GATEWAY
INVESTMENT ADVISERS, LLC

Active Index-Option Overwrite Composite Commentary
Q4 and Full Year 2020

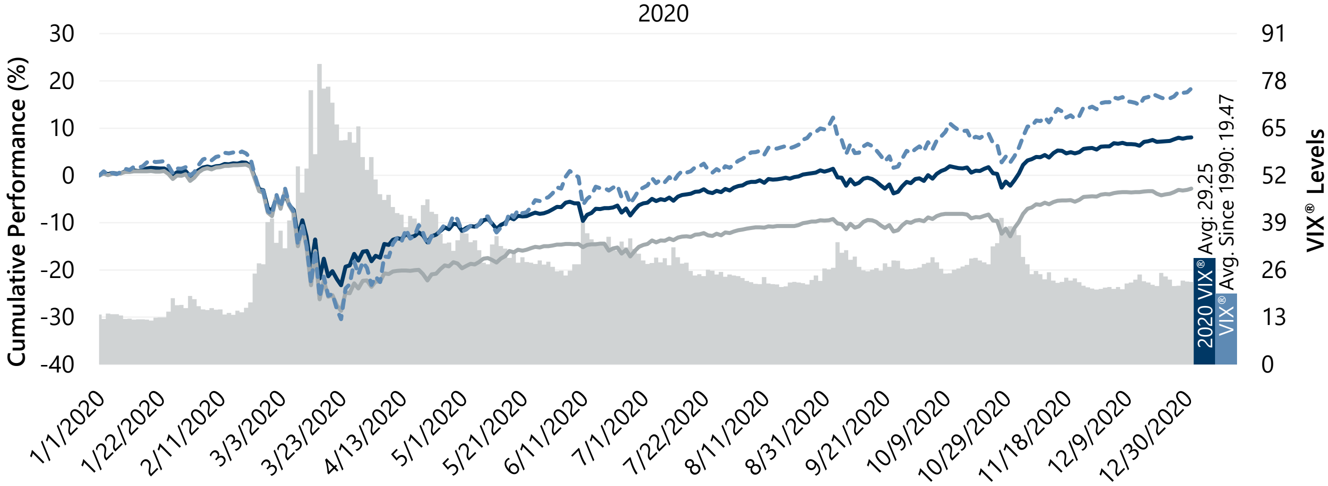
In Brief

- The Gateway Active Index-Option Overwrite Composite (the Composite) returned 9.01%, net of fees, in the fourth quarter compared to the 7.54% and 12.15% return of the Cboe® S&P 500 BuyWrite℠ Index[i] (the BXM℠) and the S&P 500® Index, respectively. For the full year, the Composite returned 8.57%, net of fees, compared to the -2.75% and 18.40% return of the BXM℠ and the S&P 500® Index. (A GIPS® Composite Report is included with this Commentary.)
- Fourth quarter outperformance, relative to the BXM℠, was primarily due to the Composite delivering significantly more downside protection as compared to the BXM℠ during the S&P 500® Index's October decline.
- The equity market began 2020 with a strong seven-week advance before descending into a bear market quicker than any decline in history. The recovery also happened in record time and was led primarily by technology businesses that helped facilitate home-based work, entertainment and shopping while more economically sensitive businesses lagged behind. After reaching a temporary peak in early September, the market experienced an additional sharp decline as investors processed a resurging pandemic case count and election uncertainty. Progress was made on COVID-19 vaccines in November and equity losses recovered. The S&P 500® Index continued to trend upward in December and ended the year at a new all-time high.

Performance (%)	Pre-COVID (12/31/19 – 2/19/20)	Bear Market (2/19/20 – 3/23/20)	Recovery Period (3/23/20 – 9/2/20)	Year-End Volatility (9/2/20– 12/31/20)
The Composite (Net)*	2.78	-25.33	32.11	6.55
BXM℠ Index	2.25	-30.23	27.22	7.13
S&P 500® Index	5.08	-33.79	61.39	5.45

- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), began the fourth quarter of 2020 at 26.70 before reaching an intra-quarter high of 40.28 on October 28 on the heels of an equity market drawdown. As the market recovered through year-end, the VIX® drifted to an intra-quarter low of 20.57 on November 30, before closing the quarter at 22.75 – above its historical average of 19.47.
- The S&P 500® Index, the BXM℠ and the Composite* had an annualized standard deviation of daily returns of 16.28%, 11.34% and 10.87% for the fourth quarter, respectively, and 34.43%, 27.01% and 23.74% for the year, respectively.
- The Volatility Risk Premium (VRP) was persistently high in the second half of 2020 - a trend that may continue into 2021. The positive spread between implied and realized volatility for third and fourth quarters of 2020 were the fourth and third-highest in history, respectively, while the monthly spreads in August and December were the two highest ever recorded. Elevated VRP has been the result of multiple factors, including a changing mix of option buyers and sellers, keeping implied volatility above-average while low correlation across individual stocks, among other factors, has contributed to minimizing realized volatility.

