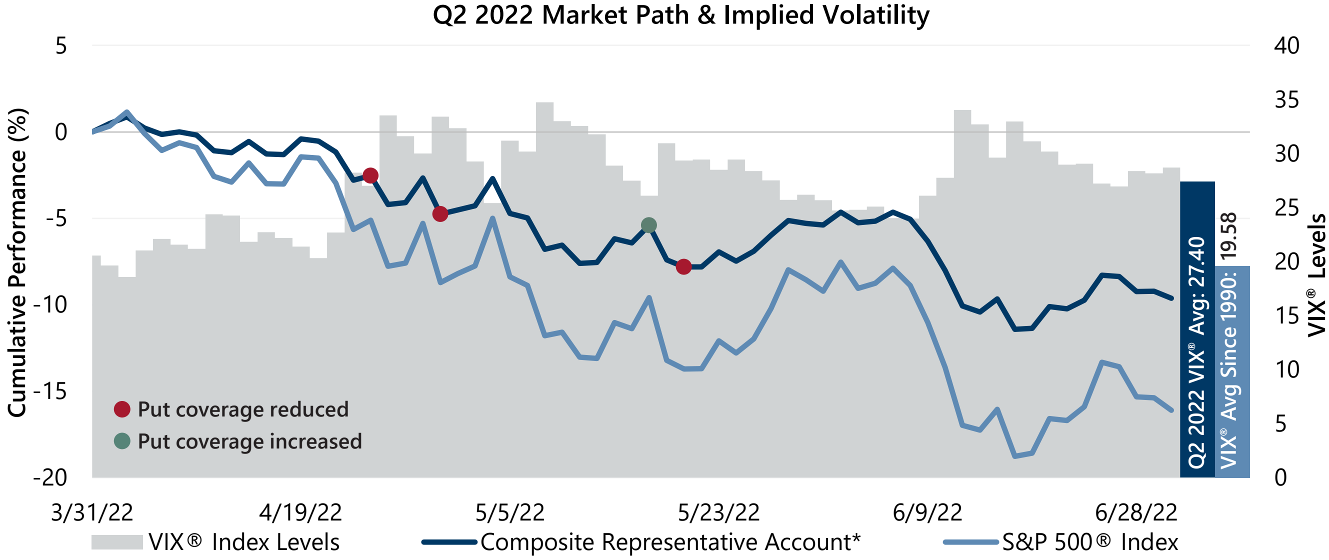
Index/RA Composite Commentary
Q2 2022

In Brief

- Gateway Index/RA Composite (the Composite) returned -9.53%, net of fees, in the second quarter compared to the -16.10% return of the S&P 500® Index and the -4.69% return of the Bloomberg U.S. Aggregate Bond Index (the Agg). (A GIPS® Composite Report is included with this Commentary).
- Record-high inflation persisted, accelerating the Federal Reserve's monetary tightening schedule while souring investor sentiment, resulting in a 19.69% decline for the S&P 500® Index from April 4 to June 16, officially entering a bear market. From its 2022 peak on January 3 through its new year-to-date low on June 16, the S&P 500® Index declined 22.99%.
- With monthly net returns of -4.73%, -0.52% and -4.54% for April, May and June, respectively, most of the Composite's outperformance relative to the S&P 500® Index was the result of significant loss mitigation provided during the equity market's steep decline.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 27.40 in the second quarter of 2022. In a reversal of its normal relationship, average implied volatility was lower than realized volatility, as measured by the standard deviation of daily returns for the quarter. The VIX® opened the quarter at 19.63 before reaching its intra-quarter low of 18.57 on April 4. The VIX® climbed to an intra-quarter high of 34.75 on May 9, then closed the quarter at 28.71.
- The S&P 500® Index and the Composite* had an annualized standard deviation of daily returns of 28.32% and 15.84% for the quarter, respectively.
- As the equity market declined throughout the quarter, adjustments to the written index call 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.
- The team was active in its management of the Fund's portfolio of index put options during the quarter, making several changes to the put coverage level in an effort to monetize higher volatility being priced into index put contracts and to preserve index put gains in the event of a sudden and sharp market recovery, while maintaining the Fund's typical risk profile.
- "When the VIX® is high, it's time to buy. When the VIX® is low, look out below." After the S&P 500® Index's worst first six months of a year in more than five decades, the VIX® is well-above average and investors may be increasingly fearful. Should investors be taking their cues from snappy adages? Gateway believes strategies combining equity market exposure with cash flow from selling index options can help investors stay focused on the long-term by softening the impact of market direction over the short-term.

