



Why Nationwide Chose to  
Partner with Nasdaq Global  
Indexes To Create their  
Risk-Managed Income ETF

**CASE STUDY**

## Background on the Product

Launched on December 19, 2019, the [Nationwide Risk-Managed Income ETF \(NUSI\)](#) seeks to harness the income generating potential of a dynamic protective collar and the enhanced downside protection benefit that may be derived from active risk management, with the goal of delivering high current income with a measure of downside protection.

The Fund owns, in full replication, the constituents of the [Nasdaq-100 Index](#). A protective net-credit collar is established by selling an upside Nasdaq-100 Index call option and using a portion of the proceeds received to purchase a Nasdaq-100 Index put option that hedges the downside risk on an underlying portfolio of securities. Further, a managed distribution is paid each month using a portion of the net credit generated by the collar, with the remaining premium being reinvested in the Fund's underlying stocks to allow for potential equity participation. Unlike passive, options-based strategies, the Fund employs a systematic, rules-based approach to managing the risk associated with the call option, whereby the Fund may close the index call option, prior to expiration, in an attempt to maximize gains or minimize losses stemming from price changes in the Fund's underlying equity portfolio.

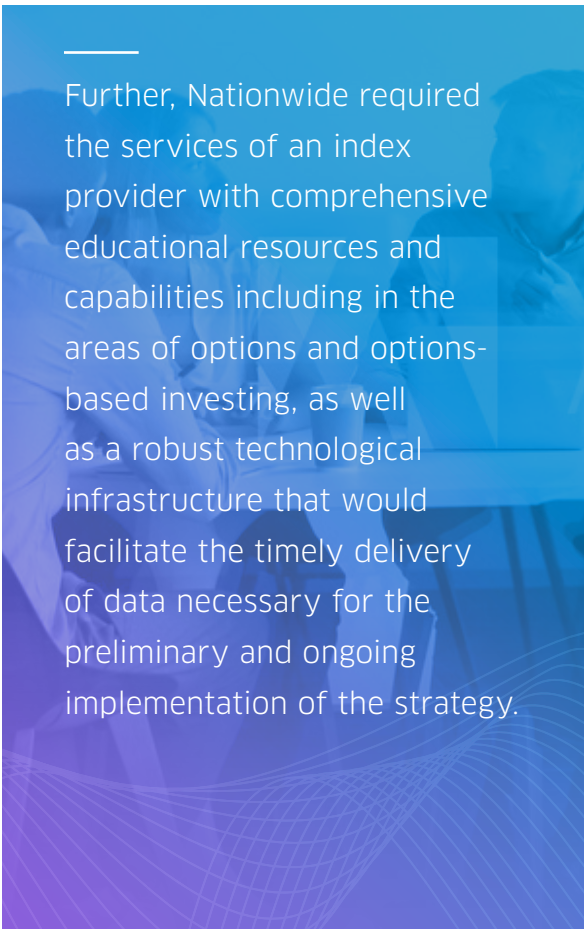
The Fund's goal of income generation, in concert with the potential benefits of downside risk mitigation and equity participation, makes NUSI a robust selection for investors targeting yield enhancement and volatility reduction as potential investment outcomes, as well as those seeking to enhance and diversify a core income-focused portfolio allocation. As such, the target market for the Fund will be largely comprised of investors with existing allocations to income-oriented strategies and asset classes including, but not limited to, REITs, MLPs, fixed-rate preferreds, high-yield bonds, emerging market debt, and high dividend stocks, as well as investors seeking to de-risk while remaining invested and those looking to potentially enhance the income derived from an existing fixed income allocation.

In effectively addressing the needs of this audience, the central use cases for the Fund may include: as a complement to a traditional 60/40 portfolio that may enhance the yield generated by the fixed income allocation, while potentially reducing the volatility of the equity allocation; as a solution that may augment fixed income allocations by employing a more thoughtful approach to navigating uncertainties around interest rate moves, the timing of recessions, and bond price reductions in a yield starved market; and as a potential volatility dampener that may allow equity investors to remain invested during turbulent markets.

