligations of, guaranteed by, or insured by, the depository institution where offered or any of its affiliates. Mutual funds involve investment risk and may lose value.

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Each equity, bond, and hybrid fund in the Morningstar database is evaluated quarterly on the basis of six measures that quantify the relative operating expenses, total returns, and risk-adjusted performance of each fund within its peer group. The evaluation methodology is not an attempt to predict a fund's future potential; it summarizes how well each fund has historically balanced expenses, returns, and risk. The six evaluation measures together provide a systematic and prudent process to rigorously evaluate and monitor fund performance by balancing:

1. current expenses, total returns and risk-adjusted statistics;
2. performance analysis over trailing and rolling time periods; and
3. short-, intermediate-, and long-term measurements. In addition to the six evaluation measures, 10 warning signs are monitored to highlight each fund's exposure to potential risks which may render the fund unsuitable as an investment option. The fund evaluation measures, in conjunction with the warning signs, incorporate fiduciary management principles and ERISA best practices to ensure that retirement plan investment committees meet their fiduciary obligations to plan participants. Past performance is not indicative of future results.

Each fund is benchmarked to a specific market index, and fund performance is evaluated and compared to a relevant peer group using Morningstar Category classifications. Peer groups include the entire universe of funds in the Morningstar database, as classified by Morningstar, excluding funds with less than three years of history. Each evaluation measure (except the expense ratio and rolling 12-month total returns) requires a minimum of three years of performance history to compute. There are more uncertainties associated with funds with less than three years of history (unseasoned managers, investment process, style consistency, asset growth, ability to handle large cash flows, etc.), and investment consultants typically require a fund to have at least three years of history before recommending a fund. Consequently, the peer group universe will exclude funds with less than three years of history to ensure the evaluation measures are comparable across all funds within each peer group.

In an effort to eliminate the end point sensitivity associated with trailing performance data (resulting from recent good or bad performance biases), rolling time periods are used in three of the six evaluation measures, primarily the longer-term measures. "Even if performance numbers are accurate and complete, they may still be misleading, depending on when they start and end. This is termed end point sensitivity. The analysis must include various beginning and ending periods. Looking at one ending period is not sufficient."[1] Not only does the statistical confidence of the analysis increase with a larger sample size of data points, but timing and luck factors are further controlled. Moreover, in order to score highly within a rolling time period methodology, a manager must consistently out-perform his peers in a variety of market cycles, not just the most recent.

Combining the Six Evaluation Measures to Compute the Overall Batting Average

For each of the six evaluation measures, all equity, bond and hybrid funds are rated using percentile rankings ranging from 1% (best) to 100% (worst) within their respective Morningstar Category classification (peer group) to determine each fund's relative performance. In order to more effectively communicate fund evaluation results to retirement plan investment committee members who do not have a strong background in statistics or finance, baseball analogies are incorporated in the presentation of the fund evaluation results. Percentile ranks for each evaluation measure are translated into batting averages for presentation purposes (see "Converting Percentile Rank to Batting Average"). Batting averages range from 0.400 (best) to 0.100 (worst). The six evaluation measures are equally weighted to compute each fund's overall batting average within its Morningstar Category classification. This ranking system provides for appropriate comparisons of funds with similar objectives and investment styles.

Cash Equivalents, Index Funds, Separate Accounts, Funds with less than three years of history

Evaluation measures and batting averages are not computed for cash equivalents, index funds, separate accounts or funds with less than three years of performance history. Past performance (3-month, 1-year, 3-year, 5-year, 10-year, or since inception) in relation to each fund's appropriate benchmark is provided for monitoring purposes. Total returns for cash equivalents, separate accounts, and funds with less than three years of history are benchmarked against the appropriate Morningstar peer group returns. Total returns and tracking error are reported for all index funds, benchmarked against each fund's appropriate market index. Past performance is not indicative of future results.

[1] Donald B. Trone, William R. Allbright, and Philip R. Taylor, The Management of Investment Decisions, (New York, NY: McGraw Hill, 1996), pp. 142-143. Compare also: "Getting the return right is a necessary condition for good performance measurement, but it certainly is not sufficient. You should look at performance over many periods, compare the performance with a meaningful benchmark…" William F. Sharpe, "The Sharpe Ratio," The Journal of Portfolio Management, Fall 1994.

Evaluation Measures Detail

Short-term Measures

Operating Expenses (current)

Expense Ratio (current) peer group ranking:	The fund's current expense ratio, based on the most recent operating expense data available to Morningstar.

Fiduciaries must administer the plan in the best interests of plan participants and their beneficiaries. This includes monitoring plan costs to ensure that all plan expenses are reasonable. All else being equal, a low-cost fund is preferred over a high-cost fund. It is no surprise that funds with comparatively high expenses have historically under-performed similar funds with comparatively low expenses. Incorporating an evaluation measure that ranks a fund's expense ratio relative to its peers ensures that low-cost funds are rewarded and high-cost funds are penalized. While there may be a sense that expense ratios are "double weighted" as performance analysis uses returns net of expenses, it is nevertheless appropriate to stress expenses in fiduciary investment management. It is also an explicit fiduciary duty set forth in ERISA, which provides, in relevant part, that a fiduciary must discharge his or her duties with respect to a plan "for the exclusive purpose of (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the plan." (ERISA §404(a)(1)(A). This is known as the "Duty of Loyalty," and is common in trust laws throughout the United States and the rest of the world.[2] This is why it is appropriate for it to be weighted as a separate factor and reflected in the return data sets used for analysis.

