

The background of the top half of the page is a blurred image of a financial market data screen. It features a dark blue background with bright yellow-green text that is out of focus, showing various alphanumeric characters and numbers like '16', 'YLE', 'YLA', 'YLT', and '57'.

Nationwide
Financial

Fiduciary Series™

Process Guide

for Investment Professionals

Investment Professional Use Only



Nationwide®
On Your Side™

Introduction

Nationwide® recognizes the increasing concern plan sponsors have regarding fiduciary obligations to their qualified retirement plans. We also recognize the challenges our partners face in providing quality investment programs and services in an increasingly competitive marketplace. That's why we've developed the Nationwide Financial Fiduciary SeriesSM, a unique fiduciary education program featuring a Web site, a Handbook and customizable tools to help plan fiduciaries meet their fiduciary obligations. The Fiduciary Series also includes an online fund selection and monitoring tool for plan fiduciaries that is unparalleled in the industry.

The Nationwide Financial Fiduciary Series is designed for use by plan sponsors with the assistance of their Preferred Plan Administrator (PPA), investment professional or other experts providing services to the plan. You may use the fiduciary materials and tools to prospect new business, retain existing plans and assist plan sponsors with understanding and fulfilling their fiduciary obligations.

1

Program Materials

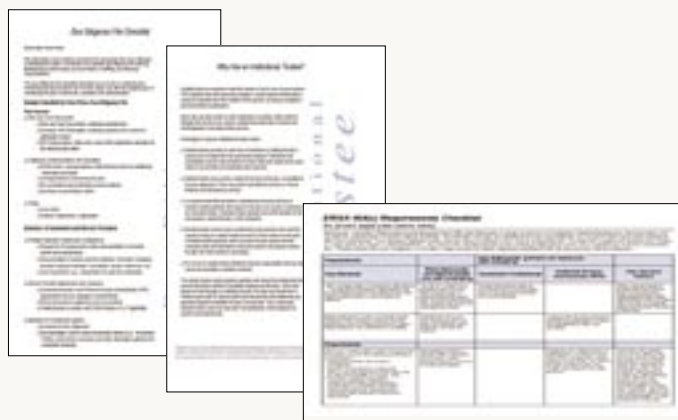
The Nationwide Financial Fiduciary SeriesSM includes the following items:



Fiduciary Handbook – Available online and in limited quantities in a hard-copy format, this high-level reference guide to ERISA regulations is written in an easy-to-follow format and contains specific examples to illustrate complex ERISA guidelines. The Handbook also includes a helpful glossary of common terms and a brief overview of The Best of America[®] Group Retirement Series. Renowned ERISA attorney C. Fredrick Reish helped edit the Handbook and accompanying tools.



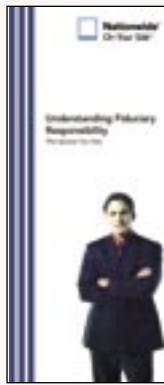
Fiduciary Responsibility Success Quiz – Available online and in a hard-copy format, the Success Quiz includes a series of questions plan sponsors may answer about their plan, covering plan design, investment selection and monitoring, and ERISA 404(c) issues. It is designed to increase plan sponsor awareness of their fiduciary obligations. The Success Quiz will also help plan sponsors and service providers identify current plan design or compliance issues and help prioritize any immediate concerns.



Fiduciary Tools – Available both online and via a CD that accompanies the hard-copy Handbook, a series of customizable tools are available to assist plan sponsors with meeting their fiduciary obligations. The tools include The ERISA 404(c) Requirements Checklist and Questions and Answers brochure to assist with ERISA 404(c) compliance. The tools also include a one-page summary titled “*Why Use an Institutional Trustee?*,” which will help plan sponsors understand the role of an institutional trustee. Plan sponsors can also demonstrate that they’ve followed a prudent process while fulfilling their fiduciary obligations by using the Plan Fiduciary Meeting Checklist and Due Diligence File Checklist.

Model Investment Policy Statement – Based on a template developed by C. Frederick Reish, the model Investment Policy Statement is the focal point of the Fiduciary Handbook. Two policies are available: A standard policy suitable for basic 401(k) plans and a policy that may be customized for other plan types or investment options. The model policy is coordinated with the performance reports provided via the online system and may be tailored to suit the needs of the plan and its participants. However, please note that if the methodology for selecting and evaluating the plan investments is modified, the policy will not be consistent with the online selection and monitoring tool.

2



Understanding Fiduciary Responsibility – For use in client meetings or as a direct mailer, Understanding Fiduciary Responsibility may be used in new and takeover situations as well as with existing plans that may be interested in using the Fiduciary Series. Designed for use with our proposal kit, the brochure briefly explains fiduciary responsibility and includes an abbreviated set of questions from the Success Quiz that plan sponsors may answer to determine how well they're currently meeting their fiduciary obligations. The brochure also provides an overview of the fiduciary materials and the online fiduciary management tool set.

Reports to Assist with Investment Selection and Monitoring

The following reports are available on the Web site to assist plan fiduciaries with the important job of selecting and monitoring their plan's investments.

Available Investments for investment professionals provide a listing of funds in The Best of America® Group Retirement Series along with asset class, peer group, returns and batting averages to coordinate with our model investment policy statement. A version of the report that does not include the batting average is also available for plan sponsors.