## Choosing the Right Index Partner

When setting out to launch NUSI, Nationwide, having cultivated an unparalleled reputation as a customer-focused, protection company, sought to deliver a differentiated options-based solution that reimagined one of the key investment outcomes central to retirement readiness – income generation – through a risk mitigation lens, by simultaneously addressing the income and volatility reduction needs of investors. Further, Nationwide sought to provide investors with a tool that allowed them to remain invested, while also seeking to mitigate “variance drain” or the drag on compound returns stemming from volatility that may foreseeably erode long-term wealth.

Accordingly, Nationwide sought to partner with an index provider with a highly complementary index offering, which, when paired with a dynamic protective collar, could systematically aid in delivering the Fund’s target outcomes of high income and downside risk mitigation. Further, Nationwide required the services of an index provider with comprehensive educational resources and capabilities including in the areas of options and options-based investing, as well as a robust technological infrastructure that would facilitate the timely delivery of data necessary for the preliminary and ongoing implementation of the strategy.



## Top Reasons Nationwide Chose to Partner with Nasdaq:



**SEAMLESS  
DATA DELIVERY**



**PROVISION OF TIMELY  
EDUCATION AND INSIGHTS**



**SUPERIOR  
CUSTOMER SERVICE**



**BRAND RECOGNITION  
OF THE INDEX PROVIDER**



**FULL RANGE OF INDEXES  
& ASSET CLASSES AVAILABLE**



**PRODUCT &  
INDEX INNOVATION**



**INDEX DELIVERY  
TURNAROUND TIME**

## The Development Process

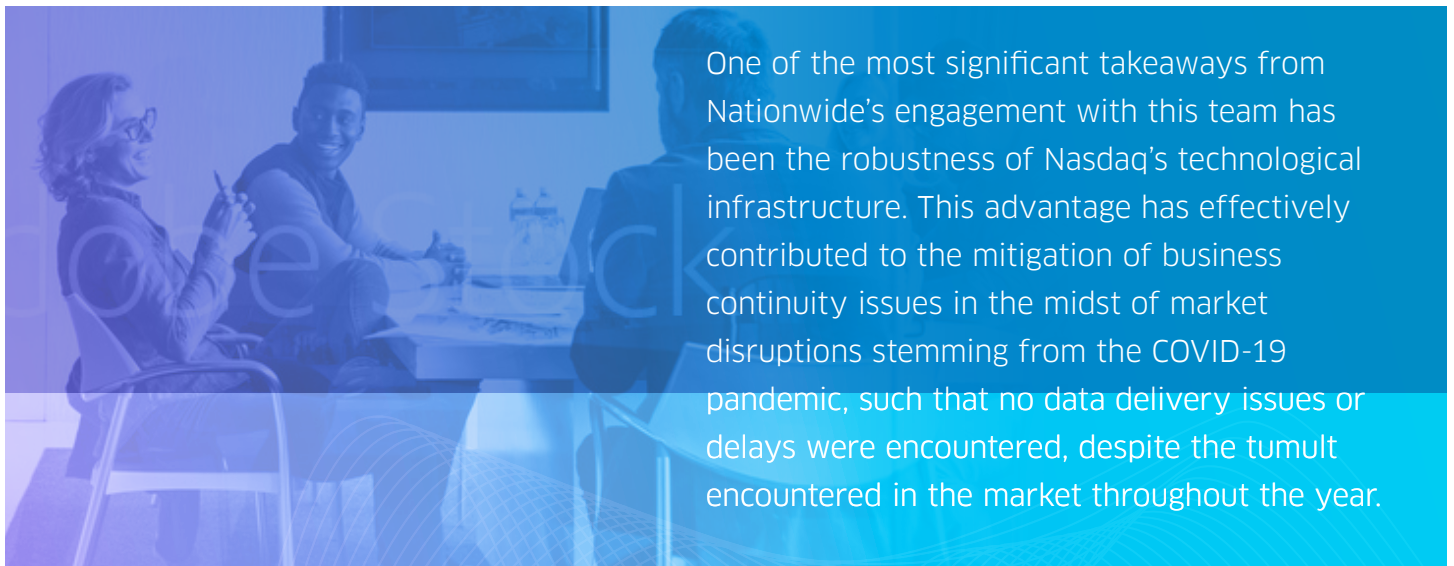
Nasdaq's flagship solution, the Nasdaq-100, serves as the reference index for NUSI, such that the Fund seeks to own, in full replication, the underlying constituents of the Nasdaq-100. The combination of the historical track record of the Nasdaq-100 in providing investors with access to some of the market's most innovative game changers dating back to 1985 and the value add and fit of the Nasdaq-100 within the contexts of the Fund's stated objectives and investment methodology, negated the need for changes or alternative iterations of the index.

