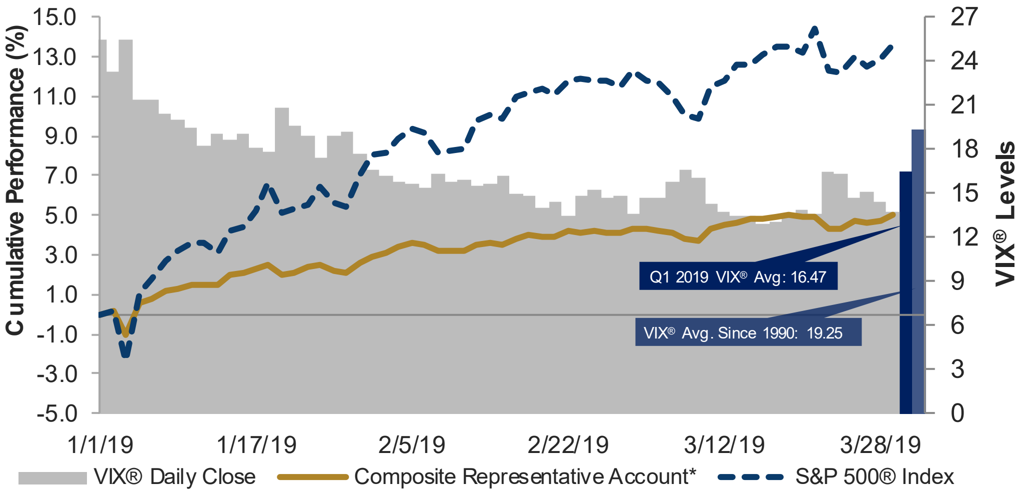
In Brief

- Gateway Index/RA Composite (the Composite) returned 5.06%, net of fees, in the first quarter of 2019 compared to the 13.65% return of the S&P 500® Index and the 2.94% return of the Bloomberg Barclays U.S. Aggregate Bond Index (the Agg).
- The Composite's lagging performance as compared to the equity market was expected as the market advanced at an above average rate, however, the Composite's absolute return exceeded expectations for a quarter featuring below-average implied volatility.
- Though the S&P 500® Index has returned an impressive 21.22% since December 24, 2018, the equity market has yet to fully recover from the near-bear market decline suffered during the fourth quarter of 2018. Since its all-time high on September 20, 2018, the S&P 500® Index has returned -2.26%.
- Implied volatility exceeded realized volatility with Chicago Board Options Exchange (Cboe®) Volatility Index (VIX®) averaging 16.47 for the quarter while the annualized standard deviation of the S&P 500® Index was 13.55%. The Composite* had an annualized standard deviation of 5.35%.
- The combination of elevated equity valuations, which may be an indicator of increased downside risk, and a flattened yield curve in the bond market, which may limit a continuation of bond market gains fueled by the downtrend in longer-term yields, creates new challenges for long-term investors. In this environment, investors may benefit from increasing allocations to low volatility equity strategies that can provide consistent participation in equity market advances and a source of protection during equity market declines.

Market Path & Implied Volatility



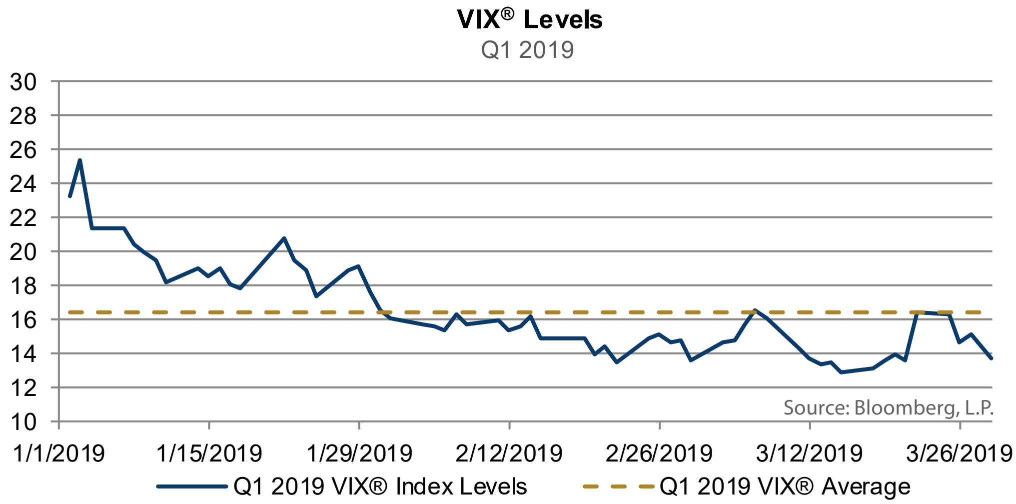
*The portfolio performance and annualized standard deviation reflected for the Composite are those measured by a representative account. This information represents supplemental information to the GIPS-compliant presentation. This representative account was selected as it is the largest account in the Composite.

