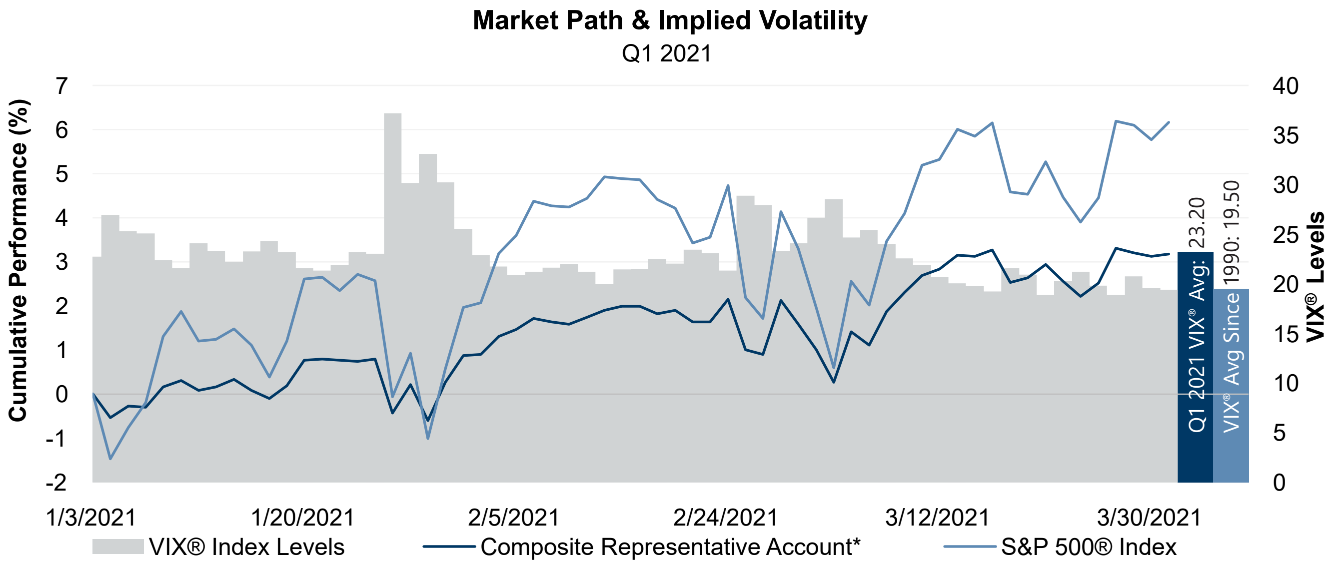
GATEWAY
INVESTMENT ADVISERS, LLC

Index/RA Composite Commentary

Q1 2021

In Brief

- Gateway Index/RA Composite (the Composite) returned 3.28%, net of fees, in the first quarter compared to the 6.17% return of the S&P 500® Index and the -3.37% return of the Bloomberg Barclays U.S. Aggregate Bond Index (the Agg). (A GIPS® Composite Report is included with this Commentary).
- Despite growing concerns around the outlook for inflation and rising interest rates, the first quarter equity market rally – fueled by positive trending pandemic developments and additional U.S. fiscal stimulus – could not be stopped. The advance did come with fits and starts, however, with nearly all of the first quarter return being generated after March 4.
- With monthly net returns of -0.56%, 1.53% and 2.30% for January, February and March, respectively, most of the Composite's underperformance came during the strong equity market advance in March.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 23.20 in the first quarter of 2021. Average implied volatility was significantly higher than realized volatility, as measured by the standard deviation of daily returns for the quarter. The VIX® opened the quarter at 26.97, climbed to an intra-quarter high of 37.21 on January 27, then drifted to an intra-quarter low of 18.86 on March 26. The VIX® closed the quarter at 19.40.
- The S&P 500® Index and the Composite* had an annualized standard deviation of daily returns of 15.86% and 7.45% for the quarter, respectively.
- As the equity market gyrated throughout the quarter, Gateway's investment team focused on patiently earning index call option time premium from expiring contracts while adjusting select positions to maintain market exposure that is consistent with the Composite's typical profile.
- After maintaining put coverage in a range of 80% to 95% since early August 2020, the investment team incrementally added index put options in January, restoring full put coverage for the first time since late February 2020.
- After a brief climb in the second half of February, the VIX® continued its downward trend in March. While the VIX® is lower, it is not low: March was the 13th consecutive month that the VIX® average was above 20 - the longest such streak since the 21-month streak that ended in February 2010. Additionally, the spread between implied and realized volatility, also known as the *Volatility Risk Premium*, continued to be very high in the first quarter of 2021. In fact, for the first time in the history of the VIX®, the spread has now been more than double the average quarterly spread for three consecutive quarters.



