

# **NATIONWIDE FUND ADVISORS**

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## **Part 2A of Form ADV**

This Form ADV Part 2A Brochure provides information about the qualifications and business practices of Nationwide Fund Advisors (“NFA”). If you have any questions about the contents of this Brochure, please contact us at (610) 230-2800. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about NFA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NFA is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## **Item 2 – Material Changes**

Nationwide Fund Advisors (“NFA”) is an investment adviser registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (“Advisers Act”). Prior to the date of this Brochure, all of NFA’s clients were investment companies that were registered under the Investment Company Act of 1940, as amended (“1940 Act”), subject to investment advisory contracts with such clients that met the requirements of Section 15(c) of the 1940 Act. Pursuant to Rule 203-1 of the Advisers Act, NFA therefore was not required to prepare or file with the SEC brochure documents that meet the disclosure requirements of Part 2A and Part 2B of Form ADV. **As this is the first publication of NFA’s Form ADV, Part 2A, there are no material changes to note.**

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#### **Item 4 – Advisory Business**

Nationwide Fund Advisors (“NFA”) is an investment adviser registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (“Advisers Act”). NFA was organized in 1999 as an investment adviser and is a wholly-owned subsidiary of Nationwide Financial Services, Inc. (“Nationwide Financial”). Nationwide Financial, a holding company, is a direct wholly-owned subsidiary of Nationwide Corporation. All of the common stock of Nationwide Corporation is held by Nationwide Mutual Insurance Company (95.2%) and Nationwide Mutual Fire Insurance Company (4.8%) (collectively, “Nationwide Mutual”), each of which is a mutual insurance company owned by its policyholders. NFA may do business, either individually or together with its affiliates Nationwide Fund Management LLC (“NFM”) and Nationwide Fund Distributors LLC (“NFD”), using the names “Nationwide Funds Group” or “Nationwide Investment Management Group.”

NFA is an investment adviser to open-end management investment companies that are registered as such under the Investment Company Act of 1940, as amended (“1940 Act”) and to an unregistered managed separate account that is sponsored by Nationwide Life Insurance Company (“Nationwide Life”), an affiliate of NFA.

#### **Nationwide Large Cap Growth Portfolio**

NFA is the investment adviser to the Nationwide Large Cap Growth Portfolio (the “LCG Portfolio”), an unregistered managed separate account designed to provide investors with access to diversified and complementary equity investment strategies from multiple specialized investment managers through investment in a single portfolio. The LCG Portfolio is sponsored by Nationwide Life, which is affiliated with NFA, and is exempt from registration under the federal securities laws pursuant to an exemption available in Section 3(c)(11) of the 1940 Act and an exemption available in Section 3(a)(2) of the Securities Act of 1933, as amended. Interests in the LCG Portfolio are available as investment options only through participation in retirement plans described in Section 401(a) of the Internal Revenue Code of 1986, as amended (the “IRC”) and deferred compensation plans described in Section 457(b) of the IRC that are exempt from the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), whether directly or through participation in a group annuity contract that invests in the LCG Portfolio. The LCG Portfolio is governed by a Board of Managers consisting of employees of Nationwide Financial.

#### **Nationwide Funds**

NFA currently provides investment advisory services for Nationwide Mutual Funds and Nationwide Variable Insurance Trust (collectively, the “Nationwide Funds”), each of which consists of multiple series, or portfolios (“Funds”). The Nationwide Funds are registered as open-end investment companies under the 1940 Act, and are governed by a Board of Trustees, eight of the nine members of which are independent of Nationwide Mutual, Nationwide Financial, Nationwide Life and NFA.

#### **Investment Advisory Services**

NFA provides overall investment management services to Nationwide Life, on behalf of the LCG Portfolio, and to each of the Nationwide Funds (collectively, “Client Accounts”). In fulfilling this role, NFA provides, or arranges for the provision of, a continuous investment program and overall investment strategies for each Client Account. Investment advice to the Client Accounts is provided in accordance with the terms and conditions of investment advisory agreements between NFA and the Client

Accounts, and is based on the investment objectives, policies and restrictions as set forth in each Client Account's investment advisory agreement, prospectus or offering memorandum, as applicable. NFA determines, or arranges for others to determine, what securities and other investments will be purchased, retained or sold by each Client Account, and executes, or arranges for others to execute, portfolio transactions with such broker-dealers as may be so selected. For most Client Accounts that meet their objectives by investing primarily in other mutual funds ("Funds-of-Funds"), NFA provides all such services directly. For all other Client Accounts, NFA delegates certain investment discretion, trading, and other functions to one or more subadvisers ("Subadvised Accounts").

For the Subadvised Accounts, NFA delegates direct portfolio management functions to one or more other registered investment advisers that serve as subadvisers. Any such delegation of functions to a subadviser for the LCG Portfolio is subject to the approval of the LCG Portfolio's Board of Managers in accordance with the investment advisory agreement between NFA and Nationwide Life. For any Fund that is a Subadvised Account (a "Subadvised Fund"), any such delegation of functions to a subadviser is subject to the approval of the applicable Fund's Board of Trustees and, if required by applicable law, the Fund's shareholders, consistent with the requirements of exemptive relief that NFA and the Nationwide Funds have obtained from the Securities and Exchange Commission ("SEC") in respect to the selection of subadvisers ("Manager-of-Managers Order"). Where NFA delegates functions to a subadviser, it researches and recommends the selection of the subadviser, negotiates a contract with the subadviser, determines the allocation of Subadvised Account assets among that and possible other subadvisers, and supervises the subadviser's activities, investment performance, adherence to the Subadvised Account's investment objective, style mandate and policies, and compliance with such policies and all applicable regulatory requirements. The activities performed by NFA in this regard, include, but are not limited to:

- Performing initial due diligence on prospective Subadvised Account subadvisers;
- Monitoring subadviser performance, including conducting on-going analysis and periodic consultations;
- Communicating performance expectations and evaluations to subadvisers;
- Making recommendations to the applicable Fund's Board of Trustees or LCG Portfolio's Board of Managers regarding renewal, modification or termination of a subadviser's contract; and
- Selecting and monitoring approved subadvisers.

While NFA normally does not provide direct discretionary advisory services with respect to the assets of a Subadvised Account, NFA retains the right to do so and maintains full discretionary investment authority pursuant to its advisory agreements with each Subadvised Account. In addition, as described further in Item 8 below, NFA may direct the investment of cash balances that remain uninvested by approved subadvisers.

As of November 30, 2014, NFA had \$89.5 billion of assets under discretionary management. Of this amount, \$59.7 billion represented assets held by Subadvised Funds, and \$29.8 billion represented assets held by the Funds-of-Funds, which invest the majority of their respective assets in shares of certain Subadvised Funds.

## **Item 5 – Fees and Compensation**

### **Nationwide Large Cap Growth Portfolio**

NFA earns an annual management fee of up to 0.50% of the LCG Portfolio's daily net assets, which is deducted from the LCG Portfolio on a monthly basis. NFA negotiates at arm's length the fees paid to subadvisers, which NFA pays from the management fee it earns from the LCG Portfolio. The management fee is in addition to any custodial, administrative, brokerage or transactional fees that the LCG Portfolio may incur. Further information about brokerage and related transaction costs also can be found under "Item 12-Brokerage Practices" beginning on page 21 of this Brochure. The investment advisory contract between NFA and Nationwide Life with respect to the LCG Portfolio may be terminated at any time, without a penalty, by Nationwide Life or NFA on 60 days' written notice to the other party.

### **Nationwide Funds**

The investment advisory fees charged to the Nationwide Funds are disclosed in each such Fund's respective prospectus and statement of additional information, and currently range between 0.12% and 1.00% annually of a Fund's average daily net assets, deducted monthly in arrears. Many Funds are subject to a stepped fee schedule that establishes breakpoints at various asset levels which, if reached, cause the investment advisory fee to decrease. In addition, NFA may reduce the effective fee amount payable by a Fund through voluntary or contractual fee waivers. NFA has entered into expense limitation agreements with respect to certain Nationwide Funds pursuant to which it has agreed to waive or limit its fees and to assume other expenses to the extent necessary to limit the total annual operating expenses of such Funds. Such Nationwide Funds are authorized to reimburse NFA for advisory fees previously waived and/or for expenses previously paid by NFA, provided however, that any reimbursements must be paid at a date not more than three years after the fiscal year in which NFA waived the fees or reimbursed the expenses and the reimbursements do not cause the Fund to exceed the expense limitation that was in place at the time NFA waived the fees or reimbursed the expenses. Additional information about any fee waiver or expense limitation agreements can be found in a Fund's statement of additional information. With respect to any Nationwide Fund, the investment advisory contract may be terminated at any time, without penalty, by vote of a majority of the outstanding shares of such Fund, by the Fund's Board of Trustees, or by NFA, on not more than 60 days' written notice.

For the Subadvised Funds, NFA negotiates at arm's length the fees paid to subadvisers, which NFA pays from the investment advisory fees it earns from the Funds. For the Funds-of-Funds, the investment advisory fees charged are in addition to investment advisory fees NFA (or another investment adviser) charges for managing the underlying mutual funds in which a Fund-of-Funds invests. In addition to investment advisory fees payable to NFA, the Nationwide Funds are also subject to other fees and operating expenses for such non-investment advisory services such as brokerage commissions, custody of assets, administration and transfer agency services, distribution of Fund shares, etc. The Funds-of-Funds also bear a proportionate share of the fees and operating expenses of each underlying fund in which the Funds-of-Funds invest, including investment advisory fees, as mentioned above. More information about these other fees and expenses can be found in each Fund's prospectus and statement of additional information. Further information about brokerage and related transaction costs also can be found under "Item 12-Brokerage Practices" beginning on page 21 of this Brochure.

