GATEWAY
INVESTMENT ADVISERS, LLC

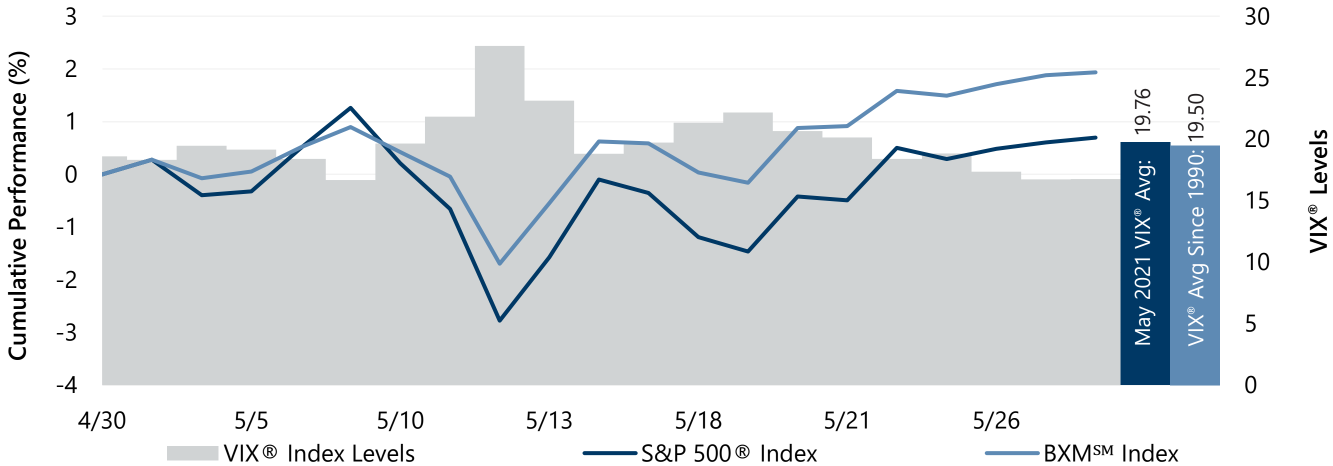
Market Recap
May 2021

The S&P 500® Index returned 0.70% for the month of May, bringing its year-to-date return to 12.62%. Renewed concerns surrounding the outlook for inflation, the potential for rising interest rates and labor market shortages led the S&P 500® Index down 3.99% from May 7 through May 12. As investor concerns subsided and pandemic-related news continued a positive trend, the S&P 500® Index climbed 3.57% from May 12 through month-end.

Macroeconomic data released in May reflected a continuation of positive trending developments in the U.S. while exposing an unsteady job market recovery. The second estimate of Gross Domestic Product for the first quarter of 2021 showed that the U.S. grew at an annualized rate of 6.4%, slightly lower than the consensus expectation. The unemployment rate climbed from 6.0% in March to 6.1% in April, well above the consensus expectation of 5.8%, while the participation rate ticked up to 61.7%. Inflation came in much higher than expected, as the April Consumer Price Index, released on May 12, showed a 4.2% year-over-year increase which was above the average consensus estimate. With over 96% of companies reporting, first quarter aggregate operating earnings were on track to climb nearly 23% quarter-over-quarter while increasing 8.55% year-over-year. More than 88% of the companies that reported earnings met or exceeded analyst estimates.

Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 19.76 in May. 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 14.11% for the month. The VIX® opened the month at 18.31 and drifted to an intra-month low of 16.69 on May 7 before climbing to its intra-month high of 27.59 on May 12. The VIX® closed the month at 16.76.

Market Path & Implied Volatility
May 2021



Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Source: Bloomberg, L.P.

The Cboe® S&P 500 BuyWrite℠ Index[1] (the BXM℠) returned 1.94% in May, outperforming the S&P 500® Index by 124 basis points (bps) and bringing its year-to-date return to 8.66%. The BXM's℠ outperformance for the month was primarily due to downside protection from call option premium during the equity market decline early in the month. 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. The premium the BXM℠ collected in April provided downside protection and helped it return 0.88% from the end of April through May 20, the day prior to the expiration of its index call option. The S&P 500® Index declined of 0.42% over the same period. On May 21, the BXM℠ wrote a new index call option with a June expiration as its May option expired. The premium collected on the new index call option as a percentage of the BXM's℠ underlying value was 1.36% and helped the BXM℠ participate in the month-end market advance. From its closing value on May 20 through month-end, the BXM℠ returned 1.05%, nearly keeping pace with the S&P 500® Index advance of 1.12% during the same period.

The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.33% in May, bringing its year-to-date return to -2.29%. The yield on the 10-year U.S. Treasury Note (the 10-year) started May at 1.60% before climbing to its intra-month high of 1.69% on May 12. The 10-year fell to an intra-month low of 1.56% on May 25 before closing the month at 1.59%.

IMPORTANT INFORMATION

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

Sources: Morningstar Direct℠, Bloomberg, L.P. Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com.