*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® 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 6.17% in the first quarter of 2021. With monthly returns of -1.01%, 2.76% and 4.38% for January, February and March, respectively, the advance came in fits and starts with nearly all of the first quarter return generated after March 4. After January's decline, the S&P 500® Index climbed 6.01% through February 12 on positive-trending developments surrounding COVID-19 paired with growing prospects for additional fiscal stimulus. Over the second half of February, increasing concerns over rising interest rates and the outlook for inflation gripped investors and the S&P 500® Index fell 4.13% from February 12 through March 4. Congress passed a new economic stimulus package in early March and the S&P 500® Index returned 5.53% from March 4 through quarter-end.

Macroeconomic data released throughout the quarter reflected stabilization and recovery as the pandemic mitigation restrictions continued to ease in the U.S. The third estimate of Gross Domestic Product for the fourth quarter of 2020 showed that the U.S. grew at an annualized rate of 4.3%, beating the consensus expectation. The decline in unemployment rate was also better than expected as it came in at 6.2% for February, while the participation rate held steady at 61.4%. The February Consumer Price Index, released on March 10, showed a 1.7% year-over-year increase which was in line with the consensus estimate. With over 99% of companies reporting, fourth quarter aggregate operating earnings were on track to decline 0.80% quarter-over-quarter and 22.11% year-over-year. More than 80% of the companies that reported earnings met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 23.20 in the first quarter of 2021. Average implied volatility was significantly higher than realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 15.86% for the quarter. The VIX® opened the quarter at 26.97, climbed to an intra-quarter high of 37.21 on January 27, then drifted to an intra-quarter low of 18.86 on March 26. The VIX® closed the quarter at 19.40.

The Agg declined 3.37% in the first quarter of the year as interest rates ticked higher. It was the Agg's worst quarterly return since the third quarter of 1981. The yield on the 10-year U.S. Treasury Note (the 10-year) started the year at its intra-quarter low of 0.91% before beginning its climb to a quarterly high and first quarter close of 1.74% - a level not seen since January 2020.

Gateway Index/RA Composite Performance

The Composite returned 3.28%, net of fees, in the first quarter, lagging the S&P 500® Index by 289 basis points (bps). With monthly net returns of -0.56%, 1.53% and 2.30% for January, February and March, respectively, most of the Composite's underperformance came during the strong equity market advance in March. Throughout the quarter, the Composite provided equity market participation and consistent downside protection.

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.

After providing 41 bps of downside protection for the month of January, the Composite returned 2.52% through February 12, while the S&P 500® Index returned 6.01%. During the equity market decline from February 12 through March 4, the Composite returned -1.60%, providing 253 bps of downside protection. From March 4 through quarter-end, the Composite and the S&P 500® Index returned 2.89% and 5.53%, respectively.

The Composite's underlying equity portfolio returned 6.02% for the quarter, a negative performance differential of 15 bps relative to the S&P 500® Index. 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 January's equity market decline. Gains on purchased index put options also contributed to downside protection in January, however, the Composite's call option and put option positions both detracted from returns in February and March, 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 7.45%, less than half the 15.86% for the S&P 500® Index. The Composite exhibited a beta to the S&P 500® Index of 0.46 for the quarter.

As the equity market gyrated throughout the quarter, Gateway's investment team focused on patiently earning index call option time premium from expiring contracts while adjusting select positions to maintain market exposure that is consistent with the Composite's typical profile. During periods when the equity market advanced, the investment team actively adjusted 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. During periods of market decline throughout the quarter, the investment team took advantage of relatively elevated volatility levels by making several index call option trades that increased potential cash flow while maintaining a typical risk profile.

