

## GLOSSARY OF COMMON INVESTMENT TERMS

**Morningstar Category** - While the investment objective stated in a fund's prospectus may or may not reflect how the fund actually invests, the Morningstar category is assigned based on the underlying securities in each portfolio. Morningstar categories help investors and investment professionals make meaningful comparisons between funds. The categories make it easier to build well-diversified portfolios, assess potential risk, and identify top-performing funds. Morningstar places funds in a given category based on their portfolio statistics and compositions over the past three years. If the fund is new and has no portfolio history, Morningstar estimates where it will fall before giving it a more permanent category assignment. When necessary, Morningstar may change a category assignment based on recent changes to the portfolio

**Morningstar Style Box** – The style box reveals a fund's investment strategy. For equity funds, the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend or growth). For fixed-income funds, the vertical axis shows the average credit quality of the bonds owned, and the horizontal axis shows interest rate sensitivity as measured by a bond's duration (short, intermediate or long).

For instructions on how to use the Morningstar Style Box, see the "Morningstar Investment Profile Page User's Guide".

**Morningstar Return** - A statistic that measures the fund's excess return over the risk-free rate (the return on 90-day Treasury bill), after adjusting for all applicable loads and sales charges. In each Morningstar Category, the bottom 10% of funds earns a Low Category Return, the next 22.5% Below Average, the middle 35% Average, the next 22.5% Above Average, and the top 10% High. Morningstar Return is measured for up to three time periods (three, five and ten years). These separate measures are then weighted and not averaged to produce an overall measure for the fund. Funds with less than three years of performance history are not rated.

**Morningstar Risk** - A statistic that evaluates the variations in a fund's monthly return, with an emphasis on downside variations. In each Morningstar category, the 10% of the funds with the lowest measured risk earn a Low Risk, the next 22.5% Below Average, the middle 35% Average, the next 22.5 Above Average, and the top 10% High. Morningstar Risk is measured for up to three time periods (three, five and ten years). These separate measures are then weighted and averaged to produce an overall measure for the fund. Funds with less than three years of performance history are not rated.

**Overall Morningstar Rating** - For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effect of sales charges, loans and redemption fees), placing more emphasis on downward variations and rewarding consistent performance.

Morningstar rates mutual funds from one to five stars based on how well they've performed in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods-- three-, five-, and 10 years--and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They are a useful tool for identifying funds worthy of further research, but should not be considered buy or sell recommendations.

**Risk Classification** – Investments are classified using specific ranges of standard deviation. Morningstar provides the standard deviation while Nationwide provides the ranges. Investments with wider ranges of returns are labeled higher risk than those that have had smaller ranges of returns.

## **Ibbotson Broad Asset Class Definitions:**

**International stocks** – Shares of ownership in corporation headquartered outside of the U.S.

**Large-cap Stocks** – Shares of ownership in large corporations.

**Mid-cap stocks** - Shares of ownership in mid-size corporations.

**Small-cap Stocks** – Shares of ownership in small corporations.

**Bonds** – IOU's issued by governments or corporations.

**Cash** – Short term IOU's issued by governments, corporation or financial institutions.

## **Portfolio Information**

**Expense Ratio** - The percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges and other product fees are not included in the expense ratio.

**Total Net Assets** - The month-end net assets of the mutual fund, recorded in millions of dollars. Net-asset figures are useful in gauging a fund's size, agility, and popularity. They help determine whether a small company fund, for example, can remain in its investment-objective category if its asset base reaches an ungainly size.

## **Morningstar Portfolio Statistics**

**Annual Turnover Ratio** - A measure of the trading activity in a fund's investment portfolio; in essence, how often securities are bought and sold by a fund. A turnover ratio of 100% means that, on average, all of a fund's portfolio holdings are bought and sold once a year.

**Price/Earnings Ratio:** The price of a share of stock divided by earnings per share.

**Price/Book Ratio:** The price of a share of stock divided by book value per share.

**Three-year Earnings Growth Percentage:** A measure of the trailing annualized earnings growth record of the stocks in the portfolio.

**Three-year Standard Deviation:** A statistical measure of the volatility of the fund's returns. This number is used to determine the Risk/Reward Potential in the "Risk Classification" section on the fund profile.

**Median Market Capitalization (Med Mkt Cap):** Provides a measure of the size of the companies in which the fund invests.

**Beta:** A measure of the fund's sensitivity to market movements. A portfolio with a beta greater than one is more volatile than the market, and a portfolio with a beta less than one is less volatile than the market.

**Sharpe Ratio:** Uses standard deviation and excess return to determine reward per unit of risk.

## **Investment Risk**

**International and Emerging Markets** - International investing involves additional risks including political instability, currency fluctuations, differences in accounting standards, limited availability of information and foreign regulations. Investing in emerging markets may accentuate these risks.

**Money Market** – An investment in the fund is not insured by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investments at \$1.00 per share/unit, it is possible to lose money by investing in the fund.

**Small Cap** – Small company funds involve increased risk and volatility.

**Mid and Large Cap** - Mid-cap and large-cap stock funds are subject to market risk. Mid-cap funds are generally perceived to be riskier than large-cap funds, but less so than small-cap funds.

**Bond Funds** - Bond funds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds owned by the fund.

**High Yield Bond** – High yield funds are typically subject to greater risk and price volatility than funds which invest in higher-rated debt securities.

**Sector Funds** – Since these funds focus investments on companies involved in one specific sector, the funds may involve a greater degree of risk than an investment with greater diversification.

**Limited Issue/Non-Diversified** – These funds concentrate investments in a limited number of holdings and are therefore subject to greater volatility than a fund with a more diversified portfolio.

**Government Related Funds** – While the fund invests primarily in securities of the U.S. Government and its agencies, the fund's value is not guaranteed by these entities.

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