

HIGH CASH FLOW FROM OPTIONS HELPED GATEWAY INDEX/RA TO MITIGATE S&P 500 INDEX DECLINE DURING FIRST QUARTER 2009

MANAGEMENT DISCUSSION

The first quarter of 2009 saw a continuation of falling prices in the equity markets. Despite a pause in December 2008 and into the first few days of January 2009, the market again declined in the first two months of the quarter, piercing the lows established in November 2008. By March 6, collapsing stock prices, particularly financials and automobiles, brought the S&P 500 Index down to an intraday low of 666.79. Thereafter, the announcement of a joint government/private plan to buy toxic debt instruments from troubled banks energized investors and promoted a dramatic recovery, with the S&P 500 Index posting a gain for the remainder of March. This sharp March recovery notwithstanding, the first quarter was undeniably disappointing to those who hoped the December respite was a precursor to a market recovery. Instead, the S&P 500 Index lost 11.01% for the quarter.

Unprecedented efforts by the Federal Reserve Board and the U. S. Treasury to provide liquidity to the financial markets and stimulate the economy gave pause to bond investors as they began to consider the potential inflationary effects of vast monetary base increases. For the quarter, Barclays Capital U. S. Aggregate Bond Index was up a scant 0.12% despite massive infusions of cash from the Federal Reserve Board and its counterparts in other countries.

These crosscurrents, combined with a flood of bad economic news, caused high anxiety among investors. Volatility, the practical expression of investor uncertainty, remained above its historical average throughout the year-to-date period. During this period, the Chicago Board Options Exchange Volatility Index (the "VIX")

ranged between 38.56 and 56.65, closing on March 31 at 44.14, down from 46.35 at the end of February, but up from 40.00 at the beginning of 2009.

GATEWAY INDEX/RA PERFORMANCE

During the first quarter, the Gateway Index/RA hedged equity strategy responded favorably to both consistently high option premiums (a function of high volatility) and to the recovering March market. In this decidedly negative environment, Gateway Index/RA delivered a total return of -6.46%, net of fees, for the quarter. Cash flow from option hedging transactions was helpful in preserving capital, but was not sufficient to offset all of the 11.01% decline in the S&P 500 Index.

MARKET PERSPECTIVE

As we move on through a treacherous jungle of bad economic and financial news, the Gateway strategy continues to enjoy exceptionally high cash flow from option transactions to help mitigate the downside potential of owning stocks in what still appears to be an unstable equity market environment. While such volatility, as represented by the VIX, has receded from the record highs seen in mid-November, levels remain consistent with those in previous bear markets. As the capital market and economic scenarios unfold, a key question is what role this volatility will play in the future. High volatility produces higher option cash flow which benefits the Gateway strategy regardless of market direction, helping to mitigate declines and providing the potential for positive returns in sideways or rising markets.

Gateway Investment Advisers, LLC ("Gateway") is an independent registered investment adviser and a successor in interest to Gateway Investment Advisers, L.P. as of February 15, 2008. Gateway Index/RA performance in this document is an asset-weighted composite of discretionary accounts under Gateway's management which share the same investment objectives and hedging strategies.

Gateway Investment Advisers, LLC claims compliance with the Global Investment Performance Standards (GIPS®). The composite was created in January 1993. Prior to January 1, 1993, not all fully discretionary portfolios were represented in composites. Results shown for 1988 through 1992 are those of one representative account.

Gateway Index/RA performance results reflect the deduction of investment advisory fees and the reinvestment of dividends and other earnings. Past performance is no guarantee of future results. A more detailed description of Gateway's fees is included in Form ADV, Part II.

The Annual Disclosure Presentation for Gateway Index/RA is available on the "Literature" page of this website or by calling 513.719.1100 extension 443.

The S&P 500 Index is a widely recognized measure of performance for the U. S. stock market. The S&P 500 Index figures represent the prices of a capitalization-weighted index of 500 common stocks and assume reinvestment of all dividends paid on the stocks in the index.

The Barclays Capital U. S. Aggregate Bond Index is an index comprised of approximately 6,000 publicly traded bonds including U. S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. The index is weighted by the market value of the bonds included in the index. This index represents asset types which are subject to risk, including loss of principal.

AVERAGE ANNUAL TOTAL RETURNS as of March 31, 2009

	GATEWAY INDEX/RA (NET OF FEES)	Barclays Capital U. S. Aggregate Bond Index	S&P 500 Index
One Year	-17.00%	3.13%	-38.09%
Three Years	-2.44	5.77	-13.06
Five Years	1.33	4.13	-4.77
Ten Years	2.53	5.70	-3.00
Since 1/1/88	7.63	7.37	8.10

Data Source: Gateway Investment Advisers, LLC and Thomson Reuters