In Brief

- Gateway Index/RA Composite (the Composite) gained 3.64%, net of fees, in the fourth quarter compared to the 9.07% return of the S&P 500® Index. For the full year, the Composite returned 11.29%, net of fees, relative to the 31.49% return of the S&P 500® Index. The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.18% and 8.72% for the fourth quarter and full year, respectively. (A GIPS® Composite Report is included with this Commentary.)

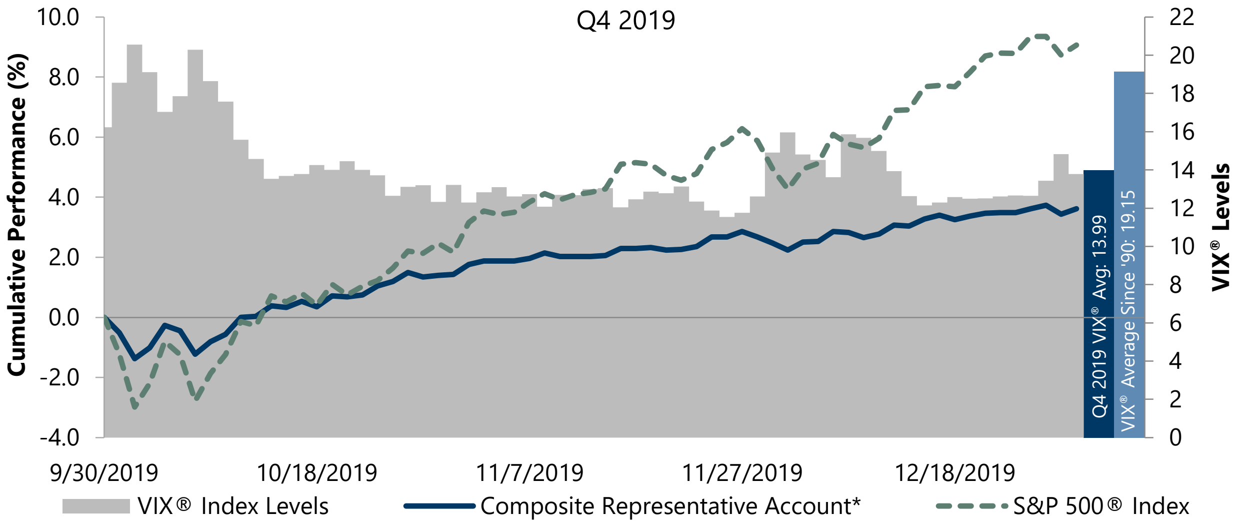
- The Composite's return for the fourth quarter was better than expected given the equity market's below-average implied volatility level, while lagging performance relative to the S&P 500® Index was expected as the equity market advanced at a well-above-average rate.

- Removal of trade uncertainty helped propel the S&P 500® Index upward as phase one negotiations between the U.S. and China were finalized and set to be signed in early 2020, the United States-Mexico-Canada Agreement advanced to the Senate, and a decisive U.K. election brought the Brexit process closer to an end.

- The Cboe® Volatility Index® (the VIX®) averaged 13.99 for the fourth quarter of 2019 and 15.39 for the full year, both below its historical average of 19.15. The 2019 closing high for the VIX® was 25.45 on January 3, as the equity market began its recovery from near bear market territory in December 2018. The 2019 low for the VIX® was 11.54 on November 26 and it closed the year at 13.78. Average implied volatility exceeded realized volatility for the year as the S&P 500® Index had a 12.47% annualized standard deviation of daily returns, while the Composite* had a standard deviation of 5.41%.

- Despite a strong equity market advance in 2019, implied volatility levels remained above the historic lows set in 2017. This helped the Cboe® S&P 500 BuyWrite℠ Index (the BXM℠)[1] and the Cboe® S&P 500 PutWrite℠ Index (the PUT℠) deliver their best annual returns since 2009 even though the VIX® was persistently below its historical average throughout the year. Option writing returns were also supported by a positive spread between implied and realized volatility in all but one month of 2019.

Market Path & Implied Volatility
Q4 2019



Source: Bloomberg, L.P.

