



**Nationwide**<sup>®</sup>  
is on your side

BNP Paribas Global H-Factor<sup>®</sup> Index

# A probability-based approach to investing

**Offering a balance of risk management and growth potential**

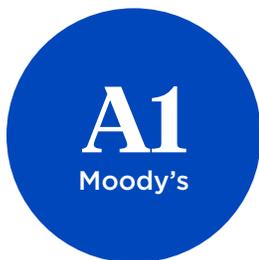
As retirement nears it can be difficult to balance your desire for additional growth with the need for protection from negative market performance. **The BNP Paribas Global H-Factor<sup>®</sup> Index**, available within the **Nationwide Peak<sup>®</sup> 10** fixed indexed annuity, attempts to achieve balance by systematically avoiding companies at higher risk of failing to deliver the growth needed to support their stock price. The index goal is a portfolio comprised of those companies more likely to deliver their implied growth.

# A powerful partnership working for you

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**BNP PARIBAS (BNPP)** offers wide coverage of financial markets and an extensive global banking network with offices in 65 countries across five continents and more than 190,000 employees. This international presence combined with local market knowledge enables BNP Paribas to serve the needs of its 13,000 corporate and institutional clients and 20 million retail customers worldwide.

**NATIONWIDE\*** is a U.S.-based Fortune 100 company with a strong and stable financial foundation. One of the largest insurance companies in the industry, Nationwide brings a rich history of disciplined investing dating back more than 90 years.



received: 3/10/09; affirmed: 5/27/20



received: 10/17/02; affirmed: 12/22/21



received: 12/22/08; affirmed: 5/7/21

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This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

<sup>1</sup> Based on revenue, Fortune magazine (July 2021).

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• NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • MAY LOSE VALUE

# Human behavior is the hidden risk in your portfolio

What many portfolio managers may overlook when planning their approach is the impact of investor behavior. Known financials, like earnings statements are easily interpreted and generally impact a stock in an unbiased, appropriate way. However, there's an element of investment risk that comes from humans interpreting information that's not clear or quantifiable, like announcements regarding new product releases. This can cause a security to become overpriced due to irrational behavior.

**This risk is known as the Human Factor or H-Factor®**

H-Factor® is a **risk** that comes from humans interpreting vague or ambiguous information in a systematically incorrect way.

H-Factor® may lead to **overpricing**, making it difficult for a company to deliver the growth implied by the stock price.

**Therefore,  
the H-Factor®  
may lead  
to loss.**



This brochure was designed to provide information on the BNPP Global H-Factor® Index and should be used in conjunction with the Nationwide Peak® 10 fixed indexed annuity materials. It does not describe the Peak® 10 product or historical crediting rates of the product. For more information on Peak® 10, please ask your insurance professional for a product brochure. Fixed indexed annuities are not an investment and do not directly invest in the stock market or any index. Past performance does not guarantee future results.

# Invest with the power of probabilities

Using a probability-based methodology developed by asset management company, New Age Alpha, the BNPP Global H-Factor® Index seeks to identify when the H-Factor® (investor behavior) has overpriced the stock. It calculates the probability that a company will fail to deliver the growth needed to support its stock price. It then refines the equity portion within the index to remove those equities with a higher probability of failing to deliver the returns needed to support their stock price.

## How the H-Factor® methodology works

### Calculates implied growth rate

The H-Factor® methodology calculates the implied growth rate for each stock based on known financials and the current stock price.

### Compares against historical data

Then for each stock, the implied growth is compared with historical growth rates from the past 12 quarters.

### Determines H-Factor® score

Finally, an H-Factor® score, the probability that a stock will fail to deliver the implied growth rate, is assigned for each stock. The lower, the better.

### Why is a lower H-Factor® score better?

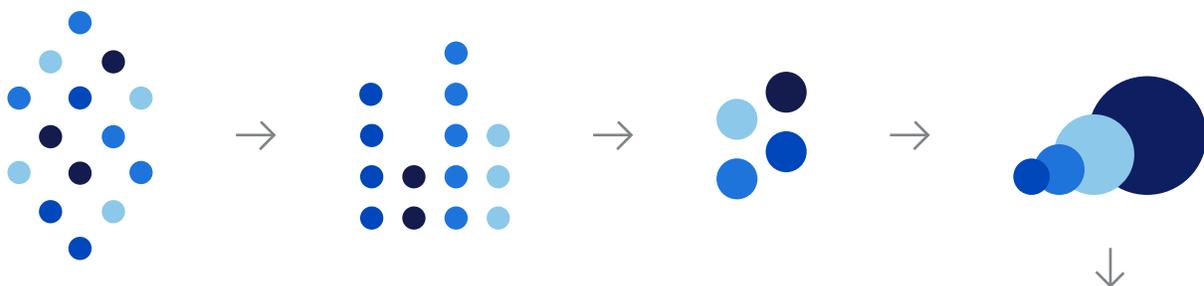
A **low H-Factor® score** represents a **low probability of failing to deliver** the growth implied by the stock price.