After maintaining put coverage in a range of 80% to 95% since early August 2020, the investment team incrementally added index put options in January, restoring full put coverage for the first time since late February 2020. The increases in put coverage in January were executed in conjunction with adjustments to the Composite's written call option positions in an effort to maintain a consistent risk profile while benefiting from lower put costs. Throughout the quarter, the investment team managed the cost of downside protection by trading select put option contracts in advance of their expirations 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, 33 days to expiration and annualized premium to earn between 15.0% and 20.0%. Index put options covered more than 95% of the portfolio and had a weighted-average strike price greater than 12.5% out-of-the-money, 62 days to expiration and an annualized cost between 2.5% and 5.0%. Relative to the beginning of the quarter, this positioning represented higher net cash flow potential and slightly increased market exposure.

Performance & Risk (%)	Q1 2021	1 Year	3 Year	5 Year	10 Year	Inception (1/1/1988)	Inception Risk[1]
The Composite (Net)	3.28	23.12	6.69	6.71	5.29	7.11	6.45
S&P 500® Index	6.17	56.35	16.78	16.29	13.91	11.12	14.48
Bloomberg Barclays U.S. Aggregate Bond Index	-3.37	0.71	4.65	3.10	3.44	6.11	3.72

1: Based on standard deviation of monthly returns since Composite inception of January 1, 1988. All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Data as of March 31, 2021. Source: Morningstar Direct℠.

Market Perspective: The Alternative to "There Is No Alternative"

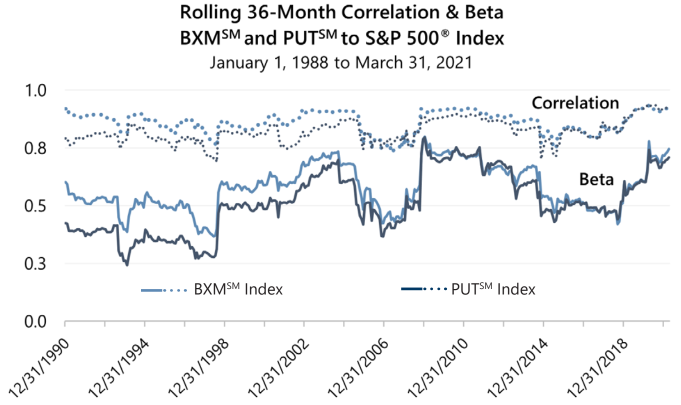
The S&P 500® Index returned a staggering 56.35% for the 12-month period ending March 31 while the Agg returned just 0.71%. This disparity has helped intensify the asset allocation debate. A troublesome narrative is taking hold that implies investors have no choice but to endure the risks of the equity market, but risk management remains essential and recent market conditions favor managing risk with index options.

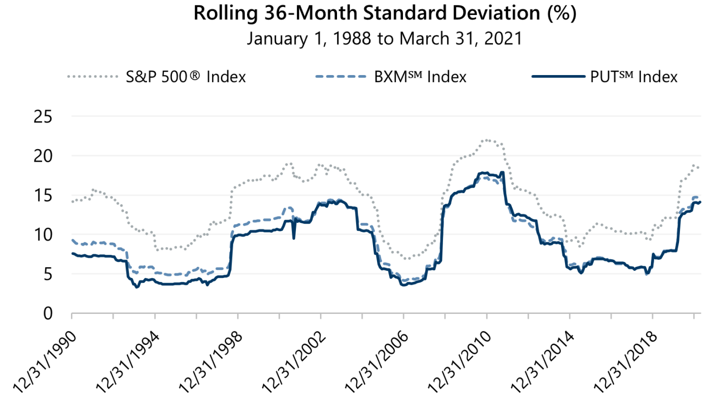
As the stock market continued its upward charge and reached new heights in the first quarter, the Agg posted its worst quarterly return in nearly 40 years. Though the increase in interest rates that drove the bond market bloodbath makes bonds slightly more attractive going forward, the 1.74% yield the U.S. 10-Year Treasury Note sported at quarter-end would be considered paltry relative to its level at just about any other point in history outside the preceding 10 months.

