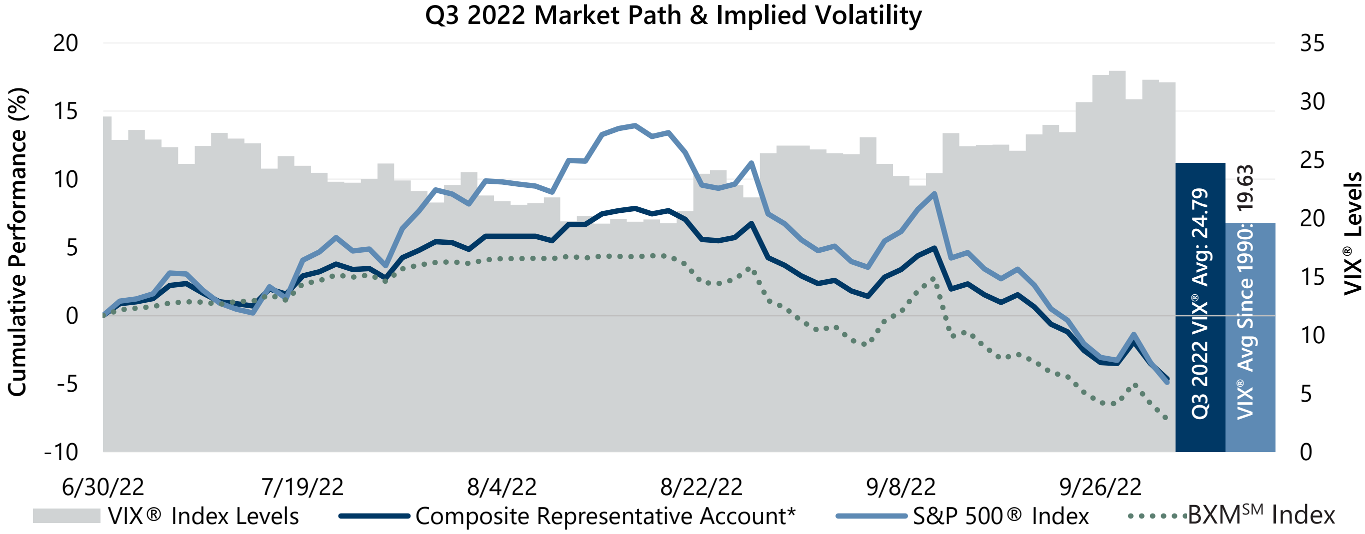
In Brief

- The Gateway Active Index-Option Overwrite Composite (the Composite) returned -4.56%, net of fees, in the third quarter compared to the -7.59% and -4.88% return of the Cboe® S&P 500 BuyWrite℠ Index (the BXM℠) and the S&P 500® Index, respectively. (A GIPS® Composite Report is included with this Commentary.)
- Resilient labor markets and corporate earnings reports, paired with hope that decelerating inflation could create an opening for a "dovish pivot" by the Federal Reserve (the Fed), were overshadowed by unrelenting inflation and an unwavering hawkishness from the Fed. The commitment to bring down inflation soured investor sentiment during the quarter and the S&P 500® Index fell 16.52% from August 16 through quarter-end, establishing a new year-to-date low.
- With monthly net returns of 5.44%, -2.88% and -6.80% for July, August and September respectively, the Composite's outperformance relative to the BXM℠ was the result of outperformance in July and August.
- Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 24.79 in the third quarter. Consistent with its typical relationship, average implied volatility exceeded realized volatility. The VIX® ended June at 28.71 before reaching its intra-quarter low of 19.53 on August 12. The VIX® climbed to an intra-quarter high of 32.60 on September 27, then closed the quarter at 31.62.
- The S&P 500® Index, the BXM℠ and the Composite* had an annualized standard deviation of daily returns of 21.39%, 14.31% and 13.92% for the third quarter, respectively.
- As the equity market advanced during the first half of the quarter, the investment team was patient in adjusting index call options contracts. As the equity market declined during the second half of the quarter, adjustments to the written index call option portfolio took advantage of elevated implied volatility to enhance cash flow potential.
- This year's bear market has brought equity valuations lower, but are they low? The price-to-earnings (P/E) ratio of the S&P 500® Index began 2022 around 23, based on trailing 12-month earnings, and ended the third quarter below 20. Over the last 25 years, the average for the measure is approximately 26 and readings below 20 have been rare. While current valuations are low relative to recent history, they are high relative to the range that persisted prior to 2000. History suggests long-term returns that outpace inflation – even if recent record levels persist – are possible from current valuation levels. However, historical drawdowns when valuation levels are elevated suggest caution is warranted.