This report may be sorted in a variety of ways; for example, you can sort by asset class, or create a list of funds that meet the model investment policy criteria.

Available Investments

Fund return is based on the fund's overall trailing average versus its peer group. See **Methodology**. A fund listed below average for three or more quarters as of the annual review review date will normally be red-flagged.

All Funds

FUND NAME	Asset Class	AAP Peer Group	Incept Date	Total Returns					Annual Return	Status	
				1Yr	3Yr	5Yr	10Yr	15Yr			
Carriers Money Market	Cash	Money Market	02/1980	0.18	1.00	2.71	3.62	6.10	-	-	⊕
Goldman Sachs Short Duration Government	Bonds	Fixed Income Govt Short	09/1997	0.30	2.75	6.71	5.41	-	3.67	304	⊕
Government Limited Term Government	Bonds	Fixed Income Govt Short	02/1998	2.29	2.01	5.51	4.83	6.40	6.60	290	⊕
Lord Abbett Limited Duration Gov Bond Funds	Bonds	Fixed Income Govt Short	11/1993	-0.30	2.82	6.28	3.98	-	4.85	278	⊕
AIG Limited Maturity Treasury Fund	Bonds	Fixed Income Govt Short	12/1997	0.24	1.80	5.24	4.71	6.03	6.02	260	⊕
Totem Funds S&P Duration Fixed Income	Bonds	Fixed Income Govt Short	04/1998	0.83	1.78	5.10	-	-	3.75	242	⊕
Performance Funds Trust 04 Gov Inv	Bonds	Fixed Income Govt Short	06/1992	-0.96	1.49	5.16	4.88	6.81	5.00	214	⊕
American Century Short Term Government	Bonds	Fixed Income Govt Short	01/1988	0.13	1.89	5.18	4.43	-	4.71	212	⊕
Goldman Sachs Ultra Short Duration Bond	Bonds	Fixed Income Govt Short	05/1998	0.19	1.54	4.18	4.30	-	4.91	206	⊕
PMCO Funds Low Duration Bond	Bonds	Fixed Income General Short	01/1997	-0.10	4.34	6.42	3.95	-	5.16	200	⊕
Fidelity Advisor Short Fixed Income	Bonds	Fixed Income General Short	01/1998	0.17	4.71	6.27	5.53	-	5.91	200	⊕
Key Fund Limited Term Bond Fund	Bonds	Fixed Income General Short	12/1998	0.26	3.81	6.37	3.38	-	5.49	193	⊕
BankofAm Life Duration Bond Inv A	Bonds	Fixed Income General Short	01/1998	0.14	2.47	5.88	5.21	-	5.11	193	⊕
One Group Ultra Short Term Bond	Bonds	Fixed Income General Short	02/1991	0.08	2.07	4.93	4.77	4.96	4.90	188	⊕
Carriers Money Cap Accumulation	Bonds	Fixed Income General Short	12/1998	-0.10	1.07	2.25	-	-	2.72	181	⊕
Carriers Money Cap Accumulation	Bonds	Fixed Income General Short	12/1998	0.05	3.10	4.99	-	-	4.88	-	⊕
World Lynch Low Duration Fund	Bonds	Fixed Income General Short	01/2001	-	-	-	-	-	-	-	⊕
Strong Government Securities Funds	Bonds	Fixed Income Govt Intermediate	12/1988	-0.20	3.79	6.99	6.35	6.70	6.27	192	⊕
Goldman Sachs Government Income	Bonds	Fixed Income Govt Intermediate	02/1991	-0.10	3.71	6.17	5.92	6.42	6.77	190	⊕
Carriers Government Bond	Bonds	Fixed Income Govt Intermediate	06/1998	-0.46	3.81	6.83	6.81	-	6.80	187	⊕
Government US Government Trust	Bonds	Fixed Income Govt Intermediate	06/1985	-0.26	2.19	5.82	5.45	6.22	7.66	180	⊕
US Government Securities Funds	Bonds	Fixed Income Govt Intermediate	10/1988	-0.04	2.89	7.38	6.45	6.55	7.47	178	⊕
Performance Funds Trust Int Fed Income	Bonds	Fixed Income Govt Intermediate	06/1992	-0.99	4.03	6.71	5.25	5.40	6.42	164	⊕
Wells Fargo Funds Mortgage 30 Yr 50 Bnd Fund	Bonds	Fixed Income Govt Intermediate	03/1998	0.30	2.38	5.96	5.16	-	5.83	161	⊕
WFS Research Bond Fund	Bonds	Fixed Income General Intermediate	12/1998	0.08	6.10	10.21	-	-	7.77	151	⊕
WFS Intermediate Investment Grade Bond Fund	Bonds	Fixed Income General Intermediate	12/1998	-0.12	5.82	9.02	-	-	7.16	147	⊕
Lord Abbett Core Fixed Income Fund	Bonds	Fixed Income General Intermediate	08/2000	-0.26	6.01	8.09	-	-	9.18	140	⊕
Lord Abbett Total Return Fund	Bonds	Fixed Income General Intermediate	06/2000	-0.12	7.16	9.14	-	-	9.20	136	⊕
PMCO Funds Total Return Fund	Bonds	Fixed Income General Intermediate	01/1997	-0.39	6.84	9.28	6.71	-	7.69	141	⊕
One Group Bond	Bonds	Fixed Income General Intermediate	06/1991	0.24	5.01	5.02	6.81	6.90	7.96	136	⊕
One Group Intermediate Bond	Bonds	Fixed Income General Intermediate	05/1992	0.35	5.03	6.22	4.24	6.34	7.12	140	⊕
Fidelity Investment Grade Bond	Bonds	Fixed Income General Intermediate	08/1971	0.01	6.89	9.70	6.44	6.78	8.21	130	⊕