*The portfolio performance and annualized standard deviation reflected for the Composite are those measured by a representative account. This information represents supplemental information to the GIPS-compliant presentation. This representative account was selected as it is the largest account in the Composite.

1: The BXM℠ is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the index includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the Friday of the standard index-option expiration cycle and holding that position until the next expiration.

Market Recap

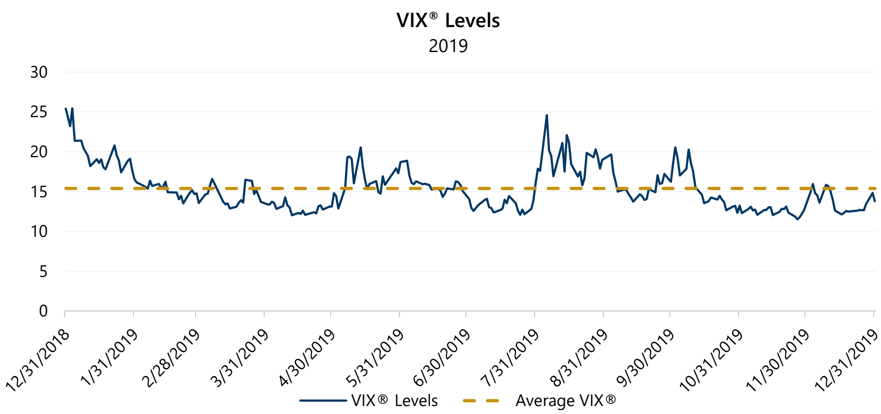
The S&P 500® Index returned 9.07% for the fourth quarter of 2019, resulting in a return of 31.49% for the year. The fourth quarter advance was steady with the S&P 500® Index posting returns of 2.17%, 3.63% and 3.02% in October, November and December, respectively.

Fourth quarter returns were buoyed by increasing clarity around U.S. trade negotiations. Specifically, 'phase one' negotiations between the U.S. and China were finalized and set to be signed in early 2020. Additionally, the United States-Mexico-Canada Agreement advanced to the Senate for ratification after Democrats in the House of Representatives agreed to modifications negotiated with the Trump Administration and a decisive U.K. election brought the Brexit process closer to an end. The domestic economic environment showed strength on many fronts. On December 20, the final read of Q3 GDP growth came in at 2.1%, at the top of consensus estimates. The unemployment rate settled the quarter at 3.5%, a 50-year low, after nonfarm payrolls crushed expectations. A tight employment situation and a confident consumer led the year-over-year change for the November Consumer Price Index to 2.1%, at the top of expectations and in line with the Federal Reserves (the Fed) 2% target. On the corporate front, third quarter earnings declined less than 1% quarter-over-quarter and grew nearly 2% year-over-year. Though earnings shrank in aggregate for the quarter, results were better than expected with nearly 82% of reporting companies meeting or exceeding analyst estimates.

The fourth quarter market advance, combined with a first quarter return of 13.65%, drove the S&P 500® Index to its best annual return since 2013 and an annual return of over 30% for just the fifth time in the last three decades. The strong first quarter return followed steep losses in the fourth quarter of 2018 that were primarily driven by concerns of overly tight monetary conditions in the face of slowing global economic growth. After four rate hikes in 2018 and expectations of more in 2019, the first quarter recovery was fueled by the Fed rhetoric indicating a potential policy shift. The year began with talk of fewer-than-expected rate hikes in 2019 plus a slower reduction in the size of the Fed's balance sheet. Fed policy ultimately evolved into three rate cuts and a resumption of balance sheet growth in the second half of the year.

Between the first and fourth quarters of 2019, the equity market advance was choppy and moderate as the market processed uncertainty over Fed policy, trade and the global economy. Though the S&P 500® Index returned 6.08% over the course of the second and third quarters, it experienced two sizeable drawdowns of 6.62% and 5.99%, occurring from May 3 through June 3 and July 26 through August 14, respectively. The first drawdown was driven by unease over trade and global economic growth as tensions between the U.S., China and Mexico escalated in concert with slowing growth in China. The equity market was particularly volatile during the second drawdown as the S&P 500® Index had three separate one-day declines of over 2.50% in August. The last time a month included three one-day declines of that magnitude was September 2011 when the equity market was reeling from the credit rating downgrade of U.S. government debt. Despite these mid-year pullbacks and persistent concern over U.S. monetary policy, global trade, and economic growth, implied volatility levels were persistently below their historical average in 2019.

