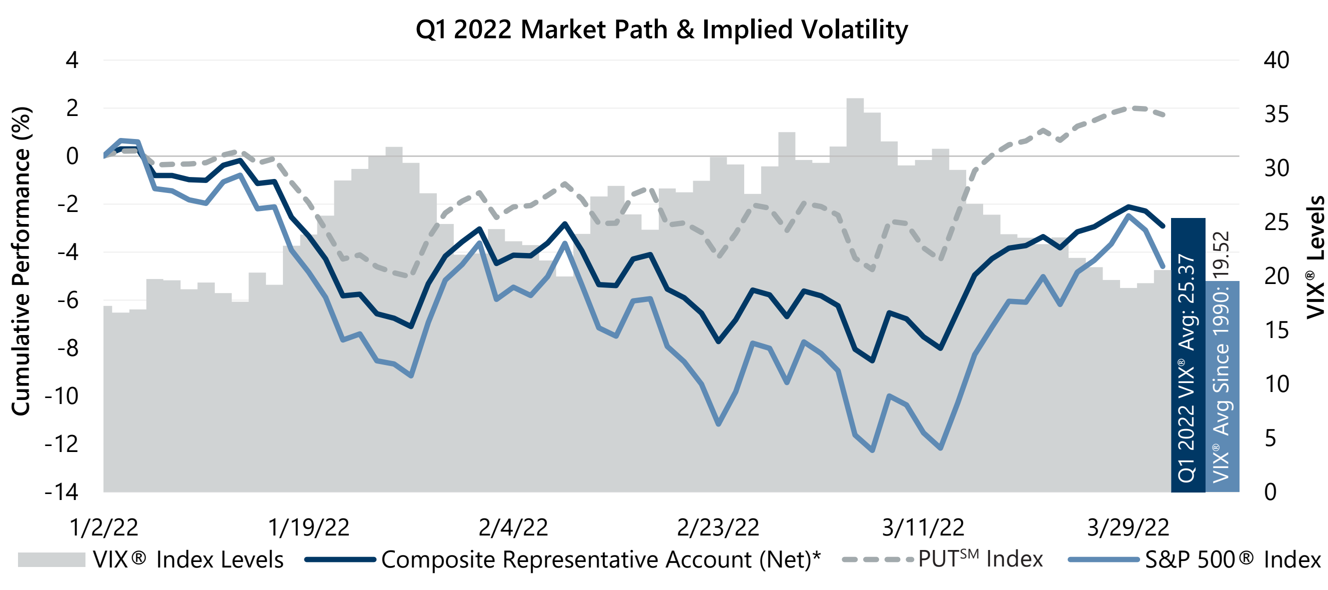
Active Index-PutWrite Carve-Out Composite Commentary
Q1 2022

In Brief

- Gateway Active Index-PutWrite Carve-Out Composite (the Composite) returned -3.19%, net of fees, in the first quarter of 2022 compared to the 1.72% return of the Cboe® S&P 500 PutWrite℠ Index[i] (the PUT℠) and the -4.60% return of the S&P 500® Index. (A GIPS® Composite Report is included with this Commentary.)
- War in Ukraine paired with rising interest rates, record inflation and skyrocketing oil prices led the market to a 12.82% loss from its year-to-date peak on January 3 through March 8.
- The Composite provided loss mitigation relative to the S&P 500® Index during the steep market decline through March 8, but the PUT℠ was significantly aided by the timing of when it wrote its index put options throughout the quarter. While the Composite's active approach resulted in a typical and consistent amount of equity market exposure, the PUT℠ had less market exposure than usual during the steepest portions of the market's decline and greater market exposure than usual during the quarter-end market rally.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 25.37 in the first quarter of 2022. Average implied volatility was higher than realized volatility, as measured by the standard deviation of daily returns for the quarter. The VIX® opened the year at its intra-quarter low of 16.60, climbed to an intra-quarter high of 36.45 on March 7, then closed the quarter at 20.56.
- The S&P 500® Index, the PUT℠ and the Composite* had an annualized standard deviation of daily returns of 21.48%, 13.25% and 14.58% for the first quarter, respectively.
- As the equity market trended down through March 8, Gateway's investment team focused on written index put option portfolio adjustments that lowered weighted-average strike price to maintain market exposure that is consistent with the Composite's typical profile while taking advantage of elevated implied volatility to enhance cash flow potential.
- With a return of -9.08%, traditional portfolio allocation of 60% S&P 500® Index and 40% Bloomberg U.S. Aggregate Bond Index (the Agg) provided less than 400 basis points (bps) of loss mitigation during the S&P 500® Index's drawdown from January 3 through March 8. The 71% participation in the equity market's loss was the traditional portfolio's largest capture of a peak-to-trough equity market drawdown of 10% or more in over 45 years.