Plan Overview – Available after the PPA establishes a plan on the system, this report provides detailed statistics on the plan investments. An example of this report is available on the Web site so that you may show plan sponsors what is available through the Fiduciary Series.

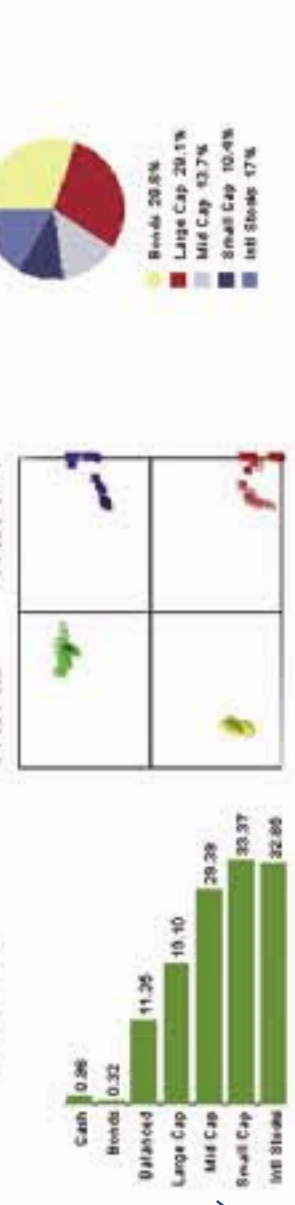


Example Plan Overview

Fund status is based on the fund's overall trading average versus its peer group. See **Methodology**. A fund rated below average for three or more quarters as of the annual asset review date will normally be replaced. Fund status, overall trading average, and all graphical data is shown as of the most recent quarter and plan assets and accounts will be updated every two weeks.

Fund Name	Asset Class	S&P Peer Group (n of Funds)	Plan Assets	Account Assets	Overall Rating	Status
Fixed Income Govt Intern Fund	Bonds	Fixed Income Govt Intern (292 funds)	\$603,347	215,341	✓	✓
Fixed Income General Intern Fund	Bonds	Fixed Income General Intern (848 funds)	\$423,154	202,232	⊘	⊘
Equity Large Cap Value Fund	Large Cap	Equity Large Cap Value (1117 funds)	\$755,231	190,323	✓	✓
Equity Large Cap Growth Fund	Large Cap	Equity Large Cap Growth (1290 funds)	\$623,450	172,321	✓	✓
Equity Mid Cap Blend Fund	Mid Cap	Equity Mid Cap Blend (109 funds)	\$223,905	114,257	✓	✓
Equity Mid Cap Growth Fund	Mid Cap	Equity Mid Cap Growth (189 funds)	\$425,332	176,225	⊘	⊘
Equity Small Cap Growth Fund	Small Cap	Equity Small Cap Growth (602 funds)	\$406,202	165,303	✓	✓
Equity Global Fund	Int Stocks	Equity Global (520 funds)	\$495,263	183,323	✓	✓
Equity International Fund	Int Stocks	Equity International (835 funds)	\$315,267	157,311	✓	✓
Total Assets			\$4,755,434			

How have the asset classes performed? How diversified are fund styles (US equity)? How diversified are the plan assets?



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Total assets and number of participants per fund are provided to help plan sponsors assess participant education needs — also useful in the event of fund deletion or replacement.

Plan sponsors can quickly see if plan investments pass IPS criteria.

The plan's existing investments, asset class, and S&P peer group are listed. On the Web site, click on a fund name to view detailed In-depth Analysis.

Illustrates how asset classes overall have performed in the market, based on the returns of major indices. Illustrates how the plan investments cover different styles, useful information to help plan sponsors ensure that a broad range of funds are offered to participants.

Shows how the plan's assets are allocated.

Quarterly Status Summary – Also available after a plan is established on the system, this report is an at-a-glance look at the plan investments. Especially useful for the annual review of plan investments, it provides a listing of the funds in the plan as well as a four-quarter history of whether the fund has met the criteria in the model Investment Policy Statement.

Performance data is updated within 30 days following each quarter end.