The state of the bond market is such that, despite current equity market valuations at levels not seen since the tech bubble was about to pop, some investors believe *there is no alternative* to stocks when it comes to making investment allocation decisions. The concept, referred to as "TINA", gets frequent mention in social media as well as on the pages and airwaves of the major financial press.

While low and rising interest rates change the value proposition for using bonds to manage portfolio risk, financial professionals should resist the idea that investors who find bonds unappealing have no choice but to face the vagaries of the equity market without protection.

Risk management strategies that combine equity market exposure with premiums from writing index options have the potential to reliably lower risk while enhancing risk-adjusted return. Option writing indexes like the Cboe® S&P 500 BuyWrite℠ Index (the BXM℠)[i] and the Cboe® S&P 500 PutWrite℠ Index (the PUT℠)[ii] have a multi-decade history of exhibiting a consistent low-volatility equity profile: high equity market correlation with lower standard deviation and smaller losses.

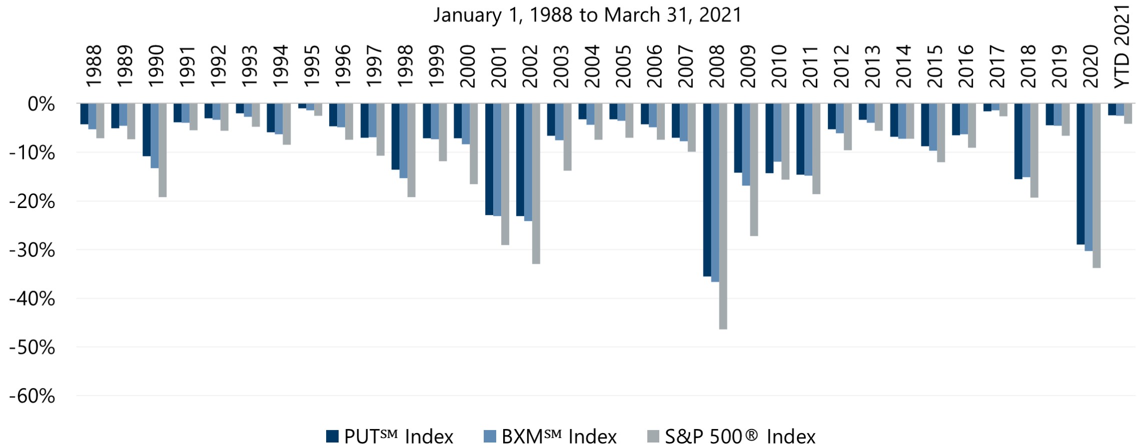




Source: Morningstar Direct℠

Annual Maximum Drawdowns by Calendar Year*

January 1, 1988 to March 31, 2021



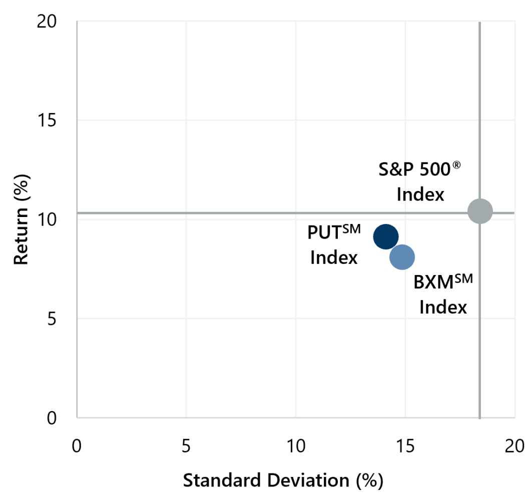
*Using daily total returns. Source: Bloomberg, L.P.

Over the long-term, this profile has historically delivered what many investors with diversified portfolios seek: earning a majority of the equity market's return at a lower level of risk. Active management of written index options can achieve a risk profile tailored to specific investor preferences and potentially deliver improved results relative to passive, rules-based option writing indexes. Additionally, index put buying can be combined with index option writing to achieve lower risk profiles and enhanced downside protection.