Sources: Morningstar Direct℠ and Bloomberg, L.P. Past performance is not indicative of future results.
*The portfolio performance and 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 oldest account in the Composite.

Market Recap

The S&P 500® Index returned -4.60% in the first quarter of 2022 with monthly returns of -5.17%, -2.99% and 3.71% for January, February and March, respectively. War in Ukraine paired with rising interest rates, record inflation and strict sanctions on Russia that helped drive oil above $100 per barrel drove the market to a 12.82% loss from its year-to-date peak on January 3 through March 8. As investors digested their growing list of concerns, the market staged a late-quarter rally and partial recovery, climbing 8.73% from March 8 through quarter-end.

U.S. macroeconomic data released in March revealed a stable macroeconomic environment and strong corporate earnings despite global turmoil. The third estimate of Gross Domestic Product for the fourth quarter of 2021 showed that the U.S. economy grew at an annualized rate of 6.9%, below the consensus expectation. The unemployment rate was slightly better than the consensus estimate, declining from 4.0% in January to 3.8% in February while the participation rate ticked up to 62.3%. The February Consumer Price Index, released March 10, showed no signs of slowing down with a year-over-year increase of 7.9% which matched the consensus expectation. Fourth quarter aggregate operating earnings were on track to climb over 9% quarter-over-quarter while increasing more than 70% year-over-year. With over 99% of companies reporting, more than 79% met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 25.37 in the first quarter of 2022. Consistent with its typical relationship, average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 21.48% for the quarter. The first quarter's 3.9 percentage point spread between S&P 500® Index realized volatility and average implied volatility, often referred to as the Volatility Risk Premium, was above its historical quarterly average of 3.7% for the seventh quarter in a row. The Ukraine Crisis drove volatility conditions back to levels not seen since 2020 as trailing 10-day realized volatility reached its highest reading since November 2020. While the VIX® response to the steep equity market decline was somewhat muted in comparison to levels seen during past market drops of similar size, it did produce a rare persistence of readings in the 30s. From February 28 through March 14 the VIX® closed above 30 on 11 consecutive days, the longest streak since June 2020. Prior to 2020, the preceding instance of VIX® closing above 30 for 10 or more consecutive days was in November 2011. The VIX® opened the quarter at its intra-quarter low of 16.60 and reached an intra-quarter high of 36.45 on March 7 and ended the quarter at 20.56.

The PUT℠ returned 1.72% in the first quarter of 2022, outperforming the S&P 500® Index by 632 bps. The PUT℠ provided 789 bps of downside risk mitigation during the January 3 through March 8 equity market drawdown with a return of -4.93% relative to the -12.82% return of the S&P 500® Index. The PUT℠ outperformed the S&P 500® Index in each month of the quarter with returns of -2.37%, 0.21% and 3.97% in January, February and March, respectively. On the third Friday of each month, the PUT℠ writes a new index put option as the option it wrote the previous month expires. The premiums[ii] the PUT℠ collects on its written index put options have significant influence on its return potential during equity market advances and help to mitigate market declines. The premiums the PUT℠ collected as a percentage of the PUT's℠ underlying value were 2.53%, 2.83% and 2.16% in January, February and March, respectively. The well-above-average implied volatility throughout the quarter was reflected in the relatively high premiums collected in the first quarter. While the premiums the PUT℠ collected were beneficial, its performance was significantly aided by the timing of when they were received. The third Fridays of both January and February preceded two of the steepest portions of the market's first quarter decline. By "reloading" its premium just prior to the declines, the PUT℠ was able to get maximum loss mitigation. The timing of the March premium was similarly beneficial, but in a way that generated return, rather than loss mitigation. The March premium was received as the market had rallied back near the strike price of the PUT℠'s expiring option and the market advance continued after the premium was received. Thus, the PUT℠ had significant market exposure as the S&P 500® Index began its rally and the new premium renewed the PUT℠'s return potential as the market advance continued. As the S&P 500® Index rallied 8.73% from March 8 through the remainder of the quarter, the PUT℠ returned 6.77% over the same period.