However, the Nasdaq index development team was instrumental in establishing connectivity among Nationwide, the Fund's subadviser, and Nasdaq's Investment Intelligence and Marketing groups. These collaborations effectively aided in the efficient implementation of the strategy, thanks to the establishment of a systematic delivery schedule for the requisite data files needed for implementation.

Nationwide's efforts to educate the investment community about the Fund's value proposition and how the underlying mechanics of the strategy may aid in delivering the Fund's stated outcomes, particularly within the context of the ensuing market environment, were also supported by these collaborations through the Nasdaq team's provision of timely and engaging content and insights about the Nasdaq-100 and Nasdaq-100 index options, respectively.

## Technology and Operations

Nasdaq's Technology and Operations team has been integral to the implementation of the NUSI strategy, both at inception and on an ongoing basis, having played a critical role in the timely delivery of the required data files. This team has also been highly supportive of Nationwide's efforts to educate the investment community about the use cases and value proposition of NUSI, by showcasing the Fund on Nasdaq.com and through various other media formats.



Equally notable was Nasdaq's ability to leverage a diverse array of media when working with Nationwide to deliver timely insights and content to the marketplace. This level of flexibility served to augment Nationwide's ability to deliver timely education about NUSI, leveraging media formats that both resonate and align with the emerging consumption habits of different segments of the investment community in the new remote environment created by the pandemic.

## Customer Service

The quality of Nasdaq's customer service, characterized by the team's partner centric, "all hands on deck" approach to data delivery and the provision of timely content and insights, has been invaluable during an unprecedented year fraught with change and uncertainty.

Amid COVID-19 fuelled market disruptions that precipitated an almost overnight shift to an industry wide work-from-home model and consequently accelerated the adoption of tools and resources intended to better facilitate digitally-based engagements, the collective support of various groups within Nasdaq's Investment Intelligence and Marketing segments was particularly noteworthy.

These collaborations, which saw both a targeted ramp up by Nasdaq in the areas of education and thought leadership delivery, leveraging a diverse array of digital tools and media, and increased timeliness around data delivery, fundamentally augmented Nationwide's efforts to support our members and the advisor community in the midst of the changes and challenges posed by the ensuing environment, while additionally mitigating potential disruptions to thwe ongoing implementation of the strategy.



“Nationwide’s ability to deliver on its mission of protecting people, businesses, and futures with extraordinary care is incumbent on collaborations with partners, like Nasdaq, who embody the values upon which this mission is founded – innovation, education, meaningful, long-term value creation, and putting the customer at the center of everything we do”.

**Marge Farquharson,**  
**Senior Director, Head of Exchange-Traded Funds**

## About Nationwide:

Nationwide is a diversified Fortune 100® insurance and financial services company with a long history of investing, having effectively navigated market turbulence for over 90 years, while delivering financial solutions since 1954.

A values driven asset management platform with a mutual heritage and an unwavering commitment to protecting people, businesses, and futures with extraordinary care, the Nationwide Investment Management Group (IMG) is an investment advisor offering a diverse range of products and services distributed through financial intermediary channels, retirement products, variable annuity, and life menus.

With a history dating back to 1933 and the creation of the Nationwide Fund, IMG deploys a subadvised model to deliver unique investment solutions and access to industry leading institutional money managers. With approximately \$67.2 billion in assets under management as of October 30, 2020, IMG currently maintains partnerships with over 20 sub-advisors across more than 50 retail mutual fund, variable insurance trust fund, and exchange-traded fund offerings.