Example Quarterly Status Summary

Fund Name	S&P Peer Group	Fund Status: Click on an icon below to view Fund Evaluation							
		Current Quarter		Prior Quarters					
		Bar Avg	Status	Bar Avg	Status				
Fixed Income Govt Infrm	Fixed Income Govt Infrm	.334		.335		.328		.327	
Fixed Income General Long	Fixed Income General Long	.238		.242		.242		.243	
Equity Large Cap Value	Equity Large Cap Value	.346		.345		.344		.341	
Equity Large Cap Growth	Equity Large Cap Growth	.337		.333		.329		.334	
Equity Mid Cap Blend Fund	Equity Mid Cap Blend	.278		.278		.283		.290	
Equity Mid Cap Fund	Equity Mid Cap Blend	.252		.240		.244		.243	
Equity Small Cap Growth	Equity Small Cap Growth	.316		.316		.308		.322	
Equity Global Fund	Equity Global	.318		.317		.319		.328	
Equity International Fund	Equity International	.322		.323		.323		.322	

Fund status is based on the fund's overall batting average versus its peer group. See Methodology

NOTE: Depending on your Investment Policy Statement, you will generally replace a fund that has been rated Below Average for at least three out of the last four quarters.

BATTING AVERAGE

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For illustration purposes only. Does not represent an actual investment. There is no guarantee similar results can be achieved. This report must be accompanied by Important Disclosures. Data reflects past performance and is no guarantee of future results. Securities provided through Neoswift Investment Services, Corporation, member NASD, in RI only. Neoswift Investment Svc. Corporation. Data provided by Standard & Poor's Copyright © Standard & Poor's Microcap Inc. 2003. Sources are considered reliable but accuracy and completeness cannot be guaranteed. This data is intended for investment professional use with plan sponsor.

The plan's existing investments, along with the S&P peer group are listed here. On the Web site, click on a fund name to view detailed In-depth Analysis.

Fund statuses for current and prior quarters are provided to assist with the review of the plan's investments.

Access

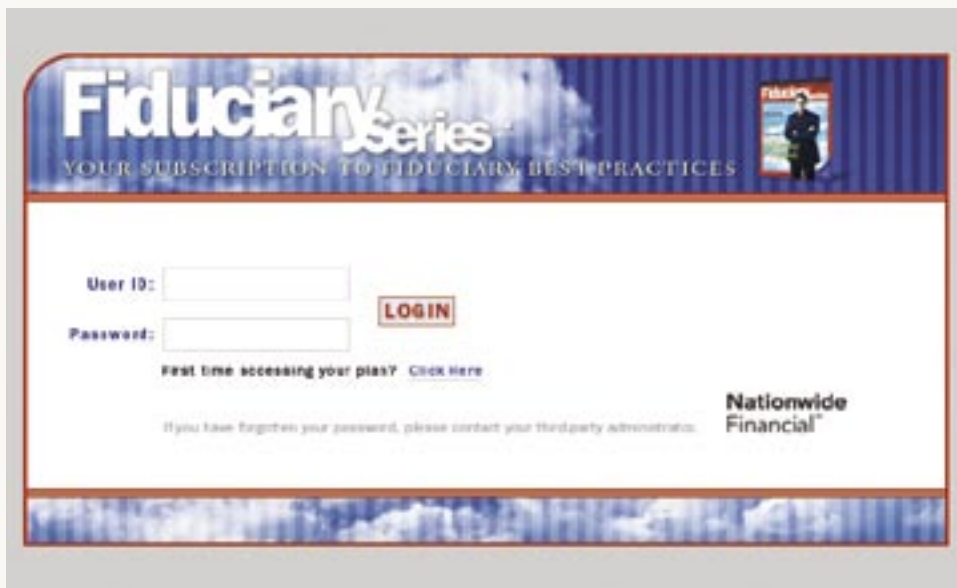
PPAs may link to the Web site from Pension Administrator Services (PAS). Investment professionals may access the site from the Sales and Service Center nationwide.com. Plan sponsors may access the site from the Internet Service Center (ISC). The site, www.fiduciaryseries.com may be bookmarked for future access.

Until you have established a plan on the Nationwide Financial Fiduciary SeriesSM system, a generic logon ID must be used. The generic logon will be provided to you when you link to the site from the PAS or SSC. The generic logon will provide access to reports to assist you with new and takeover plans, including the Available Investments and a sample Plan Overview report. Please note that plan sponsors should not be given access to the site through the generic logon.

Accessing Plan Information on the Nationwide Financial Fiduciary Series

To access a specific plan on the Fiduciary Series Web site, a PPA must first change the Web flag setting for the plan. This can be done by choosing the Case Information link located on the PAS. Once the Web flag is set, the appropriate information will be released to the site allowing the PPA, investment professional and the plan sponsor to establish a personal logon ID using the appropriate SSN/TIN (please note that specific plan information will be available on the site following the first semi-monthly compensation cycle after the Web flag has been changed). Once a personal logon ID and password are established, users may access information and reports specific to the plan, or plans, linked to their SSN/TIN. PPAs and investment professionals need to set up only one plan on the system in order to establish personal logon access. That personal logon may then be used to view subsequent plans that are added to the system.

The Nationwide Financial Fiduciary Series Web site is user friendly and includes helpful glossary and rollover hints to assist you and your plan sponsors with financial terminology. Place your cursor over any of text items on the site, and a concise description of the term or report will appear. A more detailed glossary is available under the Help menu.