Market Path & Implied Volatility
2020



*The portfolio performance and 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.All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Sources: Bloomberg, L.P. and Morningstar Direct℠.

Market Recap

The S&P 500® Index returned 12.15% for the fourth quarter of 2020, resulting in a return of 18.40% for the year. The fourth quarter was a mirror image of the third with a loss in the first month rather than the final month as the S&P 500® Index posted a loss of 2.66% for October followed by gains of 10.95% and 3.84% in November and December, respectively.

Macroeconomic data releases during the quarter showed ongoing improvement from the negative effects of persistent COVID-19 mitigation efforts. The final estimate of Gross Domestic Product for the third quarter of 2020 showed that the U.S. economy grew at an annualized rate of 33.4%, outpacing consensus expectations. The unemployment rate improved from 6.9% in October to 6.7% in November, yet the participation rate ticked down from 61.7% to 61.5%. The November Consumer Price Index, released on December 10, showed a 1.2% year-over-year increase, above the consensus estimate of 1.1%. With over 98% of companies reporting, third quarter 2020 aggregate operating earnings were on track to decline 1.52% quarter-over-quarter and 19.35% year-over-year. More than 87% of the companies that reported earnings met or exceeded analyst estimates.

The above-average calendar year return and positive note on which 2020 ended nearly disguised the turmoil with which it began. During the pre-COVID period of January 1 through February 19, the S&P 500® Index returned 5.08% and continued its positive momentum from 2019 as investors reflected on the passage of major global trade deals and strong backward-looking economic data. A pandemic-driven bear market combined with government policies that severely restricted economic activity drove the S&P 500® Index down 33.79% from February 19 through March 23. The recovery from the bear market was led primarily by technology businesses that enabled home-based work, entertainment and shopping and powered the S&P 500® Index to a 61.39% return from March 23 to the recovery period peak on September 2. From September 2 through year-end, the S&P 500® Index returned 5.45%, but the advance was far from steady. The same businesses that powered the recovery period led a decline of 8.48% from September 2 through October 31 as investors processed a resurging pandemic case count and election uncertainty. In November, as election uncertainty faded and progress was made on COVID-19 vaccines, losses from September and October were recovered and the equity market delivered its second highest total return of any November on record. The market continued to trend upward in December with the S&P 500® Index ending the year at a new all-time high.

The economic turmoil caused by the pandemic drove a significant shift in measures of market volatility including realized volatility, implied volatility and the dynamic relationship between the two. Volatility measures at the beginning of the year were consistent with the below-average readings persistent in recent years. The VIX® set a 2020 closing low of 12.10 on January 17 and did not break above its long-term average of 19.47 until February 24, the first day of 2020 in which the S&P 500® Index had a loss exceeding 3%. The VIX® closed at 25.03 on February 24 and rose as high as 85.47 on an intra-day basis on March 18, just shy of its all-time intra-day high reading of 89.53 on October 24, 2008. Realized volatility measures in 2020 were even more extreme. The S&P 500® Index would record 16 more one-day losses exceeding 3%, eight of which occurred in March alone. The large swings resulted in a 93.44% annualized standard deviation of daily returns for the S&P 500® Index in March, the highest reading of monthly standard deviation in history, dating back to 1928. The massive spike in realized volatility caused the largest-ever inversion of the relationship between implied and realized volatility. Typically, implied volatility measures exceed realized volatility, and this relationship has held about 90% of the time on a monthly basis since 1990. Implied volatility averaged nearly 58 for the month of March, based on daily closing values for the VIX®, resulting in a negative 36.5 point spread with realized volatility for the month, an inversion nearly 50% larger than the previous record established in September 2008. While it was extreme, the inversion was temporary as realized volatility normalized more quickly than implied volatility. After implied volatility peaked in mid-March, the VIX® trended lower while remaining persistently above its historical average and spiking above 40 during market pullbacks in June and October. Implied volatility remaining above-average helped normalize the implied volatility versus realized volatility relationship—as the spread not only returned to positive in April but remained positive each subsequent month of the year. Moreover, the August and December measures were the highest and second-highest implied versus realized spreads in history.

