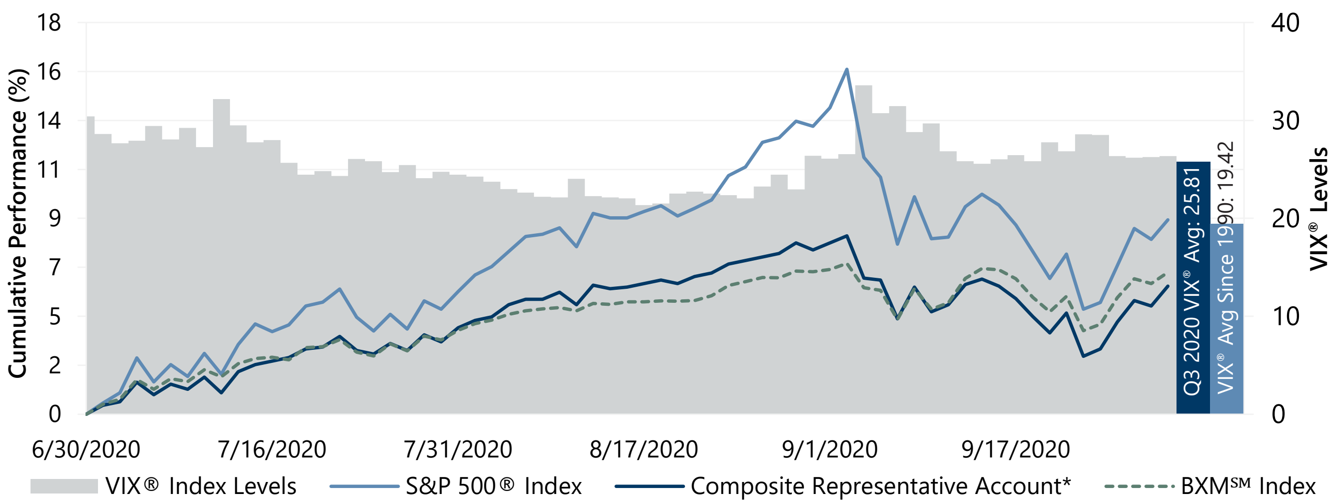
Active Index-Option Overwrite Composite Commentary
Q3 2020

In Brief

- The Gateway Active Index-Option Overwrite Composite (the Composite) returned 6.00%, net of fees, in the third quarter of 2020 compared to the 6.52% return of the Cboe® S&P 500 BuyWrite℠ Index[i] (the BXM℠) and the 8.93% return of the S&P 500® Index. (A GIPS® Composite Report is included with this Commentary.)
- The S&P 500® Index climbed above pre-COVID levels during the third quarter, marking new all-time highs as the economy navigated negative economic effects lingering from pandemic mitigation efforts. The climb was put on pause when the S&P 500® Index had a significant drawdown of 9.52% from September 2 through September 23.
- Although the Composite outperformed the BXM℠ in July and August, underperformance for the quarter was the result of a larger loss than the benchmark in September. Consistent with its active approach, the Composite began September with the weighted-average strike price of its written index call option portfolio approximately at-the-money, resulting in more exposure to the market's decline than the BXM℠, which began the month with very low market exposure as the strong market advance in August put its written index call option deep in-the-money.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), began the third quarter of 2020 at 28.62 before drifting to its intra-quarter low of 21.35 on August 17. The VIX® reached an intra-quarter high of 33.60 on September 3, relatively early into the equity market's September drawdown. The VIX® closed the third quarter at 26.37, well above its historical average of 19.42.
- Third quarter annualized standard deviations of daily returns for the S&P 500® Index, the BXM℠ and Composite* were 16.90%, 8.33% and 10.36%, respectively.
- Historically, equity market volatility has been below-average in presidential election years. Counterintuitively, volatility levels in the last six months of election years have been particularly low, with August, September and December the three lowest-volatility election year months. The well-above-average volatility of September 2020 and the recent shape of the VIX® futures curve suggest that investors should be prepared for a fourth quarter that is significantly different than the typical election year.