The image shows a screenshot of the Nationwide Financial Fiduciary Series login page. The page has a blue and white background with a banner at the top that reads "Fiduciary Series" and "YOUR SUBSCRIPTION TO FIDUCIARY BEST PRACTICES". Below the banner, there are two input fields for "User ID:" and "Password:". To the right of the password field is a red "LOGIN" button. Below the input fields, there is a link that says "First time accessing your plan? Click here". At the bottom of the page, there is a footer that reads "If you have forgotten your password, please contact your third party administrator." and the Nationwide Financial logo.

7

After logging in, PPA's and investment professionals will be taken to "Your Home Page", the primary home screen. If you're using the generic password, you'll have access to most of our tools, including lists of Available Investments, Fund Universe Research and sample plan-level reports.

Once you've established a plan on the system and are using your personal logon ID, you'll also have access to a more detailed Fund Analysis Tool, Reference and Support Tools as well as a Select-a-Plan, which will grant you access to reports specific to any of your plans. After you've chosen a specific plan, you'll be taken to the "Plan Home" page.



Please note that plan sponsors should not be given access to the investment professional portion of the site.

From the "Plan Home" page, you and your plan sponsors can access the plan-specific Quarterly Status Summary, Plan Overview and the overall Available Investments. From this page, all users may also access the Reference Tools.



From both the “Your Home” and “Plan Home” screens, you can access the Reference Tools link. This link houses several helpful tools including:

- Presentations to get accustomed to fiduciary issues and the overall Fiduciary Series
- A glossary of investment statistics
- Electronic versions of the Handbook and Success Quiz
- Other tools that can be referenced throughout the life of the plan.

An S&P Opinion letter, outlining an unbiased review of the Fiduciary Series’ investment analysis is also available.

You may also want to consider reviewing the information on a fidelity bond and fiduciary liability insurance program we have uncovered for our mutual clients. As investment professionals, you also have access to a detailed methodology document, covering the investment analysis performed by the web site. Due to its level of detail, plan sponsors cannot access this document online, but you can provide it to them upon request.

From the “Your Home” page, accessible by only PPA’s and investment professionals, you have access to Support Tools. This link includes the Investment Policy Statements and checklists that were mentioned earlier in this guide.



Getting Started

The Nationwide Financial Fiduciary SeriesSM materials will assist you with prospecting new and takeover plans and will help you retain existing clients. You may tailor the fiduciary program to your own clients as you see fit. However, we've provided a few suggestions below for how to use this program.

Step 1. Meet with the prospective client and lead with the solution. Use the Understanding Fiduciary Responsibility brochure to prospect for new clients or approach existing plan sponsors. This brief overview brochure may be used as a mailer or in client meetings to educate fiduciaries about their responsibilities and introduce The Nationwide Financial Fiduciary Series.

Step 2. Educate. Take a copy of the Fiduciary Handbook and the Fiduciary Tools CD to initial client meetings to demonstrate the services you may provide if they choose Nationwide®. You may want to show them a copy of the Handbook, but please do not leave it with the client. Rather, let them know that they will receive the Handbook and tools if they select Nationwide.

Print out a few of the tools, such as the ERISA 404(c) Requirements Checklist and the model Investment Policy Statement, to demonstrate what is available to assist plan sponsors with their fiduciary responsibilities. You may consider using the Success Quiz to assist you and your client with prioritizing any immediate concerns regarding plan design and administration, plan investments and ERISA 404(c) compliance. The Success Quiz may also be used periodically to measure progress and demonstrate to clients how you've helped them improve their plan.

Step 3. Use the model Investment Policy Statement, Available Investments for plan sponsors and the sample Plan-level reports to illustrate how plan sponsors can prudently select and monitor their plan's investments. As you discuss the diverse investment options offered by Nationwide, provide a copy of the model Investment Policy Statement, an example of the Plan Overview and the plan sponsor version of the Available Investments. With the plan sponsors, you may also want to review the Nationwide Financial Fiduciary Series (available on the CD and via the Web site), a presentation that provides a brief overview of the reports and the supporting methodology with plan sponsors.

Step 4. Customizing Investment Selection and the model Investment Policy Statement. If the plan sponsor has chosen Nationwide as the plan's provider, you may wish to assist them with customizing the investment policy statement for their plan, or you may recommend that they work with legal counsel or their investment advisor to customize and adopt the plan's investment policy.

To assist plan sponsors with selection of their plan's investments, provide a copy of the plan sponsor version of the Available Investments, which will produce a list of the funds that meet the criteria outlined in the model Investment Policy Statement. If a plan sponsor wishes to see more detail on specific funds, you may provide a Detailed Analysis Report, a one-page summary of information on each fund. This report may be accessed by clicking on the fund name from Available Investments. Important note: A copy of the Important Disclosures available on the Web site must accompany the Nationwide Financial Fiduciary SeriesSM reports. If a Detailed Analysis Report is provided for a fund a plan sponsor is not already invested in, a prospectus must also be provided. Additionally, for The Best of America[®] Retirement AdvisorSM, standardized returns in the form of our most recent calendar quarter performance brochure must be provided.

Beat the competition.

In a takeover plan or other situation where you know who you're up against, beat the competition by using the Fund Universe Research on the Web site. With access to performance data on a universe of more than 15,000 public funds in the S&P Microcap database, this tool allows you to create a detailed In-depth Analysis Report on a plan's existing funds to illustrate how they measure up.

