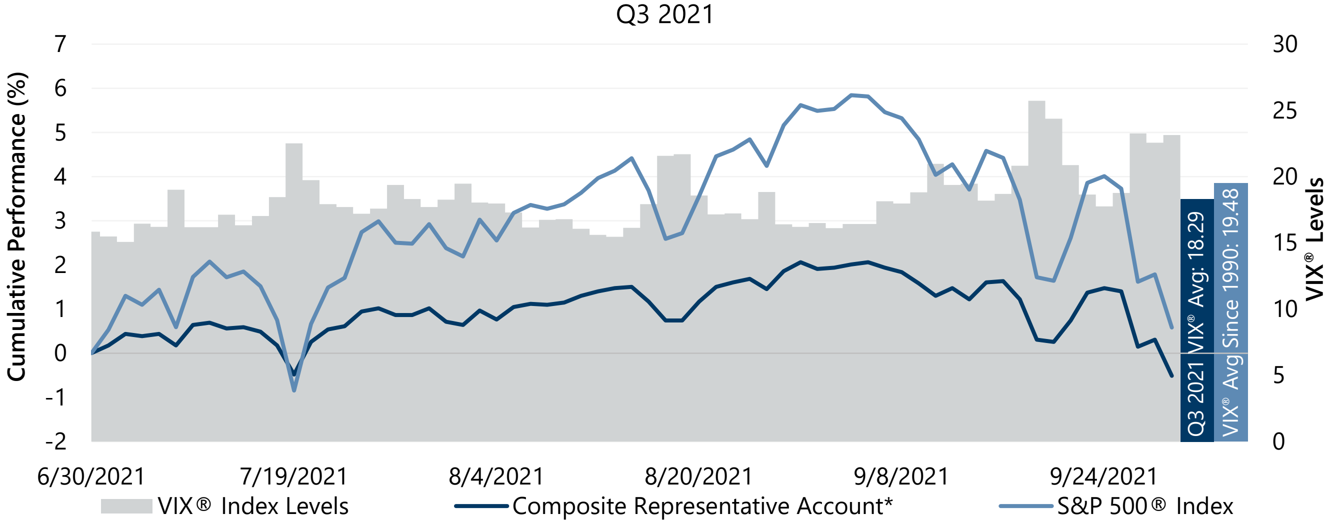
Index/RA Composite Commentary
Q3 2021

In Brief

- Gateway Index/RA Composite (the Composite) returned -0.41%, net of fees, in the third quarter compared to the 0.58% return of the S&P 500® Index and the 0.05% return of the Bloomberg Barclays U.S. Aggregate Bond Index (the Agg). (A GIPS® Composite Report is included with this Commentary).
- The culmination of concerns over coronavirus variants, the outlook for inflation, potential negative impacts of China's largest property developer falling short on its debt obligations and the struggle of U.S. lawmakers to agree to terms that would avoid a government shutdown led to a new year-to-date max drawdown for the equity market. From September 2 through quarter-end, the S&P 500® Index returned -4.97%.
- The Composite* provided 250 basis points (bps) of downside protection during the September 2 through quarter-end drawdown, with a return of -2.47% net of fees.
- The S&P 500® Index and the Composite* had an annualized standard deviation of daily returns of 11.16% and 5.37% for the quarter, respectively.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 18.29 in the third 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 third quarter of 2021 at 15.48, reached an intra-quarter low of 15.07 on July 2 and an intra-quarter high of 25.71 on September 20. The VIX® closed the third quarter at 23.14.
- As the market advanced in July and August, Gateway's index call option activity focused on trading contracts well in advance of their expiration dates to take advantage of elevated implied volatility priced into longer-dated contracts. Index call option activity in September was selective, with a focus on patiently earning the time premium priced into the longer-dated written index call options in the Composite's portfolio.
- Adjustments to the Composite's index put option portfolio were aimed at managing the impact of potential premium decay over time while maintaining the Composite's typical risk profile. The investment team took advantage of relatively low implied volatility early in September to raise the weighted-average strike price of the purchased index put option portfolio while extending the weighted-average time to expiration.
- After the September Federal Open Market Committee (FOMC) meeting, Chairman Powell noted that the inflation and employment measures "all but met" the substantial progress tests needed to begin tapering of asset purchases and that the decision to taper may come as soon as the FOMC's next meeting. The historical relationship between implied volatility and changes in the growth rate of the Federal Reserve's (the Fed's) balance sheet shows that the market was more susceptible to elevated volatility in response to adverse events when the Fed was not actively purchasing assets.