The VIX® averaged 13.99 for the fourth quarter of 2019 and 15.39 for the full year, both below its historical average of 19.15. The 2019 closing high for the VIX® was 25.45 on January 3, as equity markets recovered from nearly-bear market territory in December 2018. The 2019 low for the VIX® was 11.54 on November 26, amidst strong returns in the equity market, before it closed the year at 13.78. Consistent with its typical relationship, average implied volatility exceeded realized volatility, as measured by the annualized standard deviation of daily returns for the S&P 500® Index, which was 12.47% for the year. The implied versus realized volatility relationship was consistent throughout 2019 with average implied volatility exceeding realized volatility in 11 months. The singular exception was August, when realized volatility averaged 22.70% while the implied volatility response to the market's large drawdown and sharp daily losses was muted, resulting in a VIX® average of just 18.98 for the month.



Source: Bloomberg, L.P.

Gateway IndexRA Composite Performance

The Composite returned 3.64%, net of fees, in the fourth quarter, lagging the S&P 500® Index by 543 bps and bringing its year-to-date return to 11.29%, net of fees. The Composite's return for the quarter was better than expected given the equity market's below-average implied volatility level. The investment team actively adjusted index option strike prices upward as the market advanced over the course of the quarter, which maintained market exposure and was additive to the Composite's absolute return. The Composite's lagging performance relative to the S&P 500® Index was expected as the equity market advanced at a well-above-average rate.

The portfolio performance, contributions, annualized standard deviation and portfolio statistics quoted for the Composite in the following paragraphs are those measured by a representative account.[2]

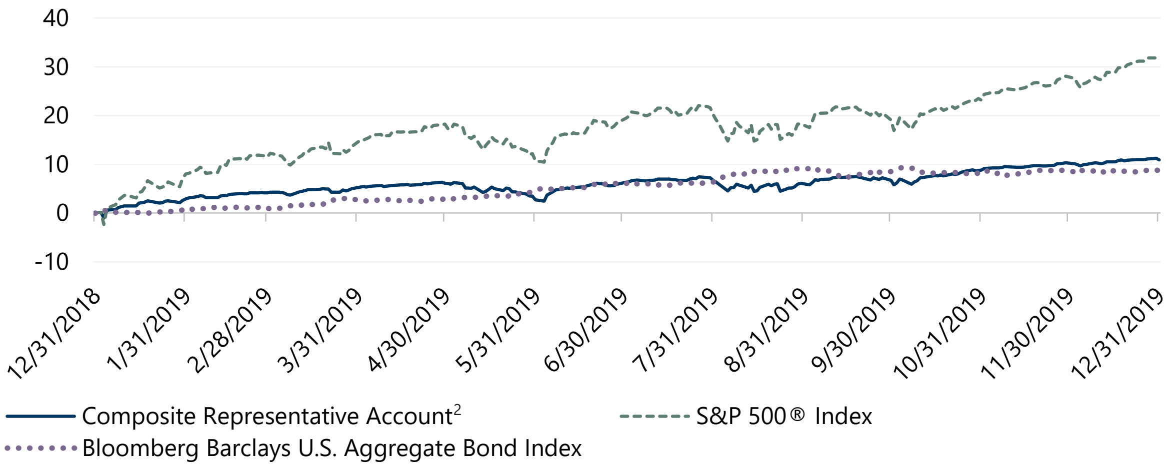
The Composite's underlying equity portfolio returned 9.39% for the quarter, a positive performance differential of 32 bps relative to the S&P 500® Index. Written index call option and purchased index put option positions both detracted from the Composite's return in each month of the quarter, as expected during periods when the equity market advances with below-average volatility. In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 4.16% compared to 9.43% for the S&P 500® Index. The Composite exhibited a beta to the S&P 500® Index of 0.42 for the quarter.