Trailing 36-month Sharpe Ratio

Sharpe Ratio (trailing 36-month) peer group ranking:	Compute the trailing 36-month Sharpe ratio using monthly excess cash returns (fund returns minus the 3-month T-bill returns) as follows:

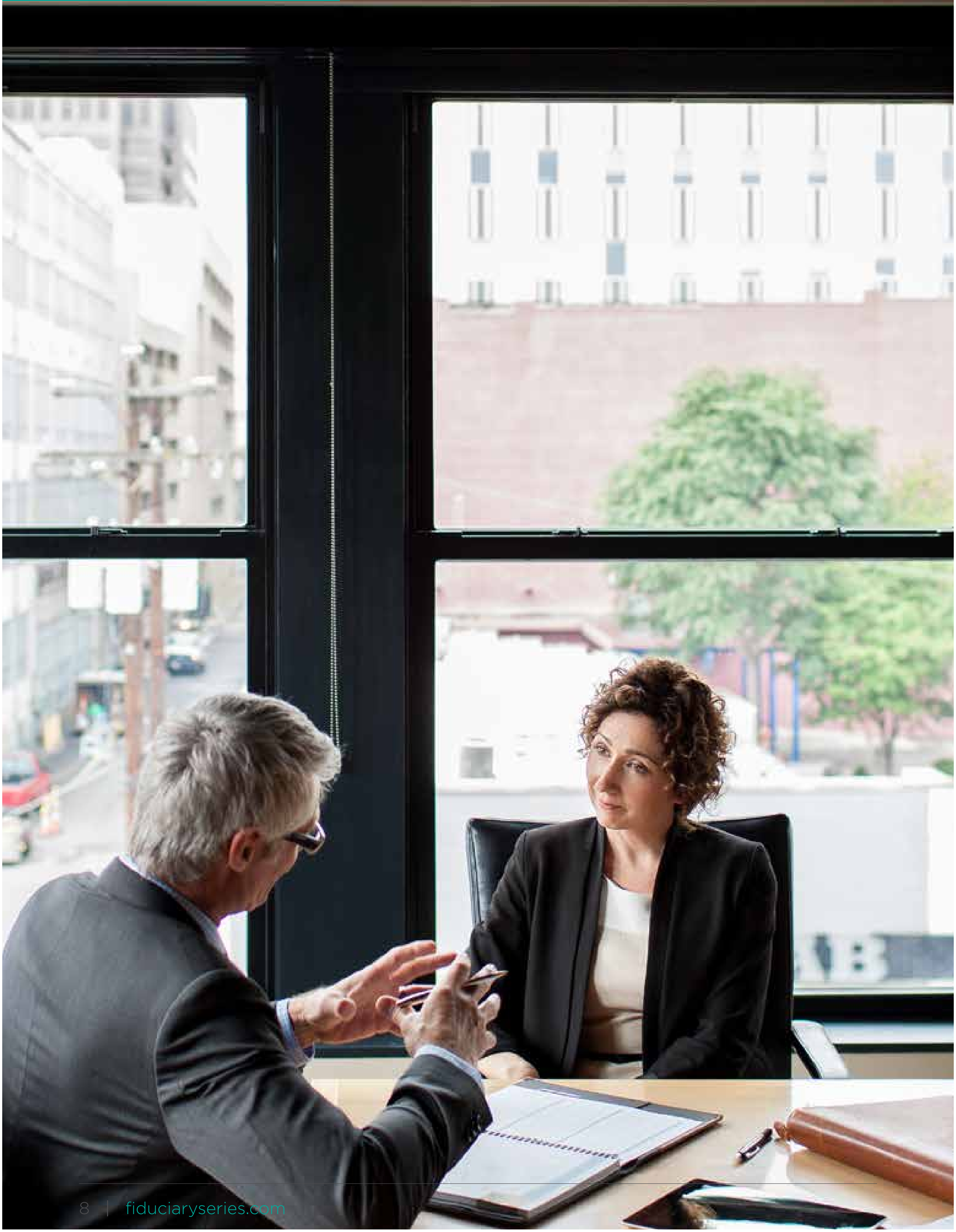
While a fund's total return relative to its peer group is important, it does not take into account the amount of risk the fund's investors assumed to achieve their return. The Sharpe ratio is a risk-adjusted measure of reward per unit of risk, named after Nobel Laureate economist William F. Sharpe. The Sharpe ratio is a useful evaluative measure for anyone who is going to invest in only one fund. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

[2] See also Whitfield v. Cohen, 682 F. Supp. (S.D.N.Y. 1988), where the court identified factors that a prudent fiduciary would do in selecting an investment manager, which include: "Ascertain the reasonableness of the fees."

Underlying the value of the Sharpe Ratio is the holding that over the long run risk and return are related, a holding supported by performance data over very long periods of time.[3] “If one wants to compare track records of managers across widely different asset classes and investment styles, the Sharpe ratio (which is both benchmark-independent and scalable to different levels of risk) is perhaps the best measure of risk-adjusted return.”[4]

[3] There is much to recommend a measure that at least takes into account both risk and expected return over any alternative that focuses only on the latter. For a number of investment decisions, ex ante Sharpe Ratios can provide important inputs. When choosing one from among a set of funds to provide representation in a particular market sector, it makes sense to favor the one with the greatest predicted Sharpe Ratio, as long as the correlations of the funds with other relevant asset classes are reasonably similar. When allocating funds among several such funds, it makes sense to allocate funds such that the selection (residual) risk levels are proportional to the predicted Sharpe Ratios for the selection (residual) returns. If some of the implied net positions are infeasible or involve excessive transaction costs, of course, the decision rules must be modified. Nonetheless, Sharpe Ratios may still provide useful guidance.” William F. Sharpe, “The Sharpe Ratio,” The Journal of Portfolio Management, Fall 1994. The formula used for calculating the Sharpe Ratio is the one found is this article.

[4] Laurence B. Siegel, Kenneth F. Kroner, and Scott W. Clifford, “The Greatest Return Stories Ever Told,” The Journal of Investing, Summer 2001.