Market Recap

The S&P 500® Index advanced 13.65% in the first quarter of 2019, extending a rally that began after equity markets approached bear territory late in the fourth quarter of 2018 and posting its strongest quarterly return in almost ten years. The first quarter result was front-loaded with January's 8.01% return, the strongest start to a year since 1987, and the upward trend continued with returns of 3.21% and 1.94% for February and March, respectively. Though the S&P 500® Index has returned an impressive 21.22% since December 24, 2018, the equity market has yet to fully recover from the near-bear market decline suffered during the fourth quarter of 2018. Since its all-time high on September 20, 2018, the S&P 500® Index has returned -2.26%.

Throughout the quarter, many of the issues weighing on the market in late 2018 subsided. After concerns of aggressive tightening, the Federal Reserve (the Fed) showed its flexibility while softening its hawkish tone by suggesting fewer rate hikes anticipated in 2019. Additionally, the Fed announced plans in March to slow, then cease, balance sheet reductions before the close of the year. A prolonged government shutdown also seemed to produce negligible effects on an otherwise strong U.S. economy and trade tensions showed signs of easing. Gross Domestic Product growth for the fourth quarter of 2018 came in at 2.2%, in line with consensus expectations. Corporate earnings also remained relatively strong, with over 75% of companies reporting fourth quarter earnings meeting or exceeding analyst estimates and aggregate operating earnings for S&P 500® Index companies growing 21.76% year-over-year. The employment situation improved slightly throughout the quarter with the February unemployment rate declining to 3.8% and the participation rate holding at 63.2%. The February Consumer Price Index, released on March 12, showed a 1.5% year-over-year increase, in line with expectations, and below the 2% level targeted by the Fed.

Implied volatility, as measured by VIX®, averaged 16.47 for the quarter. VIX® exceeded S&P 500® Index realized volatility, as measured by its annualized standard deviation of daily returns, of 13.55% for the quarter. VIX® peaked early in the quarter on January 3 at 25.45 before drifting towards its low point of 12.88 on March 15 and closed the quarter slightly higher at 13.71.



The Agg increased 2.94% in the first quarter, its highest quarterly return since Q1 2016. The yield on the 10-year U.S. Treasury Note (the 10-Year) started the quarter at 2.69%, reaching an intra-quarter high in January of 2.79%, before drifting lower to end the quarter at 2.41%. The low point of the quarter came on March 27 with a yield of 2.37%.

Gateway Index/RA Composite Performance

The Composite returned 5.06%, net of fees, for the first quarter, underperforming the S&P 500® Index by 859 basis points (bps). With monthly returns of 2.89%, 1.26% and 0.84% for January, February and March, respectively, most of the Composite's underperformance occurred in January. The Composite's relative performance as compared to the equity market was expected as the market advanced at an above average rate. However, the Composite's absolute return exceeded expectations for a quarter featuring below-average implied volatility.

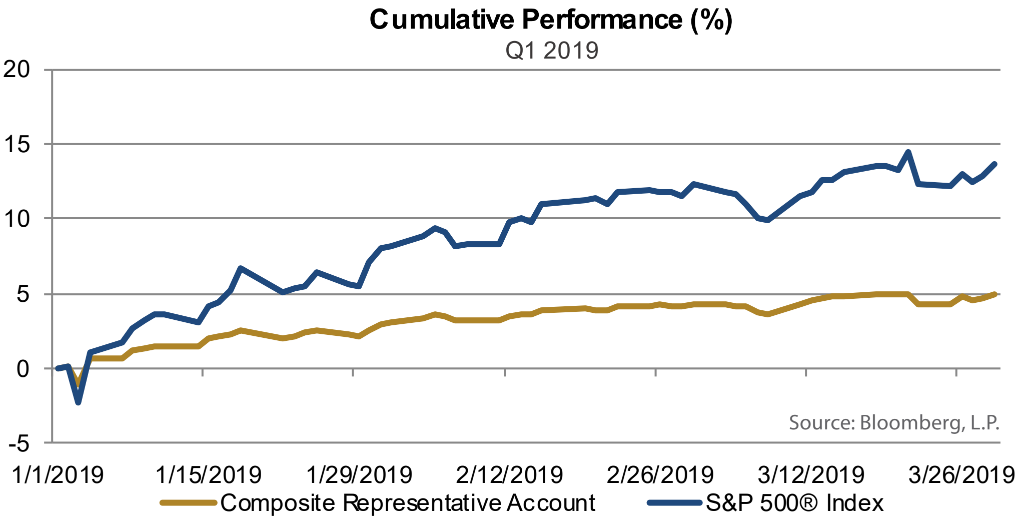
The portfolio performance contributions, annualized standard deviation and portfolio statistics quoted for the Composite in the following paragraphs are those measured by a representative account.[1]