In managing the Composite's portfolio of written index call options throughout the quarter, Gateway's investment team focused on exchanging option contracts well in advance of their expiration dates for ones with later expiration dates and higher strike prices. This was in an effort to maintain a typical amount of equity market exposure as the market advanced while taking measures to protect the Composite from the potentially adverse impact of a sharp reversal in market direction. For the index put option component of the strategy, the investment team managed the cost of downside protection by trading select put option contracts in advance of their expiration while keeping weighted-average time to expiration relatively extended.

At the end of the quarter, index call options were sold against over 95% of the equity portfolio's value and had a weighted average strike price between 1.5% in-the-money and 1.5% out-of-the-money, 57 days to expiration and annualized premium to earn between 7.5% and 10.0%. Index put options covered more than 95% of the portfolio and had a weighted average strike price between 10.0% and 12.5% out-of-the-money, 58 days to expiration and an annualized cost of less than 2.5%. Relative to the beginning of the quarter, this positioning represented less potential net cash flow and lower market exposure.

Cumulative Performance (%)

2019



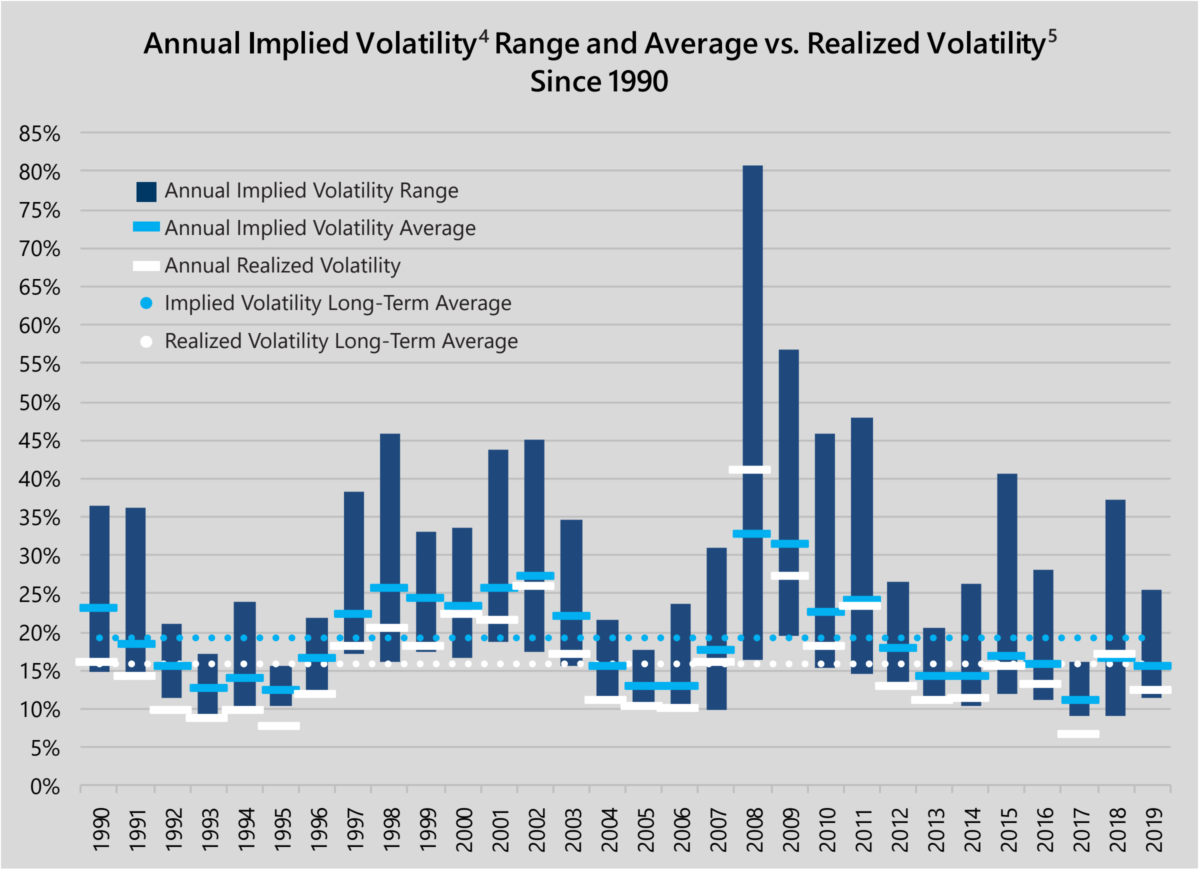
Average Annual Performance (%)	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception[3]
Gateway Index/RA Composite (Net)	11.29	5.54	4.94	4.98	4.02	7.05
S&P 500® Index	31.49	15.27	11.70	13.56	6.06	10.79
Bloomberg Barclays US Aggregate Bond Index	8.72	4.03	3.05	3.75	5.03	6.23