The Agg declined 5.93% in the first quarter of 2022 as interest rates leapt higher. The Agg has posted negative returns in 13 of the last 24 months including six of the seven months in which the S&P 500® Index return was negative. The yield on the 10-year U.S. Treasury Note (the 10-year) started 2022 at its intra-quarter low of 1.63%, climbed to its intra-quarter high of 2.47% on March 25, and ended the quarter at 2.34%. The yield curve flattened significantly over the quarter as the quarter-end yield on the 2-year U.S. Treasury Note was nearly equal to the yield on the 10-year. On the shorter end of the yield curve, U.S. Treasury Bills with maturities of 12 months and shorter had yields that climbed significantly during the quarter. In the first quarter the yields on the 6-month bill and 12-month bill rose 83 bps and 122 bps to end the quarter at 1.01% and 1.60%, respectively. The one-month and three-month bill yields climbed as well while remaining relatively low. The yield on one- and three-month U.S. Treasury Notes climbed 9 bps and 45 bps, to end the quarter at 0.11% and 0.48%, respectively.

Gateway Active Index-PutWrite Carve-Out Composite Performance

The Composite returned -3.19%, net of fees, in the first quarter, underperforming the PUTSM by 491 bps. With monthly net returns of -4.25%, -1.86% and 3.02% in January, February and March, respectively, the Composite delivered loss mitigation relative to the S&P 500® Index in January and February, but underperformed the PUTSM in each month of the quarter.

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.[iii]

Most of the Composite's underperformance versus the PUTSM came during the equity market drawdown period of January 3 through March 8. The Composite's active and diversified approach resulted in a typical amount of market exposure over the course of the market drawdown while the beneficial, rules-based timing of the PUT'sSM replacement of its single written index put contract resulted in the PUTSM having less exposure to the market decline than usual. Specifically, the Composite returned -8.81%, net of fees, over the drawdown period, a 69% capture of the S&P 500® Index's loss. Since its 2015 inception, the Composite has averaged 72% capture of the S&P 500® Index's loss when the equity market has had a drawdown of greater than 10%. The PUTSM, however, captured 38% of the S&P 500® Index's first quarter drawdown, much better than its 60% average capture of double-digit equity market drawdowns since its inception in 1986. In fact, this was just the fourth time in its history that the PUTSM has had a down-market capture of less than 50% during a double-digit equity market drawdown, and the first time in nearly 20 years. From March 8 through quarter-end, the Composite returned 6.15%, net of fees, lagging the PUTSM by 62 bps. Again, the PUTSM had beneficial timing of the replacement of its written index put contract as the premium was received on March 18. The market had rallied back near the strike price of its expiring option and the market advance continued after the premium was received. Thus, the PUTSM had significant market exposure as the S&P 500® Index began its rally and the new premium renewed its return potential as the market advance continued.

For the first quarter, the Composite's underlying Treasury bill portfolio contributed a total return of 0.01%, as rising yields on short-maturity instruments limited the return of the strategy's cash collateral portfolio. The Composite's written index put options detracted from return in January and February, while contributing positively to returns in March.

In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 14.58% compared to 21.48% and 13.25% for the S&P 500® Index and the PUTSM, respectively. The Composite exhibited a beta to the S&P 500® Index of 0.67 for the quarter.

As the equity market trended down through March 8, adjustments to the written index put option portfolio focused on lowering the weighted-average strike price to maintain market exposure that is consistent with the Composite's typical profile while taking advantage of elevated implied volatility to enhance cash flow potential. As the market advanced during the end of the quarter, the investment team exchanged select index put option contracts well in advance of their expiration dates for ones with later expiration dates and higher strike prices. These adjustments were made to benefit from the relatively elevated volatility priced into later-dated contracts.

At the end of the quarter, the full value of the Composite's maximum potential loss on written index put options was secured with Treasury bills and cash. The Composite's diversified portfolio of written index put options had a weighted-average strike price less than 2.5% out-of-the-money, weighted-average time to expiration of 34 days and annualized premium to earn between 15% to 20%. Relative to the beginning of the quarter, this positioning represented similar market exposure and higher cash flow potential.