The Composite's equity portfolio returned 13.06% for the quarter, a negative performance differential of 59 bps relative to the S&P 500® Index. The Composite's index call option positions generated risk-reducing cash flow throughout the quarter while detracting from returns each month, as expected during a period when the equity market advanced at an above-average rate. Index put option positions also detracted from the Composite's return in each month of the quarter, as expected during a period when the equity market advanced without significant short-term drawdowns. The Composite's annualized standard deviation of daily returns was 5.35%, significantly lower than 13.55% for the S&P 500® Index. The Composite exhibited a beta to the S&P 500® Index of 0.36 for the quarter.

In managing the Composite's portfolio of written index call options, Gateway's investment team focused on exchanging option contracts 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 during the market's rapid advance and protect the Composite from the potentially adverse impact of a sharp reversal in market direction.

The Composite began the year with index put coverage in the range of 80% to 95% as the investment team closed out a put position at a profit in late December and did not immediately replace the position with new index put contracts. The sharp market rally that began on December 26 and continued into the new year provided an opportunity for the investment team to restore the Composite to full put coverage on January 4. The investment team maintained full put coverage over the remainder of the quarter while making adjustments to the put option portfolio to manage the cost of downside protection. This was done by trading select contracts in advance of their expiration while extending weighted-average time to expiration of the index put option portfolio.

1: 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-compliant presentation. This representative account was selected as it is the largest account in the Composite.



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, 38 days to expiration and annualized premium to earn between 10% and 12.5%. Index put options covered more than 95% of the portfolio and had a weighted average strike price between 10.0% and 12.5% out-of-the-money, 67 days to expiration and an annualized cost of less than 2.5%. Relative to the beginning of the quarter, this positioning represented lower potential net cash flow and lower market exposure.

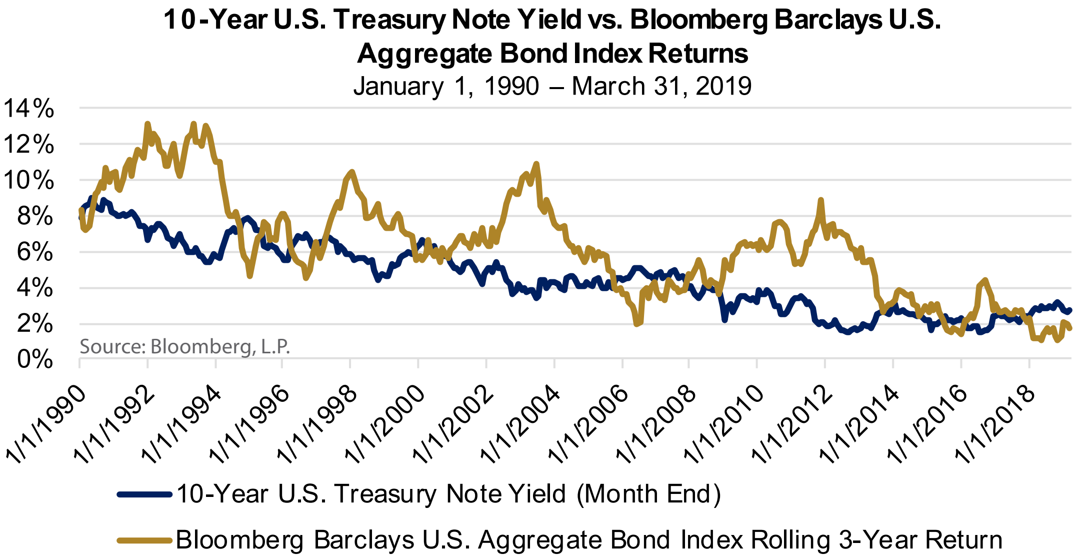
Market Perspective

Roosters typically crow in advance of the sunrise, but that knowledge does not provide much insight on the movement of the heavens. Similarly, the U.S. Treasury yield curve may typically invert in advance of recessions, but that knowledge does not provide much insight into when a recession will likely start, how deeply the economy may entrench or how negative the equity market response will be to economic deterioration. The first quarter of 2019 witnessed the yield on the 10-Year dip below the yield on the 3-month U.S. Treasury Bill for the first time since 2007, therefore, some investors looking for higher definition forecasts from market seers have likely been left wanting.

