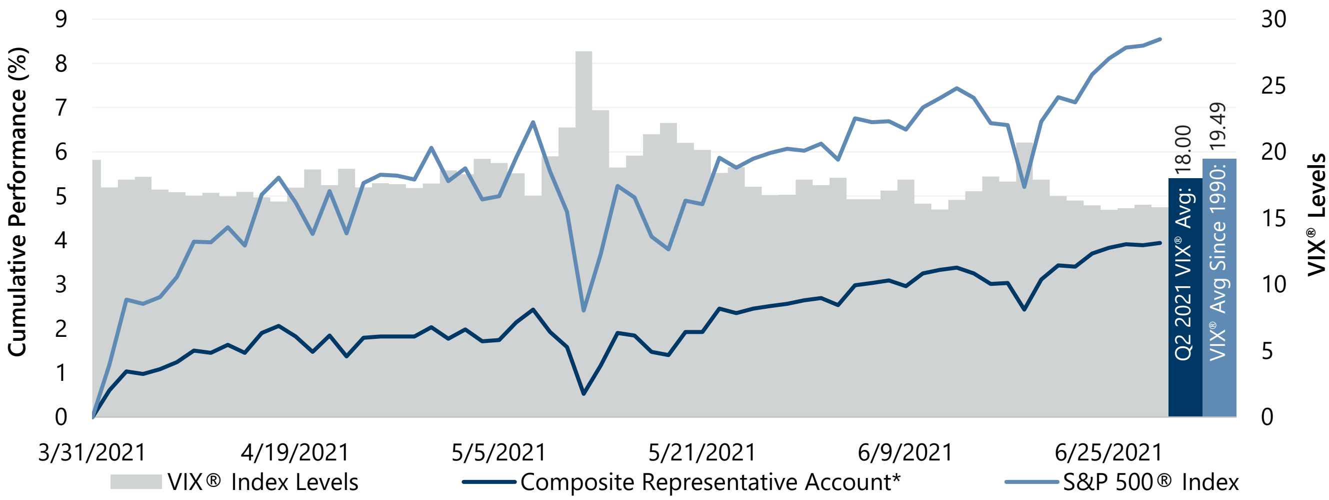
Index/RA Composite Commentary
Q2 2021

In Brief

- Gateway Index/RA Composite (the Composite) returned 4.04%, net of fees, in the second quarter compared to the 8.55% return of the S&P 500® Index and the 1.83% return of the Bloomberg Barclays U.S. Aggregate Bond Index (the Agg). (A GIPS® Composite Report is included with this Commentary).
- Ongoing macroeconomic stabilization paired with additional U.S. fiscal stimulus supported the equity market's rally, which was invariably interrupted throughout the quarter. Renewed concerns regarding the outlook for inflation, ongoing labor market imbalances and the potential for rising interest rates led to brief S&P 500® Index drawdowns of 3.99% from May 7 through May 12 and 2.07% from June 14 to June 18.
- The Composite* provided significant downside protection during the intra-quarter declines, with returns of -1.86% and -0.92% during the May 7 through May 12 and June 14 through June 18 equity market drawdowns, respectively.
- The S&P 500® Index and the Composite* had an annualized standard deviation of daily returns of 11.16% and 5.07% for the quarter, respectively.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 18.00 in the second quarter of 2021. Consistent with its normal relationship, average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the quarter. The VIX® began the second quarter of 2021 at 17.33, reached an intra-quarter high of 27.59 on May 12 and an intra-quarter low of 15.62 on June 25. The VIX® closed the second quarter at 15.83.
- As the equity market advanced through the quarter, Gateway's investment team made active adjustments to select written index call option positions to increase cash flow and provide market exposure that is consistent with the Composite's typical profile.
- Gateway's index put option activity during the quarter focused on managing the cost of downside protection by trading select contracts in advance of their expiration in order to maintain the Composite's typical risk profile.
- The S&P 500® Index advanced 15.25% over the first half of 2021. The historical record is a mixed bag for years in which the equity market posts a double-digit return in the first six months, which has happened 15 times in the last 40 years. On one hand, in nine of those 15 years, the S&P 500® Index also posted double-digit returns in the second half of the year. On the other hand, the average peak-to-trough drawdown of the S&P 500® Index in the final six months of each of those 15 years was -9.41%.