It is important to note that the job of selecting investments for the plan lies with the plan's investment fiduciary. To avoid the risk of becoming a fiduciary to the plan, investment professionals and other service providers should avoid selecting investments for the plan's fiduciary. It may be acceptable to provide plan sponsors with a series of options, but you may want to avoid making specific recommendations or influencing the selection. Investment professionals may wish to consult their broker-dealers regarding appropriate practices for the investment selection process. The goal of the Nationwide Financial Fiduciary Series is to provide plan fiduciaries with the information they need, in the form of performance reports and prospectuses, to make informed investment decisions. Unless you have been designated as the plan's investment manager, you should not provide recommendations regarding specific investments for the plan.

Step 5. Complete and submit Nationwide® proposal materials. Your Preferred Plan Administrator will assist you with the necessary paperwork needed to set up a plan with Nationwide. Please do not submit a copy of the Investment Policy Statement to Nationwide.

Step 6. Set up the plan on the Nationwide Financial Fiduciary Series.SM After the plan has been accepted and set up at Nationwide, the PPA must change the Web flag setting on the PAS to establish the plan on the Nationwide Financial Fiduciary Series. The plan sponsor may then establish a personal logon ID and access the Plan Overview and Quarterly Status Summary for their plan, as well as the Available Investments for the investment product/program selected. Please see the section on Accessing Plan Information on the Nationwide Financial Fiduciary Series for more information.

The plan sponsor may also access the Fiduciary Handbook and tools on the Web site. Presentations are also available under Featured Tools to assist plan sponsors with the content of the Fiduciary Handbook and the Nationwide Financial Fiduciary Series investment methodology.

At this point, you may wish to present your clients with a hard copy of the Fiduciary Handbook and hold an initial meeting with plan fiduciaries to walk through the Handbook using the overview presentations available via the CD and online. This may help differentiate you from the competition and help you retain the plan.

Step 7. Strengthen your client relationships by following up on a quarterly or annual basis. Follow up with your client on a quarterly or annual basis by providing the reports available on the Nationwide Financial Fiduciary Series Web site. You may choose to deliver and explain the reports in person. Or, you may simply wish to send an e-mail to your clients approximately 30 days after each quarter end as a reminder to go to the Web site to review the reports for their plan.

Although your clients may view this information online, you will enhance your relationship with the plan sponsor by meeting at least annually and providing them with a copy of the reports. Additionally, remind them of useful tools available for their annual plan fiduciary meeting, the Plan Fiduciary Meeting Checklist and Due Diligence File Checklist. You may even wish to be present at the annual plan fiduciary meeting.

Investment Methodology and the Batting Average

Plan sponsors must prudently select and monitor the investment options made available to participants, which can be a challenging task. The Nationwide Financial Fiduciary SeriesSM can help you make this task easier for your clients by providing a model Investment Policy Statement (IPS) as well as coordinated reports to help plan sponsors monitor and select plan investments.

Using proven methodology previously available to only the large plan market, the Fiduciary Series encompasses a comprehensive and systematic process that enables investment fiduciaries to prudently select, evaluate and monitor funds based on fiduciary best practices.

Investment Selection and Monitoring Made Simple and Efficient

The key to understanding the investment methodology behind the Nationwide Financial Fiduciary Series is that the plan fiduciary's task of selecting and monitoring the plan's investments is simplified with the use of a batting average to evaluate the investments. Plan fiduciaries need only look at the batting average and a status for each investment to determine if it passes the criteria in the model Investment Policy Statement. The Fiduciary Series allows plan fiduciaries to prudently select and monitor plan investments with a minimal time commitment.

Although the system simplifies the process of investment selection and monitoring, it is built on complex fiduciary and investment principles. For your convenience, we've provided a summary below of the Nationwide Financial Fiduciary Series investment methodology. A detailed document explaining the investment methodology is available on the Web site under the Programs section (available for PPAs and Investment Professionals only). Plan sponsors may access a brief overview of the methodology under the Programs section on their site.

The Nationwide Financial Fiduciary Series Investment Methodology - What's Behind the Batting Average?

Six evaluation measures for each fund are condensed into user-friendly format: a batting average. This is done by evaluating each equity, bond and hybrid fund in the Standard & Poor's (S&P) Micropal database on a quarterly basis using six measures that quantify:

- Relative operating expenses
- Total returns
- Risk-adjusted performance

In other words, the methodology summarizes how well each fund has historically balanced expenses, returns and risk as compared to other funds in its S&P peer group.

13

It's as simple as . . .

Equity, bond, or hybrid mutual funds with an overall batting average of 0.250 or higher pass the IPS criteria. Funds with a batting average below 0.250 fail the IPS. See *Fund Status: Does the Fund Pass or Fail the IPS Criteria?* for more information.

For each of the six evaluation measures, all equity, bond, and hybrid funds are rated using percentile rankings ranging from 1% (best) to 100% (worst) within their respective S&P style classification (peer group) to determine each fund's relative performance. The methodology uses percentile rankings because relative rankings are more meaningful: funds should be measured against the appropriate peer group of funds with similar objectives and investment styles.