Q2 2022 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® 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 -16.10% for the second quarter of 2022, bringing its year-to-date return to -19.96%. There were few silver linings during the quarter as the S&P 500® Index posted monthly returns of -8.72%, 0.18% and -8.25% in April, May and June, respectively. Record-high inflation persisted, accelerating the Federal Reserve's monetary tightening schedule and souring investor sentiment, resulting in a 19.69% decline for the S&P 500® Index from April 4 to June 16, at which point the market officially entered a bear market. From its 2022 peak on January 3 through its new year-to-date low on June 16, the S&P 500® Index declined 22.99%.

U.S. macroeconomic data released in June reflected a difficult macroeconomic environment. The third estimate of Gross Domestic Product for the first quarter of 2022 showed that the U.S. contracted by an annualized rate of 1.6%, slightly worse than the consensus expectation of a 1.4% contraction for the quarter. The unemployment rate was slightly higher than the consensus estimate, holding steady at 3.6% from April to May, while the participation rate ticked up to 62.3%. The May Consumer Price Index, released June 10, continued its record-breaking streak with a year-over-year increase of 8.6%, which was its highest reading for 2022 and above the consensus expectation. First quarter aggregate operating earnings were on track to climb just 0.9% quarter-over-quarter while increasing nearly 40% year-over-year. With over 99% of companies reporting, nearly 80% met or exceeded analyst estimates.

Implied volatility, as measured by the VIX®, averaged 27.40 in second quarter of 2022. With half of the days in the second quarter featuring S&P 500® Index moves of 1% or greater, including a 4.02% plunge on May 18 and a 3.06% rally on June 24, realized volatility reached 28.32% for the quarter - as measured by the standard deviation of daily returns for the S&P 500® Index – the highest reading since the second quarter of 2020. The implied volatility response to the large daily moves was relatively muted resulting in second quarter realized volatility exceeding implied volatility for the first time since the first quarter of 2020. The VIX® opened the quarter at 19.63, near its intra-month low of 18.57 on June 4, then climbed to an intra-quarter high of 34.75 on May 9. The VIX® ended the quarter at 28.71.

The Agg returned -4.69% in the second quarter, its second consecutive quarterly decline, bringing its year-to-date return to -10.35%. The yield on the 10-year U.S. Treasury Note (the 10-year) started the quarter at its intra-quarter low of 2.38% then rose to an intra-quarter high of 3.47% on June 14, at which time the yield curve was slightly inverted. The 10-year ended the quarter with a yield of 3.01%.

Gateway Index/RA Composite Performance

The Composite returned -9.53%, net of fees, in the second quarter, providing 657 bps of loss mitigation relative to the S&P 500® Index, bringing its year-to-date return to -12.38% relative to the S&P 500® Index year-to-date return of -19.96%. With monthly net returns of -4.73%, -0.52% and -4.54% for April, May and June, respectively, most of the Composite's outperformance came in April and June.

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]

Throughout the quarter, the Composite provided equity market participation and consistent loss mitigation. From April 4 through June 16, the Composite returned -12.17%, providing 752 bps of loss mitigation relative to the S&P 500® Index. From the equity market peak on January 3 through June 16, the Fund returned -14.70%, providing 829 bps of loss mitigation relative to the S&P 500® Index.