Market Path & Implied Volatility
Q3 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 0.58% in the third quarter, bringing its year-to-date return to 15.92%. After strong monthly advances of 2.38% and 3.04% in July and August, respectively, the S&P 500® Index surrendered to a growing list of investor concerns in September and declined 4.65%, suffering its first monthly loss since January of this year. Strong corporate earnings reports helped provide resilience to the market advance during the first two months of the quarter as the S&P 500® Index quickly recovered from dips of -2.86% and -1.75% in July and August, respectively. The downside moves in July and August were driven in part by concerns over the spread of coronavirus variants and the outlook for inflation. These concerns persisted into September while investors processed the potential negative impacts of China's second-largest property developer falling short on its debt obligations and the struggle of U.S. lawmakers to agree to terms that would avoid a government shutdown. The culmination of these concerns was a simultaneous selloff in both the equity and bond markets after the S&P 500® Index reached a year-to-date high in early September. From September 2 through quarter-end, the Agg lost 0.97% as interest rates rose while the S&P 500® Index slid 4.97%, its largest peak-to-trough decline so far in 2021.

Macroeconomic data released throughout the quarter reflected a steady but cautious domestic economy as the negative effects of pandemic mitigation efforts continued to fade and investors' sights began to shift elsewhere. The third estimate of Gross Domestic Product for the second quarter of 2021 showed that the U.S. grew at an annualized rate of 6.7%, matching the consensus expectation. The unemployment rate declined from 5.4% in July to 5.2% in August, matching the consensus expectation, while the participation rate held steady at 61.7%. Inflation matched the consensus estimate as the August Consumer Price Index, released on September 14, showed a 5.3% year-over-year increase. With over 99% of companies reporting, second quarter aggregate operating earnings were on track to climb nearly 17% quarter-over-quarter while increasing more than 40% year-over-year. More than 89% of the companies that reported earnings met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 18.29 in the third 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 until September when it shifted higher on an array of growing investor concerns. The VIX® began the third quarter of 2021 at 15.48, reached an intra-quarter low of 15.07 on July 2 and an intra-quarter high of 25.71 on September 20. The VIX® closed the third quarter at 23.14.

The Agg returned 0.05% in the third quarter of the year, bringing its year-to-date return to -1.55%. Interest rates trended down during the beginning of the quarter but ultimately ended just slightly above the point at which they started. The yield on the 10-year U.S. Treasury Note (the 10-year) started the quarter at 1.46%, reached its intra-quarter low of 1.17% on August 3, then climbed to its intra-quarter high of 1.54% on September 28. The 10-year ended the quarter with a yield of 1.49%.

Gateway Index/RA Composite Performance

The Composite returned -0.41%, net of fees, in the third quarter, underperforming the S&P 500® Index by 99 bps and bringing its year-to-date net return to 7.02%. The Composite provided equity market participation and consistent downside protection throughout the quarter. With monthly net of fee returns of 0.75%, 1.22% and -2.34% for July, August and September, respectively, downside protection relative to the S&P 500® Index during September did not make up for lagging returns during the above-average market advances in July and August.

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 September 2, the Composite returned 2.01% (net) while the S&P 500® Index returned 5.84%. During the equity market's drawdown from September 2 through quarter-end, the Composite provided 250 bps of downside protection, net of fees, relative to the -4.97% return of the S&P 500® Index during the period.