2: Represents supplemental information to the GIPS® Composite Report. This representative account was selected as it is the largest account in the Composite. 3: Inception of Gateway Index/RA Composite is January 1, 1988. Sources: Bloomberg, L.P., Morningstar Direct℠ and Gateway Investment Advisers, LLC. Periods over one year are annualized. Past performance is no guarantee of future results. See GIPS® Composite Report included with this commentary.

Throughout the year, the Composite's two-part option strategy consistently reduced risk and delivered equity market participation during market advances while mitigating losses during market declines. Similar to the fourth quarter, the Composite's lagging performance during the strong market advance of the first quarter contributed to its underperformance relative to S&P 500® Index for the year. In the first quarter, the Composite returned 5.01% compared to the S&P 500® Index's return of 13.65%. Below-average implied volatility in the first quarter resulted in net cash flow from the option strategy that was low relative to the market's well-above-average rate of advance. Over the course of the second and third quarters when the market advance was choppy and more moderate, the Composite returned 2.13%, compared to the S&P 500® Index's return of 6.08% while providing significant downside protection during the brief but sharp market declines. Specifically, the Composite returned -3.56% from May 3 through June 3 and -2.73% from July 26 through August 14 as compared to -6.62% and -5.99%, respectively, for the S&P 500® Index during those same periods.

Market Perspective

Implied volatility moderated in 2019, after spending much of 2017 at or near record lows and experiencing extreme highs during two volatility spikes in 2018. In 2019, the VIX® adhered to the usual pattern of falling during market advances and increasing during market pullbacks. However, with a 2019 closing low of 11.54 on November 26 and a closing high of 25.45 on January 3, it did not collapse to record lows during the strong equity market advances in Q1 and Q4, nor did it spike to extremes during the market drawdowns of Q2 and Q3.



4: Implied volatility shown is based on the VIX® daily closing values. 5: Realized volatility is based on the standard deviation of daily returns for the S&P 500® Index. Source: Bloomberg, L.P.

Though the range of implied volatility was more moderate in 2019, it maintained the persistent below-average trend of recent years. The VIX® averaged 15.39 for the year, below its long-term average of 19.15. Despite below-average implied volatility levels, option writing indexes such as the BXM℠ and the PUT℠ delivered returns that were not only above their long-term averages but also their best annual returns since 2009. The lack of a collapse in implied volatility despite strong equity market advances helped option writing returns in 2019. Option writing returns were also helped by a positive spread between implied and realized volatility. Realized volatility, based on the standard deviation of daily returns for the S&P 500® Index, came in at 12.47% for 2019, about three percentage points lower than average implied volatility. Notably, the relationship between implied and realized volatility returned to normal in 2019 after flipping in 2018 for the first time since 2009. Moreover, the relationship was persistent throughout the year with monthly averages for implied exceeding realized volatility in all but one month of the year.

What roles can option writing strategies play in investor portfolios in this environment? If current market and economic trends continue in 2020, then both the equity bull market and the U.S. economic expansion are poised to enter their 12th consecutive year in March and July, respectively. While the economic expansion has already set a record for duration, the equity market begins 2020 just a year-and-a-half shy of the longest bull market on record. A continuation of economic expansion, the equity bull market and the low volatility trend is uncertain due to several potential threats including domestic politics, geopolitical tensions and monetary policy challenges.