With respect to the Nationwide Retirement Income Fund and certain other Funds-of-Funds that are marketed collectively as the "Nationwide Target Destination Funds," NFA charges a unified management fee of 0.13% of each such Fund's average daily net assets. Under the unified fee structure, NFA pays substantially all of the expenses of managing and operating the Nationwide Retirement Income Fund or a Nationwide Target

Destination Fund except Rule 12b-1 fees, administrative services fees, the cost of investment securities or other investment assets, taxes, interest, brokerage commissions, short-sale dividend expenses, the cost of share certificates representing shares of such Funds, compensation and expenses of non-interested Trustees and counsel to the non-interested Trustees, and expenses incurred by the Nationwide Retirement Income Fund or a Nationwide Target Destination Fund in connection with any merger or reorganization or any other expenses not incurred in the ordinary course of such Fund's business. The unified management fee paid to NFA does not include, and is in addition to, the indirect investment management fees and other operating expenses that the Nationwide Retirement Income Fund and Nationwide Target Destination Funds pay as shareholders of the underlying funds in which they invest.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

NFA does not charge any performance-based fees, nor does it pay any performance-based fees to any of the subadvisers that it selects to subadvise Client Accounts. Nevertheless, many of these subadvisers may charge their other clients performance-based fees. Subadvisers that manage assets for clients with different fee structures, including structures that allow for the possibility of earning higher performance-based fees at the same time as others that do not, can create a conflict of interest for such subadvisers, as such arrangements create an incentive to favor accounts for which a subadviser has the ability to earn the performance-based fee. In connection with NFA's role to evaluate, recommend and supervise subadvisers, NFA undertakes initial and periodic reviews of subadvisers' policies and procedures designed to mitigate the conflicts of interests that may arise from side-by-side management.

#### **Item 7 – Types of Clients**

NFA is an investment adviser to mutual funds that are registered as open-end management investment companies under the 1940 Act, specifically, the Nationwide Funds, and to insurance company separate accounts that are exempt from registration pursuant to Section 3(c)(11) thereof.

NFA does not require any minimum asset value or account size for opening or maintaining Client Accounts.

#### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

NFA provides, or arranges for the provision of, a continuous investment program and overall investment strategies for each Client Account. Investment advice to Client Accounts is provided in accordance with each Client Account's investment objectives, policies and restrictions as set forth in its investment advisory agreement and/or prospectus and statement of additional information (for Nationwide Funds) or offering memorandum (for the LCG Portfolio). NFA also must ensure the investment and operations of each Client Account comply, to the extent applicable, with the federal securities laws, federal taxation laws, ERISA, and other laws that may apply.

##### *Subadvised Accounts*

For the Subadvised Accounts, NFA operates as a "manager of managers," which means that NFA hires subadvisers to select individual securities. As a manager-of-managers, NFA aims to identify, classify and validate investment manager skill when choosing investment managers. Differentiating subadviser skill from market-generated returns is one of NFA's primary objectives, as it seeks to identify subadvisers

that can deliver consistent results, as appropriate to the mandate for which a subadviser is being considered. NFA develops forward-looking expectations regarding how a subadviser will execute a given investment mandate, environments in which the strategy should outperform and environments in which the strategy might underperform.

NFA selects subadvisers, and monitors them on a continuous basis, based on its manager assessment profile process. This profile relies on data from various sources, including third parties, to perform an analysis of subadvisers and subadviser candidates. NFA's manager selection process to identify, evaluate and monitor investment managers is called QCRM: Quantitative Research, Qualitative Review, Risk Measurement and Monitoring.

The Quantitative Research and analysis, based on performance attribution models, seeks to identify the sources of a manager's returns relative to a benchmark while evaluating its volatility and the level and types of risk. This step includes an in-depth analysis of portfolio characteristics as well as an evaluation of a manager's performance history during various market environments, enabling NFA to set expectations for future Client Account performance versus a benchmark during different market cycles.

The Qualitative Review evaluates the repeatability of performance and assesses a firm's stability, culture and ownership structure. This analysis focuses on a manager's investment philosophy and process, personnel, depth of resources and ability to effectively use them, operations and compliance infrastructure, internal controls and financial stability. The information used in performing this assessment is collected through quarterly due diligence questionnaires, conference calls and on-site due diligence visits.

Risk Measurement of a manager's style and performance is analyzed from multiple points of view, including firm, operational, legal, compliance and portfolio management risk. NFA's finance team evaluates the financial viability of each subadviser. NFA's compliance team conducts due diligence and ongoing monitoring of managers to assess the strength of their compliance function, trading operations and internal controls. The degree of portfolio management risk is reviewed as an extension of NFA's quantitative research and qualitative review and focuses on evaluating risk exposures derived from sector/security decisions and highlighted in non-proprietary risk model reports and under varying macroeconomic conditions.

Monitoring each subadviser is an ongoing process in which NFA seeks to reaffirm its conviction in an investment management firm's ability to manage client assets. It requires continuous reviews of strategies, performance, trend analysis, financial strength, compliance and regulatory risks by the various NFA teams highlighted above. Some of NFA's monitoring activities include, for example, daily reviews of markets and impacts, if any, to Subadvised Accounts, monthly, quarterly and other periodic evaluations of performance attribution, portfolio holdings and weights, quarterly subadviser questionnaires and reviews, on-going compliance assessments and on-site visits to subadvisers. NFA also oversees trading analysis of all subadvisers and provides valuation support with respect to securities that require fair value pricing.



## *Multi-Manager Accounts*

Certain Subadvised Accounts are managed by more than one subadviser, as NFA allocates separate portions of a Subadvised Account to different subadvisers (“Multi-Manager Accounts”). NFA offers Multi-Manager Accounts across a number of different investment mandates, such as small-, mid- and large-cap equities, international and domestic securities, growth, value or core, as well as multi-asset class mandates, such as those that include different types of equities and fixed-income securities. The primary purpose of a multi-manager approach is for investors to potentially benefit from a reduction in risk through increased asset diversification. For example, when one manager’s performance lags over a specific period, the other managers’ performance may be better. NFA believes that using multiple investment managers together in a single account can help reduce the likelihood of dramatic swings in the account’s performance. A reduction in account volatility can potentially lead to higher risk-adjusted returns over long periods of time.

In addition to using its QCRM process to select individual subadvisers, NFA provides an additional layer of analysis for any given Multi-Manager Account in order to evaluate and recommend the kind of synergies of investment style and the appropriate allocation of assets to those styles. This additional analysis incorporates market cycle behavior and macro-economic sensitivity to consider holdings and sector overlap, correlation of excess returns, and multi-factor risk exposure. Both in choosing the participating subadvisers and in analyzing the amounts to be allocated to each subadviser, the goal is that each subadviser’s “sleeve” will complement the others over the course of a full market cycle and smooth out the volatility that can be brought on by different types of market environments.

*Multi-manager risk:* while NFA monitors each subadviser and the overall management of a Multi-Manager Account, each subadviser makes investment decisions independently from NFA and the other subadvisers. It is possible that the security selection process of one subadviser will not complement that of the other subadvisers. As a result, a Multi-Manager Account’s exposure to a given asset type, security, industry sector or market capitalization could be smaller or larger than if the account were managed by a single subadviser, which could increase the Multi-Manager Account’s volatility and/or affect its performance.

## *Funds-of-Funds*

The Funds-of-Funds typically are asset allocation products for which NFA provides shareholders with (i) diversification across various asset classes, or across different types of a single asset class, through professionally designed asset allocation models that are based on various risk profiles or targeted retirement dates, and (ii) professionally selected investments in the underlying mutual funds in which the Funds-of-Funds invest.

First, NFA determines each Fund-of-Funds’ asset class allocation, based on the level of risk appropriate to the Fund’s risk profile or target retirement date, the expected return potential of each asset class, the anticipated risks or volatility of each asset class and similarities or differences in the typical investment cycle of the various asset classes. In addition, NFA evaluates how various combinations of these asset classes can best meet a Fund-of-Funds’ investment objective. NFA may engage, at NFA’s own expense, an affiliated or unaffiliated investment research firm to provide asset allocation consulting services to assist NFA with the development and periodic review of a Fund’s target allocations. NFA, however, ultimately has sole responsibility for determining each Fund-of-Funds’ asset class allocations and each

Fund-of-Funds' investments in the underlying funds. As discussed further in Item 10 below, NFA has engaged Nationwide Asset Management, LLC, which is affiliated with NFA, to provide asset allocation consulting services to NFA in connection with the development and periodic review of most Funds-of-Funds' target asset class allocations.

Second, once the asset allocation is determined, NFA selects the underlying mutual funds that NFA believes are appropriate to represent the various asset classes. Where more than one underlying fund can be used for a single asset class, NFA also evaluates which underlying fund, or what combination of underlying funds, on balance, best represents the potential risks and benefits of that asset class. In selecting underlying funds, NFA considers a variety of factors in the context of current economic and market conditions, including the underlying fund's investment strategies, risk profile, expense ratio, and historical performance. Where no affiliated underlying fund exists to represent a particular asset class, or NFA believes that no affiliated underlying fund would serve as an appropriate investment for the Fund-of-Funds, NFA may select an unaffiliated underlying fund. NFA selects unaffiliated underlying funds based on performance, asset levels, operating history, expense ratios, operational and trading considerations, and any other criteria NFA deems appropriate.

Certain Funds-of-Funds are permitted to invest in a fixed interest contract (the "Nationwide Contract") issued and guaranteed by Nationwide Life. This contract has a stable principal value and pays a fixed rate of interest to each Fund-of-Funds that holds a contract. Nationwide Life calculates the interest rate in the same way it calculates guaranteed interest rates for similar contracts. The rate paid by the Nationwide Contract is guaranteed for a given period regardless of current market conditions. The actual interest paid to a Fund-of-Funds that holds the Nationwide Contract may exceed the guaranteed rate, but it cannot be less than the guaranteed rate. The principal amount is also guaranteed. Investing in the Nationwide Contract raises a conflict of interest for NFA, because the Nationwide Contract is issued by Nationwide Life, an affiliate of NFA, and earns money for NFA's affiliate, and ultimately, for NFA's and Nationwide Life's common parent company. Please see Item 10 for more information about this conflict of interest.