Market Path & Implied Volatility
Q3 2020



*The portfolio performance and standard deviation reflected for the Composite are those measured by a representative account. This information represents supplemental information to the GIPS® Composite Report. This representative account was selected as it is the largest account in the Composite. Source: Bloomberg, L.P.

Market Recap

The S&P 500® Index returned 8.93% in the third quarter, bringing its year-to-date return to 5.57%. Over the quarter, the S&P 500® Index climbed 5.64% and 7.19% in July and August, respectively, but faced a significant drawdown in September which led to a decline of 3.80% for the month. The S&P 500® Index declined 9.52% from September 2 through September 23. The tech-heavy NASDAQ 100 fared worse with a decline of 12.76% over the same period, as the pullback was driven by losses in many of the technology companies that lead the market's advance from April through August. Despite the September pullback, the S&P 500® Index has climbed 51.75% from its March 23 low through September 30.

Macroeconomic data showed consistent improvement from the negative effects of COVID-19 mitigation efforts. The third estimate of Gross Domestic Product for the second quarter of 2020 showed that the U.S. economy shrunk at an annualized rate of -31.4%, slightly better than the second estimate of -31.7% and within consensus range. The unemployment rate reflected ongoing economic normalization efforts and declined from 10.2% in July to 8.4% in August, outperforming consensus expectations, while the participation rate climbed to 61.7%. The August Consumer Price Index, released on September 11, showed a 1.3% year-over-year increase, above the consensus estimate of 1.2%. With over 99% of companies reporting, second quarter aggregate operating earnings were on track to decline 9.63% quarter-over-quarter and 18.93% year-over-year. More than 84% of the companies that have reported earnings met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 25.81 in the third quarter of 2020. Consistent with its normal relationship, average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 16.90% for the quarter. Implied volatility generally trended down over the first half of the third quarter of 2020 before rising in September. The VIX® began the third quarter of 2020 at 28.62 before dipping to an intra-quarter low of 21.35 on August 17. The VIX® then climbed to its third quarter high of 33.60 on September 3 before closing at 26.37, well above its historical average of 19.42.

The BXM℠ returned 6.52% in the third quarter of 2020, underperforming the S&P 500® Index by 241 basis points (bps) and bringing its year-to-date return to -9.58%. On the third Friday of each month, the BXM℠ writes a new index call option as the option it wrote the previous month expires. The premiums the BXM℠ collects on its written index call options have significant influence on its return potential during market advances and help to mitigate market declines. Premiums collected as a percentage of the BXM's℠ underlying value were 2.59%, 1.76% and 2.16% in July, August and September, respectively. With monthly returns of 3.85%, 2.59% and -0.02% for July, August and September, respectively, strong downside protection from the BXM℠ in September did not make up for significant underperformance in August, resulting in underperformance for the quarter. Underperformance in August was primarily due to the premiums collected by the BXM℠ in July and August providing insufficient return potential to keep pace with the S&P 500® Index's rapid advance. The equity market's 7.19% return in August put the BXM's℠ September expiration index call option deep in-the-money, resulting in very low market exposure when the market peaked on September 2. The written call option thus provided significant downside protection during the first leg of the equity market selloff. From the beginning of the month through September 18, the expiration date of its option, the BXM℠ declined 1.10% while the S&P 500® Index fell 5.08%. The premium collected when the BXM℠ wrote its new index call option with an October expiration provided downside protection as the equity market continued to decline through September 23 and allowed for participation in the equity market advance over the last week of September. From September 18 through month-end, the BXM℠ returned 1.10% while the S&P 500® Index returned 1.35%.

The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.62% in the third quarter of 2020, bringing its year-to-date return to 6.79%. The yield on the 10-year U.S. Treasury Note (the 10-year) started the quarter at 0.68% and reached an intra-quarter low of 0.51% on August 4 before climbing to an intra-quarter high of 0.75% on August 27. The yield on the 10-year then drifted lower to close the quarter at 0.68%.