Performance & Risk (%)	Q1 2022	1 Year	3 Years	5 Years	Inception (4/1/2015)	Inception Risk[1]
The Composite (Net)	-3.19	9.03	10.57	8.12	8.06	9.39
PUTSM Index	1.72	16.87	10.83	7.63	7.96	10.32
S&P 500® Index	-4.60	15.65	18.92	15.99	14.01	14.58

Periods less than one year are not annualized. Past performance is not indicative of future results. Data as of March 31, 2022. Source: Morningstar DirectSM.
1: Based on standard deviation of monthly returns since Composite inception date of April 1, 2015.

Market Perspective – Is the Bond Market Broken?

A once-reliable asset class for yield, low-volatility total return, diversification and risk reduction, bonds have struggled to deliver on any of these measures recently.

- Real yields on U.S. Treasuries are negative at all maturities.
- The Agg ended the first quarter of 2022 with a larger loss than the S&P 500® Index, and negative returns over the trailing one- and two-year periods.
- The Agg has posted negative monthly returns in 13 of the last 24 months, including six of the seven months in which the equity market return was negative.
- The traditional 60/40** mix of stocks and bonds had a loss of 9.08% from January 3 to March 8 while a stocks-only portfolio lost 12.82%. The 71% participation in the equity market's loss was the traditional portfolio's largest capture of a peak-to-trough equity market drawdown of 10% or more in over 45 years.

Equity Market Drawdowns Greater than 10% Since 1976

Drawdown Peak	Drawdown Valley	Market Drawdown*	60 / 40** Return	60 / 40** Capture Ratio
1/3/2022	3/8/2022	-12.82%	-9.08%	71%
1/2/1990	1/30/1990	-10.04%	-6.70%	67%
10/7/2007	3/9/2009	-55.03%	-35.64%	65%
1/28/2018	2/8/2018	-10.10%	-6.52%	65%
2/19/2020	3/23/2020	-33.79%	-21.54%	64%
7/18/1999	10/17/1999	-11.80%	-7.43%	63%
7/16/1990	10/17/1990	-12.04%	-6.97%	58%
10/7/1997	10/27/1997	-10.75%	-6.37%	59%
9/29/1987	12/30/1987	-29.58%	-17.42%	59%
7/20/2015	8/25/2015	-19.36%	-11.18%	58%
9/20/2018	12/24/2018	-19.19%	-11.05%	58%
7/19/1998	8/31/1998	-12.71%	-7.03%	55%
11/3/2015	2/11/2016	-47.41%	-25.19%	53%
9/4/2000	10/9/2002	-18.25%	-10.98%	60%
1/30/1977	3/30/1978	-14.26%	-7.55%	53%
5/1/2011	10/3/2011	-18.64%	-9.62%	52%
12/30/1980	8/16/1982	-16.52%	-2.64%	16%

Periods greater than one-year are annualized. Past performance is no guarantee of future results. Source: Morningstar Direct℠. *Market data reflects results of the S&P 500® Index. **60 / 40 is comprised of 60% S&P 500® Index / 40% Agg.

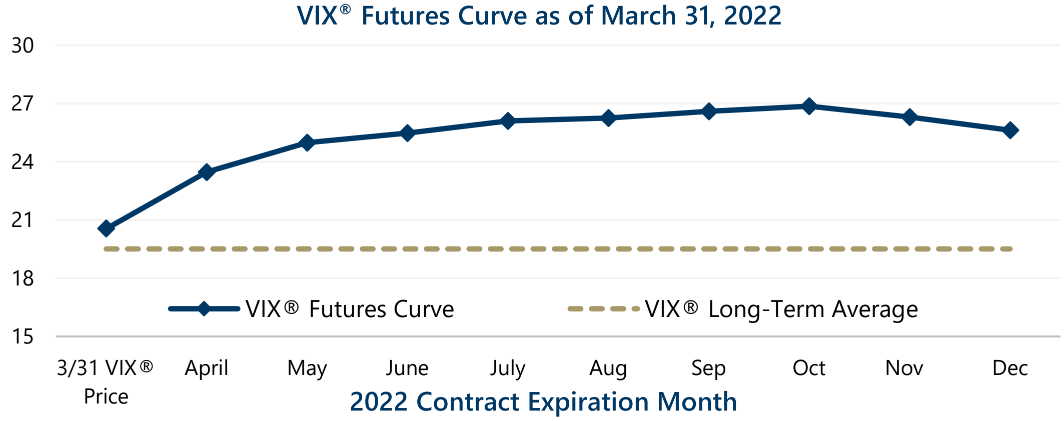
For investors interested in being less reliant on bonds for risk reduction, the first quarter 2022 results for the Cboe® S&P 500 BuyWrite℠ Index and PUT℠ illustrate the potential benefits of managing risk and generating cash flow with index option writing in an elevated implied volatility environment. After experiencing less than half the loss of the S&P 500® Index from January 3 to March 8, both indexes had strong participation in the equity market's quarter-end rally, which brought their year-to-date returns into positive territory in late March.

