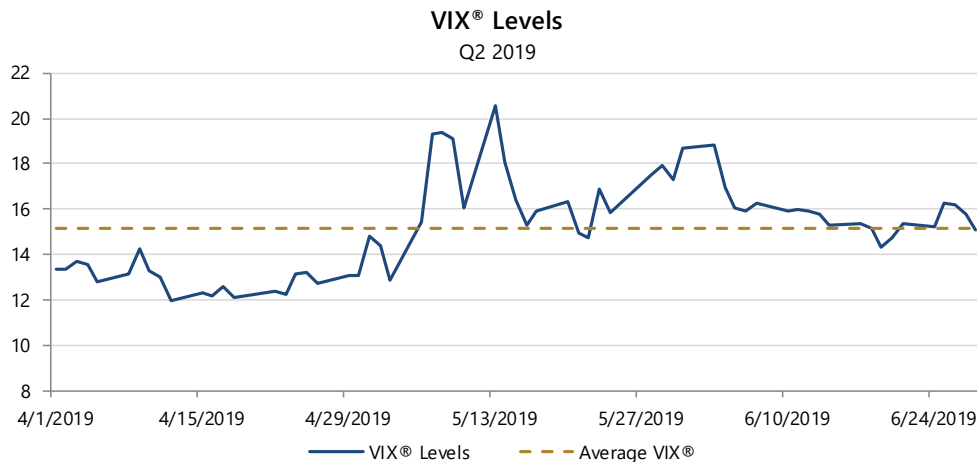


The S&P 500® Index weathered the storms in the second quarter of 2019 to return 4.30%, bringing its year-to-date return to an impressive 18.54%. The second quarter started strong with a 4.05% climb in April, digested 2019's largest monthly drawdown of 6.35% in May, then recovered by ending on a positive note with June's 7.05% return.

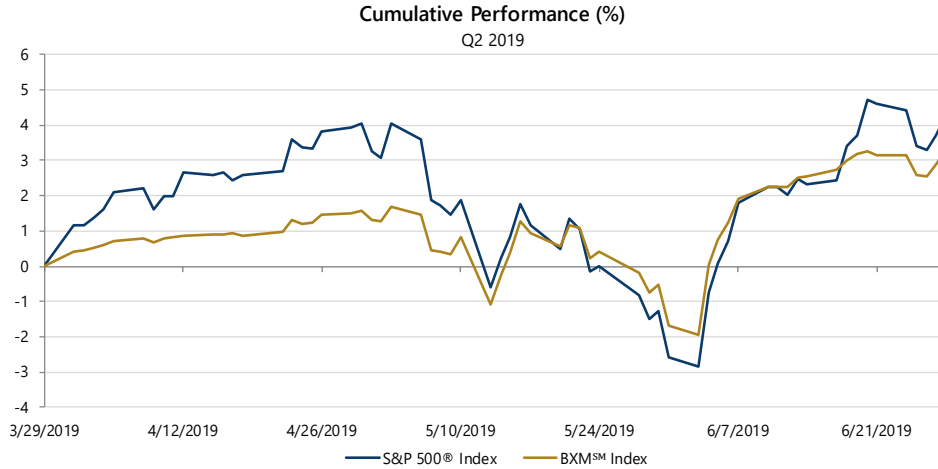
The second quarter faced a quagmire of concerns around trade policy and global growth. These issues percolated throughout the quarter but peaked in May as tensions between the U.S., China and Mexico ratcheted higher. The Federal Reserve (the Fed) was quick in its attempt to appease investors with a more dovish stance than originally portrayed heading into the quarter. As the Fed acknowledged slowing global growth and potential negative impacts on domestic growth stemming from trade tensions, investors appeared sufficiently encouraged and helped the S&P 500® Index resume an impressive climb to record highs.

On the domestic front, the third estimate of Gross Domestic Product growth for the first quarter of 2019 came in at 3.1%, in line with consensus expectations. Corporate earnings also remained positive with more than 81% of companies reporting first quarter earnings that met or exceeded analyst estimates and aggregate operating earnings for S&P 500® Index companies grew nearly 16% year-over-year. The employment situation improved throughout the second quarter with the May unemployment rate declining to 3.6% from 3.8% reported in March. The May Consumer Price Index, released on June 12, showed a 1.8% year-over-year increase, in line with expectations yet below the 2% level targeted by the Fed.

Implied volatility, as measured by the Chicago Board Options Exchange (Cboe®) Volatility Index (VIX®), averaged 15.18 for the quarter. VIX® exceeded S&P 500® Index realized volatility, as measured by its annualized standard deviation of daily returns, of 11.51% for the quarter. VIX® started the second quarter at 13.40, before drifting to its intra-quarter low of 12.01 on April 12, then peaked at 20.55 on May 13 before closing the quarter at 15.08.



The Cboe® S&P 500 BuyWriteSM Index (the BXMSM) had a return of 3.28% for the second quarter of 2019, bringing its year-to-date return to 10.27%. On the third Friday of each month of the quarter, the BXMSM wrote a new index call option as the option it wrote the previous month expired. The premiums the BXMSM collected on written options have significant influence on its return potential over a period when the market advances. Premiums collected as a percentage of the BXM'sSM underlying value were 1.17%, 1.43% and 1.38% in April, May and June, respectively. With monthly returns of 1.57%, -3.21% and 5.06%, the BXMSM underperformed the S&P 500® Index in April and June, while providing 314 basis points (bps) of downside protection in May. Overall, premiums collected by the BXMSM did not provide enough return potential to keep pace with the above-average rate of return the equity market exhibited over the course of the quarter.



The Bloomberg Barclays U.S. Aggregate Bond Index increased an impressive 3.08% in the second quarter. The yield on the 10-year U.S. Treasury Note started the quarter at 2.50%, reached a high in April of 2.59%, then drifted lower to end the quarter at 2.01%. The low point of the quarter came near the end of June with a yield of 1.99%.

IMPORTANT INFORMATION

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

The Cboe® S&P 500 BuyWriteSM Index (the BXMSM) 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.

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