At least once each year, and more frequently if NFA considers warranted, NFA reviews each Fund-of-Funds' asset allocation model, including the asset classes represented, the target allocations to each asset class, the underlying funds selected for each asset allocation model and the target allocation to each underlying fund. Where appropriate, NFA may add or delete an asset class, add or remove an underlying fund, or make changes in the amounts allocated to asset classes or underlying funds.

For any Fund-of-Funds for which NFA has hired a subadviser, NFA delegates to the subadviser its duties to determine, implement and monitor such Fund-of-Fund's asset allocation model, including the asset classes represented, the target allocations to each asset class, the underlying funds selected for each asset allocation model and the target allocation to each underlying fund.

*Asset allocation risk* – each Fund-of-Funds is subject to different levels and combinations of risk based on its actual allocation among the various asset classes and underlying funds. Each Fund-of-Funds will be affected to varying degrees by stock and bond market risks, among others. The potential impact of the risks related to an asset class depends on the size of the Fund-of-Funds' investment allocation to it.

*Performance risk* – each Fund-of-Funds' investment performance is directly tied to the performance of the underlying funds in which the Fund-of-Funds invests. If one or more of the underlying funds fails to

meet its investment objective, a Fund-of-Funds' performance could be negatively affected. There can be no assurance that any Fund-of-Funds or underlying fund will achieve its investment objective.

*Strategy risk* – there is the risk that NFA's evaluations and allocation among asset classes and underlying funds may be incorrect. Further, NFA may add or delete underlying funds, or alter the Fund-of-Funds' asset allocation at its discretion. A material change in the underlying funds selected or in asset allocation (or the lack thereof) could affect both the level of risk and the potential for gain or loss.

*Indirect expenses* – buying shares of a Fund-of-Funds involves an indirect investment in its underlying funds. Therefore, a Fund-of-Funds shareholder will pay a proportionate share of the applicable expenses of the underlying funds (including applicable management, administration and custodian fees), as well as the Fund-of-Funds' direct expenses. The underlying funds will not charge any front-end sales loads, contingent deferred sales charges or Rule 12b-1 fees.

*Fund-of-Funds structure risk* – there are certain risks associated with a structure whereby a Fund-of-Funds invests primarily in other mutual funds, including that the Fund-of-Funds will indirectly pay a proportional share of the fees and expenses of the underlying funds in which it invests. In managing a Fund-of-Funds, NFA has the authority to select and replace underlying funds. NFA could be subject to a potential conflict of interest in doing so because NFA is also the investment adviser to most, if not all, of the underlying funds, and advisory fees paid to NFA by the underlying funds typically are higher than fees paid by the Fund-of-Funds. It is important to note, however, that NFA has a fiduciary duty to each Fund-of-Funds and must act in each Fund-of-Funds' best interests. In addition, the day-to-day management of the underlying funds is conducted by the respective subadvisers.

*Nondiversified fund risk* – Because each Fund-of-Funds may hold large positions in a small number of underlying funds, an increase or decrease in the value of the shares issued by these underlying funds may have a greater impact on the Fund-of-Funds' value and total return.

*Nationwide Contract risk* – Nationwide Life could decide to stop issuing the Nationwide Contract in its current form, and instead offer the Funds-of-Funds a new fixed interest contract (or amend the existing contract) with a lower minimum interest rate, so long as the guaranteed rate on the new fixed income contract will be at least as favorable as the guaranteed rate on all other similar contracts issued by Nationwide Life, or not offer any fixed interest contract at all. NFA's portfolio managers believe that the stable nature of the Nationwide Contract may reduce a Fund-of-Fund's volatility and overall risk, especially when stock and bond markets decline simultaneously. However, under certain market conditions investing in the Nationwide Contract could hamper a Fund's performance. In addition, if Nationwide Life becomes unable to meet this guarantee, a Fund-of-Funds that invests in the contract may lose money from unpaid principal or unpaid or reduced interest. Because the entire contract is issued and guaranteed by a single issuer, the financial health of such issuer may have a greater impact on the value of a Fund-of-Funds that invests in it.

*Retirement goal risk (Nationwide Target Destination Funds)* – an investor may have different retirement needs than the allocation model anticipates. Because a Fund-of-Funds' allocation may not match a particular investor's retirement goal, an investor may find that he or she does not have the desired level of retirement assets available when the investor has a need to withdraw funds.

## *Investment Strategies*

NFA manages Client Accounts pursuant to a wide variety of investment strategies, including equity, fixed-income and asset allocation strategies. Among equity strategies, different strategies may focus on particular market capitalization sizes, geographic regions (e.g., international versus U.S. issuers), industry categories or investment style (i.e., core, growth or value). Fixed-income strategies may focus particularly on types of debt issuers (e.g., U.S. government bonds), credit quality, duration and stability of principal value. Asset-allocation strategies may cover a broad range of different types of asset classes, including those the performance of which tends not to correlate to the performance of more traditional asset classes, or simply various types of a single asset-class. Certain Client Accounts may also feature outcome-oriented strategies, such as flexible or “unconstrained” strategies, or event-driven strategies. Many Client Accounts employ active portfolio management strategies, although other Client Accounts employ “passive” management strategies that are designed to replicate the investment characteristics and performance of one or more benchmark indexes. NFA or a subadviser may use derivatives, such as futures, forwards and swaps, in connection with its management of an investment strategy, and one or more Nationwide Funds may invest in commodities. NFA or a subadviser also may sell securities short or use derivatives or exchange-traded funds to take short positions in a security or index, either to hedge against investment risks, to replicate the performance of a particular index, or to increase returns. A short sale strategy involves the sale by a Client Account of securities it does not own with the expectation of purchasing the same securities at a later date at a lower price. Short positions and certain derivatives generally involve leverage, which occurs when an investment exposes an account to a risk of loss that exceeds the amount invested.

Certain Client Accounts may feature “volatility management” or other types of hedging strategies that are designed to manage the volatility of a portfolio, reduce the risk of investment losses, and/or reduce a portfolio’s exposure to certain types of asset classes (e.g., equities) during periods in which they experience higher volatility. In implementing such strategies, NFA or a subadviser typically uses derivatives or exchange-traded funds (“ETFs”), including those that involve taking short positions, or sells securities short. These strategies may expose a Client Account to leverage.

The use of volatility management strategies appears as a distinct portion of some portfolios (a “Volatility Overlay”) of Nationwide Variable Insurance Trust that are intended to be used primarily in connection with guaranteed benefits available through variable annuity contracts or variable life insurance policies issued by Nationwide Life (or its affiliate, Nationwide Life and Annuity Insurance Company). In such instances, the Volatility Overlay is intended to reduce a variable annuity or insurance contract owner’s exposure to equity investments when equity markets are more volatile, and one purpose of the Volatility Overlay is to minimize the costs and risks to Nationwide Life and Nationwide Life and Annuity Insurance Company of supporting these guaranteed benefits. Although the reduction of equity exposure during periods of higher volatility is designed to decrease the risk of loss to a contract owner’s investment, a Volatility Overlay may prevent a contract owner from achieving higher investment returns. Further, a Fund’s use of leverage in its strategies, via the Volatility Overlay, may cause the Fund’s performance to be more volatile than if the Fund had not been leveraged.

Investing in securities involves risk of loss that clients should be prepared to bear. Investment return and principal will fluctuate with market conditions and a client may lose money. Past performance of investments is no guarantee of future results. Asset allocation, hedging strategies and volatility management do not guarantee profit or insulate from loss.

The following is a general description of the types of risks associated with the various investment strategies that NFA offers. Further information about the particular investment strategies of each Nationwide Fund and their associated risks is available in each Nationwide Fund's prospectus and statement of additional information. Further information about the particular investment strategies of the LCG Portfolio and its associated risks is available in the LCG Portfolio's offering memorandum.

*Management risk* – the methods and analyses employed by NFA or any subadviser NFA appoints, or by an underlying fund's investment adviser or subadvisers, may not produce the desired results and, as a result, a Client Account could lose value or underperform.

*Equity securities* – the value of equity securities fluctuates in response to general market and economic conditions (market risk) and in response to the fortunes of individual companies (issuer risk). Therefore, a Fund could lose value if the individual equity securities in which it has invested and/or the overall stock markets on which the stocks trade decline in price. Stocks and stock markets may experience short-term volatility as well as extended periods of price decline or little growth. Individual stocks are affected by many factors, including corporate earnings, production, management, sales and market trends, such as growth or value stocks, small- or large-cap stocks, or stocks within a particular industry. For example, the market may favor "growth" stocks for a period, during which "value" stocks may underperform the overall market, and vice versa. Investing in smaller capitalization stocks may be subject to more risk than larger companies, because smaller companies are usually less stable in price and less liquid than are larger, more established companies. Stock markets are affected by numerous factors, including interest rates, the outlook for corporate profits, the health of the national and world economies, national and world social and political events, and the fluctuation of other stock markets around the world.

*Fixed-income securities* – the value of fixed-income securities fluctuates in response to general market and economic conditions and in response to the fortunes of individual issuers. Prices of fixed-income securities generally rise and fall in response to interest rate changes. Generally, when interest rates rise, prices of fixed-income securities fall. Expectations of higher inflation generally cause interest rates to rise. The longer the duration of a security, the more sensitive it is to interest rate risk. Fixed-income securities are also subject to credit risk and the risk of default. This means that a bond issuer may be unable to pay the principal or interest when due. If an issuer defaults, a Client Account may lose money. This risk is particularly high for high-yield (i.e., "junk") bonds. Certain bonds will be paid off by the issuer more quickly than anticipated. If this happens, a Client Account may be required to invest the proceeds in securities with lower yields. Other types of fixed-income securities are subject to "extension risk," which is the risk that principal repayments will not occur as quickly as anticipated, causing the expected maturity of a security to increase. Rapidly rising interest rates may cause prepayments to occur more slowly than expected, thereby lengthening the duration of the securities held by a Client Account and making their prices more sensitive to rate changes and more volatile if the market perceives the securities' interest rates to be too low for a longer-term investment.