# How this index lessens the H-Factor®

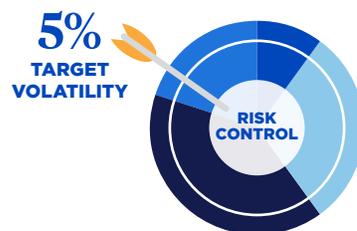
## Identify the best-performing stocks from a broad universe of equities

Each quarter, the BNPP Global H-Factor® Index evaluates global equities from four major developed markets within the S&P Developed Broad Market Index (BMI) and refines the equity portfolio by applying the H-Factor® methodology. Here's a more detailed look at how the BNPP Global H-Factor® Index combines innovative equity selection with a daily risk control methodology to offer a balance of growth and risk management.



## Adjust using a fixed component to further reduce risk

Lastly, in order to maintain a target 5% volatility, the index applies a risk control methodology that makes daily adjustments to allocate between the H-Factor® equities, U.S. Treasuries, and a hypothetical cash position.

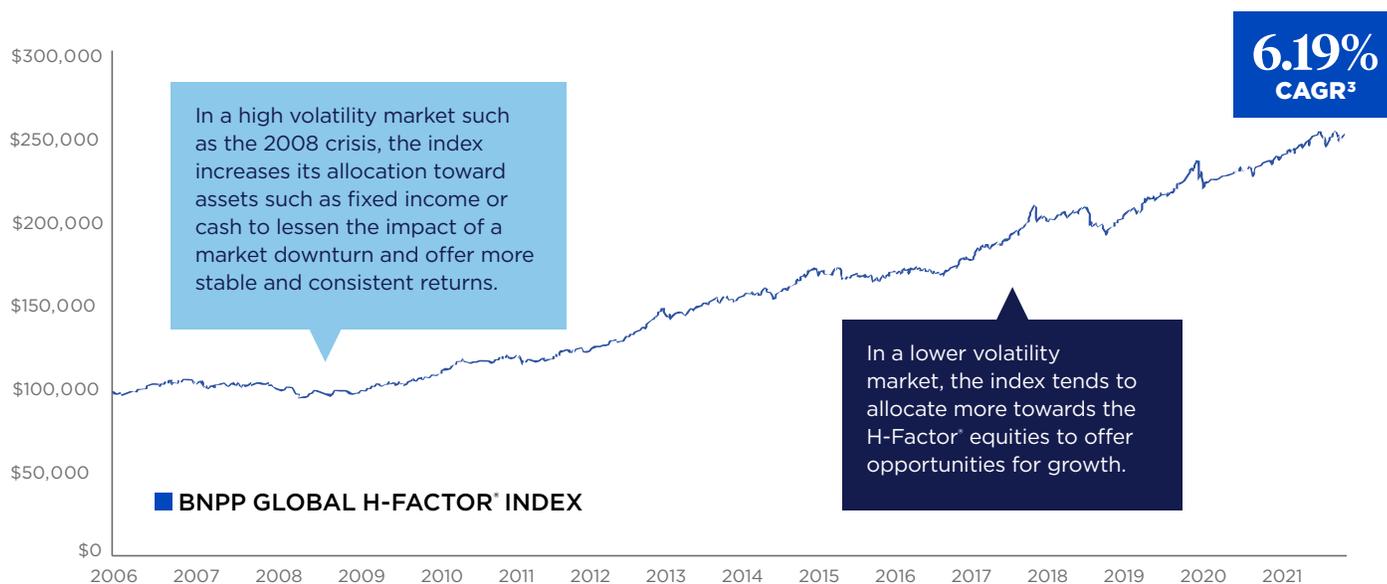


<sup>2</sup> Approximately 4,000 stocks are evaluated. U.S. stocks must have a minimum of \$5 million 6-month average daily trading value and at least a \$3 stock price to be eligible. Non-U.S. stocks must have a minimum \$1 million 6-month average daily trading value and a minimum market-cap of \$100 million.