The Composite's underlying equity portfolio returned -16.34% for the quarter, a negative performance differential of 24 bps relative to the S&P 500® Index. Both option components contributed positively to performance for the quarter overall, though they detracted from returns during the brief intra-quarter equity market rallies, as expected in periods featuring above-average equity market advances. Specifically, gains from the written index call option positions and purchased index put option positions contributed to loss mitigation in April and June. In May, index call and index put options both detracted slightly from return, primarily due to the strong equity market advance at month-end.

In achieving its low-volatility objective, the Composite's annualized standard deviation of daily returns for the quarter was 15.84%, significantly less than the 28.32% for the S&P 500® Index. The Composite exhibited a beta to the S&P 500® Index of 0.55 for the quarter.

As the equity market declined throughout the quarter, adjustments to the written index call 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 was patient in adjusting index call option contracts. Select contracts were traded in advance of their expiration dates and exchanged for ones with higher strike prices and later expiration dates. These adjustments and above-average premiums allowed for attractive participation in the market's advance at quarter-end.

The Composite began the quarter with full put coverage and the investment team was active in their adjustments to the put portfolio throughout the quarter. The adjustments to put coverage were executed in an effort to position the Composite for attractive outcomes in a wider range of market scenarios while keeping market exposure relatively consistent. As the equity market declined early in the quarter and above-average implied volatility persisted, Gateway's investment team closed out two index put option positions during the final week of April. The adjustments were made to monetize higher volatility being priced into index put contracts and to preserve index put gains in the event of a sudden and sharp market recovery, while maintaining the Composite's typical risk profile. This brought put coverage to a range of 65% to 80%, a level maintained until May 17, at which time the investment team increased the weighted-average strike price of the put portfolio while increasing put coverage, moving to a range of 80% to 95%. On May 19, the investment team reduced put coverage back to a range of 65% - 80% which was maintained through quarter-end. In addition to adjustments to put coverage, the investment team managed the cost of downside protection throughout the quarter by trading select put option contracts in advance of their expirations while keeping weighted-average time to expiration relatively extended.

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, 26 days to expiration and annualized premium to earn between 15.0% and 20.0%. Index put options covered 65% to 80% of the portfolio and had a weighted-average strike price between 7.5% and 10.0% out-of-the-money, 98 days to expiration and an annualized cost between 5.0% and 7.5%. Relative to the beginning of the quarter, this positioning represented increased net cash flow potential and higher market exposure.

Performance & Risk (%)	Q2 2022	YTD 2022	1 Year	3 Year	5 Year	10 Year	Inception (1/1/1988)[1]	Inception Risk[1,2]
The Composite (Net)	-9.53	-12.38	-8.91	3.31	3.27	4.33	6.68	6.54
S&P 500® Index	-16.10	-19.96	-10.62	10.60	11.31	12.96	10.60	14.57
Bloomberg U.S. Aggregate Bond Index	-4.69	-10.35	-10.29	-0.93	0.88	1.54	5.61	3.83

All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Periods greater than one year are annualized. Data as of June 30, 2022. Source: Morningstar Direct℠. 1: Based on standard deviation of monthly returns since Composite inception of January 1, 1988. See disclosure and GIPS® Composite Report.

Market Perspective – A New Era?

Wall Street has no shortage of adages and catch phrases. When the equity market hits the skids, old saws such as "be fearful when others are greedy and be greedy when others are fearful" encourage investors to be contrarian and seek opportunity where others find misfortune. There is an analogous saying associated with the VIX® that appeals to those who prefer cliches that rhyme: "When the VIX® is high, it's time to buy. When the VIX® is low, look out below." While these sayings are catchy and contain a modicum of insight on how some experienced investors tend to navigate the markets, they fall short of being effective signals for precisely when to buy and sell stocks.

