Active Index-PutWrite Carve-Out Composite Commentary

Q4 and Full Year 2020

In Brief

- Gateway Active Index-PutWrite Carve-Out Composite (the Composite) returned 8.27%, net of fees, in the fourth quarter of 2020 compared to the 8.02% return of the Cboe® S&P 500 PutWrite℠ Index[i] (the PUT℠) and the 12.15% return of the S&P 500® Index. For the full year, the Composite returned 7.89%, net of fees, compared to the 2.13% and 18.40% return of the PUT℠ and the S&P 500® Index, respectively. (A GIPS® Composite Report is included with this Commentary.)
- Fourth quarter outperformance, relative to the PUT℠, was primarily due to the Composite delivering significantly more downside protection as compared to the PUT℠ 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.

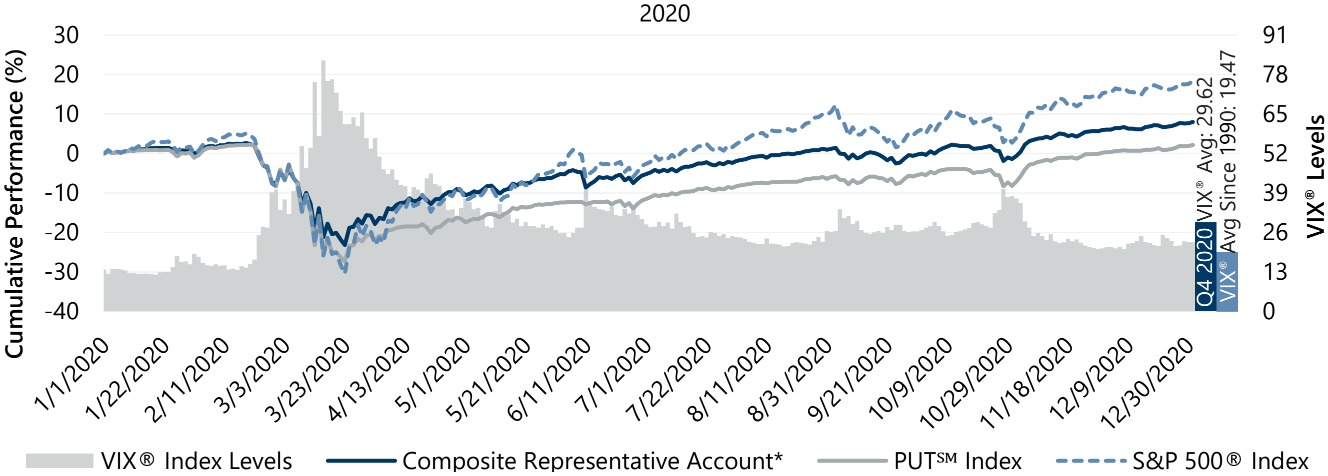
Performance (%)	Pre-COVID (12/31/19 – 2/19/20)	Bear Market (2/19/20 – 3/23/20)	Recovery Period (3/23/20 – 9/2/20)	Year-End Volatility (9/2/20– 12/31/20)
The Composite (Net)*	2.64	-25.15	32.06	6.44
PUT℠ Index	2.19	-28.92	29.75	8.36
S&P 500® Index	5.08	-33.79	61.39	5.45

*Represents supplemental information to the GIPS® Composite Report. This representative account was selected as it is the oldest account in the Composite. All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Source: Morningstar Direct℠.

- 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 PUT℠ and the Composite* had an annualized standard deviation of daily returns of 16.28%, 9.92% and 8.96% for the fourth quarter, respectively, and 34.43%, 26.72% and 22.40% 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



Source: Bloomberg, L.P.

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.

October's equity market loss was a continuation of a decline that began in September. The same businesses that powered the market recovery from late March through August, 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.

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.

Implied volatility, as measured by the VIX®, averaged 25.62 in the fourth 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 16.28% for the quarter. The differential between the two statistics was more than double the average quarterly spread since 1990. The VIX® began the fourth quarter of 2020 at 26.70 before reaching an intra-quarter high of 40.28 on October 28. The VIX® then drifted to an intra-quarter low of 20.57 on November 30 before closing the quarter at 22.75, well above its historical average of 19.47.