The BXM℠ had a return of 7.54% for the fourth quarter, underperforming the S&P 500® Index by 461 basis points (bps) and bringing its return to -2.75% for 2020. On the third Friday of each month, the BXM℠ wrote a new index call option as the option it wrote the previous month expired. The premiums the BXM℠ collects on written options have significant influence on its return potential over periods when the market advances and help to mitigate losses during market declines. Premiums collected as a percentage of the BXM's℠ underlying value were 2.58%, 1.93% and 1.83% in October, November and December, respectively. With monthly returns of -3.64%, 9.66% and 1.77%, the BXM℠ underperformed the S&P 500® Index during each month of the quarter. The BXM's℠ underperformance relative to the S&P 500® Index in October was primarily due to the premium collected by the BXM℠ when it wrote its index call option on September 18, providing insufficient return potential to keep pace with the equity market's rapid advance at the beginning of October. Specifically, the BXM℠ generated a return of 1.45% from the beginning of October through October 16 as it earned the remaining time premium from the index call option it wrote in September. However, this was insufficient to keep pace with the 3.67% advance of the S&P 500® Index over the same period. The time premium earned provided 108 bps of downside protection as the equity market declined 6.10% from its closing value on October 16 through month-end. With its written index call option significantly out-of-the-money as November began, the BXM℠ was well-positioned for participation in November's market rally. From November 1 through November 20, the BXM℠ returned 8.34%, nearly keeping pace with the 8.94% return of the S&P 500® Index over the same time period. The BXM's℠ underperformance relative to the S&P 500® Index in November and December was primarily due to the premium collected by the BXM℠ when it wrote its index call option on November 20 providing insufficient return potential to keep pace with the equity market's rapid advance at the end of November and beginning of December.

The Agg returned 0.67% for the fourth quarter of 2020, resulting in a return of 7.51% for the year. The yield on the 10-year U.S. Treasury Note (the 10-year) opened the fourth quarter at an intra-quarter low of 0.68%, touched an intra-quarter high of 0.98% on November 11 and ended the year at 0.91%. Bond market returns for 2020 were driven by interest rates that plunged to record lows in response to Fed policy and investor demand for safe-haven assets. The yield on the 10-year opened 2020 at an intra-year high of 1.92% and reached its low for the year of 0.51% on August 4. From the beginning of the year through August 4, the Agg returned 7.87% and, as rates trended up over the remainder of the year, the total return of the Agg turned negative. From its closing value on August 4 through year-end, the Agg returned -0.34%.

Gateway Active-Index Option Overwrite Composite Performance

The Composite returned 9.01%, net of fees, in the fourth quarter, outperforming the BXM℠ by 147 bps and bringing its calendar year net return to 8.57% compared to the BXM's℠ return of -2.75%. The Composite provided equity market participation and consistent downside protection with monthly net of fee returns of -1.36%, 7.87% and 2.45% in October, November and December, respectively. The Composite's outperformance relative to the BXM℠ in October and December more than compensated for its underperformance in November.

Performance & Risk (%)	Q4 2020	1 Year	3 Year	5 Year	10 Year	Inception (4/1/2008)	Inception Risk[1]
The Composite (Net)	9.01	8.57	6.52	8.32	8.60	7.01	10.36
BXM℠ Index	7.54	-2.75	2.32	5.33	6.14	4.66	12.08
S&P 500® Index	12.15	18.40	14.18	15.22	13.88	10.84	15.95

1: 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 December 31, 2020. Source: Morningstar Direct℠.

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.

The Composite's underlying equity portfolio returned 12.75% in the fourth quarter, a positive performance differential of 60 bps relative to the S&P 500® Index. The Composite's written index call option positions generated risk-reducing cash flow throughout the quarter and gains on written index call option positions contributed to downside protection during October's equity market decline. The Composite's call option positions detracted from returns in November and December, as expected during sharp market advances. In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 10.87% compared to 16.28% and 11.34% for the S&P 500® Index and the BXM℠, respectively. The Composite exhibited a beta to the S&P 500® Index of 0.64 for the quarter.

As the equity market gyrated in October, Gateway's investment team focused on patiently earning index call option time premium from contracts expiring in November while adjusting select positions to maintain market exposure that is consistent with the Composite's typical profile. As the market advanced through year-end, the investment team was active in adjusting the written index call option portfolio by 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 generate attractive cash flow levels while protecting the Composite from the potentially adverse impact of a sharp reversal in market direction.