*Foreign securities* – foreign securities may be more volatile, harder to price and less liquid than U.S. securities. The prices of foreign securities may be further affected by other factors, such as changes in the exchange rates between the dollar and the currencies in which the securities are traded. These risks are greater for securities of companies in emerging market countries because the countries may have less stable governments, more volatile currencies and less established markets.

*Liquidity risk* – the risk that a Client Account may invest to a greater degree in instruments that trade in lower volumes and may make investments that may be less liquid than other investments. It is also the risk that a Client Account may make investments that may become less liquid in response to market developments or adverse investor perceptions. When there is no willing buyer and investments cannot be readily sold at the desired time or price, a Client Account may have to accept a lower price or may not be able to sell the instruments at all. An inability to sell a portfolio position can adversely affect a Client Account's value or prevent a Client Account from being able to take advantage of other investment opportunities. Liquidity risk may also refer to the risk that a Client Account will be unable to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. To meet redemption requests, a Client Account may be forced to sell liquid securities at an unfavorable time and conditions.

*Passive investing risk* – a Client Account that uses index replication strategies does not use defensive strategies or attempt to reduce its exposure to poorly performing securities or commodities. Further, correlation between the performance of a passively-managed account and that of its respective benchmark index may be negatively affected by the Client Account's expenses, changes in the composition of the index, and the timing of purchase and redemption of shares or interests in the Client Account.

*Asset allocation risk* – an asset allocation strategy is subject to different levels and combinations of risk based on its actual allocation among the various asset classes. The potential impact of the risks related to an asset class depends on the size of the Client Account's investment allocation to it. Also, NFA (or a subadviser, where applicable) may not allocate among the asset classes in a way that produces the intended result.

*Nondiversification risk* – certain Client Accounts may hold larger positions in fewer securities or financial instruments than other portfolios. Therefore, a single security's or instrument's increase or decrease in value may have a greater impact on the account's value and total return.

*Sector/country risk* – investments in particular industries, sectors or countries may be more volatile than the broader markets. Consequently, if a Client Account emphasizes one or more industries, economic sectors, countries or regions, it may be more susceptible to the financial, market, political or economic events affecting the particular issuers, industries or countries participating in such sectors than accounts that do not emphasize particular industries, sectors or countries.

*Leverage risk* – derivatives and other transactions that give rise to leverage may cause a Client Account's performance to be more volatile than if the account had not been leveraged. Leveraging also may require that the account liquidate portfolio securities when it may not be advantageous to do so to satisfy its obligations or to meet segregation or collateralization requirements. The use of leverage may expose a Client Account to losses in excess of the amounts invested or borrowed.

*Derivatives risk* – derivatives may be volatile and may involve significant risks. The underlying security, commodity, measure or other instrument on which a derivative is based, or the derivative itself, may not perform as expected. Certain derivatives may involve leverage, which means that their use can significantly magnify the effect of price movements of the underlying securities or reference measures, disproportionately increasing a Client Account's losses and reducing a Client Account's opportunities for

gains. Some derivatives have the potential for unlimited loss, including a loss that may be greater than the amount invested. They also present default risks if the counterparty to a derivatives contract fails to fulfill its obligations to a Client Account. Certain derivatives held by a Client Account may be illiquid, making it difficult to close out an unfavorable position.

*Short position risk* – a Client Account will incur a loss from a short position if the value of the security sold short, or the value of the index or other measure to which a derivatives contract or other instrument relates, increases after the Client Account has entered into the short position. Short positions generally involve a form of leverage, which can exaggerate an account's losses. A Client Account may lose more money than the actual cost of the short position and its potential losses may be unlimited. Any gain from a short position will be offset in whole or in part by the transaction costs associated with the short position.

*Volatility management/hedging strategy risk* – a volatility management or other hedging strategy is designed to reduce, but not necessarily eliminate, losses resulting from volatility and market declines. The risks of such strategies include the following: (1) the hedging strategy may not be successful in reducing volatility or offsetting market declines, and may result in losses. Even where a hedging strategy is used successfully, a Client Account is likely to experience some loss in value during periods of higher volatility and/or market declines; (2) the hedging strategy may prevent an investor from achieving higher investment returns that may be available by investing in a comparable investment portfolio that does not feature a hedging or volatility management strategy, and its use of derivatives, exchange-traded funds and/or short sales will increase the Client Account's expenses; (3) the use of leverage in order to offset market declines or to maximize market gains could result in sudden or magnified losses in value. It therefore is possible that a volatility management or other hedging strategy could result in losses that are greater than if the Client Account did not include the hedging strategy; and (4) if the volatility management or other hedging strategy does not successfully reduce the account's investment risks, the Client Account may lose some or all of the value of its investment.

*ETF risk* -- an investment in an ETF is subject to all of the risks of investing in the securities held or represented by the ETF, and there is no guarantee that the market price of an ETF's shares is the same as the market values of the securities the ETF holds or represents. An ETF that seeks returns that correlate to the performance of an index does not use defensive strategies or attempt to reduce its exposure to poor performing securities. Because an ETF has operating expenses and transaction costs, while a market index does not, ETFs that track particular indexes typically will be unable to match the performance of the index exactly. ETFs that use inverse strategies generally use derivatives that, in combination, are designed to produce returns that move in the opposite direction of the indexes they track. This means that when the value of the index rises, the ETF suffers a loss, and vice-versa. Leveraged ETFs seek to produce returns that correlate with the returns of a stated index times a specified number. For example, an inverse leveraged ETF may seek investment results of three times the opposite of the performance of an index. Often, the investment results these ETFs seek are for a single day only, and returns for periods longer than a single day will be affected by compounding, producing longer-term results that fail to correlate properly with the returns of the index. Inverse and leveraged ETFs therefore may be considered to be very risky and speculative.

*Commodities risk* – investments linked to the prices of commodities are considered to be speculative. The values of commodities and commodity-linked investments are affected by events that might have less impact on the values of stocks and bonds, and therefore they may be more volatile than

investments in stocks and bonds. Prices of commodities and commodity-linked investments may fluctuate significantly over short periods due to a variety of factors, including changes in supply and demand relationships, weather, agriculture, disease, fiscal and exchange control programs, and international economic, political, military and regulatory developments. Commodity-linked instruments in which a Client Account may invest present substantial risk, including the risk of loss of a significant portion of their principal value. The use of leveraged commodity-linked derivatives creates an opportunity for increased return, but also creates the possibility for a greater loss.

*Portfolio turnover risk* – some Client Accounts may engage in frequent and active trading. A higher portfolio turnover rate increases transaction costs, which may adversely impact the account's performance, and may result in additional tax consequences for the account or its interest holders.

### *Cash Balances*

For cash balances that remain uninvested, NFA provides JPMorgan Chase, N.A. ("JPMorgan"), as the Nationwide Funds' and LCG Portfolio's custodian, with instructions for the investment of cash balances. JPMorgan sweeps uninvested cash from each Client Account's custodial account at the end of each day. JPMorgan aggregates the swept cash from all of the Nationwide Funds and uses it to invest the cash balances overnight and jointly on the Funds' behalf in shares of one or more money market mutual funds available through JPMorgan's platform. Cash swept from the LCG Portfolio also is invested in a money market fund on JPMorgan's platform, but is not aggregated with the cash swept from the Nationwide Funds. In addition to money market funds, NFA may select one or more other cash management vehicles offered by JPMorgan, such as repurchase agreements or demand deposit accounts. In selecting a money market fund or other cash management vehicle for overnight cash sweep investment, NFA seeks to maximize potential returns on these daily cash balances while maintaining preservation of capital and liquidity. Accordingly, NFA evaluates the expenses, yield and performance history, credit quality and levels of potential risk of each money market fund or other cash management vehicle available through JPMorgan's custody platform. Where uninvested cash is swept into a money market fund, the Fund's or LCG Portfolio's shareholders/interest holders will pay a proportionate share of the applicable expenses of the money market fund (including applicable management, administration and custodian fees), as well as the Nationwide Fund's or LCG Portfolio's direct expenses. The money market funds used for management of cash balances will not charge any front-end sales loads, contingent deferred sales charges or Rule 12b-1 fees.

### **Item 9 – Disciplinary Information**

Currently, there are no material regulatory enforcement proceedings pending against NFA. A summary of past material regulatory proceedings involving NFA, which have been resolved, is set forth as follows:

On September 7, 2006, the SEC entered an administrative and cease and desist order (the "Order") against NFA (which at the time was known as Gartmore Mutual Fund Capital Trust). The Order found that NFA willfully violated Section 205(a) of the Investment Advisers Act of 1940 (the "Advisers Act"). Specifically, the Order found, that from the implementation of advisory contracts with the Nationwide U.S. Growth Leaders Fund (formerly known as the Gartmore U.S. Growth Leaders Fund) and the Nationwide NVIT U.S. Growth Leaders Fund (formerly known as the Gartmore GVIT U.S. Growth Leaders



Fund) (collectively the “U.S. Growth Leaders Funds” and each a “U.S. Growth Leaders Fund”) through August 2004, NFA collected performance-based compensation from the U.S. Growth Leaders Funds based on each Fund's average net asset value for the quarter following the performance period, which resulted in NFA charging the U.S. Growth Leaders Funds approximately \$623,000 more in the aggregate than it would have had its fee arrangements satisfied the relevant provisions of the Advisers Act. The Order further found that, as a result of its conduct, NFA willfully violated Section 205(a) of the Advisers Act, which prohibits an investment adviser from entering into or performing an advisory contract with a registered investment company that provides performance-based compensation unless, pursuant to Section 205(b) of the Advisers Act, the contract provides for performance-based compensation based on the asset value of the fund averaged over a specified period and increasing and decreasing proportionately with the investment performance of the fund over a specified period in relation to the investment record of an appropriate index of securities prices. The Order also acknowledged that upon notification by the SEC staff that NFA was charging the U.S. Growth Leaders Funds a total fee based on a method that did not comply with Section 205 of the Advisers Act, NFA discontinued collecting performance-based fees and later reimbursed the U.S. Growth Leaders Funds a total of \$653,882. The Board of Trustees of each of the U.S. Growth Leaders Funds approved the amount repaid.