Each evaluation measure is then converted into an easy-to-understand batting average for presentation purposes. The six measures are totaled and then averaged to compute each fund's overall batting average within its S&P style classification. This means each measure is equally weighted. Or stated a different way, each measure is worth 1/6th of the total.

The batting average is designed to measure a fund's consistency over time. That's why the batting average includes short-term, intermediate-term, and long-term measures. The concept behind the batting average is that you're not always looking for the highest average, but rather for funds that have consistently performed well relative to their peers over time and can remain on the plan's roster of funds.

Batting averages range from 0.400 (best) to 0.100 (worst). The batting average corresponds to quartiles. As you would find with a batting average in baseball, a fund with a batting average of .400 would rarely occur.

1-25th percentile = Top Quartile	= .400 - .325 Batting Average
26-50th percentile = Second Quartile	= .324 - .250 Batting Average
51-75th percentile = Third Quartile	= .249 - .175 Batting Average
76-100th percentile = Bottom Quartile	= .174 - .100 Batting Average

Trailing vs. Rolling Time Periods

To ensure that funds are evaluated prudently and comprehensively, the evaluation measures involve performance analysis over both trailing and rolling time periods. Performance analysis over trailing time periods uses data from a specific snapshot in time, such as one particular calendar year. Alternatively, rolling time periods involve rolling windows of time with various beginning and ending points. For example, rolling three-year periods would involve data from 1997, 1998 and 1999 as one three-year window, then 1998, 1999 and 2000 as the next three-year window, 1999, 2000 and 2001, as the next, and so forth.

Rolling periods are used in three of the six evaluation measures, primarily the longer-term measures, to eliminate what is known as end-point sensitivity associated with trailing performance data. In other words, with trailing time periods, performance returns may be overly influenced by recent good or bad performance. In order to score highly within a rolling time period methodology, managers must consistently out-perform their peers in a variety of market cycles, not just the most recent.

The six evaluation measures and a brief explanation are listed below:

Batting Average: Achievement Among Peers: Based on Peer Group Percentile Rank for Each Measure								
Measure	What it Measures	How it is Measured						
Short-term Evaluation Measures								
Expense Ratio	Reasonable Expenses	Analysis of the most recent total expense ratio. Funds with lower expense ratios versus the peer group have higher batting averages.						
Sharpe Ratio	Risk-adjusted Return	Trailing 36-month average excess return (above T-bills) over variability. Funds with higher Sharpe ratios versus the peer group have higher batting averages.						
Intermediate-term Evaluation Measures								
Trailing Performance	Performance (Total Return)	Trailing total returns for 3, 5 and 10 years, tilted to more recent performance. Funds with higher trailing performance versus the peer group have higher batting averages.						
Rolling Information Ratio	Manager Achievement	36 rolling 36-month average excess returns (above market index) over variability. Funds with higher information ratios versus the peer group have higher batting averages.						
Long-term Evaluation Measures								
Performance Consistency	Performance Consistency (Total Return)	Rolling 12-month total returns over the last 10 years. Funds with consistently higher returns than their peer group have higher batting averages.						
Rolling Selection Return	Manager Skill	84 rolling 36-month average excess returns (above style benchmark). Funds with high selection returns versus the peer group have higher batting averages.						
<table border="0" style="width: 100%; text-align: center;"> <tr> <td style="width: 50%; background-color: #800000; color: white; padding: 5px;">Below Batting Average .100</td> <td style="width: 10%;"></td> <td style="width: 40%; background-color: #006400; color: white; padding: 5px;">Above Batting Average .400</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">.250</td> <td></td> </tr> </table>			Below Batting Average .100		Above Batting Average .400		.250	
Below Batting Average .100		Above Batting Average .400						
	.250							

Fund Status: Does the Fund Pass or Fail the IPS Criteria?

Each fund in the S&P Microcap fund universe with three or more years of performance history is evaluated and monitored on a quarterly basis and assigned an overall fund status rating. Using the Nationwide Financial Fiduciary SeriesSM reports, plan sponsors can easily determine if a fund passes or fails the IPS criteria. A fund's status on the Nationwide Financial Fiduciary Series reports is indicated with a 🟢 if it passes the IPS criteria, or a 🚫 if it fails the IPS criteria. The following criteria determine whether a fund passes or fails the IPS criteria:

Above Average Quality Fund (Pass):

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

Below Average Quality Fund (Fail):



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

Cash Equivalents, Index Funds, Funds with Less Than 3 Years of History

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

If a parent share class exists for funds with less than three years of performance history, performance for the parent share class will be provided. In this instance, fund names will be denoted with an asterisk, and disclosure will indicate that alternative share class performance was reported in place of the true share class.

Warning Signs: Will the Fund Continue to Outperform its Peers?

The batting average is the primary indicator of whether the fund passes the IPS criteria. However, additional information is provided in the form of warning signs to indicate if the fund will continue to outperform its peers. Generally, when selecting between two similar funds with similar batting averages, the plan fiduciary may wish to choose the fund with fewer warning signs. Warning signs are indicated on the Nationwide Financial Fiduciary SeriesSM reports with a . A  indicates the fund passes a particular warning sign. The following fund screening criteria (fund warning signs) are evaluated and monitored to reveal potential risks and provide relevant information to assist plan fiduciaries in making prudent investment decisions.