Gateway Active-Index Option Overwrite Composite Performance

The Composite returned 6.00%, net of fees, in the third quarter, bringing its year-to-date return to -0.41%. The BXM℠ returned 6.52% in the third quarter, bringing its year-to-date return to -9.58%. With monthly returns of 4.01%, 3.48% and -1.51% in July, August and September, respectively, the Composite's outperformance relative to the BXM℠ in July and August did not make up for its underperformance in September. The Composite began September with the weighted-average strike price of its written index call option portfolio approximately at-the-money, resulting in more exposure to the market's decline than the BXM℠, which began the month with very low market exposure as the strong market advance in August put its written index call option deep in-the-money.

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.[ii]

The Composite and the BXM℠, returning -5.11% and -2.89%, respectively, provided significant downside protection relative to the S&P 500® Index return of -9.52% during the September 2 through September 23 drawdown.

The Composite's underlying equity portfolio returned 9.17% in the third quarter, a positive performance differential of 24 bps relative to the S&P 500® Index. The Composite's written index call option positions detracted from returns during the equity market advance in July and August, as expected during periods of sharp market advances and moderating implied volatility. However, the Composite's index call option writing generated risk-reducing cash flow throughout the quarter and gains on written index call option positions contributed to downside protection during September's equity market decline. In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 10.36% compared to 16.90% and 8.33% for the S&P 500® Index and the BXM℠, respectively. The Composite exhibited a beta to the S&P 500® Index of 0.59 for the quarter.

Gateway's investment team was active in adjusting the written index call option portfolio throughout the quarter. In periods when the equity market advanced, the team focused on exchanging index call options 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 and protect the Composite from the potentially adverse impact of a sharp reversal in market direction. As equity markets turned south in September, the investment team took advantage of the relatively elevated volatility levels by making several index call option trades that increased the Composite's potential cash flow while maintaining a typical risk profile.

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% and 2.5% out-of-the-money, 35 days to expiration and annualized premium to earn between 15.0% and 20.0%. Relative to the beginning of the quarter, this positioning represented less potential net cash flow and similar market exposure.

Performance & Risk	Q3 2020	1 Year	3 Year	5 Year	10 Year	Inception (4/1/2008)	Inception Risk*
Gateway Active Index-Option Overwrite Composite (net)	6.00%	4.63%	4.51%	7.39%	8.25%	6.42%	10.23%
BXM℠ Index	6.52%	-5.66%	0.79%	4.62%	5.96%	4.15%	11.86%
S&P 500® Index	8.93%	15.15%	12.28%	14.15%	13.74%	10.06%	15.81%

*Based on standard deviation of monthly returns since Composite inception of April 1, 2008. All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Data as of September 30, 2020. Source: Morningstar Direct℠.