Based on these findings, the Order censured NFA and required that NFA cease and desist from committing or causing any violations and any future violations of Section 205(a). NFA is no longer the investment adviser to the U.S. Growth Leaders Funds or such U.S. Growth Leaders Funds no longer exist. NFA does not currently charge performance-based fees.

## **Item 10 – Other Financial Industry Activities and Affiliations**

NFA is a wholly-owned subsidiary of Nationwide Financial Services, Inc. (“Nationwide Financial”). Nationwide Financial is a wholly-owned subsidiary of Nationwide Corporation which in turn is wholly-owned by Nationwide Mutual Insurance Company (95.2%) and Nationwide Mutual Fire Insurance Company (4.8%) (collectively, “Nationwide Mutual”). Nationwide Mutual, a mutual insurance company, directly or indirectly owns and controls several financial industry companies, including broker-dealers, investment advisers, insurance companies and a bank. NFA has business arrangements with certain of these related companies that are material to NFA’s advisory business or its clients. In some cases, these business arrangements may create a potential conflict of interest, or appearance of a conflict of interest between NFA and its clients. Certain employees and officers of NFA may also be employees or officers simultaneously of such other affiliated entities.

### *Affiliated Investment Companies*

**Nationwide Mutual Funds (“NMF”) and Nationwide Variable Insurance Trust (“NVIT”).** Each of NMF and NVIT is a Delaware statutory trust that is registered under the 1940 Act as an open-end management investment company, consisting of multiple series which, collectively, comprise the Nationwide Funds. NFA is the investment adviser to NMF and NVIT and earns investment advisory fees as described in Item 5 above.

### *Affiliated Insurance Companies*

**Nationwide Mutual Insurance Company** and **Nationwide Mutual Fire Insurance Company** (collectively, “**Nationwide Mutual**”), the ultimate parent companies of NFA, are mutual insurance companies. Certain of Nationwide Mutual’s subsidiaries are also insurance companies. NFA has arrangements that are material to its advisory business, the LCG Portfolio or the Nationwide Funds with **Nationwide Life Insurance Company** and **Nationwide Life and Annuity Insurance Company** (collectively, “**Nationwide Life**”), each of which is a wholly-owned subsidiary of Nationwide Financial. Shares of the Nationwide Funds comprised of portfolios of Nationwide Variable Insurance Trust are sold primarily to insurance company separate accounts of Nationwide Life as underlying investment vehicles to fund benefits payable under variable annuities and variable life insurance policies issued by Nationwide Life (“Variable Contracts”), some of which may offer guaranteed lifetime income or death benefits. As the sole owner of both NFA and Nationwide Life, Nationwide Financial has the ability to influence NFA’s business. However, in conducting its investment activities, NFA makes decisions and recommendations in the best interests of the Nationwide Funds and the owners of Variable Contracts that select the Nationwide Funds as investment vehicles underlying their insurance contracts. *Please see the discussion below of Nationwide Asset Management, LLC for additional information about the conflicts of interest that may arise due to the use by Nationwide Life of certain Nationwide Funds as investment options in connection with Variable Contracts it issues.*

Pursuant to an exemptive order issued by the SEC, the Nationwide Funds that are structured as Funds-of-Funds are permitted to invest in a fixed interest contract issued and guaranteed by Nationwide Life (the “Nationwide Contract”). This contract has a stable principal value and will pay each such Fund-of-Funds that purchases it a fixed rate of interest. The rate paid by the Nationwide Contract is guaranteed for a given period regardless of current market conditions. The actual interest paid to a Fund-of-Funds that holds the Nationwide Contract may exceed the guaranteed rate, but it cannot be less than the guaranteed rate. The principal amount is also guaranteed. Nationwide Life calculates the interest rate in the same way that it calculates guaranteed interest rates for similar contracts. Because of the guaranteed nature of the contract, any Fund-of-Funds holding it will not directly participate in the actual experience of the assets underlying the Nationwide Contract. A conflict of interest arises where NFA recommends that a Nationwide Fund invest in the Nationwide Contract, because the Nationwide Contract is issued by its affiliate, Nationwide Life, and earns money for Nationwide Life. Therefore, any recommendation by NFA to invest in the Nationwide Contract is made in the best interests of such participating Nationwide Funds and their respective shareholders, and in compliance with the conditions imposed by the SEC in its exemptive order. NFA believes that the stable nature of the Nationwide Contract can reduce a Fund-of-Funds’ volatility and overall risk, especially when the bond and stock markets decline simultaneously. Nonetheless, while the Nationwide Contract is guaranteed by Nationwide Life, if Nationwide Life becomes unable to meet this guarantee, a Fund that invests in the contract may lose money from unpaid principal or unpaid or reduced interest. Because the entire contract is issued and guaranteed by a single issuer, the financial health of such issuer may have a greater impact on the value of a Fund that invests in it.

Nationwide Life also established and sponsors the LCG Portfolio, for which Nationwide Life has hired NFA to be the investment adviser. Nationwide Life offers group variable annuity products that offer the LCG Portfolio and/or Nationwide Funds as investment options. Because NFA potentially earns more investment management fees when Nationwide Funds and the LCG Portfolio are chosen as investment options offered through Nationwide products, NFA has a conflict of interest.

### *Affiliated Broker-Dealers*

**Nationwide Fund Distributors LLC (“NFD”).** NFD is a registered broker-dealer under the Securities Exchange Act of 1934, as amended (“Exchange Act”) and a member of the Financial Industry Regulatory Authority (“FINRA”). NFD is a wholly-owned subsidiary of Nationwide Financial that serves as the principal underwriter and distributor of the Nationwide Funds, which are advised by NFA. In exchange for its services, NFD receives selling compensation from the Nationwide Funds in the form of sales charges and Rule 12b-1 fees.

**Nationwide Investment Services Corporation (“NISC”).** NISC is a registered broker-dealer under the Exchange Act and a member of FINRA. NISC is a wholly-owned subsidiary of Nationwide Financial that acts as the general distributor of variable annuity and variable life insurance products issued by its affiliates, Nationwide Life Insurance Company and Nationwide Life and Annuity Insurance Company. NISC receives selling compensation from the Nationwide Funds in the form of sales charges and Rule 12b-1 fees in exchange for distribution services provided. The compensation of certain NISC employees or registered representatives may be impacted by their success in marketing the Nationwide Funds. NISC also receives administrative services fees from the Nationwide Funds in exchange for providing administrative support and recordkeeping services to its customers who are beneficial shareholders of the Nationwide Funds.

**Nationwide Securities, LLC (“NSLLC”).** NSLLC is a registered broker-dealer under the Exchange Act and a member of FINRA. NSLLC is a wholly-owned subsidiary of Nationwide Financial that serves retail investors by offering securities products, mutual funds, fixed life insurance and annuity products, and variable annuities and life insurance policies. NSLLC is also a registered investment adviser. NSLLC sells shares of the Nationwide Funds and several non-proprietary mutual funds to its customers. In exchange for sales of shares of the Nationwide Funds, NSLLC receives selling compensation in the form of sales charges and Rule 12b-1 fees.

NFA routinely makes payments, out of its own profits, to NISC and/or NSLLC for marketing, distribution and sales support activities related to shares of the Nationwide Funds. These payments are in addition to any payments made or fees paid directly by the Nationwide Funds for such services.

### *Affiliated Investment Advisers*

**Nationwide Investment Advisors (“NIA”).** NIA is a registered investment adviser under the Advisers Act and a wholly-owned subsidiary of Nationwide Financial. NIA’s advisory services are provided through portfolio management, asset allocation models, managed accounts, and the selection of other investment advisers to manage the assets in advisory programs it provides.

**Nationwide Asset Management, LLC (“NWAM”).** NWAM is a registered investment adviser under the Advisers Act and a wholly-owned subsidiary of Nationwide Mutual. NWAM provides investment advisory services to registered investment companies and other types of accounts, such as institutional separate accounts. NWAM currently is a subadviser to certain fixed-income and managed volatility portfolios of Nationwide Funds, for which NFA pays fees from the investment advisory fees it earns with respect to such Funds. Where NWAM has been selected to subadvise the Volatility Overlay in a Nationwide Fund, NFA administers such Fund’s volatility management program and daily provides

NWAM with the index notional exposure required for futures positions for the Fund. As the subadviser to the Volatility Overlay, NWAM is responsible for executing trades to meet the target futures position requirements, including selecting the various futures contracts and the timing of the placement of the trades, as well as selecting the appropriate futures brokers based on best execution considerations. NWAM is also responsible for maintaining all outstanding margin accounts and residual cash, and for monitoring the value of each Fund's futures positions.

The ultimate ownership and control of both NFA and NWAM by Nationwide Mutual may create an incentive for NFA to select and recommend NWAM as a subadviser to the Nationwide Funds. Nevertheless, the selection of NWAM to subadvise any Nationwide Fund is subject to the approval of the Board of Trustees of Nationwide Funds, eight of the nine members of which are independent of Nationwide Mutual, NFA and NWAM. In addition, because NWAM is an affiliate of NFA, the selection of NWAM is excluded from the exemptive relief provided by the Manager of Managers Order. Therefore, the selection of NWAM to subadvise any Nationwide Fund is subject to the approval of the shareholders of each such Fund. NFA believes that these procedural requirements adequately safeguard the interests of the Nationwide Funds that are subadvised by NWAM.