Intermediate-term Measures

Trailing 3-year, 5-year, and 10-year Annualized Total Returns (weighted)

Trailing Performance peer group ranking:	50% 3-year, 30% 5-year, 20% 10-year (10 years of history); 60% 3-year, 40% 5-year (≥ 5 years and < 10 years of history); 100% 3-year (< 5 years of history).

The U.S. Department of Labor (DOL) requires investment committees to monitor fund performance and to remove or replace funds that "under-perform." While the DOL does not define under-performance, total return is the most readily available and basic measure of a fund's performance, and annualized total returns are the most frequently requested and reported fund performance information. As a general rule, retirement plan participants tend to focus more on total return than any other fund evaluation measure. Consequently, investment committees typically want to offer funds that have historically generated attractive returns relative to their peer group. The Securities Exchange Commission has established a uniform requirement, which all mutual funds must adhere to, for calculating and reporting annualized trailing total returns (in part due to the general public's tendency to focus on total returns). The trailing total returns performance evaluation measure incorporated in the methodology is weighted (based on the total life of the fund) to place the most emphasis on recent (3-year) returns. Accordingly, distant returns, which may have been produced under different conditions (departed manager, smaller asset base, different investment style and/or investment objective, etc.), carry relatively less weight. The use of asset allocation does not guarantee returns or insulate you from potential losses.

Rolling 36-month Information Ratios for the past six years (72 rolling 36-month information ratios)

Information Ratio (rolling 36-month) peer group ranking:	Compute rolling 36-month information ratios for each of the prior 72 months (72 rolling 36-month information ratios, or the maximum number of rolling 36-month information ratios available). The peer group ranking is determined for each rolling 36-month period, and the average (mean) peer group ranking over the 36 rolling periods is computed. The information ratio is computed using monthly excess benchmark returns (fund returns minus the fund's specific market benchmark returns) as follows: (Annualized average of the 36 monthly excess benchmark returns)/(Annualized standard deviation of the 36 monthly excess benchmark returns)

The specific market benchmarks (indices) for all funds within each peer group (Morningstar Category classification) are detailed on the next page. The market benchmarks may be revised from time to time if Morningstar determines that other indices are more appropriate.

Market Benchmarks

for Computing the Information Ratio and R2

	Morningstar Category Classification	Market Benchmark
1	Money Market	Citigroup U.S. Domestic 3-Month T-Bill Index
2	Money Market Tax Free	Citigroup U.S. Domestic 3-Month T-Bill Index
3	Muni National Short	Lehman Municipal Bond Index
4	Muni National Interm	Lehman Municipal Bond Index
5	Muni National Long	Lehman Municipal Bond Index
6	Muni Single State Short	Lehman Municipal Bond Index
7	Muni Single State Intermediate	Lehman Municipal Bond Index
8	Muni Single State Long	Lehman Municipal Bond Index
9	Muni Pennsylvania	Lehman Municipal Bond Index
10	Muni Ohio	Lehman Municipal Bond Index
11	Muni Massachusetts	Lehman Municipal Bond Index
12	Muni Minnesota	Lehman Municipal Bond Index
13	Muni Florida	Lehman Municipal Bond Index
14	Muni New Jersey	Lehman Municipal Bond Index
15	Muni New York Int/Sh	Lehman Municipal Bond Index
16	Muni New York Long	Lehman Municipal Bond Index
17	Muni California Long	Lehman Municipal Bond Index
18	Muni California Int/Sh	Lehman Municipal Bond Index
19	High Yield Muni	Lehman Municipal Bond Index
20	Ultrashort Bond	Lehman 1-5 yr Government / Credit Index
21	Short Government	Merrill 1-3 yr Treasury Index
22	Short-Term Bond	Lehman 1-5 yr Government / Credit Index
23	Intermediate Government	Lehman Intermediate Government Index
24	Intermediate-Term Bond	Lehman Aggregate Bond Index
25	Inflation-Protected Bond	Lehman Long-Term Government Index
26	Long Government	Lehman Long-Term Government Index
27	Long-Term Bond	Lehman Long-Term Government / Credit Index
28	Multisector Bond	Lehman High Yield Index
29	High Yield Bond	Lehman High Yield Index
30	Bank Loan	Lehman High Yield Index
31	World Bond	Lehman Composite Global Index
32	Emerging Markets Bond	Lehman Emerging Markets Index
33	Specialty-Real Estate	FTSE NAREIT Equity Index
34	Conservative Allocation	Blend 40% S & P 500 Index / 60% Lehman Aggregate
35	Target-Date 2000-2014	Blend 40% S & P 500 Index / 60% Lehman Aggregate
36	Moderate Allocation	Blend 60% S & P 500 Index / 40% Lehman Aggregate Bond Index (rebalanced monthly)

All market benchmarks must have six years of history and may be revised if Morningstar determines that other market benchmarks are more appropriate.”

	Morningstar Category Classification	Market Benchmark
37	Target-Date 2015-2029	Blend 60% S & P 500 Index / 40% Lehman Aggregate
38	Target-Date 2030+	Blend 80% S & P 500 Index / 20% Lehman Aggregate
39	World Allocation	Blend 60% MSCI World Index / 40% Lehman Composite Global Index (rebalanced monthly)
40	Convertibles	Lehman 1-5 yr Government / Credit Index
41	Large Value	S & P 500/Citigroup Value Index
42	Large Blend	S & P 500 Index
43	Large Growth	S & P 500/Citigroup Growth Index
44	Mid-Cap Value	Russell Mid-Cap Growth Index
45	Mid-Cap Blend	Russell Mid-Cap Index
46	Mid-Cap Growth	Russell Mid-Cap Growth Index
47	Small Value	Russell 2000 Value Index
48	Small Blend	Russell 2000 Growth Index
49	Small Growth	Russell 2000 Value Index
50	World Stock	MSCI World Index
51	Foreign Large Value	MSCI EAFE Index
52	Foreign Large Blend	MSCI EAFE Index
53	Foreign Large Growth	MSCI EAFE Index
54	Foreign Small/Mid Value	S & P / Citi EMI World ex US Index
55	Foreign Small/Mid Growth	S & P / Citi EMI World ex US Index
56	Europe Stock	MSCI Europe Index
57	Diversified Pacific/Asia	S & P / Citi BMI Asia Pacific Index
58	Pacific/Asia ex-Japan Stk	S & P / Citi BMI Asia Pacific Index
59	Japan Stock	MSCI Japan Index
60	Diversified Emerging Mkts	MSCI Emerging Markets Index
61	Latin America Stock	S & P IFCI Latin America Index
62	Long-Short	S & P 500 Index
63	Specialty-Natural Res	S & P Energy Index
64	Specialty-Utilities	S & P Utilities Index
65	Specialty-Precious Metals	S & P Basic Materials Index
66	Specialty-Health	S & P Healthcare Index
67	Specialty-Financial	S & P Financials Index
68	Specialty-Communications	S & P Telecommunications (Cell / Wireless) Index
69	Specialty-Technology	S & P Technology Index