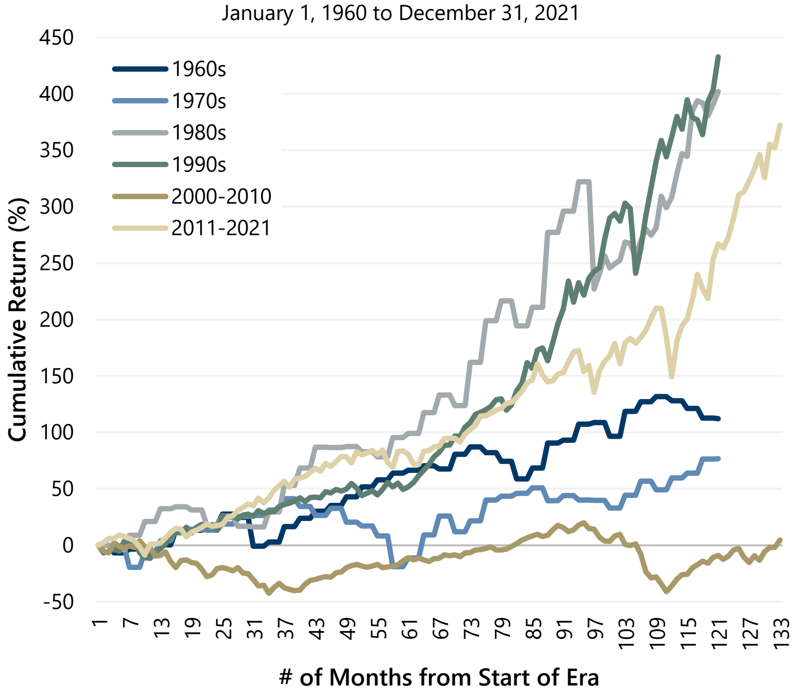
For example, from mid-2012 through 2017 the VIX® was persistently low, rarely rising above its long-term average. Not only were equity market returns well-above average over this period, but the S&P 500® Index only had one drawdown that exceeded 10% - a 12.04% loss that lasted less than five weeks in the summer of 2015. Conversely, the VIX® was persistently above-average from the late 1990s into the early 2000s, a period that witnessed a S&P 500® Index drawdown of over 47% from September 2000 into October 2002. Additionally, if above-average market returns or above-average market valuations are signs that investors are "greedy," those heeding the adage coined by Warren Buffet would have spent almost the entire decade of the 2010's too fearful to enter the equity market and missing out on well-above-average returns.

After the worst first six months of a year in more than five decades, many investors are fearful, and the VIX® is well-above average. Should investors be taking their cues from snappy sayings? Long-term investors who want to avoid the anxiety of being "all in" or "all out" may benefit from low volatility equity strategies that combine equity market exposure with cash flow from selling index options. Such strategies can help investors stay focused on the long-term by softening the impact of market direction over the short-term.

While market pullbacks and volatility spikes in recent years have proven to be opportunities to buy into an equity market that would soon resume its rapid advance, Figure 1 illustrates that the market has had extended eras when downside volatility was not a harbinger of immediate upside opportunity. What can long-term investors do to prepare for the possibility that the next era is different than the last several years?

Figure 1: S&P 500® Index Cumulative Return by Era

January 1, 1960 to December 31, 2021



All eras begin on January 1 of the first year in the period and end on December 31 of the last year in each period. Source: Morningstar Direct℠.

As the table in Figure 2 shows, investors with strategic allocations to stocks and bonds have earned similar returns to the equity market in each era, but with lower risk. In eras since the 1990s, option writing indexes such as the Cboe® S&P 500 BuyWrite Index (the BXM℠) and the Cboe® S&P 500 PutWrite Index (the PUT℠) delivered similar returns to a balanced allocation while also exhibiting lower risk than the equity market. Also note that stocks and bonds have both had extended eras of very low returns, with bonds generating an annualized return of just 1.45% in the 1960s and stocks producing less than 1% annualized return from 2000 through 2010. A worst-case scenario for balanced allocation investors would be such low returns from both asset classes simultaneously for an extended period of time.