Q3 2022 Market Path & Implied Volatility



Source: Bloomberg, L.P. *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 largest account in the Composite.

Market Recap

The S&P 500® Index returned -4.88% in the third quarter, bringing its year-to-date return to -23.87%. The market's path during the quarter was even more wild than the quarterly loss suggests and kept investors glued to their seats, delivering monthly returns of 9.22%, -4.08% and -9.21% for July, August and September, respectively. After officially entering bear market territory in the second quarter of 2022, resilient labor markets and corporate earnings reports paired with hope that decelerating inflation could create an opening for a "dovish pivot" by the Federal Reserve (the Fed) led the S&P 500® Index to climb 13.94% from June 30 to August 16. Unrelenting inflation and an unwavering hawkishness from the Fed soured investor sentiment however, and the S&P 500® Index fell 16.52% from August 16 through quarter-end. The drawdown over the second half of the quarter included multiple daily moves of greater than 2%, including a 3.4% drop on August 26 and a decline of more than 4.3% on September 13. The S&P 500® Index marked a new year-to-date low and maximum drawdown on September 30, 24.35% below its peak on January 3.

Macroeconomic data released in September suggested signs of a softening U.S. labor market amid aggressive monetary policy tightening and economic deceleration. The third estimate of Gross Domestic Product for the second quarter of 2022 showed that the U.S. contracted by an annualized rate of -0.6%, in line with the consensus expectation. The August unemployment rate climbed to 3.7% and was worse than the consensus estimate, while the participation rate ticked up to 62.4%. The August Consumer Price Index, released September 13, remained near record highs with a year-over-year increase of 8.3%, which was above the consensus expectation. Second quarter aggregate operating earnings were on track to decline more than 2% quarter-over-quarter while increasing nearly 17% year-over-year. With more than 98% of companies reporting, almost 80% met or exceeded analyst estimates.

Consistent with its pattern in the first half of the year, third quarter implied volatility was consistently average to well-above average while remaining resistant to spikes during periods of steep market decline. The Cboe® Volatility Index (the VIX®) averaged 24.79 in the third quarter of 2022. Average implied volatility exceeded realized volatility, as measured by the standard deviation of daily returns for the S&P 500® Index, which was 21.39% for the quarter. The VIX® closed June at 28.71 and drifted to an intra-quarter low of 19.53 on August 12 before trending up over the remainder of the quarter. The VIX® did not breach 30 until late in the third quarter, despite the equity market drop of more than 4% on September 13 – the one-day plunge saw the VIX® close at just 27.27. The VIX® reached its intra-quarter high of 32.60 on September 27 and closed the quarter at 31.62.

The BXM℠ returned -7.59% in the third quarter, underperforming the S&P 500® Index by 271 basis points (bps) and bringing its year-to-date return to -17.01%. With monthly returns of 3.89%, -4.80% and -6.57% in July, August and September, respectively, the BXM℠'s loss mitigation relative to the S&P 500® Index in September did not make up for its lagging performance in July. On the third Friday of each month, the BXM℠ writes a new index call option as the option it wrote the previous month expires. The premiums the BXM℠ collects on its written index call options have significant influence on its return potential during market advances and help to mitigate market declines. The premiums the BXM℠ collected as a percentage of its underlying value were 2.77%, 2.02% and 3.08% in July, August and September, respectively. From the beginning of the quarter through August 16, the BXM℠ returned 4.32%, lagging the S&P 500® Index by 962 bps, as premiums collected by the BXM℠ were insufficient to keep pace with the equity market's strong advance. During the equity market decline during the second half of the quarter, the remaining premium collected on its call option written in August combined with the premium received on September 16 helped provide 510 bps of downside protection. From August 16 through quarter-end, the BXM℠ declined 11.42% compared to the 16.52% decline of the S&P 500® Index.