Market indices have been provided for comparison purposes only; they are unmanaged and no fees or expenses have been reflected. Individuals cannot invest directly in an index.

The information ratio is a measure of the consistency of a fund’s excess benchmark returns and focuses specifically on the value added or subtracted by the manager. This evaluation measure analyzes the value added per unit of deviation from the fund’s targeted asset class (market benchmark). Research indicates evidence of a positive correlation between a high information ratio (one that is statistically significant) and performance persistence, an indication of the quality of a fund’s management and overall investment process. “Independent of the relationship between alpha and tracking error, the information ratio is a significant indicator of the persistence of manager performance... In short, the information ratio reflects managers’ information sets over and above that of the general public as well as their ability to outperform the average or median manager.”[5] Performance evaluation utilizing rolling 36-month windows serves to lessen the problem of end point sensitivity associated with trailing performance data (resulting from recent good or bad performance biases). In order to score highly within a rolling time period methodology, a manager must consistently out-perform his peers in a variety of market cycles, not just the most recent one. The average (mean) peer group ranking over the 72 rolling periods incorporated in this evaluation measure results in an equal weighting of all rolling 36-month periods.

[5] Francis Gupta, Robertus Prajogi, and Eric Stubbs, “The Information Ratio and Performance”, The Journal of Portfolio Management, vol. 26, Fall 1999.

Long-term Measures

Rolling 12-month Total Returns for the past 10 years (108 rolling 12-month total returns)

Performance Consistency (rolling 12-month total returns) peer group ranking:	Compute rolling 12-month total returns for each of the prior 120 months (108 rolling 12-month total returns, or the maximum number of rolling 12-month total returns available). The peer group ranking is determined for each rolling 12-month period, and the average (mean) peer group ranking over the 108 rolling periods is computed.

This measure seeks to identify funds that have historically delivered consistent strong performance relative to their peer group over the long-term. It is not uncommon to find top-performing funds (as measured by total return) that achieved their results on the strength of remarkable gains in one or two extraordinary years. In some cases, these same funds under-performed their peer group in two out of three years (or three out of five years). Performance evaluation utilizing rolling 12-month windows serves to lessen the problem of end point sensitivity associated with trailing performance data (resulting from recent good or bad performance biases). In order to score highly within a rolling time period methodology, a manager must consistently out-perform his peers over time. The 12-month windows incorporated in this evaluation measure capture the annual accounting and financial reporting cycle and any seasonality factors that may impact corporate earnings and operations. The average (mean) peer group ranking over the 108 periods results in an equal weighting of all rolling 12-month periods.

Rolling 36-month Style Selection Returns for the past 10 years (84 rolling 36-month style selection returns)

Style Selection Return (rolling 36-month) peer group ranking:	Compute rolling 36-month style selection returns for each of the prior 120 months (84 rolling 36-month style selection returns, or the maximum number of rolling 36-month style selection returns for which data are available). The peer group ranking is determined for each rolling 36-month period, and the average (mean) peer group ranking over the 84 rolling periods is computed. The style selection return computation uses style attribution analysis to determine the custom portfolio benchmark specific to each fund. Style attribution analysis estimates a fund's exposure to different asset classes and styles over time by analyzing the pattern and consistency of a series of the fund's returns compared to the returns of various style benchmarks. The computation involves multi-factor regression to calculate thousands of different possible asset allocations, and the portfolio mix with the highest correlation to the fund is selected as the custom portfolio benchmark for comparison. The returns of the custom portfolio benchmark are subtracted from the returns of the fund, and the residual is the style selection return.

By evaluating the fund's performance in relation to the custom portfolio benchmark, style selection return isolates the value added or subtracted by the manager's timing and security selection skills. Since style attribution analysis estimates a fund's exposure to different asset classes and styles over time, the impact of style-drift — changing exposures to various style benchmarks over time — is reduced. Performance evaluation using rolling 36-month windows serves to lessen the problem of end point sensitivity associated with trailing performance data (resulting from recent good or bad performance biases). In order to score highly within a rolling time period methodology, a manager must consistently out-perform his peers in a variety of market cycles, not just the most recent. The average (mean) peer group ranking over the 84 rolling periods incorporated in this evaluation measure results in an equal weighting of all rolling 36-month periods. Some consider this to be one of the most useful ways to analyze a fund.[6]

The specific market benchmarks incorporated in the style attribution analysis for all funds within each peer group (asset class) are outlined below. The market benchmarks may be revised from time to time if Morningstar determines that other indices are more appropriate. Benchmarks are as of June 2008. For more information, visit morningstar.com.