Index option-based low volatility equity strategies provide a unique opportunity for investors. The equity market exposure of such strategies can be beneficial when equity market returns are positive, while cash flow from index option selling can mitigate losses when equity market returns are negative. Importantly, the cash flow potential from such strategies tends to increase as equity market volatility rises. Furthermore, rising interest rates do not have a negative impact on cash flow generated by selling index options.

Figure 2: Return and Risk by Era

	1960s		1970s		1980s		1990s		2000-2010		2011-2021	
	Return (%)	Risk (%)	Return (%)	Risk (%)	Return (%)	Risk (%)	Return (%)	Risk (%)	Return (%)	Risk (%)	Return (%)	Risk (%)
Stocks	7.81	13.54	5.85	18.57	17.51	18.15	18.21	13.43	**0.41**	16.41	15.16	13.34
Bonds	**1.45**	5.87	5.52	8.25	12.61	14.19	8.79	8.18	7.91	11.46	6.03	10.19
Balanced Allocation	5.51	8.64	6.25	11.59	16.22	12.92	14.73	9.76	4.10	9.93	11.95	7.41
BXM℠ Index							15.94	8.65	2.89	12.20	7.37	9.94
PUT℠ Index							16.44	7.36	5.16	12.24	7.93	9.51

Note: Stocks reflect data for the S&P 500® Index. Bonds reflect data for the Ibbotson Long-Term U.S. Government Bond Index. The Balanced Allocation is a blend of 60% Stocks and 40% Bonds rebalanced monthly. All eras begin on January 1 of the first year in the period and end on December 31 of the last year in each period.

This combination of characteristics makes index option-based low volatility equity strategies a potentially valuable component of diversified portfolios in a wide range of long-term scenarios. If the current bear market is followed by a resumption of above-average equity market returns, in a pattern similar to recent years, index option-based low volatility equity strategies may generate lower returns than the equity market but offer better return potential than bonds, especially if interest rates remain at current levels or rise.

If equity market returns are moderate or flat for an extended period of time, index option writing cash flow is a source of return potential that can help keep pace with or potentially exceed equity market returns. In this scenario, option writing cash flow offers long-term return potential that is attractive relative to bonds if the long-term interest rate trend is rising, flat or declining back toward historic lows.

Finally, if the equity bear market becomes prolonged, index option-based low-volatility equity strategies offer meaningful loss mitigation potential from index option writing cash flows. Mitigating losses preserve capital, potentially allowing for more of the portfolio to participate in the equity market's eventual recovery. In this scenario, bonds may be a better source of capital preservation as the equity market declines but also represent a ballast in the portfolio that potentially has limited participation in the equity market's eventual recovery.

Are inflation and rising interest rates ushering in a new investment era? Or will the market resiliency of recent years continue? It may be too early to make that call. Strategies that combine equity market exposure with cash flow from index options that reduces risk while providing an additional source of potential return may have appeal for diversified, long-term investors who are uncertain about what lies ahead for the asset classes they are exposed to. For nearly 45 years, Gateway has provided access to the unique potential of option strategies, helping investors navigate the ups and downs of both the equity and bond markets.

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℠

The S&P 500 Index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by Gateway Investment Advisers, LLC (Gateway). Standard & Poor's®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Gateway. Gateway's IndexRA Composite is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

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

GIPS® Composite Report

Year End	Annual Performance Results: Composite Gross	Composite Net	S&P 500® Index	Bloomberg U.S. Aggregate Bond Index	3-Year Standard Deviation: Composite	S&P 500® Index	Bloomberg 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
2021	12.35	11.71	28.71	-1.54	7.89	17.41	3.40	8	0.1	8,523	11,556

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 U. S. Aggregate Bond Index, previously known as 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, 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 Index/RA Composite has had a performance examination for the periods January 1, 1993 through December 31, 2021. 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.