Warning Signs

- **High operating expenses** (equity, bond, hybrid): A warning sign indicates the fund's expenses are above the peer group average.
- **High portfolio turnover** (equity): A warning sign indicates the fund's portfolio turnover is higher than 90% of its peer group's portfolio turnover. High portfolio turnover indicates frequent trading and could lead to increased transaction costs for the fund.
- **High performance volatility** (equity, bond, hybrid): A warning sign indicates the fund's 3-year standard deviation of returns (risk) is higher than 90% of its peer group.
- **High individual holding concentration** (equity, hybrid): A warning sign indicates the fund holds more than 10% in one security, or more than 50% in the top 10 holdings, or less than 40 total holdings, which may raise concerns about the fund's diversification.
- **High economic sector concentration** (equity, hybrid): A warning sign indicates the fund holds more than the greater of 25% of assets or 1.5 times its peer group average in any one sector.
- **Low style purity** (equity): A warning sign indicates that the fund's performance has varied significantly from the performance of its peer group's benchmark index. If the fund does not follow its stated style it may be difficult to use in an asset allocation program.
- **Low asset base** (equity, bond, hybrid): A warning sign indicates that the fund has less than \$50 million in assets.
- **Low manager tenure** (equity, bond, hybrid): A warning sign indicates that the fund manager's tenure is less than one year.
- **High duration bet** (bond, hybrid): A warning sign indicates the fund's duration is more than 1.5 years longer or shorter than its peer group. Duration can be looked at as the payback period for a fund's bond holdings – the average bond maturity adjusted for interest payments.
- **Low credit quality average** (bond, hybrid): A warning sign indicates that the current S&P average bond credit rating is less than single A.

Warning signs are not listed for cash equivalents, index funds, or funds with less than three years of performance history.

Glossary of Terms

Below are brief explanations of financial terms, along with their abbreviations, from the In-depth Analysis Report located on the top left-hand side of the page (see example on page 4). Brief descriptions of the batting average evaluation measures are also provided.

Standard Deviation (StDev)

3-year Standard Deviation – higher is more volatile, or risky.

Beta

Risk relative to benchmark Index – higher is more volatile, or risky.

R-Squared (R²)

Indicator of how closely returns mimic the benchmark index. 1.00 means fund and index move in lock-step.

Turnover (Turn)

An indicator of trading activity.

Expense Ratio (Exp)

Annual expenses as a percentage of total fund assets.

Number of Securities (#Sec)

Tally of total securities (holdings) in the fund.

Top Ten Holdings (Top10)

Percentage of assets in Top Ten Holdings.

Price/Earnings (P/E)

Lower P/E indicates more “value” stocks; higher P/E indicates more “growth” stocks.

Price/Book (P/B)

Lower P/B indicates more “value” stocks; higher P/B indicates more “growth” stocks.

Average Market Cap (MktCap)

Average size (total market value) of the companies in which the fund is invested (expressed in millions).

Cash

i.e., Treasury Bills, CDs, money markets.

Bond

Debt obligations, similar to loans.

Equity

Stock, representing ownership in companies.

Manager Tenure (MgrTen)

Number of years current manager has managed the fund.

Assets

Total amount of money invested in the mutual fund.

Average Duration (AvgDur)

(Years) longer duration indicates higher sensitivity to changes in market interest-rates

Average Maturity (AvgMat)

(Years) longer maturity generally indicates longer-term bonds

Average Credit Quality (CredQ)

AAA, AA, A, or BBB are “investment grade” credit quality ratings.

BB or lower indicates “junk” credit quality.

Batting Average Evaluation Measures

Expense Ratio

Funds are ranked within their peer group so that funds with lower expense ratios have higher batting averages. The expense ratio of a mutual fund is the ratio of expenses to assets; i.e., the annual expenses of a fund divided by its total assets.

Sharpe Ratio

Funds are ranked within their peer group so that funds with higher Sharpe Ratios have higher batting averages. The Sharpe Ratio is a risk-adjusted performance measure. It is a valuable measure because it combines both return and risk into a single statistic.

Trailing Performance

Funds are ranked within their peer group so that funds with higher Trailing Performance have higher batting averages. It measures total return over different time periods. Funds are ranked over 3, 5 and 10 year trailing periods.

Rolling Information Ratio

Funds are ranked within their peer group so that funds with higher Information Ratios have higher batting averages. The Information Ratio is a risk-adjusted performance measure. It measures the value added or subtracted by the manager per unit of risk.

Performance Consistency

Funds are ranked so that funds with consistently higher returns than their peer group over rolling 12-month periods for the prior 10 years have higher batting averages. This measure identifies funds that have historically delivered strong performance versus their peers over the long term.

Rolling Selection Return

Funds are ranked within their peer group so that funds with high selection returns have higher batting averages. Selection return measures the value added or subtracted by the manager in relationship to the manager's investment style, thereby minimizing the impact of style drift in evaluating the manager.

Conclusion

The goal of the Nationwide Financial Fiduciary SeriesSM is to provide you with information to assist plan sponsors with managing their fiduciary responsibilities. We hope that you'll find the Financial Fiduciary Series and Nationwide's quality programs, products and services a winning combination.

Notes

20



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PNM-0119AO.1 (11/05)