[6] Sharpe says: "I should point out that there are some circumstances in which a generalized version of the Sharpe Ratio (which is sometimes called an Information Ratio) can be helpful. The basic notion of Sharpe Ratios is that you consider the mean divided by the standard deviation of differences between two returns. The argument is that, to the extent you can combine those two returns, such a measure may make sense because it is scale-independent. Well, I continue to think it's a lot better than I ever expected it to be. Of course you could argue that my expectations were low. But having used it extensively since I first came up with it in 1987 in the institutional world consulting with pension funds, in this and in other countries with mutual funds, I can say that it's remarkable how much evidence you get on managers' activities from relatively few numbers. It is also true that when your manager has changed style recently and plans to make this change permanent, Style Analysis using only the fund's past returns is not going to be able to identify the change for a while. And people rightfully point to those cases as ones in which standard kinds of Style Analysis using a fund's historic returns is not going to do the job for you. On the other hand, managers tend to stick to a style and this is increasingly the case. To the extent that a manager sticks to a style, historic returns will tell you quite a bit about the style that on average they had in the past and on average will likely have in the future. And even if you've got a style rotator, for most applications you really want to know the style over the next one to three to five years, rather than the style tomorrow. So even if a manager has recently rotated into growth stocks, but averages 50/50 value/growth, what you really want is a longitudinal view of where he or she has been on average, because you want to know where the fund is going to be on average over the next, say, three years." "An Interview on Performance Measurement," Journal of Performance Measurement, Winter 1998/1999.

Return Calculation

Indices for Style Attribution Analysis * Style Selection

Peer Group Asset Class	Style Index 1	Style Index 2	Style Index 3	Style Index 4	Style Index 5
U.S. Investment Grade Taxable Bond	Not Used	Citigroup Corp 1-10 yr	Citigroup Corp 10+ yr	Citigroup Treasury 1-10 yr	Citigroup Treasury 10+ yr
Asset Allocation/ Balanced/Hybrid	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500 / Citigroup Value	S&P 500 / Citigroup Growth	Lehman Brothers Aggregate Bond	MSCI EAFE
All Diversified U.S. Equity	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500 / Citigroup Value	S&P 500 / Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
World Stock	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500	MSCI Europe	MSCI Japan	MSCI Emerging Mkts Equity
International Large Cap Equity	Citigroup U.S. Domestic 3-month T-bill Index	Citigroup Europe Primary Market Index Value	Citigroup Europe Primary Market Index Growth	Citigroup Asia Pacific Primary Market Index Value	Citigroup Asia Pacific Primary Market Index Growth
International Small Cap Equity	Citigroup U.S. Domestic 3-month T-bill Index	Citigroup Europe Extended Market Index Value	Citigroup Europe Extended Market Index Growth	Citigroup Asia Pacific Extended Market Index Value	Citigroup Asia Pacific Extended Market Index Growth
High-yield/Multisector/ Global/Foreign Bond	Not Used	Lehman Brothers Aggregate Bond	Citigroup High Yield	Citigroup Non-U.S. 5+ yr Govt.	Lehman Emerging Markets
Municipal Bond	Not Used	Lehman Municipal 1 yr	Lehman Municipal 5 yr	Lehman Municipal 10 yr	Lehman Municipal 20 yr
Diversified Emerging Markets *	Citigroup U.S. Domestic 3-month T-bill Index	S&P IFCI Asia	MSCI Emerging Europe/ Mid East	S&P IFCI Latin America	MSCI South Africa
Europe Stock *	Citigroup U.S. Domestic 3-month T-bill Index	MSCI Eure	N/A	N/A	N/A
Diversified Pacific/ Pacific/ Asia ex Japan*	Citigroup U.S. Domestic 3-month T-bill Index	S&P Citi BMI Asia Pacific	N/A	N/A	N/A
Latin American Stock *	Citigroup U.S. Domestic 3-month T-bill Index	S&P IFCI Latin America	N/A	N/A	N/A
Japan Stock *	Citigroup U.S. Domestic 3-month T-bill Index	MSCI Japan	N/A	N/A	N/A
Specialty-Real Estate*	Citigroup U.S. Domestic 3-month T-bill Index	FTSE NAREIT Equity Index	N/A	N/A	N/A
Specialty-Technology*	Citigroup U.S. Domestic 3-month T-bill Index	S&P Technology	N/A	N/A	N/A
Specialty-Communication *	Citigroup U.S. Domestic 3-month T-bill Index	S&P Telecomm. (Cell / Wireless)	N/A	N/A	N/A
Specialty-Financial *	Citigroup U.S. Domestic 3-month T-bill Index	S&P Financials	N/A	N/A	N/A
Specialty-Health *	Citigroup U.S. Domestic 3-month T-bill Index	S&P Healthcare	N/A	N/A	N/A
Specialty-Natural Resources *	Citigroup U.S. Domestic 3-month T-bill Index	S&P Energy	N/A	N/A	N/A
Specialty-Utilities *	Citigroup U.S. Domestic 3-month T-bill Index	S&P Utilities	N/A	N/A	N/A
Specialty-Precious Metals *	Citigroup U.S. Domestic 3-month T-bill Index	S&P Basic Materials	N/A	N/A	N/A

All indices for style box charts must have six years of history and may be revised if Morningstar determines that other indices are more appropriate.

