In Brief

- Gateway Index/RA Composite (the Composite) returned -3.84%, net of fees, in the third quarter compared to the -4.88% return of the S&P 500® Index and the -4.75% return of the Bloomberg U.S. Aggregate Bond Index (the Agg). (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. From its 2022 peak on January 3 through September 30, the S&P 500® Index declined 24.35%.

- With monthly net returns of 4.25%, -2.35% and -5.54% for July, August and September, respectively, 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 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.

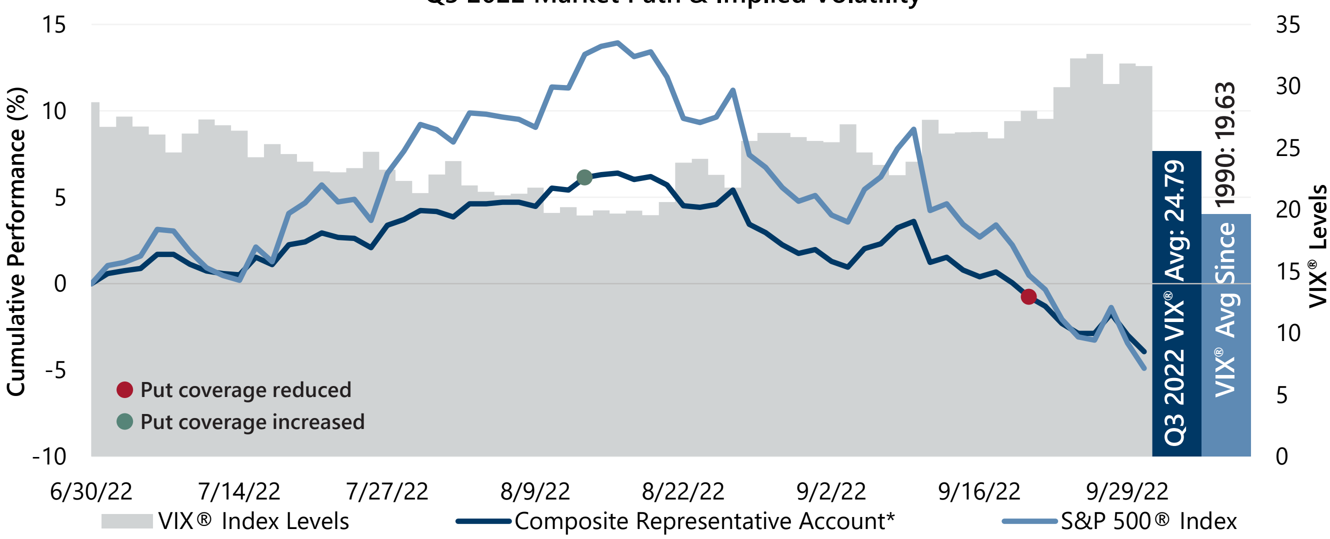
- The S&P 500® Index and the Composite* had an annualized standard deviation of daily returns of 21.39% and 11.11% for the quarter, respectively.

- 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.

- The team was active in its management of the Composite’s portfolio of index put options during the quarter, making 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 Composite’s typical risk profile.

- This year’s bear market has brought equity valuations lower, but are they *low*? The price-to-earnings ratio (P/E) 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



*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 -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 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 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 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 Index/RA Composite Performance

The Composite returned -3.84%, net of fees, in the third quarter, providing 104 basis points (bps) of loss mitigation relative to the S&P 500® Index, and bringing its year-to-date return to -15.75%. With monthly net returns of 4.25%, -2.35% and -5.54% for July, August and September, respectively, most of the Composite's outperformance was the result of significant loss mitigation provided during the equity market's steep decline.

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).[i]

Throughout the quarter, the Account provided participation in equity market advances and consistent loss mitigation during equity market declines. From the beginning of the quarter through August 16, the Account returned 6.40%, lagging the S&P 500® Index by 754 bps. The Account's lower-risk profile typically results in lagging performance over periods when the equity market advances at a well-above average rate. From August 16 through quarter-end, the Account provided 682 bps of loss mitigation relative to the S&P 500® Index with a return of -9.70%. With a return of -16.39% from January 3 through September 30, the Account provided 796 bps of loss mitigation during the equity market's year-to-date maximum drawdown period.

The Account's underlying equity portfolio returned -4.55% for the quarter, a positive performance differential of 33 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. Gains on purchased index put options also contributed to downside protection in the last two months of the quarter; however, the Account's call option and put option positions both 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 11.11%, significantly less than the 21.39% for the S&P 500® Index. The Account exhibited a beta to the S&P 500® Index of 0.51 for the quarter.