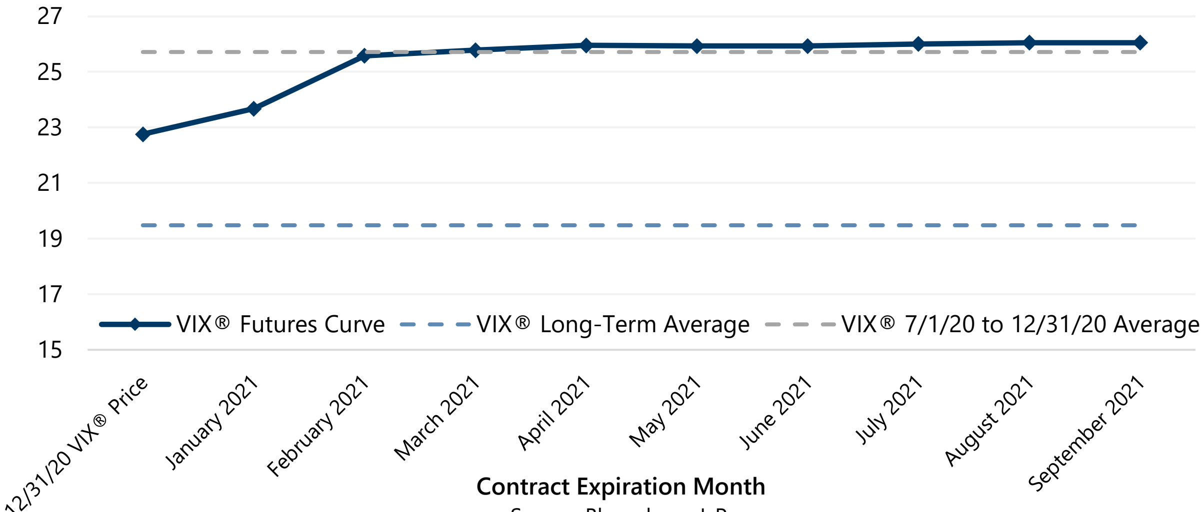
At the end of the quarter, the Composite's index call options were sold against over 95% of the equity portfolio's value and had a weighted average strike price between 1.5% and 2.5% in-the-money, 35 days to expiration and annualized premium to earn between 15.0% and 20.0%. Relative to the beginning of the quarter, this positioning represented slightly lower net cash flow potential and market exposure.

Throughout 2020, the Composite's diversified and active index call option writing approach generated risk reducing cash flow and delivered equity market participation during periods in which the equity market advanced and downside protection during market declines. Specifically, the Composite provided consistent market exposure during the pre-COVID advance from January 1 through February 19, with a return of 2.78% compared to the BXM℠ and S&P 500® Index return of 2.25% and 5.08%, respectively. During the pandemic-driven bear market from February 19 to March 23, the Composite returned -25.33% compared to the BXM℠ and S&P 500® Index return of -30.23% and -33.79%, respectively. The BXM's℠ passive, single contract approach produced less cash flow and resulted in increasing market exposure during the market decline while the Composite's diversified and actively managed approach generated higher cash flow from written index call options and lower market exposure, resulting in better downside protection. The Composite's approach, again, provided consistent equity exposure and higher cash flow which led to a 32.11% return, relative to the BXM℠ return of 27.22%, during the equity market recovery from March 23 to the temporary recovery peak on September 2 during which the S&P 500® Index returned 61.39%. From September 2 through year-end, during a 5.45% S&P 500® Index advance that was far from steady, the Composite returned 6.55%, underperforming the BXM℠ return of 7.13%. The Composite's underperformance for the period was primarily due to a larger loss than the BXM℠ for the month of 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 relatively 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.

Market Perspective

Market conditions reflected an unusual mix of resilience and anxiety as 2020 came to a close. The equity market advanced in November and December despite worsening pandemic statistics, political tension over election results and partisan bickering over the economic relief bill. Meanwhile, the VIX® remained solidly above its long-term average even as the market ascended to new highs. At year-end, the VIX® futures curve reflected expectations of the VIX® remaining in the mid-20's well into 2021.

VIX® Futures Curve
as of December 31, 2020



Source: Bloomberg, L.P.