Should investors alter their long-term plans given current economic and capital market conditions? While a true long-term investment plan should have the ability to remain intact through a recession and/or bear market, investors may be understandably nervous about a test of their long-term mettle seeming to grow more imminent by the day.

The combination of current conditions creates unique challenges for long-term investors intent on maintaining their strategic risk profile. The strong rally in the beginning of the year has returned equity market valuations to the upper end of their historical range. This may be an indicator of increased downside risk – a risk that could be realized in the near to intermediate future, given where we are in the economic cycle. But what if the robust trends of an expanding economy with record-low unemployment, benign inflation and corporate earnings growth continue? How much return would investors leave on the table by reducing exposure to the equity market?

Despite positive returns from the Agg over the last two quarters, there is evidence that the bond market has become a less attractive safe haven. When yields were higher, it was possible for investors to garner a decent return while waiting for disaster to strike in the equity market. But, as the adjacent chart shows, as the bellwether 10-Year yield has trended downward, so has the return potential of the bond market.



Moreover, as seen in the following table, the strong first-quarter return for the Agg is consistent with a pattern in recent years (beginning in 2012) when brief periods of falling interest rates have helped generate quarterly returns for the Agg that were well above yields on the 10-Year, while calendar year and multi-year annualized returns for the Agg have rarely exceeded 3.5%. If longer-term yields remain range-bound, investors could expect this pattern to continue.

The combination of elevated equity valuations, which may be an indicator of increased downside risk, and a flattened yield curve in the bond market, which may limit a continuation of bond market gains fueled by the downtrend in longer-term yields, creates new challenges for long-term investors. In this environment, investors may benefit from increasing allocations to low volatility equity strategies that can provide consistent participation in equity market advances and a reliable source of protection during equity market declines. Delivering this profile has been the sole focus of Gateway's risk-first approach to long-term investing for over 40 years.

Bloomberg Barclays U.S. Aggregate Bond Index Returns (%)
2012 - 2019

	Q1	Q2	Q3	Q4	Year
2012	0.30	2.06	1.59	0.21	**4.22**
2013	**-0.12**	**-2.33**	0.57	**-0.14**	**-2.02**
2014	1.84	2.04	0.17	1.79	**5.97**
2015	1.61	**-1.68**	1.23	**-0.57**	0.55
2016	3.03	2.21	0.46	**-2.98**	2.65
2017	0.82	1.45	0.85	0.39	**3.54**
2018	**-1.46**	**-0.16**	0.02	1.64	0.01
2019	2.94				

Source: Bloomberg, L.P.

Important Information

All data as of 03.31.2018, unless noted otherwise.

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 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 Gateway Index/RA Composite net of fee performance results reflect the reinvestment of dividends and other earnings, and reflect the deduction of investment advisory and 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 themarket 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 Annual Disclosure Presentation for the Gateway Index/RA Composite is included with this document. Additional copies are available upon request by calling 513.719.1100.

Data Source: Gateway Investment Advisers, LLC and Morningstar Direct℠

GATEWAY
INVESTMENT ADVISERS, LLC
312 Walnut Street, Suite 3500
Cincinnati, OH 45202
513.719.1100

888 Boylston Street
Boston, MA 02199
www.gia.com | Follow us:

GATEWAY INVESTMENT ADVISERS, LLC
GATEWAY INDEX/RA COMPOSITE
ANNUAL DISCLOSURE PRESENTATION

	Annual Performance Results				3-Year Standard Deviation						
Year End	Composite Gross	Composite Net	S&P 500® Index	Bloomberg Barclays U.S. Aggregate Bond Index	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

N/A: The 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 Gateway Index/RA Composite was created 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). Prior to April 2008, the Lehman Brothers U. S. Intermediate Government/Credit Bond Index was utilized for comparison. The bond index change was made as the Bloomberg Barclays U. S. Aggregate Bond Index is widely viewed as more broadly representative of the fixed income markets and was considered to be more in line with the historical volatility associated with the Composite's investment strategy.

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 for the accounts in the Composite the entire year. 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, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Gateway Index/RA Composite has been examined for the periods January 1, 1993 through December 31, 2018. The verification and performance examination reports are available upon request.

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. A list of composite descriptions is also available upon request.