NFA has engaged NWAM to provide asset allocation consulting services to NFA in connection with the development and periodic review of each Fund-of-Funds' (except those Funds-of-Funds for which NFA has selected an unaffiliated subadviser) target allocations in which the Fund-of-Funds invests. As noted above, NWAM is affiliated with NFA. NWAM also serves as the subadviser to certain Nationwide Funds. NFA and NWAM therefore could be subject to a conflict of interest, because one or more underlying funds selected for investment by NFA's Funds-of-Funds may be subadvised by NWAM, which earns fees for subadvising such underlying funds. NFA ultimately has sole responsibility for determining each Fund-of-Fund's asset class allocation and the selection of underlying funds.

Additional conflicts of interest may exist also because certain Funds-of-Funds are used as underlying investment options to fund benefits payable under Variable Contracts issued by Nationwide Life, some of which may offer guaranteed lifetime income or death benefits. Certain conflicts of interest thus may exist because Nationwide Life is affiliated with NFA and NWAM, and one reason for a Fund's Volatility Overlay (for those Funds-of-Funds that feature a Volatility Overlay) is to minimize the costs and risks to Nationwide Life of supporting guaranteed benefits available through Variable Contracts. Accordingly, the risk exists that, either in providing a Fund's volatility management program or in establishing a Fund's asset class allocation, NFA and NWAM may take into account Nationwide Life's interests as they relate to guaranteed benefits available under Variable Contracts. For example, selecting and allocating assets to underlying funds that invest primarily in fixed-income securities or in a more conservative or less volatile investment style may operate to reduce the regulatory capital requirements that Nationwide Life must satisfy in order to support its guarantees under Variable Contracts it issues, may indirectly reduce Nationwide Life's risk from the lifetime income or death benefits, or make it easier for Nationwide Life to manage its risk through the use of various hedging techniques. As the Funds' investment adviser and subadviser, respectively, NFA and NWAM nonetheless have a fiduciary duty to each Fund-of-Funds and must act in the best interests of each Fund-of-Fund's shareholders. NFA therefore has developed an investment allocation process that seeks to ensure that the Funds-of-Funds are managed in the best interests of contract owners who select sub-accounts that invest in such Funds' shares. Further, NFA and NWAM together have adopted various policies, procedures and compliance controls that are intended to identify, monitor and address actual or potential conflicts of interest in order to safeguard the best interests of the Funds' shareholders.

**Nationwide Securities, LLC (“NSLLC”).** See *Affiliated Broker-Dealers*, above.

#### *Affiliated Bank*

**Nationwide Bank** is a federal-chartered savings bank owned by Nationwide Financial. Shares of Nationwide Funds may be sold to customers of Nationwide Bank and the bank may serve as custodian for these clients.

#### *Other Affiliated Companies*

**Nationwide Fund Management LLC (“NFM”)** is a wholly-owned subsidiary of Nationwide Financial that serves as fund administrator and transfer agent to the Nationwide Funds, in exchange for which the Nationwide Funds pay NFM fees.

**Nationwide Retirement Solutions, Inc. (“NRS”)** is a wholly-owned subsidiary of Nationwide Financial that provides recordkeeping, education and administrative services for public employee deferred compensation plans. Interests in the LCG Portfolio and shares of Nationwide Funds are often available investment options within retirement plans utilizing plan services provided by NRS.

#### *Endorsement Relationships*

Nationwide Life and/or NRS have endorsement relationships with the following industry groups or sponsoring organizations (“Membership Organizations”):

- **National Association of Counties** – a national organization that represents county governments in the United States.
- **International Association of Fire Fighters – Financial Corporation** – a for profit corporation whose only shareholder is the International Association of Fire Fighters, which represents more than 300,000 professional fire fighters and paramedics.

Nationwide Life and/or NRS make payments to Membership Organizations, which are representing the interests of all their members generally in these relationships. Payments made are in exchange for the Membership Organizations’ endorsement of Nationwide Life’s and/or NRS’ products and services available for retirement plans, which often include options to invest in the LCG Portfolio or in one or more of the Nationwide Funds. Payments to Membership Organizations are not affected by whether a member selects the LCG Portfolio or a Nationwide Fund in which to invest. Members of these organizations may choose to include the LCG Portfolio or one or more Nationwide Funds as available investment options for their employees, although they may instead select mutual funds or other investment products that are not managed by NFA. NFA is not a party to these endorsement relationships, and NFA does not directly engage Membership Organizations to solicit retirement plan participants as investors in the LCG Portfolio or Nationwide Funds. Nevertheless, these payments, and any solicitation efforts undertaken by Nationwide Life and/or NRS on behalf of the LCG Portfolio and Nationwide Funds, benefits NFA, since NFA earns fees on the assets invested in the LCG Portfolio and Nationwide Funds.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

NFA has adopted a Code of Ethics and Standards of Professional Conduct (the “Code”) pursuant to Rule 204A-1 of the Advisers Act in order to prevent persons who are actively engaged in investment advisory services or portfolio selection for clients from participating in fraudulent, deceptive or manipulative acts, practices or courses of conduct in connection with managing client accounts. The Code emphasizes NFA’s fiduciary duty and establishes certain standards of business conduct to which certain persons employed or associated with NFA are expected to adhere. In particular, the Code is designed to uphold the following principles, (1) that NFA’s duty at all times is to place the interests of its clients first, (2) that all personal securities transactions conducted by an officer, member or employee of NFA shall be conducted consistently with the provisions of the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of that individual’s position of trust and responsibility; and (3) NFA’s officers, members and employees shall not take inappropriate advantage of their positions with NFA. NFA will provide a copy of the Code to any client or prospective client upon request.

The Code outlines prohibited transactions and conduct by certain officers, members and employees of NFA. The Code mandates that particular employees of NFA submit holdings and transaction reports and certifications of compliance with the Code to NFA’s Chief Compliance Officer (“CCO”) on an initial, quarterly and annual basis. The Code requires pre-clearance for all reportable Funds and for covered securities; for associates performing certain functions with access to timely trade information, a black-out period is enforced. The CCO is responsible for imposing appropriate sanctions for violations of the Code. The CCO will also prepare a written report, no less than annually, describing any material violations of the Code and any sanctions imposed. This written report will also certify that NFA has adopted procedures reasonably necessary to prevent its employees from violating the Code. All of NFA’s supervised persons must acknowledge the terms of the Code annually.

The Code also contains an insider trading provision that is designed to prevent the misuse of material non-public information by NFA and its officers, members and employees. The Code expressly forbids any officer, member or employee from either trading on material non-public information, or communicating material non-public information to others in violation of federal law. NFA also requires timely reporting of outside business interests and monthly reporting of gifts and entertainment using an automated reporting system. The Compliance Department requires business unit supervisors to approve all gifts and entertainment by providing a copy of all quarterly reports that have been submitted in the system for their review and electronic sign off. Each associate is limited to gifts in the amount of \$100 per year, per vendor.

Subadvisers employed by NFA are required to have adopted codes of ethics that comply with Rule 204A-1 of the Advisers Act. For the Nationwide Funds, all material changes to the subadvisers’ codes of ethics must be reported and approved by the Board of Trustees. For any individual providing services to Client Accounts, each subadviser reports material violations to its code of ethics, on a quarterly basis, to NFA’s CCO with an explanation of the occurrence and details of the sanctions levied on such individual. At least once each year, NFA’s CCO provides a report to the Nationwide Funds Board of Trustees with respect to material violations reported by subadvisers.

NFA often recommends to its clients, or buys and sells for Client Accounts, securities in which NFA or an affiliated entity has a material financial interest. For example, as the investment adviser to the Funds-of-Funds, NFA generally recommends that most Funds-of-Funds invest in other portfolios of Nationwide Funds. The selection of other portfolios of Nationwide Funds to serve as underlying funds in which such

Funds-of-Funds invest raises a potential conflict of interest because NFA is the investment adviser to, and earns investment advisory fees from, such other Nationwide Funds. Further, certain affiliates of NFA also earn additional fees from these selections, such as Nationwide Fund Management LLC (administrator and transfer agent to the Nationwide Funds) and Nationwide Asset Management, LLC, to the extent that it subadvises underlying funds that are selected for investment. NFA has in place written policies that govern the selection of underlying funds, and which prohibit NFA from investing the assets of a Fund-of-Funds in another portfolio of Nationwide Funds where such Nationwide Fund is not a suitable investment for the Fund-of-Funds, the selection of such Nationwide Fund is intended primarily to benefit NFA or one of its affiliates, or where the selection of such Nationwide Fund would be inconsistent with NFA's fiduciary obligations to the Fund-of-Funds.

As discussed in Item 10 above, NFA invests the assets of certain Funds-of-Funds in the Nationwide Contract, which is a fixed-interest insurance contract issued by Nationwide Life. A conflict of interest arises where NFA recommends that a Nationwide Fund invest in the Nationwide Contract, because the Nationwide Contract is issued by, and earns money for, NFA's affiliate. Therefore, any recommendation by NFA to invest in the Nationwide Contract is made in the best interests of such participating Funds-of-Funds and their respective shareholders, and in compliance with NFA's fiduciary duties to the Funds-of-Funds and the conditions imposed by the SEC in its exemptive order.

