

Franklin Biotechnology Discovery A

Overall Morningstar Rating™ ★★
 Out of 183 Specialty-Health funds. **An investment's overall Morningstar Rating, based on its risk-adjusted return, is a weighted average of its applicable 3-, 5-, and 10-year Ratings. See disclosure for more detail.**

Morningstar Return Average

Morningstar Risk High

Investment Strategy from investment's prospectus

The investment seeks capital appreciation.

The fund normally invests at least 80% of net assets in securities of biotechnology companies and discovery research firms. It may invest a substantial portion of assets in equity securities of smaller capitalization companies with a market capitalization of less than \$1.5 billion, and may invest a small portion of assets in private or illiquid securities, such as late stage venture capital financings. The fund is nondiversified.

Category Description: Specialty-Health

Specialty-health funds focus on the medical and health-care industries. Most invest in a range of companies, buying everything from pharmaceutical and medical-device makers to HMOs, hospitals, and nursing homes. A few funds concentrate on just one industry segment, such as service providers or biotechnology firms.

Broad Asset Class: Specialty

Securities from narrow sub-sectors of the broader market or uncommon asset classes.

Notes

This material is authorized for client use only when preceded or accompanied by a Disclosure Statement, a product prospectus (variable annuity only), a fund prospectus and/or informational brochure containing more complete information. These can be obtained from your investment professional and should be read carefully before investing or sending money.

NOT A DEPOSIT – NOT FDIC INSURED – NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY – NOT GUARANTEED BY THE INSTITUTION – MAY GO DOWN IN VALUE

The Broad Asset Class identifies a fund's investment style. The Broad Asset Class was developed by Nationwide in conjunction with Ibbotson Associates for asset allocation. Asset Allocation does not assure a profit or guarantee against a loss in a declining market.

Morningstar Proprietary Statistics

	YTD	1-Year	3-Year	5-Year	10-Year
Morningstar Rating	—	—	★★	★★	★
Fund Rank Percentile	4	46	47	46	16
Out of # of Investments	198	195	183	166	55

Portfolio Analysis as of 03-31-08

Composition as of 03-31-08

	Net%
U.S. Stocks	90.9
Non U.S. Stocks	2.4
Bonds	0.0
Cash	5.9
Other	0.8
Total	100.0

Top 15 Holdings as of 03-31-08

	% Assets
Celgene Corporation	11.20
Gilead Sciences, Inc.	11.06
Genentech, Inc.	10.02
Genzyme Corporation	9.19
Amgen, Inc.	4.32
PDL BioPharma, Inc.	3.82
Vertex Pharmaceuticals	3.53
Biogen Idec, Inc.	2.39
Myriad Genetics, Inc.	2.20
Biomarin Pharmaceutical, Inc.	1.95
Medicines	1.95
Fibrogen	1.69
Millennium Pharmaceuticals, Inc.	1.59
Indevus Pharmaceuticals	1.49
Cephalon, Inc.	1.47
Total Number of Stock Holdings	66
Total Number of Bond Holdings	0
Annual Turnover Ratio %	42
Total Fund Assets (\$mil)	333.6

Risk Classification as of 06-30-08

An investment's risk classification corresponds with the following ranges of standard deviation.

I	II	III	IV	V	VI
I	Lowest: Money Market and Stable Value Funds				
II	Very Low: 0.00-3.46				
III	Low: 3.47-5.21				
IV	Moderate: 5.22-9.95				
V	High: 9.96-13.50				
▶ VI	Very High: 13.51 and above				

Standard Deviation is a statistical measurement of dispersion about an average, which depicts how widely the returns varied over a certain period of time. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Morningstar provides standard deviation and Nationwide provides the ranges.

Morningstar Style Box™ as of 03-31-08

	% Mkt Cap
Giant	23.04
Large	29.61
Medium	12.29
Small	15.48
Micro	19.58

Statistics as of 03-31-08

	Port Avg	Rel S&P 500	Rel Cat
P/E Ratio	22.07	1.64	1.27
P/B Ratio	3.82	1.84	1.24
P/C Ratio	4.43	0.52	0.37
GeoAvgCap (\$mil)	5,636.52	0.12	0.35

Risk Measures as of 06-30-08

	Port Avg	Rel S&P 500	Rel Cat
3 Yr Std Dev	15.62	1.00	1.44
3 Yr Beta	0.91	—	1.26
3 Yr Sharpe Ratio	0.09	-0.36	2.25
3 Yr Alpha	0.78	—	-19.50
3 Yr R-squared	35.19	—	0.74

Morningstar Sectors as of 03-31-08

	Fund%	S&P 500%
Information	0.00	20.44
Software	0.00	4.00
Hardware	0.00	10.16
Media	0.00	2.95
Telecommunication	0.00	3.33
Service	100.00	37.62
Healthcare Service	100.00	11.94
Consumer Service	0.00	6.95
Business Service	0.00	4.66
Financial Service	0.00	14.07
Manufacturing	0.00	41.96
Consumer Goods	0.00	9.08
Industrial Materials	0.00	12.65
Energy	0.00	16.35
Utilities	0.00	3.88

Operations

Net Annual Rpt Exp Ratio	1.35% of fund assets
Gross Prospectus Exp Ratio	1.37% of fund assets
Fund Inception Date	09-15-97
Initial Share Class	09-15-97
Inception Date	
Advisor	Franklin Advisers, Inc.
Subadvisor	—

Portfolio Manager(s)

Evan S. McCulloch, CFA, B.A., U.C. Berkeley. Since 1997.
 Vincent Xiang. Since 2004.