The PUT℠ had a return of 8.02% for the fourth quarter, underperforming the S&P 500® Index by 413 basis points (bps) and bringing its calendar year return to 2.13% for 2020. On the third Friday of each month, the PUT℠ wrote a new index put option as the option it wrote the previous month expired. The premiums[ii] the PUT℠ collects on written options have significant influence on its return potential over a period when the market advances and help to mitigate losses during market declines. Premiums collected as a percentage of the PUT's℠ underlying value were 2.69%, 1.91% and 2.39% in October, November and December, respectively. With monthly returns of -2.94%, 8.86% and 2.23%, the PUT℠ underperformed the S&P 500® Index during each month of the quarter. The PUT's℠ underperformance relative to the S&P 500® Index in October was primarily due to the premium collected by the PUT℠ when it wrote its index put 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 PUT℠ generated a return of 1.36% from the beginning of October through October 16 as it earned the remaining time premium from the index put 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 186 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 put option significantly in-the-money as November began, the PUT℠ was well-positioned for participation in November's market rally. From November 1 through November 20, the PUT℠ returned 7.54%, nearly keeping pace with the 8.94% return of the S&P 500® Index over the same time period. The PUT's℠ underperformance relative to the S&P 500® Index in November and December was primarily due to the premium collected by the PUT℠ when it wrote its index put 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 Bloomberg Barclays U.S. Aggregate Bond Index (the Agg) returned 0.67% for the fourth quarter of 2020. 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%. On the short end of the yield curve, one-month U.S. Treasury Notes started the fourth quarter with a yield of 0.07% and closed the quarter at 0.03%.

Gateway Active Index-PutWrite Composite Performance

The Composite returned 8.27%, net of fees, in the fourth quarter, outperforming the PUT℠ by 25 bps and bringing its calendar year net return to 7.89% compared to the PUT's℠ return of 2.13%. The Composite provided equity market participation and consistent downside protection with monthly net of fee returns of -1.08%, 7.12% and 2.18% in October, November and December, respectively. The Composite's significant downside protection and outperformance relative to the PUT℠ in October more than compensated for its underperformance in November and December.

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.[iii]

Elevated implied volatility levels helped the strategy deliver strong downside protection in October and attractive participation in the year-end equity market advance. As the equity market gyrated in October, Gateway's investment team focused on patiently earning index put option time premium from contracts expiring in November while adjusting select positions to maintain market exposure that is consistent with the strategy's typical profile. As markets advanced through year-end, the investment team was active in adjusting the written index put option portfolio by exchanging contracts 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 strategy from the potentially adverse impact of a sharp reversal in market direction. Ultra-low yields on short-maturity instruments limited the return of the strategy's cash collateral portfolio. The Composite's written index put options contributed positively to return during November and December, while detracting from returns in October. For the fourth quarter, the Composite's underlying Treasury bill portfolio contributed a total return of 0.02%.

At the end of the quarter, the full value of the Composite's maximum potential loss on written index put options was secured with Treasury bills and cash. The Composite's diversified portfolio of written index put options had a weighted-average strike price between 1.5% and 2.5% out-of-the-money, weighted-average time to expiration of 26 days and annualized premium to earn between 15% to 20%. Relative to the beginning of the quarter, this positioning represented slightly lower market exposure and cash flow potential.

Throughout 2020, the Composite's diversified and active index put 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 2.64% compared to the PUT℠ and S&P 500® Index returns of 2.19% and 5.08%, respectively. During the pandemic-driven bear market from February 19 to March 23, the Composite returned -25.15% compared to the PUT℠ and S&P 500® Index returns of -28.92% and -33.79%, respectively. The PUT's℠ passive, single contract approach produced less cash flow and resulted in increasing market exposure during the market decline while the Composite's active approach generated higher cash flow from written index put options and lower market exposure, resulting in better downside protection. As the S&P 500® Index advanced 61.39% during the equity market recovery from March 23 to the temporary recovery peak on September 2, the Composite provided consistent equity exposure and higher cash flow than the PUT℠, resulting in a 32.06% return and outperforming the PUT's℠ return of 29.75%. From September 2 through year-end, during a 5.45% S&P 500® Index advance that was far from steady, the Composite returned 6.44%, outperforming the broader market while underperforming the PUT℠ return of 8.36%. The Composite's result relative to the PUT℠ for the period was primarily due to a larger loss than the PUT℠ for the month of September. Consistent with its active approach, the Composite began September with the weighted-average strike price of its written index put option portfolio approximately at-the-money, resulting in relatively more exposure to the market's decline than the PUT℠, which began the month with very low market exposure as the strong market advance in August put its written index put option far out-of-the-money.