Market Path & Implied Volatility
Q2 2021



*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 8.55% in the second quarter, bringing its year-to-date return to 15.25%. The strong quarter had a pause in the middle as monthly returns came in at 5.34%, 0.70% and 2.33% for April, May and June, respectively. The advance was supported by ongoing stabilization and improvement in macroeconomic data paired with additional fiscal stimulus in the U.S. The equity market's rally was invariably interrupted throughout the quarter by renewed concerns regarding the outlook for inflation, ongoing labor market imbalances and the potential for rising interest rates. These issues led to brief S&P 500® Index drawdowns of 3.99% from May 7 through May 12 and 2.07% from June 14 to June 18.

Macroeconomic data released throughout the quarter reflected a recovering domestic economy as the negative effects of pandemic mitigation efforts began to fade and exposed the remaining progress yet to be made. The third estimate of Gross Domestic Product for the first quarter of 2021 showed that the U.S. grew at an annualized rate of 6.4%, matching the consensus expectation. The unemployment rate declined from 6.1% in April to 5.8% in May, just below the consensus expectation, while the participation rate ticked down to 61.6%. Inflation came in much higher than expected, as the May Consumer Price Index, released on June 10, showed a 5.0% year-over-year increase which was above the consensus estimate for the second month in a row. With over 98% of companies reporting, first quarter aggregate operating earnings were on track to climb nearly 23% quarter-over-quarter while increasing 8.40% year-over-year. More than 88% of the companies that reported earnings met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 18.00 in the second quarter of 2021. 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 11.16% for the quarter. Implied volatility was generally rangebound over the period. The VIX® began the second quarter of 2021 at 17.33, reached an intra-quarter high of 27.59 on May 12 and an intra-quarter low of 15.62 on June 25. The VIX® closed the second quarter at 15.83.

The Agg returned 1.83% in the second quarter of the year as interest rates trended down from the levels witnessed in the first quarter of 2021. The yield on the 10-year U.S. Treasury Note (the 10-year) started the quarter at 1.67%, reached its intra-quarter high of 1.72% on April 2, then drifted to its intra-quarter low of 1.43% on June 10. The 10-year ended the quarter with a yield of 1.47%.

Gateway Index/RA Composite Performance

The Composite returned 4.04%, net of fees, in the second quarter, underperforming the S&P 500® Index by 451 basis points (bps) and bringing its year-to-date net return to 7.46%. Underperformance is expected during periods when the equity market advances at a well-above-average rate. With monthly net returns of 1.80%, 0.81% and 1.38% for April, May and June, respectively, outperformance relative to the S&P 500® Index in May did not make up for underperformance in April and June. 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.[i]

From the beginning of the quarter through May 7, the Composite returned 2.43% while the S&P 500® Index returned 6.67%. After providing 213 bps of downside protection during the market decline from May 7 through May 12, the Composite returned 3.39% from May 12 through quarter-end while the S&P 500® Index returned 5.99% over the same period.

The Composite's underlying equity portfolio returned 8.59% for the quarter, a positive performance differential of four bps relative to the S&P 500® Index. Index call option writing generated risk-reducing cash flow throughout the quarter and contributed positively to the Composite's return in May while detracting from returns in April and June. Gains from the Composite's index put option positions contributed to downside protection during periods of market decline but detracted from the Composite's return for the quarter overall.

In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 5.07%, less than half the 11.16% for the S&P 500® Index. The Composite exhibited a beta to the S&P 500® Index of 0.45 for the quarter.

Gateway's investment team was active in their response to changes in market conditions and direction throughout the quarter. Early in the quarter the team focused on exchanging index call options with contracts featuring higher strike prices. This was done incrementally and cautiously to maintain a typical amount of equity market exposure as the market advanced while protecting from the potentially adverse impact of a sharp reversal in market direction. Later in the quarter, the team focused on extending weighted-average time to expiration to take advantage of the relatively elevated implied volatility priced into longer-dated contracts in an effort to maintain the Composite's cash flow potential and typical risk profile.

The Composite maintained full put coverage throughout the second quarter. In managing the Composite's index put option portfolio during periods when the equity market advanced, the investment team focused on managing the cost of downside protection by trading select contracts well in advance of their expiration and replacing them with contracts featuring higher strike prices.