For investors who anticipate that recent market tranquility is temporary, option writing strategies that seek to consistently deliver lower risk and less downside than the equity market may be an appealing way to reduce equity market exposure and risk.

Investors with a more sanguine outlook may find the absolute return and risk-adjusted return potential of option writing strategies appealing relative to other lower volatility investments. A possible continuation of richer-than normal option pricing combined with low realized volatility creates the potential for option writing strategies to deliver attractive risk-adjusted returns with lower-than-normal volatility. Attractive risk-adjusted returns never go out of style and, in the current environment of low interest rates with the potential to rise over time, there are possible advantages to seek returns through allocations to option writing strategies. If low or rising interest rates keep bond market returns depressed, diversified investors may benefit from investments that do not have interest rate sensitivity and can complement intermediate to long-term bonds' historical profile of low volatility and attractive risk-adjusted returns.

In either application, option writing exposure to richly-priced implied volatility has the potential to generate attractive risk-adjusted returns over the long-term.

Important Information

All data as of December 31, 2019 unless noted otherwise.

For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com/insights.

Gateway Investment Advisers, LLC (Gateway) is an independent registered adviser and a successor in interest to Gateway Investment Advisers, L.P. as of February 15, 2008. Performance information for the Gateway Index/RA Composite (the Composite) shown in this illustration 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.

The Composite net of fee performance results reflect the reinvestment of dividends and other earnings, and reflect the deduction of investment advisory and fees.

The effectiveness of Gateway's strategy might be reduced if the portfolio doesn't correlate to the performance of the index underlying its option positions. Rebalancing of a portfolio may involve tax consequences.

Selling index call options can reduce the risk of owning stocks, but limits the opportunity to profit from an increase in the market value of stocks in exchange for up-front cash at the time of selling the call option. Unusual market conditions or the lack of a ready market for any particular option at a specific time may reduce the effectiveness of the Composite's option strategy, and for these and other reasons the Composite's option strategy may not reduce the volatility to the extent desired.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. A more detailed description of Gateway's standardized fees is included in Form ADV, Part 2.

The GIPS® Composite Report for the Gateway Index/RA Composite is included with this document. Additional copies are available upon request by calling 513.719.1100.

Data sources: Gateway Investment Advisers, LLC, Bloomberg, L.P. and Morningstar Direct℠