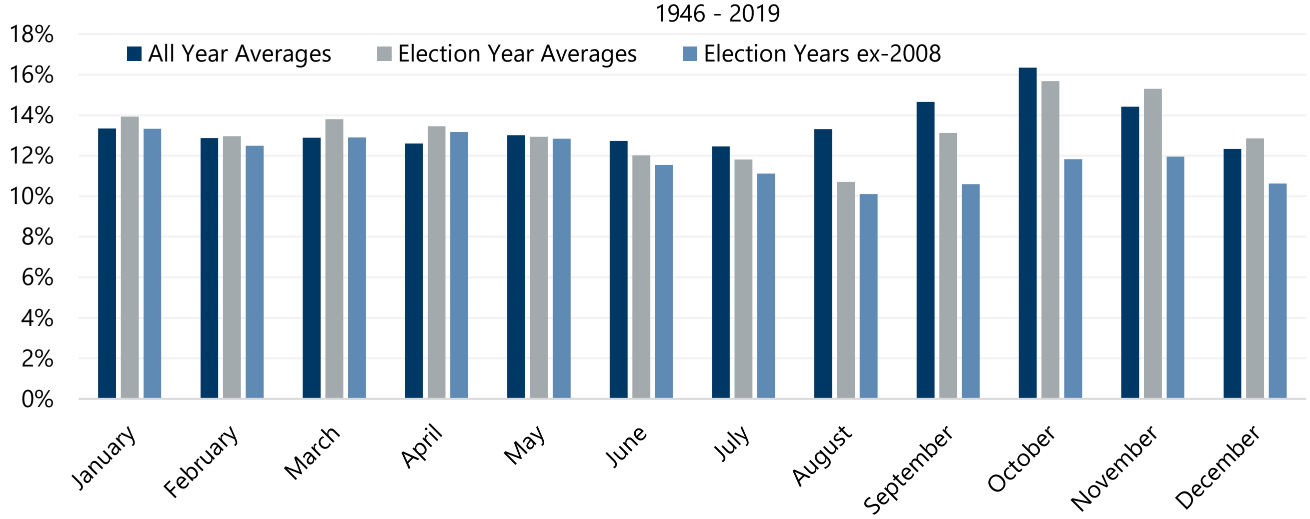
Market Perspective

Typically, presidential election years feature below-average equity market volatility. Volatility levels tend to decline from the first half to the second half of election years, with volatility levels in the first half more similar to non-election years. Needless to say, 2020 has not been typical. Moreover, volatility futures markets are indicating an expectation that abnormal volatility levels will continue over the remainder of the year. How should investors prepare for a potentially volatile fourth quarter?

Figure 1 illustrates the counter intuitive pattern of typical presidential election years. On average, presidential election years experience their highest volatility months in the first four months of the year, followed by declining volatility in the summer months and rising volatility toward year-end, though volatility levels in the last three months have tended to stay below average in most election years. Of course, every year is different and 2008 stands out as a year that did not follow the typical election year pattern. However, the extreme volatility levels in the final months of 2008 were driven far more by the Great Financial Crisis than by election year dynamics. To eliminate the impact of the Great Financial Crisis on the volatility pattern of election years, 2008 was removed from the dataset represented by the light blue bars.

Figure 1: Average Monthly Standard Deviation of S&P 500® Index Daily Returns

1946 - 2019

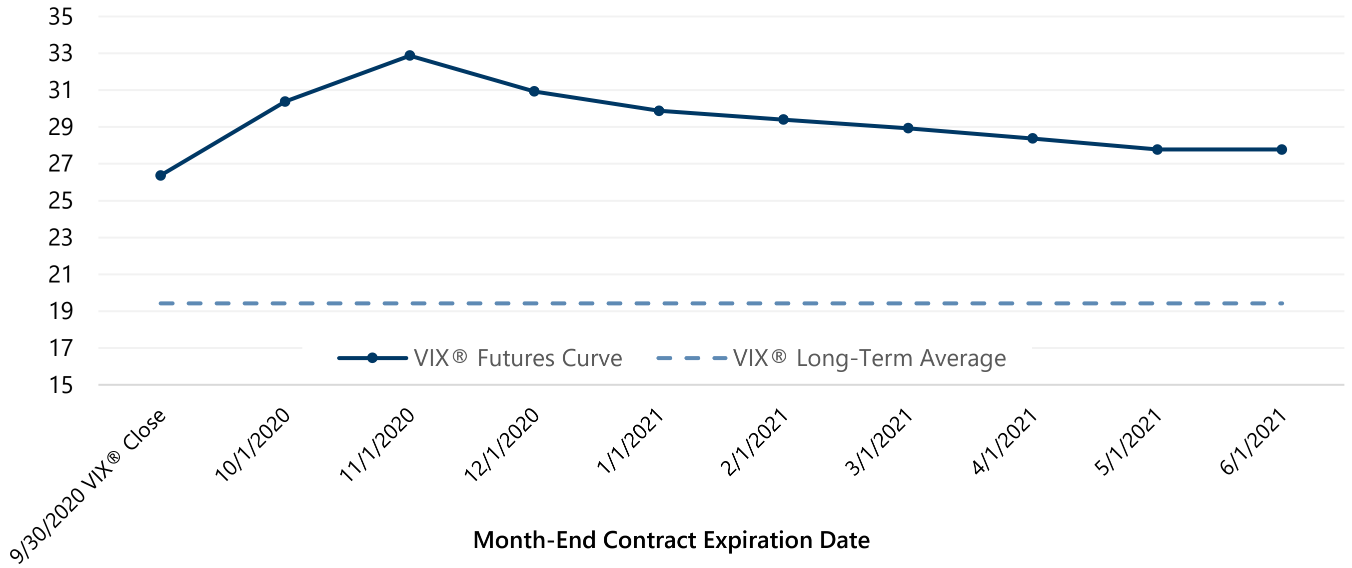


Source: Bloomberg, L.P.