### Disclosures

Go to [etf.nationwide.com](http://etf.nationwide.com) for a prospectus outlining the Fund's investment objectives, risks, fees, charges and expenses, and other information that you should read and consider carefully before investing.

Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. The Fund's return may not match or achieve a high degree of correlation with the return of the underlying index. References to other securities should not be considered a recommendation of those products. Nasdaq® and the Nasdaq-100® are registered trademarks of Nasdaq, Inc. (which with its affiliates is referred to as the "Corporations") and are licensed for use by Nationwide Fund Advisors. The Product has not been passed on by the Corporations as to their legality or suitability. The Product is not issued, endorsed, sold, or promoted by the Corporations. THE CORPORATIONS MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO THE PRODUCT. Nationwide Fund Advisors (NFA) is the registered investment advisor to Nationwide ETFs, inclusive of the Nationwide Risk-Managed Income ETF (NUSI), which are distributed by Quasar Distributors, LLC. NFA is not affiliated with any distributor, subadviser, or index provider contracted by NFA for the Nationwide ETFs. Nationwide is not an affiliate of third-party sources such as Morningstar, Inc. or MSCI. Representatives of the Nationwide ETF Sales Desk are registered with Nationwide Investment Services Corporation (NISC), member FINRA, Columbus, Ohio.

**DEFINITIONS:** Call Option: A financial contract that gives the buyer the right, but not the obligation, to purchase a security at a specified price within a specified time period. The seller of a call option has an obligation to deliver the security at that pre-determined price to the buyer of the call option, should the buyer decide to exercise (or effect the right to buy the underlying security) the option. Nasdaq-100® Index: An unmanaged, market capitalization-weighted index of equity securities issued by 100 of the largest non-financial companies, with certain rules capping the influence of the largest components. It is based on exchange, and it is not an index of U.S.-based companies. Individuals cannot invest directly in an index. Put Option: A financial contract that gives the buyer the right, but not the obligation, to sell a specified amount of a security at a pre-determined price within a specified time frame. The seller of a put option has an obligation to buy the security at that pre-determined price from the buyer of the put option, should the buyer decide to exercise (or effect the right to sell the underlying security) the option.

**KEY RISKS:** The Fund is subject to the risks of investing in equity securities, including tracking stock (a class of common stock that "tracks" the performance of a unit or division within a larger company). A tracking stock's value may decline even if the larger company's stock increases in value. The Fund is subject to the risks of investing in foreign securities (currency fluctuations, political risks, differences in accounting and limited availability of information, all of which are magnified in emerging markets). The Fund may invest in more-aggressive investments such as derivatives (which create investment leverage and illiquidity and are highly volatile). The Fund employs a collared options strategy (using call and put options is speculative and can lead to losses because of adverse movements in the price or value of the reference asset). When selling a call option, the Fund will receive a premium; however, this premium may not be enough to offset a loss incurred by the Fund if the price of the reference asset is above the strike price by an amount equal to or greater than the premium. The Fund's use of options may reduce the Fund's ability to profit from increases in the value of the Fund's equity holdings. The success of the Fund's investment strategy may depend on the effectiveness of the subadviser's quantitative tools for screening securities and on data provided by third parties. The Fund expects to invest a portion of its assets to replicate the holdings of an index. Correlation between Fund performance and index performance may be affected by Fund expenses and because the Fund may not be invested fully in the securities of the index or may hold securities not included in the index. The Fund frequently may buy and sell portfolio securities and other assets to rebalance its exposure to various market sectors. Higher portfolio turnover may result in higher levels of transaction costs paid by the Fund and greater tax liabilities for shareholders. The Fund may concentrate on specific sectors or industries, subjecting it to greater volatility than that of other ETFs. The Fund may hold large positions in a small number of securities, and an increase or decrease in the value of such securities may have a disproportionate impact on the Fund's value and total return. Although the Fund intends to invest in a variety of securities and instruments, the Fund will be considered nondiversified. Additional Fund risk includes: Collared options strategy risk, correlation risk, derivatives risk, foreign investment risk, and industry concentration risk.

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