# How this strategy could have performed in the past

## Historical performance

The methodology underlying the BNPP Global H-Factor<sup>®</sup> Index drives stock selection, using technology, actuarial science, and 20 years of research to score and seek avoidance of human behavior risk that it believes causes stocks to be overpriced. This unique design could have provided steady growth through a variety of market environments with positive returns in 14 of the last 16 years.



Source: BNP Paribas from 6/1/2006 to 12/31/2021. The BNPP Global H-Factor<sup>®</sup> Index was launched on 4/8/2022. This chart is provided for illustrative purposes only and reflects a 0.50% per annum index fee. Past performance should not be read as a guarantee or an indication of the future performance of the index. Data shows hypothetical, historical data from before the index's launch. It has inherent limitations and assumptions, such as sufficient market liquidity to have allowed the necessary trading. If the Index had existed during the time period above, actual results may have been different.

<sup>3</sup> Compound annual growth rate

## Impact of lower volatility

In times of high volatility, providing any upward performance can be a challenge for some traditional market indices, but the actuarial-based approach of the BNPP Global H-Factor® Index is designed to:

- Include equities with higher probability to deliver growth
- Use diversified exposure to both equity and fixed income
- Employ a strategic risk reduction mechanism

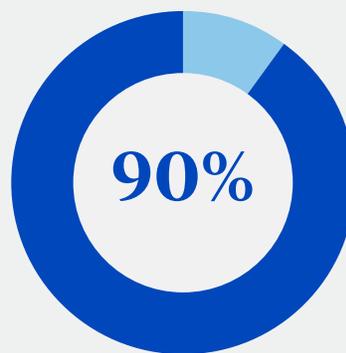
The index aims to combine these principles in a way that over time offers more consistent returns and greater growth potential.

## Putting actuarial principles to use within Nationwide Peak® 10

Annuities typically credit earnings in one-year or two-year increments and apply cap or participation rates. When you consider the backtested returns of the BNPP Global H-Factor® Index within the Nationwide Peak® 10 fixed indexed annuity using two-year terms and a 100% participation rate on the index, the compound annualized growth increased to 11.92% and would have credited earnings nearly 90% of the time.<sup>4</sup>

### TWO-YEAR PARTICIPATION RATE

Percentage of dates that the BNPP Global H-Factor® Index credits positive growth



**CAGR for  
two-year  
increments:  
11.92%**



<sup>4</sup> The hypothetical backtested returns the index are used to create hypothetical performance for indexed annuities offering a two-year point-to-point crediting strategy with assigned participation rates linked to each index over the period of 06/01/2006 through 12/31/2021 for a total of 3,527 rolling two-year periods. Performance assumptions: BNPP Global H-Factor® Index 1.50% spread with a 100% participation rate.



To learn more about the BNPP Global H-Factor® Index, please talk to your insurance professional or visit [global-h-factor-index.bnpparibas.com](http://global-h-factor-index.bnpparibas.com)



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All individuals selling this product must be licensed insurance agents.

If you annuitize a nonqualified annuity, a portion of your payment will be considered a return of premium and will not be subject to ordinary income tax. The amount that is taxable will be determined at the time you elect to annuitize the policy.

All annuity contract and rider guarantees, including optional benefits and any fixed subaccount crediting rates or annuity payout rates, are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased or any affiliates of those entities, and none makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company. Federal tax laws are complex and subject to change. The information in this brochure is based on current interpretations of the law. Nationwide doesn't offer tax advice. Please talk with your attorney or tax advisor for answers to specific questions.

A fixed indexed annuity is not a stock market investment and does not directly participate in any stock or equity investment. A fixed indexed annuity may be appropriate for those who want the opportunity to capture upside potential while having a level of protection from market downturns.

Withdrawals taken before age 59½ may incur a 10% early withdrawal federal tax penalty in addition to ordinary income taxes; withdrawals may trigger surrender charges and reduce your death benefit and contract value. Please keep in mind that annuities have limitations, as they are designed for long-term retirement goals.

Nationwide Peak 10 fixed indexed annuity is a single purchase payment, deferred fixed indexed annuity contract issued by Nationwide Life and Annuity Insurance Company, Columbus, Ohio.

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