Peer Group Asset Class	Style Index 1	Style Index 2	Style Index 3	Style Index 4	Style Index 5
U.S. Investment Grade Taxable Bond	Not Used	Citigroup Corp 1-10 yr	Citigroup Corp 10+ yr	Citigroup Treasury 1-10 yr	Citigroup Treasury 10+ yr
Asset Allocation/ Balanced/Hybrid	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Lehman Brothers Aggregate Bond	MSCI EAFE
All Diversified U.S. Equity	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
World Stock	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500	MSCI Europe	MSCI Japan	MSCI Emerging Mkts Equity
International Large Cap Equity	Citigroup U.S. Domestic 3-month T-bill Index	Citigroup Europe Primary Market Index Value	Citigroup Europe Primary Market Index Growth	Citigroup Asia Pacific Primary Market Index Value	Citigroup Asia Pacific Primary Market Index Growth
International Small Cap Equity	Citigroup U.S. Domestic 3-month T-bill Index	Citigroup Europe Extended Market Index Value	Citigroup Europe Extended Market Index Growth	Citigroup Asia Pacific Extended Market Index Value	Citigroup Asia Pacific Extended Market Index Growth
High-yield/Multisector/ Global/Foreign Bond	Not Used	Lehman Brothers Aggregate Bond	Citigroup High Yield	Citigroup Non-U.S. 5+ yr Govt.	Lehman Emerging Markets
Municipal Bond	Not Used	Lehman Municipal 1 yr	Lehman Municipal 5 yr	Lehman Municipal 10 yr	Lehman Municipal 20 yr
Diversified Emerging Markets *	Citigroup U.S. Domestic 3-month T-bill Index	S&P IFCI Asia	MSCI Emerging Europe/ Mid East	S&P IFCI Latin America	MSCI Emerging South Africa
Europe Stock *	Citigroup U.S. Domestic 3-month T-bill Index	Citigroup Europe Primary Market Index Value	Citigroup Europe Primary Market Index Growth	Citigroup Europe Extended Market Index Value	Citigroup Europe Extended Market Index Growth
Diversified Pacific/ Pacific/Asia ex Japan*	Citigroup U.S. Domestic 3-month T-bill Index	Citigroup Asia Pacific x Japan Primary Market Index Value	Citigroup Asia Pacific x Japan Primary Market Index Growth	Citigroup Asia Pacific x Japan Extended Market Index Value	Citigroup Asia Pacific x Japan Extended Market Index Growth
Latin American Stock *	Citigroup U.S. Domestic 3-month T-bill Index	S&P IFCI Asia	MSCI Emerging Europe/ Mid East	S&P IFCI Latin America	MSCI Emerging South Africa
Japan Stock *	Citigroup U.S. Domestic 3-month T-bill Index	Citigroup Japan Primary Market Index Value	Citigroup Japan Primary Market Index Growth	Citigroup Japan Extended Market Index Value	Citigroup Japan Extended Market Index Growth
Specialty-Real Estate*	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
Specialty-Technology*	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
Specialty-Communication *	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
Specialty-Financial *	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
Specialty-Health *	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
Specialty-Natural Resources *	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
Specialty-Utilities *	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth
Specialty-Precious Metals *	Citigroup U.S. Domestic 3-month T-bill Index	S&P 500/ Citigroup Value	S&P 500/ Citigroup Growth	Russell 2000 Value	Russell 2000 Growth

* Emerging markets equity, economic sector, and region funds have different style box regression factors (compared to the regression factors for computing style selection return), as four corners (indices) are needed to complete the style box graphic (rather than the single factor regression found in the style selection return calculation).

Warning Signs Detail

Warning Signs Overview

In addition to measuring and evaluating fund performance as outlined in "Evaluation Methodology: Batting Average Computation Detail," other important fund criteria are monitored in order to highlight exposure to potential risks which may render the fund unsuitable as an investment option. Furthermore, warning signs generally cast doubt on the sustainability of a fund's higher total return (although they generally do not cast doubt on the sustainability of a fund's higher volatility). While the various warning signs do not impact a fund's overall batting average computation (with the exception of operating expenses), they are identified and disclosed to reveal potential risks and provide relevant information that can help investment committees make prudent investment decisions.

Equity funds will be monitored for the following warning signs:	Bond funds will be monitored for the following warning signs:	Hybrid funds (asset allocation, balanced) will be monitored for the following warning signs:
• High operating expenses • High individual holding concentration • High economic sector concentration (domestic equity) / country concentration (foreign) • High performance volatility • High portfolio turnover • Low style purity • Low manager tenure • Low asset base	• High operating expenses • High performance volatility • High duration bet • Low credit quality average • Low manager tenure • Low asset base	• High operating expenses • High individual holding concentration • High economic sector concentration (domestic equity) / country concentration (foreign) • High performance volatility • High portfolio turnover • Low style purity • Low manager tenure • Low asset base

A caution graphic will indicate that a fund exhibits a warning sign. A caution graphic will be shown next to each warning sign exhibited by a fund. The use of asset allocation does not guarantee returns or insulate you from potential losses.

Cash Equivalents, Index Funds, Separate Accounts, funds with less than three years' history

Warning signs are not listed for cash equivalents, index funds, separate accounts or funds with less than three years of performance history. Past performance (3-month, 1-year, 3-year, 5-year, 10-year, or since inception) in relation to each fund's appropriate benchmark is provided for monitoring purposes.

Individual Warning Signs

High operating expenses (equity, bond, hybrid)

Rank each fund within its peer group based on the most recent operating expense data available to Morningstar. Flag (to display as an exception or error) funds that have an operating expense ratio above the peer group average.

A high operating expense ratio is undesirable because of its potential drag on investment performance. Fiduciaries have an ongoing duty to monitor plan costs to ensure that all expenses are reasonable, which includes selecting investment options with reasonable expenses and monitoring those expenses on an ongoing basis.

High economic sector / country concentration (equity, hybrid)

Flag (to display as an exception or error) domestic equity and hybrid funds with more than the greater of 25% of assets or 1.5 times the peer group average sector weight in any one economic sector. Flag global and foreign equity and hybrid funds with more than the greater of 25% of assets or 1.5 times the peer group average country weight in any one country. The high economic sector concentration flag applies only to the equity portion of a hybrid fund.

High economic sector / country concentration is undesirable because of the increased potential for high volatility and large losses. A fund with high economic sector concentration or high country concentration may be taking greater risks than may be suitable for retirement plan participants.