As the investment adviser to the Subadvised Accounts, NFA recommends to the Board of Trustees of the Nationwide Funds or the Board of Managers of the LCG Portfolio the selection of subadvisers to conduct the Subadvised Accounts' portfolio management and trading. Many of the subadvisers NFA recommends have other material business arrangements with Nationwide Financial or other of its affiliates. For instance, certain subadvisers to the Nationwide Funds may also provide subadvisory services to the LCG Portfolio. More importantly, many subadvisers manage their own proprietary mutual funds that are offered to customers of Nationwide Financial through various retail, variable insurance, and retirement plan platforms, for which they pay Nationwide Financial entities selling compensation, including Rule 12b-1 fees and revenue sharing from such subadvisers' own resources, as well as fees for providing administrative services to their beneficial shareholders. Certain subadvisers are also affiliated with broker-dealer or insurance agency businesses that sell to their respective customers variable annuities and life insurance policies issued by Nationwide Life or other products issued by Nationwide Financial or Nationwide Mutual. These arrangements can create conflicts of interest for NFA to the extent NFA recommends subadvisers primarily because of the benefits to NFA's affiliates derived from such other business arrangements. NFA has in place policies that govern the selection of subadvisers to the Nationwide Funds and LCG Portfolio, pursuant to which NFA discloses to the Board of Trustees and/or Board of Managers the existence of any such other business arrangements, and which require that NFA recommend subadvisers for reasons that are in the best interests of each Subadvised Account.

Consistent with applicable law, NFA has adopted order handling rules which seek to allocate investment opportunities to all accounts on a fair and equitable basis. NFA may make recommendations and take action with respect to a particular Client Account that may be the same or different from the recommendations made for other Client Accounts. NFA's order handling and operational procedures seek to identify transactions that may be deemed to create inconsistent positions among accounts, and information respecting those transactions is disseminated to all portfolio managers and investment personnel on a daily basis.

Portfolio managers may take an inconsistent position with other Client Accounts they manage, provided that the portfolio manager can establish an appropriate basis for the inconsistent position, such as the maintenance of different investment objectives and/or time horizons for the holders of the inconsistent position and the portfolio manager has documented the rationale for this difference.

NFA has established policies designed to ensure that all clients are treated in a fair and equitable manner. Additionally, purchases or sales of the same security may be made for two or more accounts on the same date. In such event, where possible, orders may be aggregated with other orders in accordance with NFA's trade aggregation procedures. It may not always be possible, or consistent with the investment objectives of various accounts, to take or eliminate the same investment positions at the same time or at the same price.

Where a subadviser is employed to directly manage all or a portion of a Subadvised Account, NFA has procedures designed to discern whether the subadviser has adopted adequate order handling rules and policies to ensure fair and equitable allocation practices as described above. Pursuant to such procedures, NFA undertakes due diligence of subadvisers and monitors them on an on-going basis to ensure subadvisers maintain compliance with such policies and procedures.

In addition, NFA or an employee or supervised person may buy or sell securities that NFA also recommends to clients. These transactions are subject to a Code of Ethics, as described above.

Further, NFA or an affiliate may, on infrequent occasions, sell securities to or buy securities from a Fund, acting as principal. Any such principal transaction will only be undertaken pursuant to an order for exemption issued pursuant to Section 17(b) of the 1940 Act or as otherwise legally permitted by the 1940 Act, subject in all instances to the oversight of the Nationwide Funds' Board of Trustees.

The Nationwide Funds may engage in cross-trading, subject to Rule 17a-7 under the 1940 Act and the procedures adopted by the Nationwide Funds' Board of Trustees. The LCG Portfolio also may engage in cross-trading, subject in all such instances to compliance with the Advisers Act, any other applicable law, and NFA's or the trading subadviser's fiduciary obligations thereunder. NFA does not make any principal transactions or agency cross transactions with respect to the LCG Portfolio, although a subadviser to the LCG Portfolio may effect an agency cross transaction in the manner and to the extent permitted by the Advisers Act or other applicable law.

## **Item 12 – Brokerage Practices**

Pursuant to the investment advisory agreements between NFA and Client Accounts, NFA has the authority to place orders for the purchase and sale of assets not allocated to a subadviser with brokers or dealers as NFA shall select, and to negotiate commissions to be paid in respect of such transactions. As a practical matter, this means that NFA selects broker-dealers and negotiates commission rates when placing orders to purchase and sell securities on behalf of the Funds-of-Funds (*e.g.*, shares of exchange-traded funds or exchange-traded notes). For the Subadvised Accounts, NFA selects broker-dealers, negotiates commissions and places trades on a very limited basis, since the trading of the Subadvised Accounts' portfolio securities normally is handled by their subadvisers. Nevertheless, in limited circumstances, such as when replacing or adding subadvisers (or when reallocating account assets among existing subadvisers), or in order to efficiently manage large-scale asset flows into or out of Subadvised Accounts, NFA may engage the services of one or more broker-dealers that specialize



in portfolio transition management services in order to reduce commission costs and to enhance trading efficiencies.

As an investment adviser, NFA has an affirmative duty to seek best execution of transactions it executes on behalf of all Client Accounts. Although commission rates are an important consideration in determining whether “best execution” is being obtained, NFA may not necessarily pay the lowest commission or spread available. In determining best execution, NFA considers a number of factors, including research capabilities, execution capabilities, back office and processing capabilities, reputation and perceived soundness of the firm and the level of commissions that can be obtained. NFA does not adhere to any rigid formulas in making the selection of the applicable broker, but weighs a combination of the preceding criteria. Transactions may involve specialized services on the part of the broker or dealer involved, and thereby may entail higher commissions or spreads than would be the case with other transactions. When one or more brokers is believed capable of providing the best combination of price and execution, NFA may select a broker based upon research services provided to NFA. NFA may pay a higher commission than is otherwise obtainable from other brokers in return for such services only if a good faith determination is made that the commission is reasonable in relation to the services provided.

NFA requires subadvisers that place trades on behalf of the Subadvised Accounts to adhere to the same standards of best execution as described above. In this regard, NFA undertakes due diligence of each subadviser’s procedures and brokerage practices that are designed to ensure that such subadviser similarly selects broker-dealers and places trades subject to best execution principles.

#### *Soft Dollars*

NFA does not participate in soft dollar arrangements. However, subadvisers may generate soft dollars from commissions consistent with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended. Services paid for with soft dollars must qualify as research or execution services. Fees paid by the Subadvised Accounts to NFA, or by NFA to a subadviser, are not reduced by reason of a subadviser’s receiving any brokerage or research services. Further, research services that subadvisers receive can be useful to such subadvisers in serving their other clients.

#### *Directed Brokerage*

Except as described below under “Commission Recapture Program,” NFA does not participate in directed brokerage practices. In addition, in selecting a broker-dealer for the execution of a Client Account’s portfolio transactions, NFA and all subadvisers are prohibited from considering the broker-dealer’s sale of shares of any Nationwide Fund or other Nationwide product, except as may be specifically permitted by law. Client Account portfolio transactions nevertheless may be effected with broker-dealers who coincidentally may have assisted customers in purchasing shares of Nationwide Funds or variable annuity contracts, variable life insurance policies or other products issued by Nationwide Life or its affiliates. However, neither such assistance nor the volume of Nationwide Fund shares or Nationwide products sold is a qualifying or disqualifying factor in NFA’s or a subadviser’s selection of such broker-dealer for portfolio transaction execution.

### *Commission Recapture Program*

NFA may instruct subadvisers to direct certain brokerage transactions, using best efforts, and subject always to obtaining best execution, to broker-dealers in connection with a commission recapture program that is used to offset Client Account operating expenses. Commission recapture is a form of institutional discount brokerage that returns commission dollars directly to an account. It provides a way to gain control over the commission expenses incurred by a subadviser, which can be significant over time, and thereby reduces expenses. If a subadviser does not believe it can obtain best execution from such broker-dealers, there is no obligation to execute portfolio transactions through such broker-dealers. Commissions recaptured by a Fund will be included in realized gain (loss) on securities in the Fund's appropriate financial statements.

### *Aggregation of Orders*

NFA may conduct trades in respect of accounts with similar investment strategies. Accordingly, NFA may group orders of multiple client accounts to obtain the efficiencies that may be available on larger transactions when it determines that investment decisions are appropriate for each participating account and consistent with its investment strategies. Moreover, NFA will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution. When aggregating orders, no Client Account is favored over any other Client Account; each client participating in the aggregated order will participate at the average share price calculated for the aggregated order, with transaction and commission costs shared pro-rata based on each client's participation in the transaction. Securities purchased or sold in a batched transaction are allocated pro-rata, when appropriate, to the participating client accounts in proportion to the size of the order placed for each account. NFA may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients.

If NFA is unable to fully execute a batched transaction and it is determined that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, NFA may allocate such securities in a manner determined in good faith to be, over time, a fair allocation. It is NFA's policy to allocate securities investment pricing opportunities fairly and equitably among all discretionary accounts.

### *Cross-Trading*

NFA may cause the Nationwide Funds to engage in cross-trading, subject to Rule 17a-7 under the 1940 Act and the procedures adopted by the Nationwide Funds' Board of Trustees. The LCG Portfolio also may engage in cross-trading, subject in all such instances to compliance with the Advisers Act, any other applicable law, and NFA's or the trading subadviser's fiduciary obligations thereunder. NFA does not make any principal transactions or agency cross transactions with respect to the LCG Portfolio, although a subadviser to the LCG Portfolio may effect an agency cross transaction in the manner and to the extent permitted by the Advisers Act and other applicable law.

### **Item 13 – Review of Accounts**

NFA's Manager Strategies Team is responsible for establishing general investment policy and the selection of subadvisers for Subadvised Accounts, subject to the approval of the Nationwide Funds Board of Trustees or the LCG Portfolio Board of Managers, as applicable. The Manager Strategies Team also monitors the performance of Subadvised Accounts and their respective subadvisers. NFA's Asset Strategies Team makes recommendations regarding the allocation of assets of the Funds-of-Funds (and certain other asset allocation Funds) among the various asset classes and the selection of underlying mutual funds. Both teams delve deeply into risk assessments of subadviser/underlying fund volatility, style drift, change in portfolio management teams, or any other factors that impact the performance or investment strategies of the Client Accounts. Other members of NFA's executive leadership are responsible for evaluating subadvisers based on criteria other than investment policy or performance, such as compliance, operations and reporting. Non-investment related risk and policy is monitored through the review of subadviser quarterly questionnaire responses, annual due diligence questionnaire answers, and periodic on-site visits.