Performance & Risk (%)	Q4 2020	1 Year	3 Years	5 Years	Inception (4/1/2015)	Inception Risk[1]
Gateway Active Index-PutWrite Composite (Net)	8.27	7.89	5.88	7.60	7.32	9.61
PUT℠ Index	8.02	2.13	2.93	5.43	5.76	10.81
S&P 500® Index	12.15	18.40	14.18	15.22	13.19	15.04

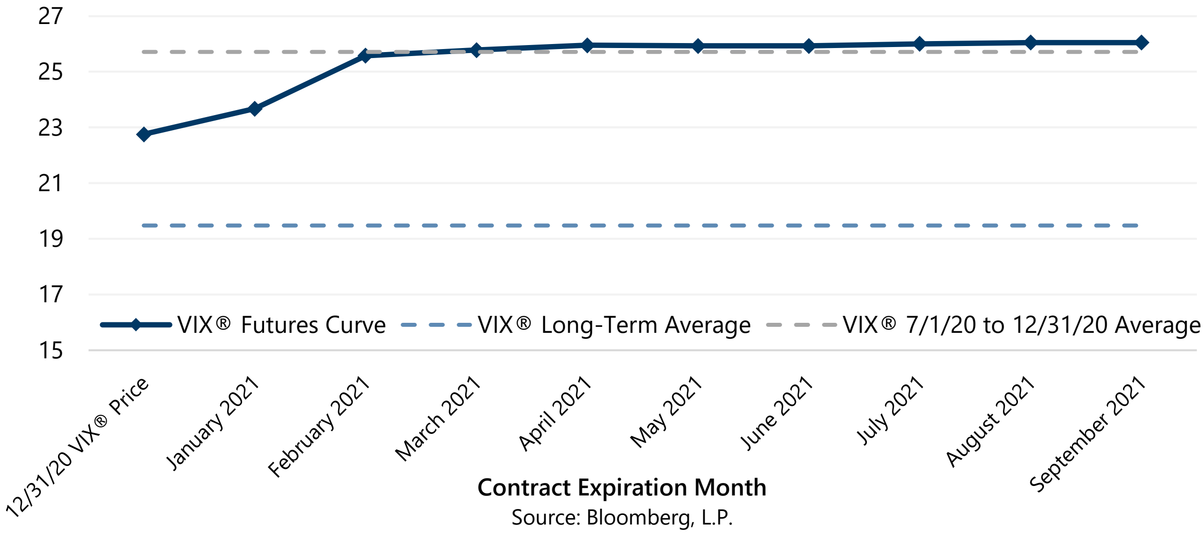
1: Based on standard deviation of monthly returns since Composite inception date of April 1, 2015. All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Data as of December 31, 2020. Source: Morningstar Direct℠.

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 PUT℠ is a passive total return index designed to track the performance of a hypothetical portfolio that sells S&P 500® Index put options against collateralized cash reserves held in a money market account. The PUT℠ strategy is designed to sell a monthly sequence of S&P 500® Index puts and invest cash at one- and three-month Treasury Bill rates. The monthly sequence entails writing one-month S&P 500® Index put options 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. The number of put contracts with identical strike prices and expiration dates sold varies from month to month but is limited so that the amount held in Treasury Bills can finance the maximum possible loss from final settlement of the S&P 500® Index puts.

[ii] Premiums are calculated as a percentage of the written index put option's strike price. The number of put options written is limited such that the maximum potential loss of the written puts cannot exceed cash on hand. The writer of an index put option is obligated to deliver cash in an amount equal to the difference between the put contract's strike price and the value of the index at expiration. The maximum potential loss of a written index put option would occur if the value of the index, in this case the S&P 500® Index, fell to zero. Since the writer of an index put option is obligated to deliver cash in an amount equal to the difference between the put contract's strike price and the value of the index at expiration, the maximum potential loss would be equal to the strike price times the number of contracts written.