High individual holding concentration (equity, hybrid)

Flag (to display as an exception or error) equity and hybrid funds with more than 10% of assets in any one stock, OR more than 50% of assets in the top ten holdings (excluding real estate funds), OR less than 40 holdings (excluding real estate funds). High individual holding concentration is undesirable because of the increased potential for high volatility and large losses. A large weighting in a single investment involves higher risks than may be suitable for retirement plan participants.

High performance volatility (equity, bond, hybrid)

Rank each fund within its peer group by 3-year average annualized standard deviation of monthly returns. Flag (to display as an exception or error) the funds in each peer group with a standard deviation of returns in the highest 10% of their peer group.

High performance volatility is undesirable because of the increased potential for large losses. A fund with highly volatile past performance may be taking greater risks than may be suitable for retirement plan participants.

High portfolio turnover (equity)

Rank each equity fund within its peer group by portfolio turnover. Flag (to display as an exception or error) the funds in each equity peer group with portfolio turnover in the highest 10% of their peer group.

High portfolio turnover is undesirable because of the increased “hidden costs” associated with trading securities. Such costs, which directly reduce net assets and are not included in the fund’s expense ratio, include commissions, bid/ask spreads, and impact costs.

Low style purity (equity)

Rank each equity fund within its peer group by correlation with the market benchmark assigned to the fund's Morningstar Category classification. Regress each equity fund's monthly returns against the monthly returns of its corresponding market benchmark using a single 36-month trailing period computation. Flag (to display as an exception or error) equity funds within the lowest 10% of R-squared for each peer group. The market benchmarks assigned to each peer group are identified in the information ratio computation section in "Evaluation Methodology: Batting Average Computation Detail".

Low style purity is undesirable because of the decreased usefulness of the fund within a strategic asset allocation framework. Additionally, it is more difficult to fairly and accurately evaluate a fund with low style purity because of the lack of a suitable market benchmark and peer group.

High duration bet (bond, hybrid)

Flag (to display as an exception or error) bond and hybrid funds with a 3-year average duration 1.5 or more years above or below the 3-year average duration of the peer group. The high duration bet flag applies only to the bond portion of a hybrid fund.

A high duration bet in a bond fund is undesirable because of the increased potential for a fund to have large deviations from its benchmark's performance. A bond fund's duration is an important variable in accounting for deviations in its performance relative to its benchmark. A bond fund is typically used as a defensive, relatively low-risk option within a retirement plan, and it is important that the fund have an expected risk/reward profile similar to the benchmark employed within a strategic asset allocation framework.

Low credit quality average (bond, hybrid)

Flag (to display as an exception or error) bond and hybrid funds with a current average credit rating below single A (S&P ratings). The low credit quality average flag applies only to the bond portion of a hybrid fund.

A low credit quality average in a bond fund is undesirable because of the increased potential for high volatility and large losses. A high exposure to low credit quality bonds increases the risk of issuer defaults which, in turn, may have a significant negative impact on a bond fund's performance. A bond fund is typically used as a defensive, relatively low-risk option within a retirement plan, and it is important that the fund have a similar expected risk/reward profile as the benchmark employed within a strategic asset allocation framework.

Low manager tenure (equity, bond, hybrid)

Flag (to display as an exception or error) funds whose portfolio managers have less than one year of tenure managing the fund. Low manager tenure is undesirable for several reasons. First, a new manager is more likely to make style changes to the fund that may compromise the fund's usefulness within a strategic asset allocation framework. Second, a manager change lessens the validity of the past performance data used in evaluating the fund. Finally, the new manager may lack the adequate skill or experience to manage the fund effectively.

Low asset base (equity, bond, hybrid)

Flag (to display as an exception or error) funds with less than $50 million in assets. A low asset base may be considered undesirable for several reasons. First, a fund with a low asset base may not have achieved the economies of scale necessary to reduce transaction and operational costs. Second, a fund with a low assetbase may have liquidity problems associated with the cash flow variability of large retirement plans. Finally, a low asset base may make it difficult for a fund manager to construct and maintain an adequately diversified portfolio.

Above or Below Average

Each fund in the Morningstar fund universe with three or more years of performance history is evaluated and monitored on a quarterly basis and assigned an overall fund status rating according to the following criteria:

Above-Average Quality Fund:

Equity, bond and hybrid funds:	Overall fund batting average of 0.250 or higher
Index funds:	5-year gross performance tracking error of 1.00% or lower (use 3 years if the fund has less than 5 years of performance history)
Cash equivalents:	Expense ratio less than or equal to 0.80%

Below-Average Quality Fund:

Equity, bond and hybrid funds:	Overall fund batting average less than 0.250
Index funds:	5-year gross performance tracking error greater than (use 3 years if the fund has less than 5 years of performance history)
Cash equivalents:	Expense ratio greater than 0.80%

Overall fund batting average is based on the six individual fund evaluation measures, weighted equally.

Fund Replacement

The program will either suggest or inquire if the investment committee is interested in reviewing alternative replacement funds if a fund is rated below-average for three or more of the past four quarters, as of the annual investment review date (typically one to three months after calendar year-end).

Baseball Analogy

To more effectively communicate fund evaluation results to investment committee members who do not have a strong background in statistics or finance, a baseball analogy is incorporated in the presentation of the fund evaluation results. For every equity, bond, and hybrid fund within each peer group, the percentile rank for each evaluation measure is converted to a "batting average" using the formula below (not applicable to cash equivalents, index funds, separate accounts or funds with less than three years of history).

Converting Percentile Rank to Batting Average

Assuming 1% is the best and 100% is the worst percentile rank, consider the percentile in decimal form (Example: 75% = 0.75), and convert using the equation below. Batting averages range from 0.400 (best) to 0.100 (worst).