Well-above-average implied volatility levels resulted in monthly option writing premiums for the indexes that were greater than 2% in each month of the quarter. The above-average premium levels facilitated the option-writing indexes' downside protection from the beginning of the quarter through March 8 and the strong participation in the equity market's quarter-end rally.

Though implied volatility, as measured by the VIX®, trended down from its first quarter 2022 closing high of 36.45 as the market rallied in March, it remained above its long-term average of 19.52 at quarter-end with a closing price of 20.56 on March 31.

Conditions remain supportive of elevated implied volatility levels as many of the concerns that drove volatility in the first quarter, including the war in Ukraine, record inflation and the pace of monetary tightening, have yet to be resolved. The VIX® futures curve at quarter-end also reflected market expectations that implied volatility will remain elevated, with contracts expiring in June through December all pricing at 25 or higher.

VIX® Futures Curve as of March 31, 2022



2022 Contract Expiration Month

Source: Bloomberg, L.P.

Utilizing index options for risk reduction and risk-adjusted return enhancement may have appeal for investors who are no longer satisfied with what the bond market has to offer. Low-volatility equity strategies that rely on cash flow from index option selling to both mitigate equity market losses as well as participate in equity market advances, like those managed by Gateway since 1977, may be a suitable alternative for investors who want to reduce their exposure to bonds without increasing overall portfolio risk.

Important Information

[i] The PUT℠ is a passive total return index designed to track the performance of a hypothetical portfolio that sells S&P 500® Index put options against collateralized cash reserves held in a money market account. The PUT℠ strategy is designed to sell a monthly sequence of S&P 500® Index puts and invest cash at one- and three-month Treasury Bill rates. The monthly sequence entails writing one-month S&P 500® Index put options 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. The number of put contracts with identical strike prices and expiration dates sold varies from month to month but is limited so that the amount held in Treasury Bills can finance the maximum possible loss from final settlement of the S&P 500® Index puts.

[ii] Premiums are calculated as a percentage of the written index put option's strike price. The number of put options written is limited such that the maximum potential loss of the written puts cannot exceed cash on hand. The writer of an index put option is obligated to deliver cash in an amount equal to the difference between the put contract's strike price and the value of the index at expiration. The maximum potential loss of a written index put option would occur if the value of the index, in this case the S&P 500® Index, fell to zero. Since the writer of an index put option is obligated to deliver cash in an amount equal to the difference between the put contract's strike price and the value of the index at expiration, the maximum potential loss would be equal to the strike price times the number of contracts written.

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

All data as of March 31, 2022, 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 investment adviser and a successor in interest to Gateway Investment Advisers, L.P. as of February 15, 2008. Performance information for Gateway Active Index-PutWrite Carve-Out Composite (the Composite) shown in this illustration is an asset-weighted composite of a portfolio sleeve of certain discretionary accounts under Gateway's management which share the same investment objectives and hedging strategies.

The Composite contains fully discretionary option writing accounts that sell (write) index put options on the S&P 500® Index. The written put options are exchange-traded and fully cash-secured. Indexes utilized for put option activity are liquid U.S. equity indexes that include all sectors of the U.S. economy. Put writing activity provides cash flow and equity market correlation. The Composite was created on April 1, 2015. The Composite net of fee performance results reflect the reinvestment of dividends and any other earnings, and was calculated using the Composite's highest tier of the current fee schedule of 0.35%. Fees may be less or more than fees that other accounts would pay for this strategy in the future. A more detailed description of Gateway's standardized fees is included in Form ADV, Part 2.