As the equity market advanced during the first half of the quarter, the investment team was patient in adjusting index call options 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 due to elevated implied volatility, allowed for attractive participation in the market's advance. As the equity market declined during the second half of 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 these adjustments were made, weighted-average time to expiration was kept relatively extended in an effort to shield the Account from the potentially adverse impact of sharp reversals in market direction.

The Account began the quarter with put coverage in a range of 65% to 80%, 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 Account for attractive outcomes in a wide range of market scenarios while keeping the Account's market exposure relatively consistent. As the market advanced during the first half of the quarter, the investment team gradually raised the put portfolio's weighted-average strike price by exchanging significantly out-of-the-money contracts for ones that had higher strike prices. On August 12, the team incrementally added index put options and brought put coverage to a range of 80% to 95%. Shortly after the Fed's rate increase announcement in September, as the equity market began to decline and implied volatility levels increased, the investment team closed out one put position in conjunction with an adjustment to the written call portfolio. The activity on September 21 brought put coverage into a range of 65% to 80%, a level 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, 36 days to expiration and annualized premium to earn between 7.5% and 10.0%. Index put options covered 65% to 80% of the portfolio and had a weighted-average strike price between 5.0% and 7.5% out-of-the-money, 73 days to expiration and an annualized cost between 5.0% and 7.5%. Relative to the beginning of the quarter, this positioning represented similar market exposure and higher net cash flow potential.

Performance & Risk (%)	Q3 2022	YTD 2022	1 Year	3 Year	5 Year	10 Year	Inception (1/1/1988)[1]	Inception Risk[1,2]
The Composite (Net)	-3.84	-15.75	-12.05	1.55	1.95	3.68	6.51	6.65
S&P 500® Index	-4.88	-23.87	-15.47	8.16	9.24	11.70	10.36	14.71
Bloomberg U.S. Aggregate Bond Index	-4.75	-14.61	-14.60	-3.26	-0.27	0.89	5.42	3.95

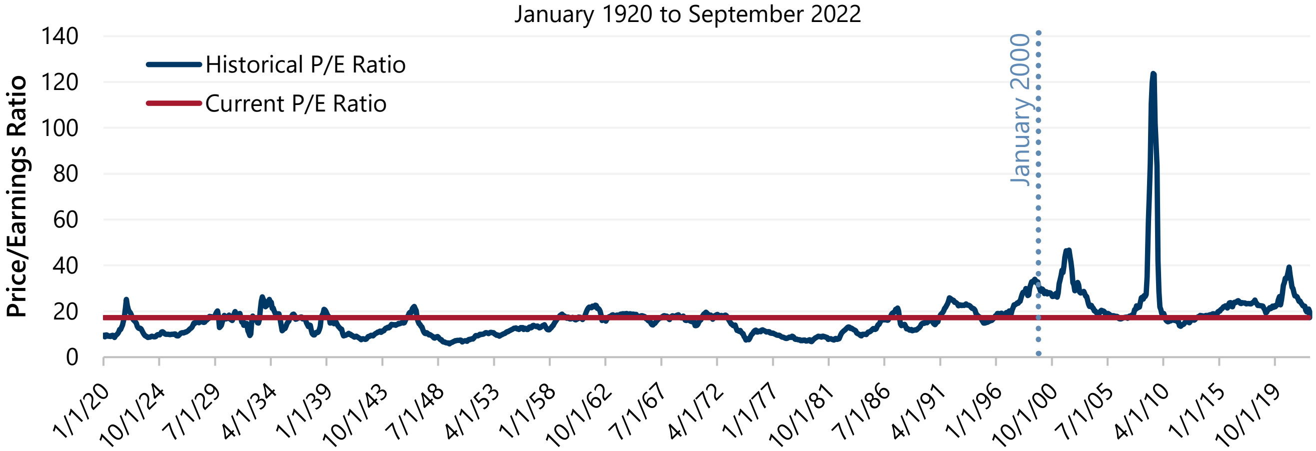
All performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Periods greater than one year are annualized. Data as of September 30, 2022. Source: Morningstar Direct℠. 1: Based on standard deviation of monthly returns since Composite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

Market Perspective – Are Equities on Sale?

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.

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.

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℠.

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

For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com/insights.

Gateway Investment Advisers, LLC (Gateway) is an independent registered adviser and a successor in interest to Gateway Investment Advisers, L.P. as of February 15, 2008. Performance information for the Gateway Index/RA Composite (the Composite) shown in this illustration is an asset-weighted composite of discretionary accounts under Gateway's management which share the same investment objectives and hedging strategies.

The Composite was created in January 1993. Prior to January 1, 1993, not all fully discretionary portfolios were represented in composites. Results shown for 1988 through 1992 are those of one representative account.