Equation:

(((1 – Percentile Rank) * 3) + 1) / 10 = Batting Average

Examples:

Fund ranks in 25th percentile: (((1 - 0.25) * 3) + 1) / 10 = 0.325

Fund ranks in 50th percentile: (((1 - 0.50) * 3) + 1) / 10 = 0.250

Fund ranks in 75th percentile: (((1 - 0.75) * 3) + 1) / 10 = 0.175

This process results in a batting average between 0.400 (best) and 0.100 (worst) for each evaluation measure. Since the batting averages are simply restated percentile rankings, they are comparable across all funds within each peer group. Finally, the overall fund batting average is computed by calculating the average (mean) of the six individual evaluation measures (equal weighting). The resulting overall fund batting average is a relevant and useful measure for comparing alternative funds within each peer group.

Batting Average Summary

Each equity, bond and hybrid fund in the Morningstar database is evaluated on the basis of six measures that quantify the relative operating expenses, total returns and risk-adjusted performance of each fund within its peer group. The evaluation methodology is not an attempt to predict a fund's future potential; it summarizes how well each fund has historically balanced expenses, returns and risk. The six measures are equally weighted to compute each fund's percentile rank ranging from 1% (best) to 100% (worst) within its Morningstar Category. Percentile ranks are translated into batting averages for presentation purposes — batting averages range from 0.400 (best) to 0.100 (worst).

Evaluation Measures — Equity, Bond and Hybrid Funds:

Short-term Measures:	Intermediate-term Measures:	Long-term Measures:
• Operating Expenses (current) • Trailing 36-month Sharpe Ratio	• Trailing 3-year, 5-year, and 10-year Annualized Total Returns (weighted) • Rolling 36-month Information Ratios for the past 6 years (72 rolling 36-month information ratios)	• Rolling 12-month Total Returns for the past 10 years (108 rolling 12-month total returns) • Rolling 36-month Style Selection Returns for the past 10 years (84 rolling 36-month style selection returns)

Evaluation measures and batting averages are not computed for index funds, cash equivalents, separate accounts and funds with less than three years of performance history. Past performance (3-month, 1-year, 3-year, 5-year, 10-year or since inception) in relation to each fund's appropriate benchmark is provided for monitoring purposes.

Warning Signs Summary

In addition to measuring fund performance as outlined in the Evaluation Methodology Batting Average Computation Summary, other important fund criteria are monitored in order to highlight exposure to potential risks which may render the fund unsuitable as an investment option. Warning signs generally cast doubt on the sustainability of a fund's higher total returns. While the various warning signs do not impact a fund's overall batting average computation (with the exception of operating expenses), they are identified and disclosed to reveal potential risks and help investment committees make prudent investment decisions.

A caution graphic will indicate that a fund exhibits a warning sign. A caution graphic will be shown next to each warning sign exhibited by a fund.

Equity funds will be monitored for the following warning signs:

> High operating expenses
> High individual holding concentration
> High economic sector concentration (domestic equity)/country concentration (foreign)
> High performance volatility
> High portfolio turnover
> Low style purity
> Low manager tenure
> Low asset base

Bond funds will be monitored for the following warning signs:

> High operating expenses
> High performance volatility
> High duration bet
> Low credit quality average
> Low manager tenure
> Low asset base

Hybrid funds (asset allocation, balanced) will be monitored for the following warning signs:

> High operating expenses
> High individual holding concentration
> High economic sector concentration (domestic equity)/country concentration (foreign)
> High performance volatility
> High duration bet
> Low credit quality average
> Low manager tenure
> Low asset base

Warning signs are not listed for index funds, cash equivalents, separate accounts or funds with less than three years of performance history. Past performance (3-month, 1-year, 3-year, 5-year, 10-year or since inception) in relation to each fund's appropriate benchmark is provided for monitoring purposes.

Fund Status Summary

Each fund in the Morningstar fund universe with three or more years of performance history is evaluated and monitored on a quarterly basis and assigned an overall fund status rating according to the following criteria.

Above-Average Quality Fund:

- Equity, bond and hybrid funds: Overall fund batting average of 0.250 or higher
- Index funds: 5-year gross performance tracking error of 1.00% or lower (use 3 years if the fund has less than 5 years of performance history)
- Cash equivalents: Expense ratio less than or equal to 0.80%

Below-Average Quality Fund:

- Equity, bond and hybrid funds: Overall fund batting average less than 0.250
- Index funds: 5-year gross performance tracking error greater than 1.00% (use 3 years if the fund has less than 5 years of performance history)
- Cash equivalents: Expense ratio greater than 0.80%

Overall fund batting average is based on the six individual fund evaluation measures, weighted equally.

Fund Replacement:

The program will either suggest or inquire if the investment committee is interested in reviewing alternative replacement funds if a fund is rated below-average for three or more of the past four quarters, as of the annual investment review date (typically one to three months after calendar year-end).

Notes

Notes

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Each fund is evaluated on the basis of six evaluation measures (fund evaluation measures) that quantify the relative operating expenses, total returns and risk-adjusted performance of a fund within its peer group. The total returns of cash equivalents and index funds are evaluated against their specific market benchmarks. The evaluation methodology is not an attempt to predict a fund's future potential; it summarizes how well each fund has historically balanced expenses, returns and risk. The six evaluation measures together provide a systematic process to evaluate and monitor funds using generally accepted investment principles and modern portfolio theories. For each of the six evaluation measures, all funds are ranked using percentile rankings ranging from 1% (best) to 100% (worst) within their respective peer group to determine each fund's relative performance. Percentile ranks for each evaluation measure are translated into "batting averages" for presentation purposes. Batting averages range from 0.400 (best) to 0.100 (worst). The six evaluation measures are equally weighted to compute each fund's overall batting average within its peer group, which is used to determine each fund's status rating. This ranking system provides for appropriate comparisons of funds with similar objectives and investment styles. The batting average is not adjusted for any plan or Nationwide charge's or expenses (if applicable). This report must be accompanied by the Fund Evaluation and Monitoring Methodology which is available at www.fiduciaryseries.com. Detailed batting average information for each fund can also be obtained at this website.

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