Risk-reduction from index option writing is largely a function of the amount of premium collected, which is closely tied to how much future volatility is implied by the prices of index options. Option premiums increase with expectations of future, or implied, volatility. Implied volatility is measured by the VIX®, and while it has come down significantly relative to the extreme highs of March 2020, it remained elevated in the first quarter of 2021. In fact, March was the 13th consecutive month that the VIX® average was above 20 (it's long-term average is 19.50) - the longest such streak since the 21-month streak that ended in February 2010. Higher implied volatility results in larger premiums received from option writing and potentially improved risk reduction and greater cushion against equity market losses.

Annualized Return and Risk**

April 1, 1991 - March 31, 2021

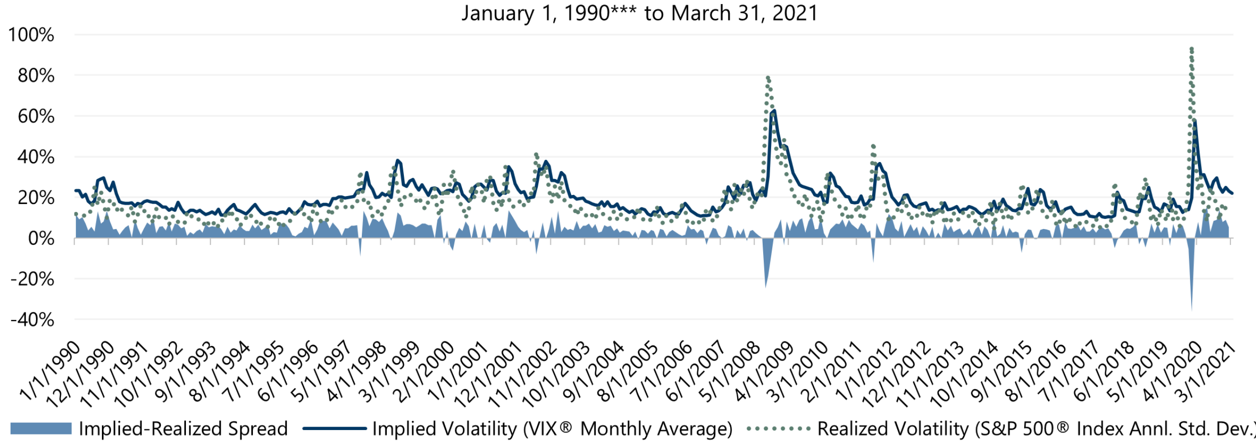


**Standard Deviation based on monthly returns.
Source: Morningstar DirectSM

In addition to reliably lowering risk, index option writing strategies have the potential to enhance risk-adjusted return from exposure to the *Volatility Risk Premium* (VRP), i.e. the propensity of the index option market to overprice risk. VRP is measured as the differential between implied volatility and the actual realized volatility the equity market experiences, measured by its standard deviation of returns. VRP fluctuates over time, but as the preceding chart shows, on a monthly

Average Implied Volatility for S&P 500® Index Options vs. Realized Volatility for S&P 500® Index

January 1, 1990*** to March 31, 2021



***VIX® data available as of January 1, 1990. Source: Bloomberg, L.P.

basis the differential between implied and realized volatility is frequently positive and has averaged 4.1% since 1990. Recently, implied volatility has been much more overpriced than usual and this level of overpricing has been sustained for a record period of time. As of March 2021, for the first time in the history of the VIX®, the spread between implied and realized volatility has been more than double the average quarterly spread for three consecutive quarters.

Interest rates are low, but equity market risks remain high. Going all-in on stocks because the bond market may malfunction is like stepping on a car's accelerator because the brakes do not work. Risk management remains paramount for investors. Reducing risk while enhancing risk-adjusted return with index option strategies may be the alternative that investors need most.

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: 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.

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 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: Composite Gross	Composite Net	S&P 500® Index	Bloomberg Barclays U.S. Aggregate Bond Index	3-Year Standard Deviation: Composite	S&P 500® Index	Bloomberg Barclays U.S. Aggregate Bond Index	Number of Composite Accounts	Composite Dispersion	Composite Assets (millions)	Firm Assets (millions)
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
2020	8.03	7.34	18.40	7.51	8.62	18.80	3.40	9	0.1	7,486	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.

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, 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 Index/RA Composite has had a performance examination for the periods January 1, 1993 through December 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.