As illustrated in the chart above, there is potential for certain aspects of the 2021 volatility environment to be consistent with 2020. Specifically, as the VIX® futures curve suggests, above-average implied volatility may continue and, if it does, attractive VRP, the spread between implied volatility and realized volatility, may continue also.

Investors faced new risk factors early in 2020 and their novelty helped explain the extreme volatility of the first quarter. Realized and implied volatility levels both retreated from first quarter extremes as investors gained a better understanding of the risk factors, though implied volatility remained above-average in the second half of 2020. Since many of the risk factors present in 2020 may continue to exist in 2021, it is not surprising that the VIX® futures curve reflects expectations of levels similar to the VIX® average over the last half of 2020. We acknowledge that the VIX® futures pricing is an indicator of current sentiment rather than a reliable forecast of future volatility and, as a result, current expectations of future volatility could be either too high or too low.

Above-average implied volatility led to very attractive VRP levels in the second half of 2020—August and December were, respectively, the highest and second-highest monthly spreads between implied and realized volatility over the history of the VIX®. Somewhat surprisingly, though, low realized volatility contributed as well. A factor driving relatively low realized volatility has been low correlation across individual stocks. Prospects for businesses related to home-based work, entertainment and shopping have waxed and waned opposite to the prospects for more economically sensitive businesses as the prospects for changes to COVID-19 mitigation and economic stimulus policies have changed. The low correlation of price movements across business sectors has had a volatility-reducing diversification effect on the broader market. The disparate impact of pandemic-related policy changes on businesses that have benefitted versus businesses that have been hurt by the pandemic is a trend that may persist into 2021, regardless of how long the pandemic persists.

A subtle but important factor that may contribute to 2020 volatility conditions continuing into 2021 is how the mix of buyers and sellers in the options market shifted in 2020. Analysis of option contract volume suggests that new buyers, primarily focused on options on individual stocks, have entered the space while several sizable sellers of volatility-linked options on indexes have exited.

Contract volume for options on individual stocks exploded in 2020, coming in 68% higher than 2019 according to Options Clearing Corporation (OCC) data. Most of the increase in volume occurred after the first quarter and this increase in volume is consistent with the behavior of investors seeking upside leverage to the equity market recovery through call option purchases.

This individual stock option buying activity impacts the overall market for index options, potentially inducing market making firms to buy volatility-linked index option contracts on broad based indexes like the S&P 500® Index or the VIX® itself, thus adding upward pressure to implied volatility levels. Specifically, market makers who sell options on individual stocks to meet the demand of buyers often hedge the risk exposures that result from their market-making. For example, market makers who write (sell) options of high volatility stocks like Apple, Microsoft or Netflix to meet the demand of buyers may end up with sizeable short positions in implied volatility, due to the high implied volatility priced into the options of such stocks. These market makers are potentially exposed to significant losses if volatility spikes. To hedge this risk, market makers may seek long exposure to implied volatility through purchases of volatility-linked index option contracts. Market maker volume in these contracts is consistent with this activity as it increased 13% for S&P 500® Index contracts and 18% for VIX® contracts from 2019 to 2020.

Interestingly, the increase in market maker volume for these index option contracts occurred as the total volume for the contracts decreased. Customers (including hedge funds, mutual funds, pension funds and individual investors) of OCC Clearing Member firms traded fewer S&P 500® Index option contracts and VIX® option contracts in 2020 relative to 2019. The decrease in customer activity was large enough to lower overall volume in these contracts despite the increase in market maker volume. This change in customer volume is consistent with reports that several sizable volatility-selling strategies ceased operations after incurring large losses when volatility spiked to record levels in the first quarter. Volatility-selling strategies typically sell volatility-linked derivatives such as options on the S&P 500® Index and the VIX®, potentially adding downward pressure to implied volatility levels when the managers of such strategies are active in the market.

Gateway has helped investors navigate through markets during periods of unexpectedly high volatility, and periods of unexpectedly low volatility. Similarly, though our strategy benefits from periods when implied volatility exceeds realized volatility, Gateway's active and disciplined approach has successfully maintained the risk profiles of its strategies during reversals of the typical relationship between the two statistics. Whatever 2021 may bring, the firm will remain committed to its consistent approach that has, for over 40 years, assisted clients in their pursuit of long-term returns with lower risk than the equity market.

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.

All data as of December 31, 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℠

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
2020	9.03	8.57	18.40	-2.75	12.33	18.80	14.72	2	1,491	9,963

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 December 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 December 31, 2020. The verification and performance examination reports are available upon request.

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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.