For comparison purposes, the Composite may be measured against the following indexes:

Cboe® S&P 500 PutWrite℠ Index, a passive total return index designed to track the performance of a hypothetical put-write strategy on the S&P 500® Index;

S&P 500® Index, a popular indicator of the performance of the large capitalization sector of the U.S. stock market. Performance results are expressed in U.S. dollars;

Selling index put options can reduce the risk of equity market volatility, 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 put 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.

The GIPS® Composite Report for the Gateway Active Index-PutWrite Carve-Out 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 Investment Advisers, LLC
Gateway Active Index-PutWrite Carve-Out Composite
GIPS® Composite Report

Year End	Annual Performance Results				3-Year Standard Deviation			Number of Composite Accounts	% of Composite Assets Representing Carve-Out	Carve- Out Composite Assets (millions)	Firm Assets (millions)
	Carve-Out Composite Gross Returns	Carve-Out Composite Net Returns	PUT℠ Index	S&P 500® Index	Carve-Out Composite	PUT℠ Index	S&P 500® Index				
9 Months Ended 12/31/2015	4.34%	4.07%	5.94%	0.45%	N/A	N/A	N/A	1	0%	$ 5	$ 12,210
2016	8.46	8.09	7.77	11.96	N/A	N/A	N/A	2	98.4	361	11,601
2017	12.42	12.03	10.85	21.83	N/A	N/A	N/A	2	98.6	371	12,559
2018	-5.58	-5.91	-5.93	-4.38	6.95%	7.50%	10.95%	2	98.9	362	11,641
2019	17.32	16.93	13.51	31.49	7.59	7.92	12.10	2	98.8	418	10,950
2020	8.28	7.89	2.13	18.40	12.38	14.03	18.80	2	99.0	458	9,963
2021	19.21	18.79	21.79	28.71	11.31	13.06	17.41	3	99.3	628	11,556

N/A: The gross three-year annualized ex-post standard deviation of the Composite is not presented as 36-month returns are not available. For all periods shown, the Composite has less than six accounts for the full year. As such, the Composite dispersion of portfolio returns is not applicable.

Gateway Active Index-PutWrite Composite Account (Standalone Portfolio):

Year End	Annual Performance Results		Standalone Composite Assets (millions)
	Standalone Gross Returns	Standalone Net Returns	
9 Months Ended 12/31/2015	4.34%	4.07%	$ 5
2016	8.76	8.37	6
2017	12.15	11.75	5
2018	-5.61	-5.96	4
2019	17.15	16.73	5
2020	8.26	7.87	5
2021	18.93	18.51	4

Gateway Active Index-PutWrite Carve-Out Composite contains fully discretionary option writing accounts that sell (write) index put options. The written put options are exchange-traded and fully cash-secured. Indexes utilized for put option activity are U.S. domestic equity indexes that include all sectors of the economy. This put writing activity provides cash flow and equity market correlation. The creation and inception date of the Gateway Active Index-PutWrite Carve-Out Composite was April 1, 2015.

For comparison purposes, the Composite is measured against two indexes: the Cboe® S&P 500 PutWrite℠ Index (PUT℠ Index), a passive total return index designed to track the performance of a hypothetical put-write strategy on the S&P 500® Index and the S&P 500® Index, a popular indicator of the performance of the large capitalization sector of the U.S. stock market.

Performance results are expressed in U.S. dollars. Performance returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the Composite's highest tier of the current fee schedule of 0.35%, applied monthly. Past performance is not indicative of future results. The 3-year standard deviation is calculated using gross returns. Cash is a component of average assets per performance period, which is proportionately split based on the weighting of each carve out sleeve.

The investment management fee for the standalone segregated account managed in the Composite is 0.35%. Actual investment management fees incurred by Composite accounts may vary.

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, 2021. 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 Active Index-PutWrite Carve-Out Composite has had a performance examination for the periods April 1, 2015 through December 31, 2021. The verification and performance examination reports are available upon request. The GIPS® Composite Report for the standalone portfolio within the Gateway Active Index-PutWrite Carve-Out Composite is also 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.