The Bloomberg U.S. Aggregate Bond Index (the Agg) returned -4.75% in the third quarter, bringing its year-to-date return to -14.61%. The third quarter return was the Agg's fourth worst quarterly return since 1976 and it follows first and second quarter returns that rank third- and fifth-worst, respectively. The yield on the 10-year U.S. Treasury Note (the 10-year) ended June at 3.01%, touched its intra-quarter low of 2.57% on August 1 then climbed to an intra-quarter high of 3.95% on September 27 before closing the quarter at 3.83%. Throughout all but two days in the third quarter of 2022, the yield curve was inverted with the yield on the 2-year U.S. Treasury Note significantly exceeding the yield on the 10-year.

Gateway Active-Index Option Overwrite Composite Performance

The Composite returned -4.56%, net of fees, in the third quarter, outperforming the BXM℠ by 303 bps, and bringing its year-to-date return to -17.45%. With monthly net returns of 5.44%, -2.88% and -6.80% in July, August and September respectively, the Composite's outperformance relative to the BXM℠ in July and August more than compensated for underperformance in September. Throughout the quarter, the Composite provided consistent participation in equity market advances and loss mitigation during equity market declines.

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 (the Account).

Most of the Account's outperformance versus the BXM℠ came during the equity market advance during the first half of the quarter. The Account's active and diversified approach resulted in a typical amount of market exposure over the course of the market advance while the rules-based timing of the BXM℠'s replacement of its single written index call contract resulted in the BXM℠ having less exposure to the market than usual. Specifically, the Account returned 7.86% from June 30 to August 16 relative to the 4.32% return of the BXM℠. Though the Account outperformed the BXM℠ over the period, it lagged the return of the S&P 500® Index. From August 16 through quarter end, the Account returned -11.58%, providing 494 bps of loss mitigation relative to the S&P 500® Index, but slightly underperformed the BXM℠.

The Account's underlying equity portfolio returned -5.14% in the third quarter, a negative performance differential of 26 bps relative to the S&P 500® Index. The Account's index call option writing generated risk-reducing cash flow throughout the quarter, and gains on written index call option positions contributed to downside protection in August and September. Index call option positions detracted from returns in July, as expected during sharp market advances.

In achieving its low-volatility objective, the Account's annualized standard deviation of daily returns for the quarter was 13.92% compared to 21.39% and 14.31% for the S&P 500® Index and the BXM℠, respectively. The Account exhibited a beta to the S&P 500® Index of 0.64 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 Account'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.

At the end of the quarter, index call options were sold against over 95% of the equity portfolio's value with 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%. Relative to the beginning of the quarter, this positioning represented greater net cash flow potential and higher market exposure.

Performance & Risk (%)	Q3 2022	YTD 2022	1 Year	3 Year	5 Year	10 Year	Inception (4/1/2008)	Inception Risk[1]
The Composite (net)	-4.56	-17.45	-12.12	3.73	4.01	6.60	5.98	10.54
BXM℠ Index	-7.59	-17.01	-11.21	0.48	1.94	4.75	4.09	12.02
S&P 500® Index	-4.88	-23.87	-15.47	8.16	9.24	11.70	9.32	16.21