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Gateway Index/RA Composite

GIPS® Composite Report

Year End	Annual Performance Results				3-Year Standard Deviation			Number of Composite Accounts	Composite Dispersion	Composite Assets (millions)	Firm Assets (millions)
	Composite		S&P 500® Index	Bloomberg Barclays U.S. Aggregate Bond Index	Composite	S&P 500® Index	Bloomberg Barclays U.S. Aggregate Bond Index				
	Gross	Net									
1993	8.44%	7.75%	10.08%	9.75%	N/A	N/A	N/A	15	0.7	$348	$408
1994	6.27	5.62	1.32	-2.92	N/A	N/A	N/A	14	0.5	303	660
1995	12.52	11.75	37.58	18.47	4.07%	8.34%	4.30%	12	1.6	283	473
1996	11.83	11.11	22.96	3.63	4.44	9.72	4.65	27	0.9	329	360
1997	13.34	12.58	33.36	9.65	3.83	11.30	4.06	27	1.1	399	476
1998	13.21	12.49	28.58	8.69	5.53	16.24	3.58	44	1.2	686	805
1999	12.94	12.27	21.04	-0.82	5.39	16.76	3.25	76	1.4	1,348	1,470
2000	6.55	6.08	-9.10	11.63	5.30	17.67	3.06	107	1.2	2,052	2,206
2001	-2.69	-3.28	-11.89	8.44	6.29	16.94	3.40	85	0.5	1,853	1,944
2002	-3.87	-4.45	-22.10	10.25	9.41	18.81	3.40	67	0.4	1,651	1,744
2003	12.53	11.84	28.68	4.10	9.70	18.32	4.26	59	0.4	2,029	2,160
2004	7.84	7.22	10.88	4.34	8.35	15.07	4.34	53	0.5	3,350	3,636
2005	5.86	5.17	4.91	2.43	4.09	9.17	4.12	35	0.5	3,879	6,134
2006	11.06	10.35	15.79	4.33	2.64	6.92	3.25	29	0.5	4,569	6,946
2007	8.67	7.99	5.49	6.97	3.10	7.79	2.80	25	0.5	4,780	7,892
2008	-13.39	-13.95	-37.00	5.24	8.41	15.29	4.03	22	1.0	5,073	7,071
2009	7.37	6.70	26.46	5.93	10.36	19.91	4.17	15	0.4	5,054	7,188
2010	5.76	5.11	15.06	6.54	11.01	22.16	4.22	12	0.1	5,552	7,699
2011	3.82	3.16	2.11	7.84	8.27	18.97	2.82	11	0.3	5,729	8,081
2012	5.41	4.74	16.00	4.22	5.84	15.30	2.42	10	0.2	7,424	10,517
2013	9.35	8.64	32.39	-2.02	4.23	12.11	2.75	11	0.2	8,899	12,475
2014	4.23	3.59	13.69	5.97	3.45	9.10	2.67	10	0.3	8,997	12,239
2015	3.20	2.54	1.38	0.55	3.97	10.62	2.92	11	0.2	8,783	12,210
2016	6.23	5.57	11.96	2.65	4.30	10.74	3.02	10	0.3	8,159	11,601
2017	10.73	10.07	21.83	3.54	4.01	10.07	2.81	10	0.2	9,028	12,559
2018	-3.43	-4.04	-4.38	0.01	5.11	10.95	2.88	10	0.1	8,534	11,641
2019	11.97	11.29	31.49	8.72	5.57	12.10	2.91	9	0.2	8,545	10,950

N/A: The gross three-year annualized ex-post standard deviation of the Composite and benchmarks is not presented as 36-month returns are not available.

Gateway Index/RA Composite contains fully discretionary hedged equity accounts which hold common stock and sell index call options on at least 95% of the underlying stock value. This call activity reduces volatility and provides cash flow. The accounts typically buy index put options that can protect the Composite from a significant market decline that may occur over a short period of time. Indexes utilized for call and put option activity are U. S. domestic equity indexes that include all sectors of the economy. The creation and inception date of the Gateway Index/RA Composite was January 1, 1993. As of June 1, 2009, the Composite definition was refined to more accurately reflect the criteria used to determine membership. No membership changes resulted from the revision.

For comparison purposes the Gateway Index/RA Composite is measured against two indexes, the S&P 500® Index (a popular indicator of the performance of the large capitalization sector of the U. S. stock market) and the Bloomberg Barclays U. S. Aggregate Bond Index (an unmanaged index of investment-grade bonds with one- to ten-year maturities issued by the U. S. government, its agencies and U. S. corporations).

Performance results are based on fully discretionary accounts under management, including accounts that may no longer be with the firm, and are expressed in U.S. dollars.

Performance returns are presented gross and net of management fees and include the reinvestment of all income. Past performance is not indicative of future results. The annual Composite dispersion presented is an asset-weighted standard deviation calculated using gross returns for the accounts in the Composite the entire year. The 3-year standard deviation is calculated using gross returns. Net of fee performance was calculated using actual management fees. The current investment management fee schedule is as follows: 0.85% on the first $5 million; 0.65% on the next $5 million; 0.50% on the next $40 million; and 0.45% on assets in excess of $50 million. Actual investment management fees incurred by composite accounts may vary.

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 claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Gateway has been independently verified for the periods January 1, 1993 through December 31, 2019. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The Gateway Index/RA Composite has had a performance examination for the periods January 1, 1993 through December 31, 2019. The verification and performance examination reports are available upon request.

Policies for valuing portfolios, calculating performance and preparing GIPS® reports are available upon request. Gateway's lists of composite descriptions and broad distribution pooled funds are also available upon request.