

GATEWAY INDEX/RA STRATEGY FOCUSES ON MINIMIZING VOLATILITY IN AN UNCERTAIN MARKET DURING THE FIRST QUARTER 2010

MARKET BACKGROUND

Equity markets ended the first quarter of 2010 with an exclamation point, as a solid March advance of 6.03% pushed the S&P 500 Index ahead 5.39% for the quarter. Continuing improvement in economic news propelled stocks higher, as industrial production, retail sales and corporate profits continued to advance. Further assurances by the Federal Reserve Board (the "Fed") that monetary policy would remain accommodative for the foreseeable future also bolstered investor sentiment. Even two uncertainties that had negatively affected markets earlier in the quarter, the financial impact of a major healthcare reform act and fears of sovereign defaults in Europe, were both abated, at least temporarily, in March.

Wary of reports of economic recovery and concern over longer-term uncertainties, bond markets were reassured by the Fed's reiteration of its easy-money policy. Nevertheless, fixed income valuations began discounting the potential for future interest rate increases and the end of the Fed's \$1.5 trillion asset purchase program. The Barclays Capital U. S. Aggregate Bond Index experienced a slight decline of 0.12% in March, yet still managed a solid 1.78% for the first quarter of 2010, encouraging strong inflows into bond funds.

As investors digested the largely favorable economic reports released during March, their expectations of future risk exposure, as measured by the Chicago Board Options Exchange Volatility Index (the "VIX"), declined from the higher levels that had prevailed in February. For the month, the VIX decreased from 19.50 on February 28, 2010 to 17.59 at March 31, 2010, still near its historic average and reflective of the many economic challenges that continue to cloud domestic and world economies.

GATEWAY INDEX/RA REVIEW

As in the previous two months, Gateway Index/RA earned healthy option premium in March, finishing the month up 1.95%, net of fees. Whereas the strategy used similar option cash flow to shield a portion of a declining market in January, it was able to earn positive returns in both February and March. After a positive first quarter performance of 1.54%, net of fees, Gateway Index/RA generated

a return of 15.84%, net of fees, for the trailing twelve months ended March 31, 2010.

MARKET PERSPECTIVE

In the past twelve months, financial markets have recovered dramatically from the depths of the recession-induced lows that prevailed during the 2007-2009 bear market cycle. The S&P 500 Index increased by 49.77% for the twelve months ended March 31, 2010. Despite this rally, by the end of the first quarter of 2010, the S&P 500 Index remained down a cumulative 18.83% since September 30, 2007. On the other hand, the total return for the hedged Gateway Index/RA was -6.65%, net of fees, for the same time period, substantially less than the unhedged market.

Even more dramatically, for the ten-year period encompassing both the 2000-2002 and the 2007-2009 bear markets (March 31, 2000 through March 31, 2010), the S&P 500 Index still shows a **negative** total return of 6.38% whereas Gateway Index/RA has earned a **positive** total return of 33.44%, net of fees. The accumulation of index call option cash flow and the downside risk mitigation offered by index put options have plainly helped to offset the financial misery experienced by equity investors over the last ten years.

LOOKING FORWARD

If underlying economic fundamentals continue to improve, we hope that domestic and foreign deficits that were greatly expanded to help fight the recession will be reduced. Otherwise, funding the current deficit levels will put upward pressure on interest rates and stimulate new worries about the sustainability of a worldwide economic recovery. Also, we can only hope that investors, financial institutions and regulators have learned valuable lessons from the events which brought the global economy to crisis. However, while hope springs eternal, there are clearly ongoing risks that have the potential to adversely impact financial markets going forward. For wary investors, Gateway's low risk profile offers a unique core investment solution to cope with this ever-changing set of investment risks.

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GATEWAY INDEX/RA STRATEGY FOCUSES ON MINIMIZING VOLATILITY IN AN UNCERTAIN MARKET DURING THE FIRST QUARTER 2010 (CONTINUED)

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.

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.

AVERAGE ANNUAL TOTAL RETURNS AS OF MARCH 31, 2010			
	GATEWAY INDEX/RA (NET OF FEES)	Barclays Capital U. S. Aggregate Bond Index	S&P 500 Index
One Year	15.84%	7.70%	49.77%
Three Years	-0.54	6.14	-4.16
Five Years	2.99	5.44	1.92
Ten Years	2.93	6.29	-0.66
Since 1/1/88	7.99	7.38	9.69

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.

Data Source: Gateway Investment Advisers, LLC and Thomson Reuters