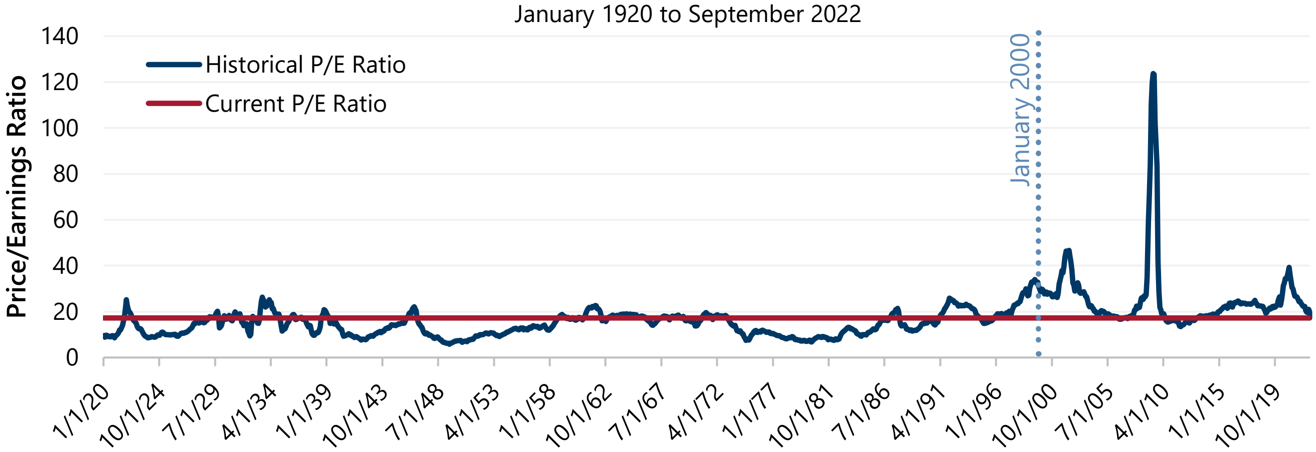
Data as of September 30, 2022. All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Periods greater than one year are annualized. Source: Morningstar Direct℠. 1: Based on standard deviation of monthly returns since Composite inception date of April 1, 2008.

Market Perspective – A New Era?

Savvy shoppers know a "25% Off" sale is not necessarily a good deal. Is the item discounted from a fair price, or did the retailer increase the price before marking it down? Determining whether the equity market offers a compelling buying opportunity also requires more information than simply knowing how much its price has fallen from its peak—even when the price has dropped by nearly 25%.

This year's bear market has brought equity valuations lower, but are they low? The P/E of the S&P 500® Index began 2022 around 23, based on trailing 12-month earnings, and ended the third quarter around 17. Over the last 25 years, the average P/E is approximately 26 and readings below 17 have occurred just 14% of the time. As Figure 1 illustrates, current valuations are low relative to recent history. However, they are high relative to the range that persisted prior to 2000.

Figure 1: S&P 500® Price/Earnings Ratio Remains High Relative to Pre-2000 Levels
January 1920 to September 2022



Data Source: Bloomberg, L.P. Past performance is not indicative of future results

As the table in Figure 2 shows, when the starting P/E of the S&P 500® Index is 17 or higher, the average annualized returns over 3-, 5- and 10-year periods have been much higher than typical levels of inflation, and returns over these multi-year periods have frequently been higher than even the record level of inflation that the economy has been experiencing recently.

Figure 2: Rolling S&P 500 Index® Returns Following a P/E of 17 or Higher
January 1, 1960 to December 31, 2000

	3-Year (%)	5-Year (%)	10-Year (%)
Average Return	9.08	8.48	7.10
Min Return	-14.55	-4.52	-3.43
Max Return	30.77	24.82	17.37
Smallest Drawdown	-6.19	-9.38	-15.37
Largest Drawdown	-44.73	-44.73	-50.95

Average min and max returns are annualized. Drawdowns are cumulative loss. Past performance is not indicative of future results. Data sources: Bloomberg, L.P. and Morningstar Direct℠.