Quarterly reports are provided to the Board of Trustees for the Nationwide Funds. These reports include information regarding the performance of the Nationwide Funds and their subadvisers, portfolio transactions, net asset value, net asset sales and redemptions, and compliance matters as of the end of the most recently-ended quarter. In addition, the Nationwide Funds Board of Trustees evaluates the performance of NFA and all subadvisers with respect to each Nationwide Fund generally once each year in connection with the renewal of such Fund's investment advisory agreement with NFA and subadvisory agreements with subadvisers, pursuant to Section 15(c) of the 1940 Act.

Reports also are provided to the LCG Portfolio's Board of Managers and discussed at the LCG Portfolio Board's periodic meetings. On a quarterly basis, NFA provides the LCG Portfolio Board with a schedule of investments along with an allocation of assets among the subadvisers.

### **Item 14 – Client Referrals and Other Compensation**

NFA does not receive any economic benefit, including sales awards and other prizes, from non-clients, for providing investment advice or other advisory services to its clients. Further, NFA does not enter into solicitation agreements or compensate any unsupervised person for client referrals. NFA does pay its affiliated investment adviser, Nationwide Asset Management, LLC ("NWAM"), fees in exchange for subadvisory services that NWAM provides to certain of the Nationwide Funds. All such arrangements, including the amount of subadvisory fees payable to NWAM, are subject to the review and approval of the Nationwide Funds Board of Trustees and the shareholders of each Nationwide Fund for which NWAM provides subadvisory services. NFA also pays NWAM fees in exchange for the asset allocation consulting services that NWAM provides to NFA with respect to Funds-of-Funds, although the payment of these fees is not subject to the approval of the Nationwide Funds Board of Trustees or shareholders.

NFA often makes payments for marketing, promotional or related services provided by broker-dealers and other financial intermediaries (including certain of its affiliated entities, as described in Item 10 above) that sell shares of the Nationwide Funds or which include them as investment options for their respective customers. These payments are often referred to as "revenue sharing payments." The existence or level of such payments may be based on factors that include, without limitation, differing levels or types of services provided by the broker-dealer or other financial intermediary, the expected level of assets or sales of shares, the placing of some or all

Nationwide Funds on a recommended or preferred list, and/or access to an intermediary's personnel and other factors. Revenue sharing payments are made from NFA's own legitimate profits and other of its own resources, and may be in addition to any Rule 12b-1 payments that the Nationwide Funds make to broker-dealers and other financial intermediaries. In addition to revenue sharing payments, NFA and its affiliates may offer other incentives to sell shares of the Nationwide Funds or interests in the LCG Portfolio in the form of sponsorship of educational or other client seminars relating to current products and issues, assistance in training or educating an intermediary's personnel, and/or entertainment or meals. These payments may also include, at the direction of a retirement plan's named fiduciary, amounts to a retirement plan intermediary to offset certain plan expenses or otherwise for the benefit of plan participants and beneficiaries. Revenue sharing payments and related activities may create a conflict of interest by influencing a broker-dealer, retirement plan fiduciary or other financial intermediary to recommend investing in a Nationwide Fund or the LCG Portfolio, from which NFA earns fees, over another investment.

### **Item 15 – Custody**

NFA does not maintain custody of any client assets. One or more unaffiliated parties serve as the custodians for all Client Accounts pursuant to written custody agreements between the custodians and such Client Accounts.

### **Item 16 – Investment Discretion**

Pursuant to investment advisory agreements between NFA and Client Accounts, NFA has full discretion to make all investment determinations with respect to the management of account assets not otherwise assigned to a subadviser. Such discretionary authority includes the determination of what securities to purchase, retain or sell on behalf of the accounts and the placement of orders to execute transactions with brokers or dealers that NFA shall select. In all instances, NFA exercises investment discretion in a manner consistent with the stated investment objectives, investment strategies, limitations and restrictions for the particular Client Account as stated in its investment advisory agreement and/or prospectus and statement of additional information or offering memorandum. With respect to Client Account assets that have been assigned to a subadviser, the subadviser exercises investment discretion as delegated to it by NFA.

### **Item 17 – Voting Client Securities**

#### *Delegation of Proxy Voting to Subadvisers*

For any portion of a Subadvised Account that is directly managed by a subadviser, NFA has delegated proxy voting authority to that subadviser. Each subadviser has provided its proxy voting policies to NFA (and the Board of Trustees of the Nationwide Funds, as applicable) for their respective review. Each subadviser is required (1) to represent quarterly to NFA that all proxies of the account(s) advised by the subadviser were voted in accordance with the subadviser's proxy voting policies as provided to NFA and (2) to confirm that there have been no material changes to the subadviser's proxy voting policies.

#### *Proxy Voting of Accounts Directly Managed by NFA*

NFA votes proxies of securities held in Nationwide Funds that are directly managed by NFA pursuant to written proxy voting guidelines ("Proxy Voting Guidelines") that have been approved by the Nationwide Funds Board of Trustees. NFA's goal in voting proxies on behalf of clients is to vote or not to vote in a

manner that serves the best economic interests of NFA's clients and to avoid the influence of conflicts of interest. The Proxy Voting Guidelines are designed to ensure that, where NFA has the authority to vote proxies, all legal, fiduciary and contractual obligations will be met.

NFA has delegated to Institutional Shareholder Services Proxy Advisory Services ("ISS," an MSCI brand), an independent service provider, the administration of proxy voting for client portfolio securities directly managed by NFA, subject to oversight by NFA's "Proxy Voting Committee." ISS provides proxy-voting services to many asset managers on a global basis. The NFA Proxy Voting Committee has reviewed, and will continue to review annually, the relationship with ISS and the quality and effectiveness of the various services provided by ISS.

Specifically, ISS assists NFA in the proxy voting and corporate governance oversight process by developing and updating the "ISS Proxy Voting Guidelines," which are incorporated into the Proxy Voting Guidelines, and by providing research and analysis, recommendations regarding votes, operational implementation, and recordkeeping and reporting services. NFA's decision to retain ISS is based principally on the view that the services that ISS provides, subject to oversight by NFA, generally will result in proxy voting decisions which serve the best economic interests of clients. NFA has reviewed, analyzed, and determined that the ISS Proxy Voting Guidelines are consistent with the views of NFA on the various types of proxy proposals. When the ISS Proxy Voting Guidelines do not cover a specific proxy issue and ISS does not provide a recommendation: (i) ISS will notify NFA; and (ii) NFA will use its best judgment in voting proxies on behalf of its clients.

#### *Conflicts of Interest*

NFA does not engage in investment banking, administration or management of corporate retirement plans, or any other activity that is likely to create a potential conflict of interest. In addition, because client proxies are voted by ISS pursuant to the pre-determined ISS Proxy Voting Guidelines, NFA generally does not make an actual determination of how to vote a particular proxy, and, therefore, proxies voted on behalf of clients do not reflect any conflict of interest. Nevertheless, the Proxy Voting Guidelines address the possibility of such a conflict of interest arising.

The Proxy Voting Guidelines provide that, if a proxy proposal were to create a conflict of interest between the interests of a client and those of NFA (or between a client and those of any of NFA's affiliates, including Nationwide Mutual and Nationwide Financial), then the proxy should be voted strictly in conformity with the recommendation of ISS. To monitor compliance with this policy, any proposed or actual deviation from a recommendation of ISS must be reported by the NFA Proxy Voting Committee to the chief counsel for NFA. The chief counsel for NFA then will provide guidance concerning the proposed deviation and whether a deviation presents any potential conflict of interest. If NFA then casts a proxy vote that deviates from an ISS recommendation, the affected client (or other appropriate client authority) will be given a report of this deviation.

#### *Circumstances Under Which Proxies Will Not be Voted*

NFA, through ISS, shall attempt to process every vote for all domestic and foreign proxies that they receive; however, there may be cases in which NFA will not process a proxy because it is impractical or too expensive to do so. For example, NFA will not process a proxy in connection with a foreign security if the cost of voting a foreign proxy outweighs the benefit of voting the foreign proxy, when NFA has not been given enough time to process the vote, or when a sell order for the foreign security is outstanding and proxy voting would impede the sale of the foreign security. Also, NFA generally will not seek to recall the securities on loan for the purpose of voting the securities -- *except*, in regard to a Subadvised

Account, for those proxy votes that a subadviser (retained to manage the Subadvised Account and overseen by NFA) has determined could materially affect the security on loan. NFA will seek to have the appropriate subadviser(s) vote those proxies relating to securities on loan that are held by a Subadvised Account that the subadviser(s) has determined could materially affect the security on loan.

The proxy voting records of the Nationwide Funds are available at the following website: [www.nationwide.com/mutualfunds](http://www.nationwide.com/mutualfunds). Clients may obtain a copy of NFA's Proxy Voting Guidelines upon request.

#### *Class Action Settlements*

NFA has engaged ISS, to file on the Nationwide Funds' behalf, all necessary documentation in order to obtain entitled class action settlements. ISS maximizes securities class action recoveries, thereby assisting NFA in meeting its fiduciary responsibility through the claims filing process. Filings are made to recover losses incurred from fraud in securities class action cases, and ISS files for all settlements regardless of size. ISS' technology enables NFA to track and manage multiple claims and view pending settlement amounts. Each Nationwide Fund receives its entitled monies upon receipt.

#### **Item 18 – Financial Information**

Registered investment advisers are required to provide clients with certain financial information or disclosures about their financial condition. NFA has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.