The Composite net of fee performance results reflect the reinvestment of dividends and other earnings, and reflect the deduction of investment advisory fees.

The effectiveness of Gateway's strategy might be reduced if the portfolio doesn't correlate to the performance of the index underlying its option positions. Rebalancing of a portfolio may involve tax consequences.

Selling index call options can reduce the risk of owning stocks, but limits the opportunity to profit from an increase in the market value of stocks in exchange for up-front cash at the time of selling the call option. Unusual market conditions or the lack of a ready market for any particular option at a specific time may reduce the effectiveness of the Composite's option strategy, and for these and other reasons the Composite's option strategy may not reduce the volatility to the extent desired.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. A more detailed description of Gateway's standardized fees is included in Form ADV, Part 2.

The GIPS® Composite Report for the Gateway Index/RA Composite is included with this document. Additional copies are available upon request by calling 513.719.1100.

Data sources: Gateway Investment Advisers, LLC, Bloomberg, L.P. and Morningstar Direct℠

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Gateway Index/RA Composite

GIPS® Composite Report

Year End	Annual Performance Results				3-Year Standard Deviation			Number of Composite Accounts	Composite Dispersion	Composite Assets (millions)	Firm Assets (millions)
	Composite Gross	Composite Net	S&P 500® Index	Bloomberg U.S. Aggregate Bond Index	Composite	S&P 500® Index	Bloomberg U.S. Aggregate Bond Index				
1993	8.44%	7.75%	10.08%	9.75%	N/A	N/A	N/A	15	0.7	$348	$408
1994	6.27	5.62	1.32	-2.92	N/A	N/A	N/A	14	0.5	303	660
1995	12.52	11.75	37.58	18.47	4.07%	8.34%	4.30%	12	1.6	283	473
1996	11.83	11.11	22.96	3.63	4.44	9.72	4.65	27	0.9	329	360
1997	13.34	12.58	33.36	9.65	3.83	11.30	4.06	27	1.1	399	476
1998	13.21	12.49	28.58	8.69	5.53	16.24	3.58	44	1.2	686	805
1999	12.94	12.27	21.04	-0.82	5.39	16.76	3.25	76	1.4	1,348	1,470
2000	6.55	6.08	-9.10	11.63	5.30	17.67	3.06	107	1.2	2,052	2,206
2001	-2.69	-3.28	-11.89	8.44	6.29	16.94	3.40	85	0.5	1,853	1,944
2002	-3.87	-4.45	-22.10	10.25	9.41	18.81	3.40	67	0.4	1,651	1,744
2003	12.53	11.84	28.68	4.10	9.70	18.32	4.26	59	0.4	2,029	2,160
2004	7.84	7.22	10.88	4.34	8.35	15.07	4.34	53	0.5	3,350	3,636
2005	5.86	5.17	4.91	2.43	4.09	9.17	4.12	35	0.5	3,879	6,134
2006	11.06	10.35	15.79	4.33	2.64	6.92	3.25	29	0.5	4,569	6,946
2007	8.67	7.99	5.49	6.97	3.10	7.79	2.80	25	0.5	4,780	7,892
2008	-13.39	-13.95	-37.00	5.24	8.41	15.29	4.03	22	1.0	5,073	7,071
2009	7.37	6.70	26.46	5.93	10.36	19.91	4.17	15	0.4	5,054	7,188
2010	5.76	5.11	15.06	6.54	11.01	22.16	4.22	12	0.1	5,552	7,699
2011	3.82	3.16	2.11	7.84	8.27	18.97	2.82	11	0.3	5,729	8,081
2012	5.41	4.74	16.00	4.22	5.84	15.30	2.42	10	0.2	7,424	10,517
2013	9.35	8.64	32.39	-2.02	4.23	12.11	2.75	11	0.2	8,899	12,475
2014	4.23	3.59	13.69	5.97	3.45	9.10	2.67	10	0.3	8,997	12,239
2015	3.20	2.54	1.38	0.55	3.97	10.62	2.92	11	0.2	8,783	12,210
2016	6.23	5.57	11.96	2.65	4.30	10.74	3.02	10	0.3	8,159	11,601
2017	10.73	10.07	21.83	3.54	4.01	10.07	2.81	10	0.2	9,028	12,559
2018	-3.43	-4.04	-4.38	0.01	5.11	10.95	2.88	10	0.1	8,534	11,641
2019	11.97	11.29	31.49	8.72	5.57	12.10	2.91	9	0.2	8,545	10,950
2020	8.03	7.34	18.40	7.51	8.62	18.80	3.40	9	0.1	7,486	9,963
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.