One aspect of volatility levels in 2020 has been consistent with the typical pattern of presidential election years: declining volatility in the summer months followed by an increase in September (see *Figure 3*, below). Interestingly, volatility this August was below average, even for an election year, while September volatility was above average, relative to both election years and non-election years. The well-above-average volatility of September and the recent shape of the volatility futures curve suggest that investors should be prepared for a fourth quarter that is significantly different than a typical election year. At the end of September 2020, month-end expirations of the VIX® futures contracts, reflected expectations of above-average volatility for the remainder of the year.

Figure 2: VIX® Futures Curve vs VIX® Long-Term Average

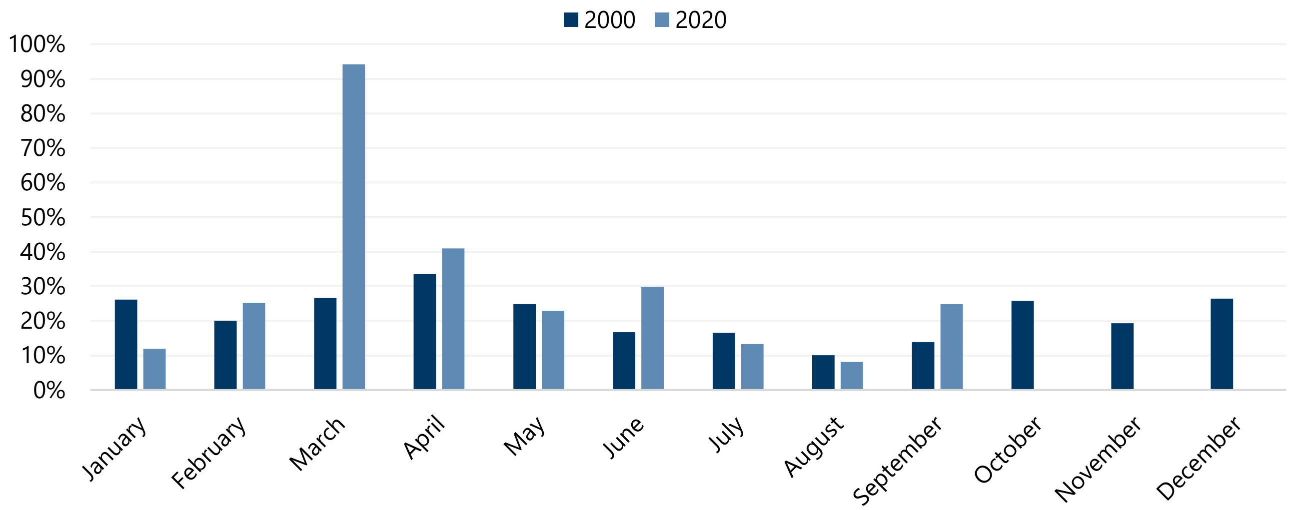
as of September 30, 2020



Source: Bloomberg, L.P.

The year 2000 stands out as a year in which the presidential election had an impact on equity market volatility. It may be an apt comparison to this year as expectations of elevated volatility in the fourth quarter may be associated with the possibility of an uncertain election outcome rather than the market's anticipated response to a clear victory by one candidate. Weeks after election day, the election of 2000 was ultimately decided by a Supreme Court decision that resulted in Florida's electoral college votes being allocated to George W. Bush. Bush's opponent, Al Gore, conceded on December 13, 2000. With the COVID-19 pandemic leading to expanded vote-by-mail options, some investors anticipate greater-than-usual potential for a delay in this year's election results.

Figure 3: Monthly Standard Deviation of S&P 500® Index Daily Returns



Source: Bloomberg, L.P.