The Composite's underlying equity portfolio returned 0.45% for the quarter, a negative performance differential of 13 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 September while detracting from returns in July and August. Gains from the Composite's index put option positions contributed to downside protection in September 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 5.37%, less than half the 11.16% for the S&P 500® Index. The Composite exhibited a beta to the S&P 500® Index of 0.47 for the quarter.

Gateway's investment team was active in their response to changes in market conditions and direction throughout the quarter. As the market advanced in July and August, Gateway's index call option activity focused on trading contracts well in advance of their expiration dates, raising weighted-average strike price and extending weighted-average time to expiration to take advantage of elevated implied volatility priced into longer-dated contracts. This was done cautiously and incrementally in an effort to maintain the Composite's typical risk profile while protecting against the potential adverse effects of a change in market direction. Index call option activity in September was selective, with a focus on patiently earning the time premium priced into the longer-dated written index call options in the Composite's portfolio.

The Composite maintained full put coverage throughout the third 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. The investment team took advantage of relatively low implied volatility in early September to raise the weighted-average strike price of the purchased index put option portfolio while extending the weighted-average time to expiration.

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 greater than 2.5% out-of-the-money, 27 days to expiration and annualized premium to earn between 2.5% and 5.0%. Index put options covered more than 95% of the portfolio and had a weighted-average strike price between 5.0% and 7.5% out-of-the-money, 53 days to expiration and an annualized cost between 7.5% and 10.0%. Relative to the beginning of the quarter, this positioning represented slightly lower net cash flow potential and greater market exposure.

Performance & Risk (%)	Q3 2021	1 Year	3 Year	5 Year	10 Year	Inception (1/1/1988)	Inception Risk[1]
The Composite (Net)	-0.41	13.93	5.79	6.62	6.16	7.11	6.43
S&P 500® Index	0.58	30.00	15.99	16.90	16.63	11.24	14.43
Bloomberg Barclays U.S. Aggregate Bond Index	0.05	-0.90	5.36	2.94	3.01	6.08	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. 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. Data less than one year is not annualized. Data as of September 30, 2021. Source: Morningstar Direct℠.

Market Perspective – What Will Taper Do to Implied Volatility?

Implied volatility, as measured by the VIX®, rose in September as investors processed a laundry list of concerns including coronavirus variants, inflation and U.S. political dysfunction. At the press conference after the FOMC on September 22, Chairman Powell indicated that the FOMC was keeping close watch on how economic and financial conditions may be impacted by such concerns, among others. He also indicated the likelihood of a FOMC decision in the near-term that may have a lasting impact on volatility. Chairman Powell noted that recent inflation and employment measures "all but met" the substantial progress tests needed to begin tapering of asset purchases and that the decision to taper may come as soon as the FOMC's next meeting. The historical relationship between implied volatility and changes in the growth rate of the Fed's balance sheet shows that the market was more susceptible to elevated volatility in response to adverse events when the Fed was not actively purchasing assets.