While long-term returns have historically been attractive on-average, history also suggests that when valuations are at current levels or higher, the market can deliver short-term losses that can test the commitment of long-term investors. Data in Figure 2 also shows that investing at valuation levels similar or higher than current levels can produce negative long-term returns as well as significant shorter-term drawdowns. With uncertainty over inflation and the Fed policy, supply-chain issues, and the on-going conflict between Russia and Ukraine with the adjacent burgeoning European energy crisis, the current investment landscape includes multiple risk factors that could limit long-term returns and potentially trigger additional market downside.

At the end of the third quarter, equity market valuation was at a significant discount relative to valuation levels present for most of the 2000s. Investors may benefit from taking a longer view of history as they decide whether the current discount represents a compelling buy. History has shown that equity market returns from these valuation levels can be attractive, but investors must remain vigilant against downside risks. Strategies that utilize index options to reduce risk and generate attractive cash flow could be a great addition to any portfolio. With central bank policy, inflation and other potential risk factors present in fixed income markets, investors may be interested in alternatives such as the approach Gateway has taken to low-volatility equity investing since 1977.

Important Information

[i] The BXM℠ is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the index includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the Friday of the standard index-option expiration cycle and holding that position until the next expiration.

[ii] 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.

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 Gateway Active Index-Option Overwrite 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 on April 1, 2008.

The Composite's 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.

Past performance is no guarantee 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 Active Index-Option Overwrite 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 Active Index-Option Overwrite Composite

GIPS® Composite Report

Year End	Annual Performance Results				3-Year Standard Deviation			Number of Composite Accounts	Composite Assets (millions)	Firm Assets (millions)
	Composite		S&P 500® Index	BXM℠ Index	Composite	S&P 500® Index	BXM℠ Index			
	Gross	Net								
9 Months Ended 12/31/2008	-19.54%	-19.72%	-30.43%	-26.10%	N/A	N/A	N/A	1	$492	$7,071
2009	15.15	14.78	26.46	25.91	N/A	N/A	N/A	1	502	7,188
2010	13.30	12.91	15.06	5.86	N/A	N/A	N/A	1	516	7,699
2011	6.73	6.33	2.11	5.72	11.26%	18.97%	13.66%	1	496	8,081
2012	11.46	11.02	16.00	5.20	8.54	15.30	11.56	4	717	10,517
2013	14.91	14.46	32.39	13.26	6.28	12.11	9.39	4	1,233	12,475
2014	7.64	7.26	13.69	5.64	4.37	9.10	6.07	5	2,263	12,239
2015	5.98	5.57	1.38	5.24	5.37	10.62	6.52	6	2,404	12,210
2016	9.10	8.74	11.96	7.07	5.83	10.74	6.68	4	2,627	11,601
2017	13.83	13.44	21.83	13.00	5.47	10.07	5.83	4	2,665	12,559
2018	-4.86	-5.18	-4.38	-4.77	6.79	10.95	7.48	3	2,298	11,641
2019	17.85	17.42	31.49	15.68	7.41	12.10	7.95	2	1,486	10,950
2020	9.03	8.57	18.40	-2.75	12.33	18.80	14.72	2	1,491	9,963
2021	19.04	18.52	28.71	20.47	11.44	17.41	13.93	2	1,695	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. 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-Option Overwrite Composite contains fully discretionary hedged equity accounts that hold common stock and sell index call options on at least 95% of the underlying stock value. Indexes utilized for call option activity are U.S. domestic equity indexes that include all sectors of the economy. This call activity reduces volatility and provides cash flow. The creation and inception date of the Gateway Active Index-Option Overwrite Composite was April 1, 2008.

For comparison purposes the 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 Cboe® S&P 500 BuyWrite℠ Index (BXM℠ Index), a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index.

Performance results are expressed in U. S. dollars. Returns are presented gross and net of actual management fees and include the reinvestment of all income. Past performance is not indicative of future results. 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 Active Index-Option Overwrite Composite has had a performance examination for the periods April 1, 2008 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.