In addition to elevated volatility, the fourth quarter of 2000 also featured a decline of 7.82% for the S&P 500® Index, with a November return of -7.88% and a slight loss and a slight gain for the months of October and December, respectively.

Will election results, or lack thereof, lead to higher equity market volatility? As always, Gateway will take a wait-and-see approach rather than try to anticipate the outcome of events and market direction. We believe it is prudent for long-term investors to be prepared to stay invested through a wide range of possible outcomes. Our risk-first approach is focused on keeping the risk profiles of our strategies as consistent as possible. A potential benefit of the elevated volatility that has existed recently is that it has resulted in increased cash flow potential for the option-writing components of our strategies: higher volatility results in higher option premiums and increased cash flow from option writing. Higher cash flow can result in attractive equity market participation in the event that market volatility is expressed to the upside, at the same time, higher cash flow can result in significant downside protection if volatility is associated with a downside event. As the remainder of 2020 unfolds, Gateway's investment team will be vigilantly monitoring option markets for opportunities to enhance cash flow in an effort to help our investors meet their long-term goals.

Important Information

[i] 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.

[ii] Represents supplemental information to the GIPS® Composite Report. This representative account was selected as it is the largest account in the Composite.

All data as of September 30 2020, unless noted otherwise.

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

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 Gateway Active Index-Option Overwrite 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 on April 1, 2008.

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

Past performance is no guarantee 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 Active Index-Option Overwrite 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 Active Index-Option Overwrite Composite

GIPS® Composite Report

Year End	Annual Performance Results				3-Year Standard Deviation			Number of Composite Accounts	Composite Assets (millions)	Firm Assets (millions)
	Composite Gross	Composite Net	S&P 500® Index	BXM℠ Index	Composite	S&P 500® Index	BXM℠ Index			
9 Months Ended 12/31/2008	-19.54%	-19.72%	-30.43%	-26.10%	N/A	N/A	N/A	1	$492	$7,071
2009	15.15	14.78	26.46	25.91	N/A	N/A	N/A	1	502	7,188
2010	13.30	12.91	15.06	5.86	N/A	N/A	N/A	1	516	7,699
2011	6.73	6.33	2.11	5.72	11.26%	18.97%	13.66%	1	496	8,081
2012	11.46	11.02	16.00	5.20	8.54	15.30	11.56	4	717	10,517
2013	14.91	14.46	32.39	13.26	6.28	12.11	9.39	4	1,233	12,475
2014	7.64	7.26	13.69	5.64	4.37	9.10	6.07	5	2,263	12,239
2015	5.98	5.57	1.38	5.24	5.37	10.62	6.52	6	2,404	12,210
2016	9.10	8.74	11.96	7.07	5.83	10.74	6.68	4	2,627	11,601
2017	13.83	13.44	21.83	13.00	5.47	10.07	5.83	4	2,665	12,559
2018	-4.86	-5.18	-4.38	-4.77	6.79	10.95	7.48	3	2,298	11,641
2019	17.85	17.42	31.49	15.68	7.41	12.10	7.95	2	1,486	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. For all periods shown, the Composite has less than six accounts for the full year. As such, the Composite dispersion of portfolio returns is not applicable.

Gateway Active Index-Option Overwrite Composite contains fully discretionary hedged equity accounts that hold common stock and sell index call options on at least 95% of the underlying stock value. Indexes utilized for call option activity are U.S. domestic equity indexes that include all sectors of the economy. This call activity reduces volatility and provides cash flow. The creation and inception date of the Gateway Active Index-Option Overwrite Composite was April 1, 2008.

For comparison purposes the 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 Cboe® S&P 500 BuyWrite℠ Index (BXM℠ Index), a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index.

Performance results are expressed in U. S. dollars. Returns are presented gross and net of actual management fees and include the reinvestment of all income. Past performance is not indicative of future results. 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 March 31, 2020. 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 Active Index-Option Overwrite Composite has had a performance examination for the periods April 1, 2008 through March 31, 2020. The verification and performance examination reports are available upon request.

Policies for valuing investments, 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.