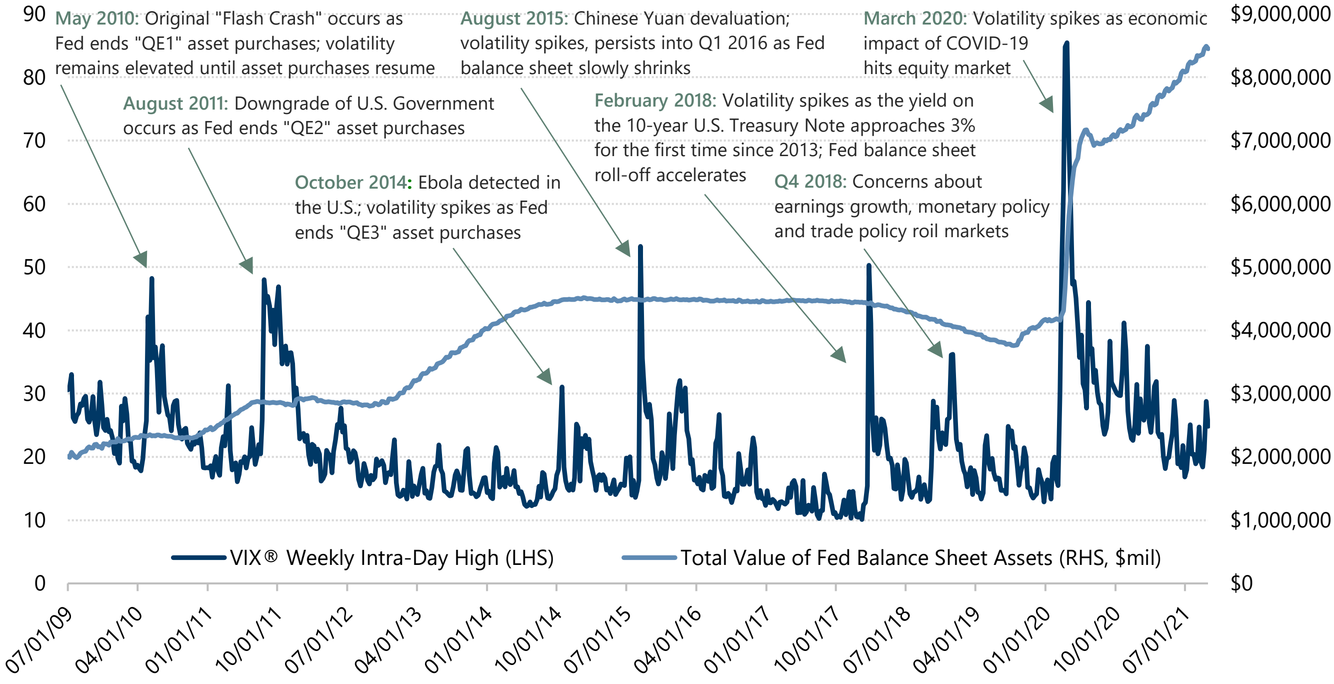
As the chart on the following page shows, implied volatility has generally declined or remained below its long-term average of approximately 20 during periods of balance sheet growth through multiple quantitative easing asset purchase programs. Conversely, implied volatility has been relatively elevated during periods when the balance sheet size plateaus or decreases. Furthermore, multiple volatility spikes have coincided with quantitative easing programs coming to an end. The implication of this connection is not that changes in the Fed's balance sheet caused changes in implied volatility, rather it appears that the market was more susceptible to elevated volatility in response to adverse events during periods when the Fed was not actively purchasing assets.

It remains to be seen whether the historical relationship between implied volatility and changes in the size of the Fed's balance sheet will continue. However, we believe that investor anxiety over changes to Fed policies, including both interest rate policy and asset purchase policy, is on the list of phenomena that have the potential to keep implied volatility relatively elevated for the remainder of the year.

With interest rates trending up, but still low by historical standards, and amidst a growing number of threats to the equity market's advance, investment strategies that combine equity market exposure with cash flow from writing index options may have increased appeal for investors seeking long-term return with lower risk than the equity market. Higher implied volatility has the potential to result in higher cash flows from index option writing which, in turn, may improve such strategies' return potential if the equity market climbs, while also enhancing their potential downside protection if the equity market declines. Conversely, if higher implied volatility trends lower, index option-based low volatility equity strategies may continue to be a compelling alternative to fixed income investments that have reduced return potential in a low to rising interest rate environment.

Implied Volatility and Changes in Size of Fed Balance Sheet

August 1, 2009 to September 30, 2021



Source: Bloomberg, L.P.

Gateway's investment philosophy holds that consistency is the key to long-term investment success and that generating cash flow, rather than seeking to forecast the rise and fall of the market, can be a lower risk means to participate in equity markets. As always, Gateway will look for opportunities to take advantage of the current environment while vigilantly preparing to take appropriate action should conditions change.

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: 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.