[iii] 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 December 31, 2020, unless noted otherwise.

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

Gateway Active Index-PutWrite Carve-Out Composite contains fully discretionary option writing accounts that sell (write) index put options. The written put options are fully cash-secured. Indexs utilized for put option activity are U.S. domestic equity indexes that include all sectors of the economy. The put writing activity provides cash flow and equity market correlation. The creation and inception date of composite was created on April 1, 2015. The Composite net of fee performance results reflect the reinvestment of any earnings, and reflect the deduction of a model advisory fee of 0.35%. Fees, including the model advisory fee netted from this Composite, may be less or more than fees that other accounts would pay for this strategy in the future. A more detailed description of Gateway's standardized fees is included in Form ADV, Part 2.

For comparison purposes, the Composite may be measured against the following indexes: Cboe® S&P 500 PutWrite℠ Index (the PUT℠), a passive total return index designed to track the performance of a hypothetical put-write strategy on the S&P 500® Index; S&P 500® Index, a popular indicator of the performance of the large capitalization sector of the U.S. stock market. Performance results are expressed in U. S. dollars;

Selling index put options can reduce the risk of equity market volatility, 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 put 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.

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.

The GIPS® Composite Report for the Gateway Active Index-PutWrite 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 INVESTMENT ADVISERS, LLC
GATEWAY ACTIVE INDEX-PUTWRITE CARVE-OUT COMPOSITE
GIPS® COMPOSITE REPORT

Year End	Annual Performance Results: Composite Gross	Composite Net	PUT℠ Index	S&P 500® Index	3-Year Standard Deviation: Composite	PUT℠ Index	S&P 500® Index	Number of Composite Accounts	% of Composite Assets Representing Carve-Out	Composite Assets (millions)	Firm Assets (millions)
9 Months Ended 12/31/2015	4.34%	4.07%	5.94%	0.45%	N/A	N/A	N/A	1	0%	$ 5	$ 12,210
2016	8.85	8.48	7.77	11.96	N/A	N/A	N/A	2	98.5	361	11,601
2017	12.42	12.03	10.85	21.83	N/A	N/A	N/A	2	98.6	371	12,559
2018	-5.58	-5.91	-5.93	-4.38	6.95%	7.50%	10.95%	2	98.9	362	11,641
2019	17.32	16.93	13.51	31.49	7.59	7.92	12.10	2	98.8	418	10,950
2020	8.28	7.89	2.13	18.40	12.38	14.03	18.80	2	99.0	458	9,963

N/A: The gross three-year annualized ex-post standard deviation of the Composite 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-PutWrite Carve-Out Composite contains fully discretionary option writing accounts that sell (write) index put options. The written put options are exchange-traded and fully cash-secured. Indexes utilized for put option activity are U.S. domestic equity indexes that include all sectors of the economy. This put writing activity provides cash flow and equity market correlation. The creation and inception date of the Gateway Active Index-PutWrite Carve-Out Composite was April 1, 2015.

For comparison purposes, the Composite is measured against two indexes: the Cboe® S&P 500 PutWrite℠ Index (PUT℠ Index), a passive total return index designed to track the performance of a hypothetical put-write strategy on the S&P 500® Index and the S&P 500® Index, a popular indicator of the performance of the large capitalization sector of the U.S. stock market.

Performance results are expressed in U.S. dollars. Performance returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the Composite's highest tier of the current fee schedule of 0.35%. Past performance is not indicative of future results. The 3-year standard deviation is calculated using gross returns. Cash is a component of average assets per performance period, which is proportionately split based on the weighting of each carve out sleeve.

The investment management fee for the Composite is 0.35%. Actual investment management fees incurred by Composite accounts may vary.

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. The verification report(s) is/are available upon request. 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. Verification does not provide assurance on the accuracy of any specific performance report. The GIPS® Composite Report for the standalone portfolio within the Gateway Active-Index PutWrite Carve-Out Composite is 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.