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, 50 days to expiration and annualized premium to earn between 10.0% 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, 76 days to expiration and an annualized cost between 2.5% and 5.0%. Relative to the beginning of the quarter, this positioning represented slightly lower net cash flow potential and market exposure. Relative to the beginning of the quarter, this positioning represented higher net cash flow potential and slightly increased market exposure.

Performance & Risk (%)	Q2 2021	1 Year	3 Year	5 Year	10 Year	Inception (1/1/1988)	Inception Risk[1]
The Composite (Net)	4.04	18.20	7.21	7.13	5.69	7.18	6.43
S&P 500® Index	8.55	40.79	18.67	17.65	14.84	11.31	14.45
Bloomberg Barclays U.S. Aggregate Bond Index	1.83	-0.33	5.34	3.03	3.39	6.12	3.70

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 June 30, 2021. Source: Morningstar Direct℠.

Market Perspective: Taking Stock at Mid-Year – What Can Investors Rely On?

Despite concerns over inflation, Federal Reserve policy, imbalances in labor and raw materials markets and COVID-19 variants, the S&P 500® Index advanced 15.25% over the first half of the year. Additionally, equity markets have been relatively calm so far in 2021. The S&P 500® Index's largest peak-to-trough decline for the first half of 2021 was only 4.13%, well below the -13.64% average annual intra-year maximum drawdown of the previous 40 years. What awaits investors in the second half of the year?

The historical record is a mixed bag for years in which the equity market posts a double-digit return in the first six months, which has happened 15 times in the last 40 years. On one hand, in nine of those 15 years, the S&P 500® Index also posted double-digit returns in the second half of the year. On the other hand, the average peak-to-trough drawdown of the S&P 500® Index in the final six months of those 15 years was -9.41%.

Given the mix of calm equity market conditions and strong returns, plus a laundry list of concerns in the background during the first six months of 2021, the adage of expecting the unexpected - including the potential for extreme outcomes at either end of the return spectrum - would seem to apply for the remainder of the year.

Other than calibrating expectations to accommodate a wide range of results, what can investors do to prepare for what lies ahead? In navigating the market's ups and downs to come, there may be benefits to re-positioning portfolios to be less reliant on fixed income.

The Agg has posted negative returns over the year-to-date and one-year periods ended June 30, 2021. If continued economic improvement helps drive the equity market higher in the second half of 2021, that may put upward pressure on interest rates, especially if recent inflation trends continue. This, of course, reduces the likelihood that fixed income returns turn positive.

Many fixed income investors are comfortable with the tradeoff between subdued returns, when conditions are positive for risk taking, in exchange for potentially positive returns when risk taking is penalized. Unfortunately, the fixed income market has not held up its end of this bargain lately. As the table shows, the Agg delivered losses during the last four equity market drawdowns - even during 2020's fastest bear market decline in history.

Fixed Income Market Performance During Recent Equity Market Drawdowns

Performance (%)	February 19 – March 23, 2020	September 2 – 23, 2020	October 13 – 30, 2020	February 12 – March 4, 2021
S&P 500® Index	-33.79%	-9.52%	-6.84%	-4.13%
Bloomberg Barclays U.S. Aggregate Bond Index	-0.94%	-0.33%	-0.50%	-1.63%

Source: Bloomberg, L.P.

While the future remains uncertain, investors can count on the equity market to remain reliably unpredictable. Given recent results in the fixed income market, investors may well wonder what they can rely on it for. In this environment, investors may benefit from increasing allocations to strategies that use index options to deliver a low-volatility equity profile. These strategies have the potential for consistent participation in equity market advances while mitigating market declines. Index option-based low volatility equity may also have the potential for better long-term returns than fixed income in a low-to-rising interest rate environment. These strategies have been the focus of Gateway's risk-first approach to long-term investing since its founding in 1977.

Important Information

i: Represents supplemental information to the GIPS® Composite Report. This representative account was selected as it is the largest account in the Composite.

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				3-Year Standard Deviation			Number of Composite Accounts	Composite Dispersion	Composite Assets (millions)	Firm Assets (millions)
	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				
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.